Stradling Yocca Carlson & Rauth
Draft of 9/8/20

PRELIMINARY OFFICIAL STATEMENT DATED SEPTEMBER __, 2020

NEW ISSUE - BOOK-ENTRY-ONLY

RATING:
S&P: "____"
(See "RATING" herein)

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

$22,000,000*
CITY OF CUPERTINO
2020A CERTIFICATES OF PARTICIPATION

Dated: Date of Delivery
Due: June 1, as shown on the inside cover

The City of Cupertino 2020A Certificates of Participation (the "Certificates") are being executed and delivered to (i) provide funds to prepay the outstanding Certificates of Participation (2012 Refinancing Project) (the "2012 Certificates"); and (ii) pay the costs of issuance incurred in connection with the execution and delivery of the Certificates. The Certificates represent fractional undivided interests of the registered owners thereof in certain lease payments (the "Lease Payments") to be made by the City of Cupertino (the "City") to the Cupertino Public Facilities Corporation (the "Corporation"), under a Lease Agreement, dated as of October 1, 2020 (the "Lease"), by and between the City and the Corporation. Pursuant to the Lease, the City will lease from the Corporation certain real property and the existing improvements thereof consisting of the City's City Hall, Administrative Offices, Cupertino Community Hall/Council Chambers, Senior Center, and Quinlan Community Center (collectively, the "Leased Premises"). See "DESCRIPTION OF THE LEASED PREMISES" and "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES" herein.

The Certificates will be executed and delivered in the principal amount of $5,000 and any integral multiple thereof pursuant to a Trust Agreement, dated as of October 1, 2020 (the "Trust Agreement"), by and among the City, the Corporation and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"). Interest represented by the Certificates is payable semiannually on June 1 and December 1 of each year, commencing on December 1, 2020. See "THE CERTIFICATES" herein.

The Certificates will be executed and delivered in book-entry form only and, when delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Certificates. Individual purchases of the Certificates will be made in book-entry form only. Principal, premium, if any, and interest payments due with respect to the Certificates are payable directly to DTC by the Trustee. Upon receipt of payments of principal, premium, if any, and interest, DTC will in turn distribute such payments to the beneficial owners of the Certificates. See Appendix F—"DTC BOOK-ENTRY SYSTEM" herein.

No reserve fund has been established in connection with the issuance of the Certificates.

The Certificates are subject to extraordinary prepayment prior to maturity, as described herein. See "THE CERTIFICATES—Prepayment" herein.

THE CERTIFICATES DO NOT CONSTITUTE AN OBLIGATION OF THE CORPORATION OR THE CITY FOR WHICH THE CORPORATION OR THE CITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE CORPORATION OR THE CITY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. THE OBLIGATION OF THE CITY TO MAKE LEASE PAYMENTS UNDER THE LEASE DOES NOT CONSTITUTE AN OBLIGATION OF THE CITY FOR WHICH THE CITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE CITY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. NEITHER THE CERTIFICATES NOR THE OBLIGATION OF THE CITY TO MAKE LEASE PAYMENTS CONSTITUTES AN INDEBTEDNESS OF THE CORPORATION, THE CITY, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

The purchase of the Certificates involves certain risks which should be considered by investors. See "RISK FACTORS" for a discussion of certain risk factors that should be considered in addition to the other matters set forth herein.

This cover page contains information for quick reference only. It is not a summary of this issue. Potential purchasers must read the entire Official Statement to obtain information essential to making an informed investment decision.

The Certificates will be offered when, as and if executed and delivered, and received by the Underwriter, subject to the approval as to their legality by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Special Counsel, and certain other conditions. Certain legal matters will be passed upon for the City and the Corporation by the City Attorney and by Stradling Yocca Carlson & Rauth, a Professional Corporation, as Disclosure Counsel, for the Underwriter by Quint & Thimmig LLP, Larkspur, California, as Underwriter's Counsel, and for the Trustee by its counsel. It is anticipated that the Certificates will be available in book-entry form for delivery to DTC in New York, New York, on or about October __, 2020.

STIFEL

Dated: _____, 2020

* *Preliminary, subject to change.*

$__________
CITY OF CUPERTINO
2020A CERTIFICATES OF PARTICIPATION

Maturity Schedule
(Base CUSIP†: __________)

Maturity (June 1)	***Principal Amount***	***Interest Rate***	***Yield***	***CUSIP†***

$__________ _____% Term Certificates due June 1, 20__ Yield _____%[C] CUSIP† _____

$__________ _____% Term Certificates due June 1, 20__ Yield _____%[C] CUSIP† _____

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CITY OF CUPERTINO
COUNTY OF SANTA CLARA, CALIFORNIA

CITY COUNCIL

Steven Scharf, *Mayor*
Darcy Paul, *Vice Mayor*
Liang Chao, *Council Member*
Rod Sinks, *Council Member*
Jon Willey, *Council Member*

CUPERTINO PUBLIC FACILITIES CORPORATION
BOARD OF DIRECTORS

Steven Scharf, *President*
Darcy Paul, *Vice President*
Liang Chao, *Board Member*
Rod Sinks, *Board Member*
Jon Willey, *Board Member*

CITY OFFICIALS

Deborah Feng, *City Manager*
Kristina Alfaro, *Administrative Services Director/City Treasurer*
Heather Minner, *City Attorney*
Kirsten Squarcia, *City Clerk*

SPECIAL COUNSEL AND DISCLOSURE COUNSEL

Stradling Yocca Carlson & Rauth,
a Professional Corporation
Newport Beach, California

MUNICIPAL ADVISOR

Urban Futures, Inc.
Tustin, California

TRUSTEE

The Bank of New York Mellon Trust Company, N.A.
Los Angeles, California

VERIFICATION AGENT

Robert Thomas CPA, LLC
Minneapolis, Minnesota

No dealer, broker, salesperson or other person has been authorized by the City or the Corporation to give any information or to make any representations in connection with the offer or sale of the Certificates other than those contained herein and, if given or made, such other information or representations must not be relied upon as having been authorized by the City or the Corporation. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Certificates by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers or owners of the Certificates. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact.

The Underwriter has provided the following sentence for inclusion in this Official Statement:

> The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

This Official Statement and the information contained herein are subject to completion or amendment without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or any other parties described herein since the date hereof. These securities may not be sold nor may an offer to buy be accepted prior to the time the Official Statement is delivered in final form. This Official Statement is being submitted in connection with the sale of the Certificates referred to herein and may not be reproduced or used, in whole or in part, for any other purpose, unless authorized in writing by the City. All summaries of documents and laws are made subject to the provisions thereof and do not purport to be complete statements of any or all such provisions.

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as a "plan," "expect," "estimate," "project," "budget," "intend" or similar words. Such forward-looking statements include, but are not limited to certain statements contained in the information under the captions "THE CITY OF CUPERTINO" and "CITY FINANCIAL INFORMATION."

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE CITY DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THE FORWARD-LOOKING STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT. IN EVALUATING SUCH STATEMENTS, POTENTIAL INVESTORS SHOULD SPECIFICALLY CONSIDER THE VARIOUS FACTORS WHICH COULD CAUSE ACTUAL EVENTS OR RESULTS TO DIFFER MATERIALLY FROM THOSE INDICATED BY SUCH FORWARD-LOOKING STATEMENTS.

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

THE CERTIFICATES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED IN SUCH ACT AND HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

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

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2020A CERTIFICATES OF PARTICIPATION

INTRODUCTION

This introduction contains only a brief summary of certain of the terms of the Certificates being offered, and a brief description of the Official Statement. All statements contained in this introduction are qualified in their entirety by reference to the entire Official Statement. References to, and summaries of, provisions of the Constitution and laws of the State of California and any documents referred to herein do not purport to be complete and such references are qualified in their entirety by reference to the complete provisions. Capitalized terms used in this Official Statement and not defined elsewhere herein have the meanings given such terms in Appendix C—"SUMMARY OF PRINCIPAL LEGAL DOCUMENTS" herein. This Official Statement speaks only as of its date, and the information contained herein is subject to change.

General

This Official Statement, including the cover page and the Appendices attached hereto (the "Official Statement"), provides certain information concerning the execution and delivery of the City of Cupertino 2020A Certificates of Participation (the "Certificates") in an aggregate principal amount of $22,000,000*. The Certificates will be executed and delivered pursuant to a Trust Agreement, dated as of October 1, 2020 (the "Trust Agreement"), by and among the City of Cupertino (the "City"), the Cupertino Public Facilities Corporation (the "Corporation") and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"). The Certificates represent fractional undivided interests of the registered owners thereof (the "Owners") in certain lease payments (the "Lease Payments") to be made by the City to the Corporation under that certain Lease Agreement, dated as of October 1, 2020 (the "Lease"), by and between the Corporation, as lessor, and the City, as lessee. See "DESCRIPTION OF THE LEASED PREMISES" and "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES—Lease Payments."

The Certificates are being delivered to provide funds to (i) prepay the City's outstanding Certificates of Participation (2012 Refinancing Project) (the "2012 Certificates"); and (ii) pay the costs of issuance incurred in connection with the execution and delivery of the Certificates. See "PREPAYMENT PLAN" herein.

The City is located in the County of Santa Clara (the "County"). For more information regarding the City, see the captions "THE CITY OF CUPERTINO," "CITY FINANCIAL INFORMATION" and Appendix A—"ECONOMIC AND DEMOGRAPHIC INFORMATION REGARDING THE CITY OF CUPERTINO."

Security and Sources of Payment for the Certificates

The Certificates are being executed and delivered pursuant to the Trust Agreement. The City has leased certain real property and the existing improvements thereon (collectively referred to herein as the "Leased Premises") consisting of the City's City Hall, Administrative Offices, Cupertino Community Hall/Council Chambers, Senior Center, and Quinlan Community Center pursuant to a Site Lease between the City, as lessor, and the Corporation, as lessee, dated as of October 1, 2020 (the "Site Lease"). Under the Lease, the Corporation has leased the Leased Premises back to the City. The City is required under the Lease to pay Lease Payments for the use and possession of the Leased Premises, as further described under the caption "DESCRIPTION OF THE LEASED PREMISES" herein. The City is also required to pay any taxes and assessments and the cost of maintenance and repair of the Leased Premises.

Pursuant to an Assignment Agreement, dated as of October 1, 2020 (the "Assignment Agreement") by and between the Corporation and the Trustee, the Corporation has assigned to the Trustee, for the benefit of the

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* *Preliminary, subject to change.*

Owners, substantially all of its rights under the Lease, including its rights to receive and collect Lease Payments and prepayments from the City under the Lease and rights as may be necessary to enforce payment of Lease Payments and prepayments. All rights assigned by the Corporation pursuant to the Assignment Agreement will be administered by the Trustee in accordance with the provisions of the Trust Agreement for the equal and proportionate benefit of all Owners.

The Certificates evidence fractional undivided interests of the Owners thereof in the right to receive Lease Payments and prepayments thereof to be made by the City to the Corporation under the Lease. The Lease Payments are calculated to be sufficient to pay, when due, the principal and interest with respect to the Certificates. The City has covenanted in the Lease that it will take such action as may be necessary to include the Lease Payments and other payments coming due under the Lease in its annual budgets and to make the necessary annual appropriations therefor as required by the Lease. The City's obligation to make Lease Payments is subject to complete or partial abatement in the event of the taking of, damage to or loss of use and possession of the Leased Premises. See "RISK FACTORS—Abatement" herein.

THE CERTIFICATES DO NOT CONSTITUTE AN OBLIGATION OF THE CORPORATION OR THE CITY FOR WHICH THE CORPORATION OR THE CITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE CORPORATION OR THE CITY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. THE OBLIGATION OF THE CITY TO MAKE LEASE PAYMENTS UNDER THE LEASE DOES NOT CONSTITUTE AN OBLIGATION OF THE CITY FOR WHICH THE CITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE CITY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. NEITHER THE CERTIFICATES NOR THE OBLIGATION OF THE CITY TO MAKE LEASE PAYMENTS CONSTITUTES AN INDEBTEDNESS OF THE CORPORATION, THE CITY, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

No Reserve Fund

The City has not established a reserve fund in connection with the execution and delivery of the Certificates. In the event of abatement of Lease Payments, only proceeds of insurance (including rental interruption insurance) may be available to pay Lease Payments. See "RISK FACTORS—Abatement" herein.

The Certificates

Interest represented by the Certificates is payable semiannually on June 1 and December 1 of each year, commencing on December 1, 2020 (each an "Interest Payment Date"). See "THE CERTIFICATES — General" herein. The Certificates will be executed and delivered in book-entry form only and, when delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Certificates. Individual purchases of the Certificates will be made in book-entry form only. Purchasers of the Certificates will not receive certificates representing their ownership interests in the Certificates purchased. The Certificates will be executed and delivered in the principal amount of $5,000 and any integral multiple thereof. Principal, premium, if any, and interest payments due with respect to the Certificates are payable directly to DTC by the Trustee. Upon receipt of payments of principal, premium, if any, and interest, DTC will in turn distribute such payments to the beneficial owners of the Certificates. See "THE CERTIFICATES—General" and Appendix F—"DTC BOOK-ENTRY SYSTEM" herein.

Additional Certificates

Pursuant to the Trust Agreement, the City may cause Additional Certificates to be executed and delivered without the consent of the Owners of the Certificates if certain conditions precedent are satisfied. In connection with the execution and delivery of Additional Certificates, the Lease Payments due under the Lease will be increased to an amount sufficient to pay the principal, premium (if any) and interest payable on all outstanding Certificates and Additional Certificates. The Certificates and any Additional Certificates will be secured on a parity under the Trust Agreement by Lease Payments and other amounts held in the funds established thereunder other than the Rebate Fund. See Appendix C—"SUMMARY OF PRINCIPAL LEGAL DOCUMENTS—DEFINITIONS AND SUMMARY OF THE TRUST AGREEMENT—THE CERTIFICATES—Additional Certificates."

Continuing Disclosure

The City has covenanted for the benefit of the holders and beneficial owners of the Certificates to provide, or cause to be provided, to the Municipal Securities Rulemaking Board for purposes of Rule 15c2-12(b)(5) (the "Rule") adopted by the Securities and Exchange Commission certain annual financial information and operating data and, in a timely manner, notice of certain enumerated events. These covenants have been made in order to assist the Underwriter in complying with the Rule. See "CONTINUING DISCLOSURE" herein for a description of the specific nature of the annual report and notices of enumerated events and a summary description of the terms of the Disclosure Certificate pursuant to which such reports are to be made.

Professionals Involved in the Offering

The Bank of New York Mellon Trust Company, N.A., Los Angeles, California, will act as Trustee with respect to the Certificates. The Certificates will be delivered subject to the approval as to their legality by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Special Counsel. Certain legal matters will be passed upon for the City and the Corporation by the City Attorney and by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, as Disclosure Counsel, for the Trustee by its counsel, and for the Underwriter by Quint & Thimmig LLP, Larkspur, California.

Financial Statements of the City

Included herein as Appendix B are the audited financial statements of the City as of and for the year ended June 30, 2019 (the "Financial Statements"), together with the report thereon dated March 6, 2020 of Crowe LLP, Costa Mesa, California (the "Auditor"). The Auditor has not undertaken to update the audited financial statements of the City or its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by the Auditor with respect to any event subsequent to its report dated March 6, 2020.

The Auditor's consent to inclusion of the Financial Statements in the Official Statement was not requested and the Auditor has not consented to the inclusion of the Financial Statements as an appendix to this Official Statement. The Auditor has not performed any procedures relating to this Official Statement.

Certificate Owners' Risks

Certain events could affect the ability of the City to make the Lease Payments when due. See the caption "RISK FACTORS" herein for a discussion of certain factors that should be considered, in addition to other matters set forth herein, in evaluating an investment in the Certificates.

Miscellaneous

It is anticipated that the Certificates in book-entry form will be available for delivery to DTC in New York, New York on or about October __, 2020 (the "Delivery Date").

The description herein of the Trust Agreement, the Lease, the Site Lease, the Assignment Agreement and any other agreements relating to the Certificates are qualified in their entirety by reference to such documents, and the descriptions herein of the Certificates are qualified in their entirety by the form thereof and the information with respect thereto included in the aforementioned documents. See Appendix C—"SUMMARY OF PRINCIPAL LEGAL DOCUMENTS" herein. Copies of the documents are on file and available for inspection at the offices of the Trustee at 400 South Hope Street, Suite 500, Los Angeles, California 90071, Attention: Corporate Trust Department.

All capitalized terms used in this Official Statement and not otherwise defined herein have the meanings given such terms in Appendix C—"SUMMARY OF PRINCIPAL LEGAL DOCUMENTS" herein.

The information and expressions of opinion herein speak only as of their date and are subject to change without notice. Neither the delivery of this Official Statement nor any sale made hereunder nor any future use of this Official Statement shall, under any circumstances, create any implication that there has been no change in the affairs of the City since the date hereof.

The presentation of information, including tables of receipt of revenues, is intended to show recent historical information and, is not intended to indicate future or continuing trends in the financial position or other affairs of the City. No representation is made that past experience, as it might be shown by such financial and other information, will necessarily continue or be repeated in the future.

PREPAYMENT PLAN

The Certificates are being sold to provide for the prepayment of the 2012 Certificates. Proceeds from the sale of the Certificates will be deposited in an escrow fund (the "Escrow Fund") to be established by The Bank of New York Mellon Trust Company, N.A., as escrow agent and trustee for the 2012 Certificates (the "Escrow Agent"), pursuant to the 2012A Certificates Escrow Agreement (the "Escrow Agreement") by and between the City and the Escrow Agent. Amounts in the Escrow Fund will be applied by the Escrow Agent pursuant to the Escrow Agreement and the trust agreement for the 2012 Certificates, for the sole benefit of the holders of the 2012 Certificates. The amounts in the Escrow Fund will not serve as security or be available for payment of principal of or interest or premium, if any, with respect to the Certificates.

The City plans to prepay all of the $__________ remaining outstanding principal amount of the 2012 Certificates at a prepayment price equal to the principal amount of the 2012 Certificates, plus accrued and unpaid interest to the prepayment date, without premium.

Robert Thomas CPA, LLC, acting as verification agent, will certify, in writing, that the amounts so transferred to the Escrow Agent, along with the interest earnings thereon will be sufficient to prepay the 2012 Certificates on the prepayment date at the required prepayment price.

DESCRIPTION OF THE LEASED PREMISES

The Leased Premises consist of (i) approximately 5.6 acres of land owned by the City at the corner of Torre Avenue and Rodrigues Street, which contains the City's City Hall and Administrative Offices and the Cupertino Community Hall/City Council Chambers, (ii) approximately 7.2 acres of land owned by the City, located at 10185 North Stelling Road, at which the Quinlan Community Center is located, and (iii) approximately 14.5 acres of land owned by the City, located at 21251 Stevens Creek Boulevard, at which the City's Senior Center is located.

City Hall and Administrative Offices. The City's City Hall and Administrative Offices building was built in 1965 and renovated in 1986. The structure consists of a two-story office building of approximately 23,040 total square feet. The insured value of the City's City Hall and Administrative Offices building is currently approximately $8,080,180. The City estimates that the parcel on which the City Hall and Administrative Office building and the Community Hall/City Council Chambers building are located has a market value of at least $17.79 million.

In 2019 the City commissioned a facility condition and use assessment with respect to the City Hall building. The report found that the City Hall building is seismically and structurally deficient. Further, although City Hall houses the City's Emergency Operations Center ("EOC"), the report found that City Hall does not meet the structural standards for this use. The report recommended various renovations to City Hall to correct various structural and non-structural deficiencies. If City Hall is renovated to address these deficiencies, the occupants may be required to be relocated during certain structural repairs, which the report estimated would take two months. A more extensive renovation or rebuilding of City Hall would necessitate the relocation of the City's EOC and administrative functions for a longer period of time. The City may instead determine to relocate its EOC and administrative functions from City Hall permanently and use the City Hall structure for other purposes. The Lease allows any of these options, subject to satisfaction of various conditions. See Appendix C—"SUMMARY OF PRINCIPAL LEGAL DOCUMENTS—DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE LEASE—COVENANTS WITH RESPECT TO THE LEASED PREMISES—Modification of the Leased Premises" and "—ASSIGNMENT, SUBLEASING AND AMENDMENT—Assignment and Subleasing by the City."

The City could elect to finance the renovation or rebuilding of the City Hall and Administrative Office building through the execution and delivery of Additional Certificates, payable from Lease Payments on a parity with the Certificates. See Appendix C—"SUMMARY OF PRINCIPAL LEGAL DOCUMENTS—DEFINITIONS AND SUMMARY OF THE TRUST AGREEMENT—THE CERTIFICATES—Additional Certificates." Alternatively, the City could elect to release the portion of the Leased Premises containing the City Hall and Administrative Office building from the Lease, subject to satisfaction of the requirements set forth in the Lease. See the captions "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES—Substitution or Release of the Leased Premises" and "RISK FACTORS—Release or Substitution of Property" herein and Appendix C—"SUMMARY OF PRINCIPAL LEGAL DOCUMENTS—DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE LEASE—COVENANTS WITH RESPECT TO THE LEASED PREMISES—Substitution or Release of the Leased Premises."

Community Hall and City Council Chambers. The Cupertino Community Hall/City Council Chambers building was built in 2004 and is a one-story multi-purpose building of approximately 6,516 square feet. The insured value of the Cupertino Community Hall/City Council Chamber is currently $2,598,628.

Quinlan Community Center. The Quinlan Community Center building was built in 1990. The structure consists of a single-story building of approximately 28,695 total square feet, which serves as a recreation center, with a community kitchen, two meeting halls, a music room, conference room, craft room, pre-school room, activity room, dance studio, lobby area and offices. The insured value of the Quinlan Community Center building is approximately $8,925,464.

Senior Center. The Senior Center building was built in 2000. The structure consists of a single-story building of approximately 15,675 square feet. The Senior Center serves as the City's Senior Recreation Center, and has a commercial kitchen, reception hall, offices, reading area, dance studio, conference room, computer lab, classrooms, and art rooms. The insured value of the Quinlan Community Center building is approximately $6,200,839.

Pursuant to the terms of the Site Lease, the City has leased the Leased Premises to the Corporation. Pursuant to the terms of the Lease, the Corporation has leased the Leased Premises back to the City.

Pursuant to the Lease, the City and the Corporation have agreed and determined that the Lease Payments required to be made under the Lease represent the fair rental value of the Leased Premises. Under the terms of the Lease, the City may substitute other property for the Leased Premises, or any portion thereof, and may release portions of the Leased Premises provided that certain conditions set forth in the Lease are met. See the captions "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES—Substitution or Release of the Leased Premises" and "RISK FACTORS—Release or Substitution of Property" herein and Appendix C—"SUMMARY OF PRINCIPAL LEGAL

DOCUMENTS—DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE LEASE—COVENANTS WITH RESPECT TO THE LEASED PREMISES—Substitution or Release of the Leased Premises."

ESTIMATED SOURCES AND USES OF FUNDS

The following table summarizes the estimated sources and uses of Certificate proceeds:

Sources of Funds	
Principal Amount of Certificates	$
[Net] Original Issue Premium	
2012 Certificates Reserve Fund	
Total Sources	$
Uses of Funds	
Escrow Fund	$
Costs of Issuance[(1)]	
Total Uses	$

(1) Includes underwriter's discount, Special Counsel fees, title insurance, rating agency and verification agent fees, and other issuance costs.

THE CERTIFICATES

General

The Certificates will be executed and delivered in the form of fully registered Certificates in principal amounts of $5,000 and any integral multiple thereof. The Certificates will be dated their date of delivery and mature on June 1 in the years set forth on the inside cover page hereof. Each Certificate will be payable with respect to interest on June 1 and December 1 of each year, commencing on December 1, 2020, at the respective rates of interest set forth on the inside cover page hereof.

The Certificates will be executed and delivered in book-entry form only and, when delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Certificates. Individual purchases of the Certificates will be made in book-entry form only. Purchasers of the Certificates will not receive certificates representing their ownership interests in the Certificates purchased. Principal, premium, if any, and interest payments due with respect to the Certificates are payable directly to DTC by the Trustee. Upon receipt of payments of principal, premium, if any, and interest, DTC will in turn distribute such payments to the beneficial owners of the Certificates. See Appendix F—"DTC BOOK-ENTRY SYSTEM" herein.

Prepayment

Extraordinary Prepayment from Net Proceeds. The Certificates are subject to prepayment prior to their respective maturity dates on any date, in whole or in part, from Net Proceeds which the Trustee deposits in the Prepayment Fund as provided in the Lease at least 45 days prior to the date fixed for prepayment and credited toward the prepayment made by the City pursuant to the Lease, at a prepayment price equal to the principal amount thereof together with the accrued interest to the date fixed for prepayment, without premium.

"Net Proceeds" means any proceeds of any insurance, performance bonds or taking by eminent domain or condemnation paid with respect to the Leased Premises remaining after payment therefrom of any expenses (including attorneys' fees) incurred in the collection thereof.

For extraordinary prepayment of Certificates pursuant to the Trust Agreement, the Trustee will select Certificates for prepayment so that the Net Proceeds will be applied to prepay a proportionate amount of Certificates and Additional Certificates based on the Outstanding principal amount and by lot within any maturity. The Trustee will promptly notify the City and the Corporation in writing of the Certificates so selected for prepayment by mailing to the City and the Corporation copies of the notice of prepayment provided for in the Trust Agreement.

No Optional Prepayment. The Certificates are not subject to optional prepayment prior to their respective maturity dates.

Prepayment Procedures

When prepayment is authorized or required pursuant to the Trust Agreement, the Trustee will give notice of the prepayment of the Certificates. Such notice will specify: (a) the prepayment date, (b) the prepayment price, (c) if less than all of the Outstanding Certificates are to be prepaid, the Certificate numbers (and in the case of partial prepayment, the respective principal amounts), (d) the CUSIP numbers of the Certificates to be prepaid, (e) the place or places where the prepayment will be made, and (f) the original date of execution and delivery of the Certificates. Such notice will further state that on the specified date there will become due and payable upon each Certificate to be prepaid, the portion of the principal amount of such Certificate to be prepaid, together with interest accrued to said date, and that from and after such date, provided that moneys therefor have been deposited with the Trustee, interest with respect thereto will cease to accrue and be payable.

Notice of prepayment will be sent by first class mail or delivery service postage prepaid, or by telecopy, to the Depository on the date of mailing of notice to the Owners by first class mail and by first class mail, postage prepaid, to the Corporation and the respective Owners of any Certificates designated for prepayment at their addresses appearing on the Certificate registration books, at least 20 days, but not more than 60 days, prior to the prepayment date; provided that neither failure to receive such notice nor any defect in any notice so mailed will affect the sufficiency of the proceedings for the prepayment of such Certificates. Under no circumstances will the Trustee have any liability to any party for any inaccurate CUSIP number.

So long as DTC is the registered Owner of the Certificates, all such notices will be provided to DTC as the Owner, without respect to the beneficial ownership of the Certificates. See Appendix F—"DTC BOOK-ENTRY SYSTEM" herein.

Notice having been given to the Owners of any Certificates being prepaid as set forth in the Trust Agreement, and the moneys for the prepayment (including the interest to the applicable date of prepayment), having been set aside in the Prepayment Fund, the Certificates will become due and payable on the date of prepayment, and upon presentation and surrender thereof at the Principal Office of the Trustee such Certificates will be paid at the prepayment price with respect thereto, plus interest accrued and unpaid to the date of prepayment.

If, on the date of prepayment moneys for the prepayment of all the Certificates to be prepaid, together with interest to the date of prepayment, are held by the Trustee so as to be available therefor on such date of prepayment, and, if notice of prepayment thereof has been given as described in the Trust Agreement, then, from and after the date of prepayment, interest with respect to the Certificates to be prepaid will cease to accrue and become payable. All moneys held by or on behalf of the Trustee for the prepayment of Certificates will be held in trust for the account of the Owners of the Certificates so to be prepaid, without liability for interest thereon.

All Certificates paid at maturity or prepaid prior to maturity pursuant to the provisions of the Trust Agreement will be cancelled upon surrender thereof and destroyed.

Partial Prepayment

Upon surrender by the Owner of a Certificate for partial prepayment at the Principal Office of the Trustee, payment of such partial prepayment of the principal amount of a Certificate will be paid to such Owner. Upon surrender of any Certificate prepaid in part only, the Trustee will execute and deliver to the registered Owner thereof, at the expense of the City, a new Certificate or Certificates which shall be of authorized denominations equal to the unprepaid portion of the Certificate surrendered and of the same tenor and maturity. Such partial prepayment will be valid upon payment of the amount thereby required to be paid to such Owner, and the City, the Corporation and the Trustee will be released and discharged from all liability to the extent of such payment.

SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES

The Certificates do not constitute an obligation of the Corporation or the City for which the Corporation or the City is obligated to levy or pledge any form of taxation or for which the Corporation or the City has levied or pledged any form of taxation. The obligation of the City to make Lease Payments under the Lease does not constitute an obligation of the City for which the City is obligated to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation. Neither the Certificates nor the obligation of the City to make Lease Payments constitutes an indebtedness of the Corporation, the City, the State of California or any of political subdivision thereof within the meaning of any constitutional or statutory debt limitation or restriction.

General

Each Certificate represents a fractional undivided interest of the Owner thereof in the Lease Payments and prepayments to be made by the City to the Trustee under the Lease. The Certificates are secured under the Trust Agreement by the respective Lease Payments and other amounts held in the respective funds established thereunder for such series of Certificates other than the Rebate Fund. The City is obligated to pay Lease Payments from any source of legally available funds, and has covenanted in the Lease to include all Lease Payments coming due in its annual budgets and to make the necessary annual appropriations therefor as required under the Lease. The Corporation, pursuant to the Assignment Agreement, has assigned all of its rights under the Lease (excepting certain rights as specified therein), including the right to receive Lease Payments and prepayments, to the Trustee for the benefit of the respective Owners. By the second Business Day prior to each Interest Payment Date (if such day is not a Business Day, the next succeeding Business Day), the City must pay to the Trustee a Lease Payment (to the extent required under the Lease) which is expected to equal the amount necessary to pay the principal and interest with respect to the Certificates (including the Certificates) on the next succeeding Interest Payment Date.

The City's obligation to make Lease Payments will be abated in whole or in part, and to the extent of, substantial interference with use and possession of all or part of the Leased Premises arising from material damage, destruction, title defect or taking by eminent domain or condemnation of the Leased Premises. Abatement would not constitute a default under the Lease and the Trustee would not be entitled in such event to pursue remedies against the City. See "RISK FACTORS—Abatement" herein.

Under the Lease, the City agrees to pay certain taxes, assessments, utility charges, and insurance premiums charged with respect to the Leased Premises, the Certificates and any Additional Certificates and fees and expenses of the Trustee. The City is responsible for repair and maintenance of the Leased Premises during the term of the Lease. The City may, at its own expense, in good faith contest such taxes, assessments and utility and other charges if certain requirements set forth in the Lease are satisfied, including obtaining an opinion of counsel that the Leased Premises will not be subjected to loss or forfeiture.

Should the City default under the Lease, the Trustee, as assignee of the Corporation, may terminate the Lease and re-lease the Leased Premises or may retain the Lease and hold the City liable for all Lease Payments thereunder on an annual basis. **Under no circumstances will the Trustee have the right to accelerate Lease**

Payments. The exercise of the remedies provided to the Trustee is subject to various limitations on the enforcement of remedies against public agencies. See “RISK FACTORS—Default” herein.

Lease Payments

Subject to the provisions of the Lease regarding complete or partial abatement in the event of loss of use and possession of any portion of the Leased Premises (see the caption “RISK FACTORS — Abatement” herein) and prepayment of Lease Payments (see the provisions relating to prepayment under the caption “THE CERTIFICATES” herein), the City agrees to pay to the Corporation, its successors and assigns, the Lease Payments as annual rental for the use and possession of the Leased Premises. The Lease Payments are due and payable on the second Business Day prior to each Interest Payment Date (each, a “Lease Payment Date”).

Any monies held in an account of the Lease Payment Fund on any Lease Payment Date (other than amounts resulting from the prepayment of the Lease Payments in part but not in whole pursuant to the Lease and other amounts required for payment of past due principal or interest with respect to any Certificates not presented for payment) shall be credited to the payment of the respective Lease Payments due and payable on such Lease Payment Date to which such account of the Lease Payment Fund applies.

The Trust Agreement requires that Lease Payments be deposited in the Lease Payment Fund maintained by the Trustee. Pursuant to the Trust Agreement, on June 1 and December 1 of each year, commencing December 1, 2020, the Trustee will apply such amounts in the respective accounts of the Lease Payment Fund as are necessary to make interest and principal payments, as applicable, with respect to the Certificates as the same shall become due and payable, in the amounts specified in the Lease.

Substitution or Release of the Leased Premises

The Lease provides that the City shall have the right to substitute alternate real property for any portion of the Leased Premises or to release a portion of the Leased Premises from the lien of the Lease so long as the conditions precedent described below have been satisfied:

(A) The City has delivered a written certificate to the Trustee setting forth its findings that the Leased Premises, as constituted after such substitution or release: (i) has an annual fair rental value at least equal to the maximum Lease Payments payable by the City in any rental period; and (ii) has a useful life in excess of the final maturity of any Outstanding Certificates;

(B) the City has obtained or caused to be obtained an ALTA title insurance policy or policies with respect to any substituted property in the amount at least equal to the aggregate principal amount of any Outstanding Certificates of the type and with the endorsements described in the Lease;

(C) the City has provided the Trustee with an opinion of Special Counsel to the effect that such substitution or release will not, in and of itself, cause the interest evidenced and represented by the Certificates and any Additional Certificates (to the extent such Additional Certificates are executed and delivered as tax-exempt Certificates) to be included in gross income for federal income tax purposes;

(D) the City, the Corporation and the Trustee have executed, and the City has caused to be recorded with the Santa Clara County Recorder, any document necessary to reconvey to the City the portion of the Leased Premises being released and to include any substituted real property in the description of the Leased Premises contained herein and in the Site Lease; and

(E) the City has provided notice of such substitution or release to each rating agency then rating the Certificates.

See “RISK FACTORS—Release or Substitution of Property” and Appendix C—“SUMMARY OF PRINCIPAL LEGAL DOCUMENTS—DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE LEASE—COVENANTS WITH RESPECT TO THE LEASED PREMISES—Substitution or Release of the Leased Premises.”

No Reserve Fund

The City has not established a reserve fund in connection with the execution and delivery of the Certificates. In the event of abatement of Lease Payments, only proceeds of rental interruption insurance or net proceeds of insurance may be available to pay Lease Payments. See the caption “RISK FACTORS—Abatement” herein.

Additional Payments

Under the Lease, the City is to pay such amounts (“Additional Payments”) as are required for the payment of all administrative costs of the Corporation relating to the Leased Premises or the Certificates, including, without limitation, all expenses, compensation and indemnification of the Trustee payable by the City under the Trust Agreement, taxes of any sort whatsoever payable by the Corporation as a result of its leasehold interest in the Leased Premises or undertaking of the transactions contemplated in the Lease or in the Trust Agreement, fees of auditors, accountants, attorneys or engineers and any and all other necessary administrative costs of the Corporation or charges required to be paid by it in order to comply with the terms of the Certificates or of the Trust Agreement, including premiums on insurance required to be maintained by the Lease or to indemnify the Corporation and its employees, officers and directors and the Trustee.

Insurance

Pursuant to the Lease, the City is required to obtain an ALTA leasehold title insurance policy (with western regional exceptions) on the Leased Premises in an amount equal to the aggregate principal component of unpaid Lease Payments. The Lease also requires that the City maintain casualty insurance on the Leased Premises in amount equal to replacement value and rental interruption insurance to insure against loss of Lease Payments caused by loss or damage to the Leased Premises covered under the City’s casualty insurance. The rental interruption insurance is to be in an amount not less than the maximum remaining scheduled Lease Payments in any future two-year period. The City also is obligated under the Lease to obtain a standard comprehensive general public liability and property damage insurance policy or policies and workers’ compensation insurance. See “THE CITY OF CUPERTINO—Risk Management” and Appendix C—“SUMMARY OF PRINCIPAL LEGAL DOCUMENTS—DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE LEASE—Risk Management” herein.

The proceeds of any rental interruption insurance will be deposited in the Lease Payment Fund, to be credited towards the payment of the Lease Payments in the order in which such Lease Payments become due and payable. The Lease requires the City to apply the Net Proceeds of any insurance award either to replace or repair the Leased Premises or to prepay Certificates and Additional Certificates, if any, if certain certifications with respect to the adequacy of the Net Proceeds to make repairs, and the timing thereof, cannot be made. See Appendix C—“SUMMARY OF PRINCIPAL LEGAL DOCUMENTS—DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE LEASE—DAMAGE, DESTRUCTION AND EMINENT DOMAIN; USE OF NET PROCEEDS.” The amount of Lease Payments will be abated and Lease Payments due under the Lease may be reduced during any period in which by reason of material damage, destruction, title defect or taking by eminent domain or condemnation of the Leased Premises there is substantial interference with the City’s use and possession of all or part of the Leased Premises. The City is not required by the Lease to maintain earthquake or flood insurance for the Leased Premises and does not make any assurances about its ability or willingness to maintain such insurance in the future. See “THE CITY OF CUPERTINO—Risk Management” and “RISK FACTORS—Abatement” herein.

CERTIFICATE PAYMENT SCHEDULE

Lease Payments are required to be made by the City under the Lease on each Lease Payment Date for the use and possession of the Leased Premises for the period commencing as of the date of delivery of the Certificates and terminating on June 1, 2030, or a later date if such date is extended as provided in the Lease. The Interest Payment Dates with respect to the Certificates are June 1 and December 1, commencing December 1, 2020. The aggregate annual amounts of Certificate payments, comprising interest and principal payable to the Owners, are set forth below for each annual period ending on June 1 of the years indicated.

Annual Period (Ending June 30)	***Principal***	***Interest***	***Total***
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
Totals			

Source: The Underwriter

THE CITY OF CUPERTINO

General

The City is located in Santa Clara County, at the southern end of the San Francisco Bay Peninsula, approximately 11 miles northwest of San Jose and approximately 42 miles south of San Francisco. The City is bordered by the cities of San Jose, Saratoga, Sunnyvale, Santa Clara and Los Altos. The City was incorporated on October 10, 1955 as a general law city.

The City, located in the heart of the Silicon Valley, was born from a community of farmers. In 1955, when Cupertino officially became the 13th city in Santa Clara County, its population was about 2,000 and its geographical area encompassed 3.79 square miles. As of January 1, 2020, the City had an estimated population of approximately 59,549 and the City limits now stretch across 13 square miles.

The City occupies the geographic center of Silicon Valley. The City is the world headquarters for major corporations such as Apple, Seagate Technology, Verigy and Durect Corporation, and houses sixty high-tech firms. The City has thirteen shopping centers. Apple recently completed construction of its new corporate campus, Apple Park, which includes approximately 2.8 million square feet of office and research and development space within the City.

City departments include Administration (City Council, commissions, city manager, city attorney); Administrative Services (finance, human resources, information technology, city clerk, neighborhood watch, emergency preparedness, code enforcement); Community Development (planning, building, and economic development); Parks and Recreation; Public Works (engineering, maintenance, transportation, solid waste, and storm drain management); and Public and Environmental Affairs. Police service is provided by a City contract with the Santa Clara County Sheriff’s Department, and fire service is provided by a separate taxing entity, the Santa Clara County Central Fire Protection District.

See Appendix A—"ECONOMIC AND DEMOGRAPHIC INFORMATION REGARDING THE CITY OF CUPERTINO" for a general description of the City as well as certain demographic and statistical information.

See Appendix A—GENERAL, ECONOMIC AND DEMOGRAPHIC INFORMATION RELATING TO THE CITY AND THE COUNTY for a general description of the City as well as certain demographic and statistical information.

City Council

The City operates under a Council-City Manager form of government. There are five council members who are elected at-large to overlapping four-year terms. The Mayor and the Vice Mayor are filled annually by election of the council members. The City Council is responsible for, among other things, establishing local law and policies through the enactment of ordinances and resolutions, adopting the City budget, appointing members to advisory municipal activities, and serving on regional committees and boards whose policies may affect the City. The members of the City Council and the expiration dates of their respective terms are as follows:

CITY OF CUPERTINO
City Council

Name	***Term Expires***
Steven Scharf, Mayor	December 2020
Darcy Paul, Vice Mayor	December 2022
Liang Chao, Council Member	December 2022
Rod Sinks, Council Member	December 2020
Jon Willey, Council Member	December 2022

The City Council appoints the City Manager who is responsible for the daily administration of City affairs. The City Council also appoints the City Attorney and the City Treasurer. All other employees are appointed by the City Manager

City Management

A summary of certain City executive staff are described below.

City Manager. The City Manager is responsible for the day-to-day administration of the City. The City Manager's office implements policy decisions of the City Council, provides leadership and strategic direction to the City's leadership team and organization, as well as ensuring that initiatives and programs align with the City's mission and reflect the values of the community. The City Manager's office provides overall guidance to all City operating departments and is responsible for the administration of City programs to ensure the delivery of high quality services in an efficient and cost-effective manner.

The City's current City Manager is Ms. Deborah Feng. Ms. Feng began serving as City Manager of the City in June 2019. Prior to being appointed as City Manager of the City, Ms. Feng had more than 30 years of management and administration experience with the National Aeronautics and Space Administration at Ames Research Center in Moffett Field, California, where her responsibilities included working with city governments, financial management and budgeting, master planning and facilities construction, information technology, human resources, partnerships and communications and outreach.. Ms. Feng holds a bachelor's degree in Mass Communications, Radio and Television from the University of California, Berkeley and a master's degree in Business Administration from San Jose State University.

City Treasurer. The City Treasurer is charged with investing City funds, producing monthly reports to identify amounts and types of investment instruments, arranging payments on City bonds and coordinating financial transactions. The City Treasurer is appointed by the City Council. In 2014, the City Council appointed Ms. Kristina Alfaro to the position of City Treasurer; Ms. Alfaro also serves as the Administrative Services Director.

Kristina Alfaro was hired by the City of Cupertino in December 2012 and assumed the responsibilities of City Treasurer and Director of Administrative Services in November 2014. Ms. Alfaro had previously served as the Assistant to the City Manager for the City. Her municipal experience also includes seven years as Associate Management Analyst with the Stanislaus County's Chief Executive Office. While in Cupertino Ms. Alfaro has led the effort to modernize the City's financial and human resource systems by replacing the City's legacy system that had been in place for over 15 years. In addition, she led financial transparency efforts by redesigning the City's budget document and budget process and adding a financial transparency portal. She helped to maintain the City's strong fiscal position by implementing 115 trusts for both retiree health and pension costs and developing a strong reserve policy. Ms. Alfaro received her bachelor's degree from San Jose State University, San Jose, California. Ms. Alfaro has over fifteen years of combined financial experience in the public sectors. Professional affiliations include GFOA and CSMFO.

City Attorney. The City Attorney functions include advising the City Council and City officers in all matters pertaining to their respective offices, giving advice or opinions on the legality of all matters under consideration by the Council or by any of the boards, commissions, committees or officers, and preparing and/or approving all ordinances, resolutions, agreements, contracts, and other legal instruments as shall be required for the proper conduct of the business of the City and approving the form of all contracts, agreements, and bonds given to the City. The City Attorney is appointed by the City Council. In 2019, the City Council appointed Ms. Heather Minner as a contract City Attorney. Ms. Minner is a partner with the law firm of Shute, Mihaly & Weinberger LLP. Ms. Minner has extensive experience representing public agency clients and frequently assists cities and local agencies in land use and administrative matters. Ms. Minner received a bachelor's degree in history from the University of California, Berkeley, a master's degree in urban planning from the University of California, Los Angeles, and a Juris Doctorate from the University of California Berkeley School of Law.

Employee and Employee Relations

As of June 30, 2020, the City had approximately 198 full-time equivalent employees. In accordance with the provisions of California Government Code Section 3500, the City participates in labor negotiations with its employee associations. The result of the negotiations processes are memorialized in memoranda of understanding reached between the City and the City employee associations. The table below lists the City's two employee associations and the approximate membership as of June 30, 2020, as well as the unrepresented employees:

Unit/Affiliation	***Contract Expiration Date***	***Number of Members***
Cupertino Employee's Association	June 30, 2022	65
Operating Engineers Local No. 3 Union, AFL-CIO	June 30, 2022	55
Unrepresented Employees Compensation Program		70
	Total	190

Source: City of Cupertino.

The City has not experienced a strike or work stoppage in the last ten years.

Prior Employee Embezzlement

On September 5, 2018 the Santa Clara County Sheriff's Office arrested a former City employee for her alleged role in the embezzlement of public funds. The employees is alleged to have issued and cashed numerous fraudulent checks between 2000 and 2014 for a total of $791,494. The State Attorney General's Office has brought criminal charges against the former employee. The City is working with the Attorney General's Office to seek maximum restitution from the former employee through the criminal proceedings.

City staff discovered the fraudulent checks in 2018, during a multi-year, detailed review of the City's accounts following the implementation of an upgraded financial system in 2014, which was intended to strengthen the City's internal controls.

The new financial system implemented by the City in December 2014 increased the magnitude and volume of internal controls by establishing multi-layer approvals within the system. In conjunction with the system upgrade in 2014, the City incorporated a decentralized accounting structure and hired additional accounting staff to enhance segregation of duties and implemented an internal audit function in fiscal year 2019-20. In addition, the City holds quarterly Audit Committee meetings for purposes of (1) reviewing annual audit reports and management letters, (2) recommending appointment of auditors, (3) reviewing quarterly treasurer's reports, (4) recommending budget formats, and (5) reviewing City investment policies and internal controls of such policies.

Risk Management

General and Property Liability. The City is self-insured for the first $250,000 of general and property liability for each occurrence, and the excess (up to $10,000,000 for each occurrence and annual aggregate) is covered through the City's participation in Pooled Liability Assurance Network Joint Powers Authority ("PLAN JPA") (previously the Association of Bay Area Governments Pooled Liability Assurance Network ("ABAG PLAN")). The risk pool consists of 28 agencies within the San Francisco Bay Area. The stated purpose of the PLAN JPA is to provide certain levels of liability insurance coverage, claims management, risk management services, and legal defense to its participating members. PLAN JPA is governed by a Board of Directors, which comprises officials appointed by each participating member. Premiums paid to PLAN JPA are subject to possible refund based on the results of actuarial studies and approval by the Board of Directors. Complete financial statements for PLAN JPA may be obtained from their offices at the following address: PLAN JPA, 1750 Creekside Oaks Drive, Suite 200, Sacramento, CA 95833. Premiums are revised each year based on the City's claims experience and risk exposure. For the years ended June 30, 2019 and June 30, 2020, the City paid PLAN JPA premiums of $482,346 and $639,636, respectively.

Workers' Compensation Liability. The City belongs to the CSAC Excess Insurance Authority ("EIA"), a joint powers authority which provides excess workers' compensation liability claims coverage above the City's self-insured retention of $500,000 per occurrence. Losses above the self-insured retention are pooled with excess reinsurance purchased to a $50,000,000 statutory limit. EIA was established in 1979 for the purpose of creating a risk management pool for all California public entities. EIA is governed by a Board of Directors consisting of representatives of its member public entities. Complete financial statements for ETA may be obtained from their offices at the following address: CSAC Excess Insurance Authority, Finance Department, EIA 75 Iron Point Circle, Suite 200, Folsom, CA 95630. For the years ended June 30, 2019 and June 30, 2020, the City paid EIA premiums of $126,079 and $123,313, respectively.

It is the City's practice to obtain biennial actuarial studies for the self-insured workers' compensation liability. The claims liabilities included in the workers' compensation internal service fund is based on the results of actuarial studies and include amounts for claims incurred but not reported and loss adjustment expenses. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends, including frequency and amount of payouts, and other economic and social factors. Inflation of 2.5%, annual rate of return of 2.0%, claim severity increase at 2.5% were assumed. In the year ended June 30, 2019, management used actuarial estimates based on a 90% confidence level.

Settled claims have not exceeded any of the coverage described above in any of the past five fiscal years. For additional information with respect to the City's risk management program and EIA, see Note 9 to the City's audited financial statements for fiscal year 2018-19 attached hereto as Appendix B.

CITY FINANCIAL INFORMATION

COVID-19 Pandemic Impact

The spread of the novel strain of coronavirus called SARS-CoV-2 that causes the disease known as COVID-19 ("COVID-19"), and local, state and federal actions in response to COVID-19, are having a significant impact on the economy and on the City's operations and finances. In response to the increasing number of cases of COVID-19 and fatalities, health officials and experts are recommending, and some governments are mandating, a variety of responses ranging from travel bans and social distancing practices, to complete shut-downs of certain services and facilities. On March 4, 2020, as part of the State's response to address the outbreak, the Governor declared a state of emergency. On March 13, President Donald Trump declared a national emergency, freeing up funding for federal assistance to state and local governments. On March 19, 2020, the Governor issued Executive Order N-33-20, a mandatory statewide shelter-in-place order applicable to all non-essential services.

In May 2020, the Governor outlined a phased approach to re-opening businesses in California. As a result of State and local actions taken to slow the spread of COVID-19, a number of businesses have had to close and other businesses, such as restaurants, have been permitted to stay open subject to certain conditions. These circumstances, among other market factors, have led to increased unemployment since the beginning of the COVID-19 outbreak in the United States. In addition to increased unemployment, financial markets in the United States and globally have been volatile, with significant declines attributed to coronavirus concerns.

On July 13, 2020, the Governor issued another order requiring all counties within the State to close indoor operations in certain sectors, including dine-in restaurants, wineries and tasting rooms, movie theatres, family entertainment centers, zoos and museums and cardrooms. The Governor's July 13, 2020 order also required certain counties on the Governor's Monitoring List, which as of August 17, 2020 included Santa Clara County, to shut down additional industries and activities, including gyms and fitness centers, places of worship and cultural ceremonies (such as wedding and funerals), offices for non-critical infrastructure sectors, personal care services (such as nail salons, body waxing and tattoo parlors) and shopping malls.

On August 28, 2020, the State released further guidance regarding re-opening certain types of businesses based on a county-by-county approach where each county is assigned a tier based on COVID-19 case rates within each County. Based on the initial assessment from the State, Santa Clara County is in the "Widespread" tier as of September 4, 2020. For counties in the "Widespread" tier, certain non-essential indoor businesses are required to remain closed. Consistent with the state-wide loosening of certain restrictions, however, certain indoor business operations in the County, including hair salons and barbershops, shopping malls, retail businesses, and grocery stores, may reopen subject to certain operating capacity and other restrictions.

While the effects of COVID-19 may be temporary, the outbreak and governmental actions responsive to it are altering the behavior of businesses and people in a manner that is having significant negative impacts on global and local economies. In addition, stock markets in the U.S. and globally have seen significant declines attributed to coronavirus concerns. CalPERS has reportedly lost significant value in its investments as a result of declines in the stock market and elsewhere, which could result in a significant increase in the City's unfunded pension liability and future pension costs, commencing in Fiscal Year 2022-23. See the caption "—Retirement System." The outbreak has resulted in increased pressure on State finances, as budgetary resources are directed towards containing the pandemic and tax revenues sharply decline. Identified cases of COVID-19 and deaths attributable to the COVID-19 outbreak are continuing to increase throughout the United States, including the City. The COVID-19 outbreak is expected to result in material declines in major General Fund revenues. In addition, Governor Newsom extended the deadline to file and pay first quarter sales and use tax returns by 90 days for all but the very largest taxpayers, and up to 361,000 California businesses with less than $5 million in taxable annual sales will be allowed to defer up to $50,000 in sales tax and enter into 12-month payment plans at zero interest. This will result in delays in the receipt by the City of its portion of the delayed payments.

In response to the pandemic, the City has taken actions to activate its emergency operations center, temporarily close all non-essential City services, introduce teleworking as and where appropriate, and abide by all federal, state, and regional orders. The City actively monitors the COVID-19 situation in the community and acts swiftly to issue additional emergency orders to mitigate both the spread of the virus and economic impacts to the community.

Since the onset of the COVID-19 pandemic, the County Health Officer has issued a series of orders regulating activities throughout the County, including within the City. The County's orders are more strict in certain respects than federal guidelines and state orders related to COVID-19. The most recent order, issued July 2, 2020, continues to urge all County residents to stay home as much as possible, requires workers to do their jobs from home whenever possible, and prohibits indoor dining and bars, but permits certain indoor gatherings (up to 20 people) and outdoor gatherings (up to 60 people).

In an effort to assist residential tenants and small business commercial tenants, the County temporarily banned evictions for non-payment of rent or no-fault evictions when the tenant has suffered a substantial loss of income and/or substantial out-of-pocket medical expense due to the COVID-19 pandemic. The County's eviction moratorium expired August 31, 2020. Based on the County's evaluation of the State's August 31, 2020 state-wide eviction and foreclosure protections, the County may extend or revise its legislation.

The City has also taken certain measures to protect and mitigate impacts to the public and businesses in the community, including adoption of emergency orders requiring individuals to wear a face covering when they need to leave their home to work or obtain essential goods and services; allowing outdoor dining and retail services with a special permit; adoption of an urgency ordinance to extend certain permit deadlines and requirements; offering loans and grants to income-qualified Cupertino residents to assist with residential rental payments; and establishing a small business emergency relief grant program . The City is considering orders to waive sign fees and permit requirements for retail and restaurant "open for business" signs.

As a result of COVID-19, the City forecasts a budget deficit of $2.8 million in Fiscal Year 2020-21. The City has also identified significant unfunded needs in its Capital Improvement Program (CIP), including substantial investments in the City's capital infrastructure. In response, the City has already implemented several budget balancing strategies, including: reduced recreation programming; hiring freeze, with limited exceptions; furloughing approximately 65% of temporary staffing, approximately 80 positions; limiting travel and training; and reducing various other expenditure categories including materials, contracts, contingencies, and special projects. Additional measures that the City is considering include: continue to reduce recreation programming; reduce library hours and/or programming; longer planning, code enforcement, and public safety response times; fewer community events and grants; reduced or deferred capital infrastructure maintenance; reduced administrative staff and continued evaluation of staffing needs.

On March 27, Congress passed and the President signed the $2.2 trillion Coronavirus Aid, Relief, and Economic Stabilization Act ("CARES Act") that provides, among other measures, $150 billion in financial assistance to states, tribal governments and local governments to provide emergency assistance to those most significantly impacted by COVID-19. The City expects to receive approximately $735,259 in CARES Act funds through the State by the end of calendar year 2020.

See the caption "—Budget Procedure, Current Budget and Historical Budget Information" herein for a discussion of the City's fiscal year 2020-21 Adopted Budget and the potential impacts of COVID-19 on City finances.

Accounting and Financial Reporting

The City's basic financial statements are prepared in conformity with accounting principles generally accepted in the United States ("GAAP"). The Government Accounting Standards Board ("GASB") is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States.

The government-wide, proprietary and fiduciary financial statements are reported using the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt which are recognized as expenditures to the extent the City has provided financial resources to a debt service fund for payment of these liabilities that mature early in the following year. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds from long-term debt and acquisitions under capital leases are reported as other financing sources.

Unearned revenues are considered on a full accrual basis, while unavailable revenues are based on the modified accrual measure.

Property taxes, transient occupancy taxes, utility taxes, franchise taxes, interest and special assessments are susceptible to accrual. Other receipts and taxes are recognized as revenue when the cash is received. Sales taxes collected and held by the state at year end on behalf of the City are also recognized as revenue. Sales tax consultant payments which are contingent on revenues collected are netted against the related revenues.

Under the terms of grant agreements, the City may fund certain programs with a combination of cost reimbursement grants, categorical block grants, and general revenue. The City's policy is to first apply restricted grant resources to such programs, followed by general revenues if necessary. Grant revenues are recognized after eligibility and billing occurs, but may be a deferred inflow if not received within sixty days of year-end. Because of the cost-reimbursement and recognition nature of some grants, certain capital project funds may carry deficit fund balances until billing and receipt of grants. The City may also front the capital outlays with cash advances from other funds.

Non-exchange transactions, in which the City gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied or assessed. Revenue from grants is recognized as described above. Entitlement and donation revenues are recognized when cash is received.

The General Fund is the general operating fund of the City and is used to account for all financial resources except those that are required to be accounted for in another fund. The City expects to pay Lease Payments from amounts in the General Fund. Tables 1 through 3 below set forth certain historical and current fiscal year budget information for the General Fund. Information on the other governmental funds of the City as of June 30, 2019 is set forth in Appendix B.

City Blended Component Units and Fiduciary Component Units

General. Under GASB guidelines, component units of a primary government (i.e. the City) generally include those that are legally separate entities but raise and hold economic resources for the direct benefit of the primary government. Blended component units, although separate legal entities are, in substance, part of the government's operations and their funds are treated similarly to funds of the primary government (other than the General Fund). Fiduciary component units are those with assets administered through a trust in which the primary government is not the beneficiary, the assets are dedicated to provide benefits to recipients and the assets are legally protected.

The City's blended component units which have or will have outstanding obligations and City's fiduciary component units, are described below.

Blended Component Unit. The Corporation was incorporated in May 1986, under the Nonprofit Public Benefit Corporation Law of the State. The Corporation was organized as a nonprofit corporation solely for the purpose of assisting the City in the acquisition, construction, and financing of public improvements which are of public benefit to the City. The Corporation, after acquiring certain properties from the City, leases these back to the City. The lease money provides the funds for the debt service for the Certificates of Participation issued by the Corporation to acquire the properties. The Corporation does not issue separate financial statements, since it is reported separately in the City's basic financial statements.

Fiduciary Component Unit. The City participates in the Public Agency Retirement System ("PARS") Public Agencies Post-Retirement Health Care Plan Trust Program ("PARS Trust"), an agent-multiple employer irrevocable trust established to fund other postemployment benefits. The PARS Trust functions for the benefit of the employees. The City funds all PARS Trust costs based on actuarial valuations for its specific portion of the PARS Trust as opposed to the PARS Trust as a whole.

Effective July 1, 2016, the City reported in its fiduciary fund financial statements the PARS Trust that pertains to the City as well as other post-employment benefit payments of the City's other post-employment benefits plan initiated by the City but reimbursed to the PARS Trust and required to be recognized under applicable standards due to a change in the reporting entity. With the implementation of GASB Statement 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, the City reviewed the PARS Trust separately issued financial statements and determined that inclusion of the City OPEB Plan component unit financial statements and related disclosures as a City trust fund were necessary as omission would have been misleading. For discussion of the City's OPEB Plan, see the caption "—Other Post-Employment Benefits" and Note 11 to the audited financial statements for fiscal year 2018-19 attached hereto as Appendix B.

Financial Policies

General. The City has adopted a comprehensive set of financial policies to serve as a guideline for financial matters as further described below.

Reserves Policy. The City has adopted a committed, unassigned fund balance and use of one time funds policy (the "Reserve Policy") for the purpose of meeting the City's goal of maintaining sufficient committed and unassigned fun balances in each fund for the ability to meet certain economic uncertainties. The City has adopted the following reserves: (i) an Economic Uncertainty reserve, to be used in case of economic downturns and major revenue changes; (ii) a CalPERS Pension Rate Stabilization Program, to assist in stabilizing the potential impact of pension cost volatility on the City's operating budget; (iii) a Sustainability Reserve with respect to the City's Climate Action Plan, with funds to be used to provide residents, business and schools with programs and services focused on energy efficiency, renewable energy, water conservation, alternative transportation and other sustainable actions; (iv) Unassigned reserves to absorbed unanticipated operating needs or unexpected claims or litigation settlements; and (v) a Capital Improvements reserve (the "Capital Reserve") to meet future capital project needs so as to minimize future debt obligations.

The following table shows the City's Reserve Policy amounts for fiscal year 2020-21 for each of the reserves described above.

Funding Priority	*Reserve*	*Reserve Level*	*Escalator*
General Fund			
1	Economic Uncertainty	$ 19,000,000	General Fund budgeted operating expenditures (exclusive of interfund transfers) and General Fund budgeted revenues
2	CalPERS	$ 12,000,000	Budgeted City-wide retirement costs
3	Sustainability Reserve	$ 123,397	General Fund budgeted revenue (excluding the use of reserves)
4	Unassigned	$ 500,000	Budgeted General Fund operating expenditures
Capital Projects Funds			
5	Capital Improvement	$ 5,000,000	None

Debt Management Policy. The City has adopted a debt management policy (the "Debt Management Policy") in compliance with California Government Code Section 8855. The Debt Management Policy sets forth the purposes for which long-term debt financings may be undertaken (i.e. for projects that will provide benefit to constituents over multiple years). The Debt Management Policy provides that short-term financings may be undertaken for operational cash flow purposes and for short-lived capital projects (i.e. equipment leases). The City's Debt Management Policy is implemented in conjunction with annual budgeting and the City's capital improvement program.

Investment Policy. The City invests its funds in accordance with the City's investment policy (the "Investment Policy"). In accordance with Section 53600 *et seq*. of the California Government Code, idle cash management and investment transactions are the responsibility of the City Treasurer. The City's Investment Policy sets forth the policies and procedures applicable to the investment of City funds and designates eligible investments. The Investment Policy sets forth a stated objective, among others, of ensuring the safety of invested funds by limiting credit and market risks. Funds are invested in the following order of priority:

- Safety of Principal;
- Liquidity; and
- Return on Investment.

Eligible investments are generally limited to managed investment pools, including the Local Agency Investment Fund which is operated by the California State Treasurer, U.S. Treasury bills, notes and bonds, federal agency or United States government sponsored enterprise obligations, medium term corporate notes, commercial paper rated A1/P1, as applicable, or better, repurchase agreements with counter-party ratings of "AA" or its equivalent or better, and mutual funds as authorized by State law.

The City Treasurer is required to provide a quarterly report to the City Manager and the City Council showing the type of investment, date of maturity, amount invested, current market value, rate of interest, and other such information as may be required by the City Council. At June 30, 2020, the City had an investment portfolio with a market value of approximately $110 million. As of such date, the City had invested approximately, 33% of its investment portfolio in federal agencies, 25% in U.S. Treasuries, and 26% of its investment portfolio in corporate securities. For additional information with respect to the City's cash and investments, see Note 2 to the audited financial statements for fiscal year 2018-19 attached to the Official Statement as Appendix B.

Major Revenues and Expenses

Revenues. The City derives its General Fund revenues from a variety of sources including *ad valorem* property taxes, sales taxes, licenses, permits, transient occupancy taxes, charges for services provided by the City and other miscellaneous revenues. The City's total General Fund revenues for selected major revenue sources for the past five fiscal years are set forth below.

TABLE 1
CITY OF CUPERTINO
SELECTED MAJOR REVENUE SOURCES

Revenue Category	***2015-16***	***2016-17***	***2017-18***	***2018-19***	***2019-20[(1)]***
Property Taxes[(2)]	$ 18,194,463	$ 20,219,077	$ 22,433,805	$ 25,301,095	$ 26,606,844
Sales Taxes	21,350,056	26,932,012	26,164,531	24,901,779	26,651,250
Transient Occupancy Taxes	5,852,244	6,023,681	6,810,718	8,901,337	7,286,083
Charges for Services	16,848,153	23,708,304	14,972,627	12,644,413	11,955,401
Licenses and Permits	3,073,110	2,356,925	2,757,928	4,102,665	4,692,845
Total	$ 65,318,026	$ 79,239,999	$ 73,139,609	$ 75,851,289	$ 77,192,424

(1) Fiscal year 2019-20 amounts represent unaudited actual results.
(2) Inclusive of Department of Motor Vehicles license fees. See "—Property Taxes" below.
Source: City of Cupertino.

Expenses. The City's major General Fund two largest expenditure categories for Fiscal Year 2019-20 were expenditures for Public Works and Law Enforcement (which is comprised mostly of the City's contract with Santa Clara County to provide police services for the City), which accounted for approximately 29.6% and 21.9%, respectively, of General Fund expenditures. In Fiscal Year 2020-21, approximately 32.6% and 20.9% of budgeted General Fund expenditures are for Public Works and Police expenditures, respectively. See the caption "—Budget Procedure, Current Budget and Historical Budget Information" herein.

Other major General Fund expenditures include administration (which includes the City's costs associated with the City's retirement system and other post-employment benefit plan described under the captions "—Retirement System" and "Other Post-Employment Benefits") and expenditures for community development activities. Administration and community development expenditures comprised approximately 10.8% and 13.1% of total fiscal year 2019-20 General Fund expenditures, respectively, and are budgeted to comprise approximately 13.1% and 13.9% of fiscal year 2020-21 General Fund expenditures, respectively.

Budget Procedure, Current Budget and Historical Budget Information

The City's annual operating budget is prepared on a July 1 to June 30 fiscal year basis. However, the budget process is an ongoing process that occurs throughout the year and includes phases of development, proposal, adoption, monitoring and amendment.

The budget development phase begins in December with the preparation of budget instructions and work program development by the City Council and City Manager. During March, departments prepare the budgets for which they are responsible. These proposed department budgets are reviewed by the City's Finance Division using current and prior year trends data. The City Manager then reviews the proposals with the Director of Administrative Services and departmental staff and makes final decisions which form the basis of the City Manager's proposed budget. The City Manager's proposed budget is then submitted to the City Council in May.

During the months of May and June, the City Council considers the budget proposals at a study session and public hearing. At these times, the Council hears from the City's boards and commissions, community groups and the public regarding budget requests and recommendations. The adopted budget is adopted by resolution in June and takes effect on July 1.

After the annual budget is adopted, the City enters the budget monitoring phase. Throughout the year, expenditures are monitored by the Finance Division staff and department managers to ensure that funds are used in an approved manner. Adjustments to expenditures within or between departmental budgets are accomplished on an as-needed basis administratively throughout the year. The City Manager and department heads can transfer funds between their line items and/or divisions as needed.

City Council approval is required for additional appropriations from fund balances or from new revenue sources.

The annual budget for fiscal year 2020-21 was approved on June 16, 2020 (the "Adopted Budget"). The Adopted Budget projects General Fund revenues in fiscal year 2020-21 to be approximately $79.1 million, a decrease of approximately $8 million or 9.2% from the fiscal year 2019-20 adopted budget.

The Adopted Budget projects: (i) an increase in property tax revenues of approximately $0.6 million, (ii) a decrease in sales tax revenues of approximately $4.7 million; and (iii) a decrease in transient occupancy tax of approximately $2.1 million, in each case as compared to the fiscal year 2019-20 adopted budgeted amounts.

The Adopted Budget projects General Fund expenditures of $80.5 million in fiscal year 2020-21, which is an approximately $0.4 million increase from the fiscal year 2019-20 adopted budget.

Set forth in Table 2 below are the adopted General Fund budgets for fiscal years 2018-19, 2019-20 and 2020-21, the actual audited results for fiscal year 2018-19 and the unaudited actual results for fiscal year 2019-20. The General Fund budgets and actuals shown in Table 2 below do not reflect the application of GAAP and therefore differ in certain respects to the audited General Fund Statement of Revenues, Expenditures and Change in Fund Balance shown in Table 3 below.

TABLE 2
CITY OF CUPERTINO
GENERAL FUND BUDGETS TO ACTUAL COMPARISONS (ON A BUDGETARY BASIS)[(1)]

	Adopted Fiscal Year 2018-19 Budget	*Fiscal Year 2018-19 Audited Results*	*Adopted Fiscal Year 2019-20 Budget*	*Unaudited Actual Fiscal Year 2019-20 Results[(2)]*	*Adopted Fiscal Year 2020-21 Budget*
REVENUES					
Taxes	$ 62,047,000	$ 67,299,302	$64,386,061	$65,128,267	$58,248,207
Use of money and property	692,000	2,654,331	1,330,579	2,865,334	1,246,510
Intergovernmental	326,000	473,942	354,547	747,942	335,567
Licenses and permits	2,685,000	4,102,665	2,524,000	4,692,845	3,139,473
Charges for services	10,269,276	12,644,413	13,233,225	11,955,401	11,091,064
Fines and forfeitures	615,000	511,471	615,000	327,833	425,000
Other revenue	244,200	1,102,320	4,644,740	5,088,017	4,559,304
Amounts available for appropriation	76,878,476	88,788,444	87,088,152	90,805,639	79,045,125
CHARGES FOR APPROPRIATION (OUTFLOWS)					
Current					
Administration	6,883,713	6,292,611	7,554,703	6,957,217	9,218,655
Law enforcement	12,988,353	13,108,632	14,077,937	14,151,412	14,792,448
Innovation and technology	3,397,490	2,843,540	3,378,697	3,556,368	1,981,299
Administrative services	4,606,561	4,197,582	4,790,420	4,652,598	4,955,568
Parks and recreation	10,614,583	8,996,118	8,579,403	7,688,940	6,804,768
Community development	8,332,883	8,554,055	9,604,789	8,443,767	9,801,449
Public Works	17,831,725	17,667,775	21,578,962	19,156,660	23,025,616
Capital outlay	1,625,500	1,353,691	-	-	-
Total charges for appropriations	66,280,808	63,014,104	69,564,911	64,606,962	70,579,803
EXCESS OF REVENUES OVER EXPENDITURES	10,597,668	25,774,340	17,523,241	26,198,677	8,465,322
OTHER FINANCING SOURCES (USES)					
Proceeds from sale of capital assets	--	3,875	-	-	
Transfers in	10,000	10,000	12,000	10,012,000	15,000
Transfers (out)	(11,358,912)	(19,376,212)	(10,539,557)	(30,892,319)	(9,948,689)
Total other financing sources (uses)	(11,348,912)	(19,362,212)	(10,527,557	(20,880,319)	(9,933,689
NET CHANGE IN FUND BALANCE	$ (751,244)	$ 6,412,128	$6.995.684	$5,318,358	($1,468,367)

(1) This Table 2 is presented using the budgetary basis of accounting and does not reflect the application of GAAP. Certain actual results for fiscal years 2018-19 and 2019-20 differ from Table 3 below.
(2) Fiscal year 2019-20 amounts represent unaudited actual results.
Source: Audited Financial Statements for fiscal year 2018-19; the City for Fiscal Year 2020-21; Adopted Budget of the City for fiscal year 2020-21.

Comparative Change in Fund Balance of the City General Fund

The table below presents the City's audited General Fund Statement of Revenues, Expenditures and Change in Fund Balance for fiscal years 2015-16 through 2018-19 and unaudited actual results for fiscal year 2019-20.

TABLE 3
CITY OF CUPERTINO GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE

	2015-16	*2016-17*	*2017-18*	*2018-19*	*2019-20*[(1)]
REVENUES					
Taxes	$ 54,786,297	$ 62,648,633	$ 63,459,132	$ 67,299,302	$65,128,267
Use of money and property	1,362,393	1,173,095	1,325,814	2,654,331	2,865,334
Intergovernmental	428,992	330,108	1,000,776	473,942	747,942
Licenses and permits	3,073,110	2,536,925	2,757,928	4,102,665	4,692,845
Charges for services	16,848,153	23,708,304	14,972,627	12,644,413	11,955,401
Fines and forfeitures	558,516	593,123	575,032	511,471	327,833
Other revenue	799,587	1,822,766	1,015,227	1,102,320	5,088,017
Total revenues	77,857,048	92,812,954	85,106,536	88,788,444	90,805,639
EXPENDITURES					
Current					
Administration	4,052,241	5,936,337	4,919,262	6,292,611	6,957,217
Law Enforcement	10,988,735	11,939,095	12,362,621	13,108,732	14,151,412
Public and environmental affairs	544,718	1,864,746	2,835,768	2,843,540	3,556,368
Administrative services	2,811,117	5,054,539	4,430,300	4,197,582	4,652,598
Recreation services	5,441,200	9,361,934	8,686,076	8,996,118	7,688,940
Community development	5,248,841	6,433,422	8,365,234	8,554,055	8,443,767
Public works	13,115,155	16,484,844	15,820,836	17,667,775	19,156,660
Capital outlay	9,657,394	7,999,577	7,762,733	1,353,691	-
Debt service					
Principal	--	--	--	--	--
Interest and fiscal charges	--	--	--	--	--
Total expenditures	51,859,401	65,074,494	65,923,706	63,014,104	64,606,962
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	25,997,647	27,738,460	19,923,706	25,744,340	26,198,677
OTHER FINANCING SOURCES (USES)					
Proceeds from sale of capital assets	580	--	872,250	3,875	
Transfers in	36,015	31,411	2,254,183	10,000	10,012,000
Transfers out[(2)]	(13,163,945)	(26,609,358)	(24,129,372	(19,376,087)	(30,892,319)
	(13,163,945)	(26,343,610)		(19,362,212)	(20,880,319)
Total other financing sources (uses)			(21,002,939)		
Net Change in Fund Balances			(1,079,233)	6,412,128	5,318,358
Fund Balances (Deficits) – July 1	39,324,543	52,194,840	53,589,690	52,510,457	58,922,585
Fund Balances (Deficits) – June 30	$ 52,194,840	$ 53,589,690	$ 52,510,457	$ 58,922,585	$ 64,240,943

(1) Fiscal year 2019-20 amounts represent unaudited actual results.

(2) Transfers out generally include transfers to fund capital projects, annual lease payments with respect to the 2012 Certificates and other miscellaneous transfers. See Note 4 the audited financial statements for fiscal year 2018-19 attached hereto as Appendix B.

Source: Audited Financial Statements for fiscal years 2015-16 through 2018-19; City for fiscal year 2019-20.

Comparative General Fund Balance Sheets of the City

The table below presents the City's audited General Fund Balance Sheets for fiscal years 2015-16 through 2018-19 and unaudited actual results for fiscal year 2019-20.

TABLE 4
CITY OF CUPERTINO
GENERAL FUND BALANCE SHEETS
FIVE YEAR COMPARISON

	2015-16	*2016-17*	*2017-18*	*2018-19*	*2019-20*[(1)]
ASSETS					
Cash and investments	$ 54,282,490	$ 62,119,171	$ 63,889,867	$ 57,426,973	$ 62,029,471
Restricted cash and investments	--	--	--	8,109,521	12,725,224
Receivables					
Accounts	11,181,310	2,953,906	2,837,425	3,320,100	2,946,471
Interest	52,606	94,152	163,067	363,945	70,265
Loans	868,608	851,714	458,893	454,188	449,341
Due from other funds	450,220	1,400,000	307,056	441,326	441,326
Advance to other funds[(2)]	--	--	--	--	3,000,000
Other assets[(3)]	72,657	25,613	3,884	3,884	3,884
Total Assets	66,907,891	67,448,052	67,666,192	70,119,937	81,665,982
LIABILITIES					
Accounts payable and accruals	4,794,690	2,861,179	3,664,488	2,975,447	4,208,314
Accrued payroll and benefits	15,649	224,346	912,107	882,414	1,405,270
Due to other funds	--	--	--	--	
Deposits	9,747,271	10,663,048	10,479,925	7,066,073	11,605,717
Unearned revenue	155,441	109,789	99,125	273,418	205,739
Total liabilities	14,713,051	13,858,362	15,155,735	11,197,352	17,425,040
FUND BALANCES					
Nonspendable	937,381	876,939	464,893	454,188	449,341
Restricted	888,374	1,016,771	1,254,578	9,469,670	14,324,757
Committed	--	19,000,000	19,122,754	19,123,397	19,127,891
Assigned	20,500,000	4,638,181	9,963,310	1,979,202	1,979,202
Unassigned	29,869,085	28,057,799	21,704,922	27,896,128	28,359,751
Total fund balances	52,194,840	53,589,690	52,510,457	58,922,585	64,240,942
Total liabilities and fund balances	$ 66,907,89,	$ 67,448,052	$ 67,666,192,	$ 70,119,937	$ 81,665,982

(1) Fiscal year 2019-20 amounts represent unaudited actual results.
(2) Represents an advance from the General Fund to the Capital Improvemnet Program Capital Projects Fund to provide further funding for the City's Library Expansion Project. Such advance is scheduled to be repaid to the General Fund within three years.
(3) Includes certain prepaid items for fiscal years 2015-16 through 2017-18.
Source: Audited Financial Statements for fiscal years 2015-16 through 2018-19; City for fiscal year 2019-20.

Capital Improvement Program

The City adopts an annual capital improvement program ("CIP") that covers the current and next succeeding four fiscal years and serves as the City's short and long-term plan for capital projects. Each fiscal year, the CIP is funded by the Capital Reserve and/or restricted grant and donation proceeds. The fiscal year 2020-21 adopted CIP budgets for expenditures of $2.2 million, or $23.5 million lower than the fiscal year 2019-20 adopted CIP. In addition to uncertainty surrounding the COVID-19 pandemic, this reduction is also due to a minimal remaining fund balance in the Capital Reserve. While the City's policy to transfer excess fund balance in the General Fund to the Capital Reserve remains effective, the impacts from COVID-19 will create competing interests for use of those excesses.

The City's adopted fiscal year 2020-21 CIP totals approximately $2.2 million, including $2.2 million in newly adopted appropriations and $52.1 million in remaining appropriations from prior years. The projects include upgrades and/or new construction of general City facilities, park improvements, storm drain improvements, sanitary sewer projects and street and traffic projects. A summary of the major projects included in the adopted fiscal year 2020-21 CIP and the fiscal year 2020-21 appropriated amounts for such projects are shown in the table below.

Property Taxes

During fiscal years 2018-19 and 2019-20, property tax receipts of approximately $25.3 million and $26.6 million, respectively, were received by the City, contributing approximately 28.5% and 26.4% of total General Fund revenues in fiscal years 2018-19 and 2019-20, respectively. The City has budgeted to receive approximately $25.3 million during fiscal year 2020-21. The City also received a portion of Department of Motor Vehicles license fees ("VLF") collected statewide. Several years ago, the statewide VLF was reduced by approximately two-thirds. However, the State continued to remit to cities and counties the same amount that those local agencies would have received if the VLF had not been reduced, known as the "VLF backfill." The State VLF backfill was phased out, and as of Fiscal Year 2011-12, all of the VLF is now received through an in-lieu payment from State property tax revenues. In California, property which is subject to *ad valorem* taxes is classified as "secured" or "unsecured." The secured classification includes property on which any property tax levied by a county becomes a lien on that property. A tax levied on unsecured property does not become a lien against the taxed unsecured property, but may become a lien on certain other property owned by the taxpayer. Every tax which becomes a lien on secured property has priority over all other liens, arising pursuant to State Law, on the secured property, regardless of the time of the creation of other liens. The valuation of property is determined as of January 1 each year, and installments of taxes levied upon secured property are due November 1 and February 1 and become delinquent on the following December 10 and April 10, respectively. Taxes on unsecured property are due July 1, and become delinquent August 31.

Secured and unsecured properties are entered separately on the assessment roll maintained by the county assessor. The method of collecting delinquent taxes is substantially different for the two classifications of property. The exclusive means of enforcing the payment of delinquent taxes with respect to property on the secured roll is the sale of the property securing the taxes of the State for the amount of taxes that are delinquent. The taxing authority has four methods of collecting unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a certificate in the office of the county clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer; (3) filing a certificate of delinquency for record in the County Recorder's Office in order to obtain a lien on certain property of the taxpayer, and (4) seizure and sale of personal property, improvement or possessory interest belonging or taxable to the assessee.

A ten percent penalty is added to delinquent taxes which have been levied with respect to property on the secured roll. In addition, beginning on the July 1 following a delinquency, interest begins accruing at the rate of 1 1/2% per month on the amount delinquent. Such property may thereafter be redeemed by the payment of the delinquent taxes and the ten percent penalty, plus interest at the rate of 1 1/2% per month to the time of redemption. If taxes are unpaid for a period of five years or more, the property is deeded to the State and then is subject to sale by the county tax collector. A ten percent penalty also applies to the delinquent taxes or property on the unsecured roll, and further, an additional penalty of 1 1/2% per month accrues with respect to such taxes beginning on the varying dates related to the tax billing date.

Legislation enacted in 1984 (Section 75 *et seq*. of the Revenue and Taxation Code of the State of California), provides for the supplemental assignment and taxation of property as of the occurrence of a change in ownership or completion of new construction. Previously, statutes enabled the assessment of such changes only as of the next tax lien date following the change and thus delayed the realization of increased property taxes from the new assessment for up to 14 months. Collection of taxes based on supplemental assessments occurs throughout the year. Taxes due are prorated according to the amount of time remaining in the tax year, with the exception of tax bills dated January 1 through May 31, which are calculated on the basis of the remainder of the current fiscal year and the full 12 months of the next fiscal year.

In the past, the State Legislature has shifted property taxes from cities, counties and special districts to the Educational Revenue Augmentation Fund. The term "ERAF" is often used as a shorthand reference for this shift of property taxes. In 1992-93 and 1993-94, in response to serious budgetary shortfalls, the State Legislature and administration permanently redirected over $3 billion of property taxes from cities, counties, and special districts to schools and community college districts. The 2004-05 State budget included an additional $1.3 billion shift of property taxes from certain local agencies, including the City, to occur in fiscal years 2004-05 and 2005-06. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS—Proposition 1A" and "—Proposition 22" herein for a description of certain limitations on the State's authority over local government revenue sources.

The table below sets forth the secured and unsecured assessed valuations, net of exemptions, for property in the City for the fiscal years 2011-12 through 2020-21.

TABLE 5
CITY OF CUPERTINO
ASSESSED VALUATION
FISCAL YEARS 2011-12 THROUGH 2020-21

Fiscal Year	*Local Secured*	*Unsecured*	*Total*
2011-12	$13,219,574,367	$527,310,319	$13,748,274,686
2012-13	13,882,147,291	738,243,050	14,620,390,341
2013-14	15,391,656,690	816,117,019	16,207,773,709
2014-15	16,133,637,244	965,141,148	17,098,778,392
2015-16	18,308,720,226	1,086,786,901	19,395,507,127
2016-17	20,196,258,418	1,150,311,842	21,346,570,260
2017-18	22,024,906,420	1,114,123,426	23,139,029,846
2018-19	23,402,123,229	1,779,936,377	25,182,059,606
2019-20	24,370,718,536	1,642,461,888	26,013,180,424
2020-21			

Source: City Comprehensive Audited Financial Reports for fiscal years 2010-11 through 2018-19; County Assessor-County Clerk-Recorder for fiscal years 2019-20 and 2020-21.

The County operates under a statutory program entitled Alternate Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "Teeter Plan"). Under the Teeter Plan local taxing entities receive 100% of their tax levies net of delinquencies, but do not receive interest or penalties on delinquent taxes collected by the County. The City's share of the *ad valorem* property tax levy is included in the County's Teeter Plan. As a result, the City currently receives 100% of such levy and is not impacted by delinquencies in payment. However, the County may choose to discontinue to the Teeter Plan at any time.

The 10 largest property taxpayers in the City for fiscal year 2018-19 based on total assessed valuation, the land use and the percentage of the City's total assessed value attributable to each are shown in the below table. The information in Table 6 has been obtained from third-party sources and is included for general information purposes only. The City has not verified the information in Table 6 and does not guarantee the accuracy of such information.

TABLE 6
CITY OF CUPERTINO
TEN PRINCIPAL TAXPAYERS

	Property Owner	*2018-19 Assessed Valuation*	*% of Total*[(1)]
1.	Apple Inc.	$ 6,230,181,903	24.74%
2.	Main Street Cupertino	356,409,129	1.42
3	Vallco Property Owner LLC	333,251,833	1.32
4.	Cupertino City Center	199,183,359	0.79
5.	BVK Perimeter Square Retail LLC ET AL	177,766,088	0.71
6.	Cupertino Property Development	169,923,550	0.67
7.	Mission West Properties LP II ETAL	137,663,665	0.55
8.	SVF Cupertino City Center Corporation	132,468,803	0.53
9.	PR Cupertino Gateway LLC	128,103,411	0.51
10.	SI 38 LLC ET AL	117,340,163	0.47
		$ 7,982,291,904	31.70%

(1) 2018-19 Local Assessed Valuation (secured and unsecured): $25,182,059,606.
Source: City Comprehensive Audited Financial Report 2018-19.

Sales Taxes

During fiscal years 2018-19 and 2019-20, sales tax receipts of approximately $24.9 million and $26.7 million, respectively, were received by the City, contributing approximately 28.0% and 26.4% of total General Fund revenues in fiscal years 2018-19 and 2019-20, respectively. The City has budgeted for sales tax receipts of approximately $20.9 million to be received during fiscal year 2020-21. A sales tax is imposed on retail sales or consumption of personal property.

In fiscal year 2020-21, sales tax is projected to experience a significant decrease due to COVID-19. Sales tax revenue projections have been reduced by 18% (approximately $4.7 million) from original forecasts due to COVID-19. Sales tax is assumed to return to 90% of historical averages across industry groups in fiscal year 2021-22. Sales tax is projected to grow by an average annual growth rate of 2.2% in the City's five-year forecast, using conservative forecasts for business and industry, general consumer goods, restaurants and hotels and state and county pools. See the caption "—COVID-19 Pandemic Impact" herein.

The basic sales tax rate is established by the State Legislature, and local overrides may be approved by voters. The current total sales tax rate in the City is 9.00%. The following table shows the sales tax revenues received by the City for the five most recent fiscal years.

TABLE 7
CITY OF CUPERTINO
SALES TAX REVENUES

Fiscal Year	***Total Sales Tax Revenues***
2015-16	$ 21,350,056
2016-17	26,932,012
2017-18	26,164,531
2018-19	24,901,779
2019-20	26,651,250

Source: City of Cupertino.

Table 8 below shows the taxable transactions by industry type as of June 30, 2019. The information in Table 8 has been obtained from HdL, Coren & Cone and is included for general information purposes only. The City has not verified the information in Table 8 and does not guarantee the accuracy of such information.

TABLE 8
CITY OF CUPERTINO
TAXABLE TRANSACTIONS BY INDUSTRY

Industry	***Percentage of All Taxable Transactions***
Business-to-Business	67%
State and County Pools	17
Restaurants and Hotels	6
General Retail	4
Fuel and Service Stations	3
Other	3
Total	100%

Source: HdL, Coren & Cone.

Business-to-business revenue is the largest portion of the City's sales tax base, and therefore the City's sales tax revenue is sensitive to economic forces. In particular, the City's two largest sales tax sources—both technology companies—account for a large portion of the City's total sales tax base. Sales tax revenue is reported two quarters in arrears, providing the City with approximately six months to react if sales tax revenue begins to decline.

Table 9 below provides the top twenty-five sales tax payers (in alphabetical order) within the City as of the fourth quarter of calendar year 2019.

TABLE 9
CITY OF CUPERTINO
TWENTY PRINCIPAL SALES TAX PAYERS
(in alphabetical order)

7 Eleven	Chevron	Shane Company
99 Ranch Market	Estel Group	Shell
Alexander's Steak House	Galpao Gaucho	Target
Alliance	Haidilao Hot Pot	TJ Maxx
Apple	Insight Direct	Ulta Beauty
Argonaut Window & Door	Lazy Dog Cafe	Valero
Benihana	Rotten Robbie	Whole Foods Market
BJ's Restaurant & Brewhouse	Safeway	
California Dental Arts	Seagate Technology	

Source: City of Cupertino.

Table 10 summarizes the annual volume of taxable transactions within the City for the years 2015 through 2019.

TABLE 10
CITY OF CUPERTINO
TOTAL TAXABLE TRANSACTIONS
(Dollars in Thousands)

Year	***Taxable Transactions***
2015	$2,350,141
2016	2,397,871
2017	2,780,112
2018	2,695,658
2019	2,730,768

Source: Taxable Sales in California, California Department of Tax and Fee Administration for 2015-2019.

Transient Occupancy Tax

A transient occupancy tax is levied on hotels and short-term rentals in the City at the rate of 12% of room revenues. In fiscal years 2018-19 and 2019-20, transient occupancy tax receipts were approximately $8.9 million and $7.3 million, respectively, providing approximately 10.0% and 7.2% of total General Fund revenues in fiscal years 2018-19 and 2019-20, respectively.

Transient occupancy tax receipts in fiscal year 2019-20 were approximately $1.6 million, or 18.2%, less than the originally budgeted amounts largely due to the shelter-in-place order the Santa Clara County Public Health Department put into effect in March 2020 to control the COVID-19 Pandemic. In the adopted budget for fiscal year 2020-21, the City projects transient occupancy receipts to decrease approximately 21.9% from the fiscal year 2019-20 budgeted amounts. The City has budgeted for transient occupancy tax revenues of approximately $7.5 million to be received during fiscal year 2020-21. See the caption "—COVID-19 Pandemic Impact."

Utility User Tax

The City collects a utility user tax, approved by the City's voters in 1990, on gas, electricity and telecommunication services provided within the City's jurisdiction at a rate of 2.4% of billed charges. In March 2002, the City's voters approved extending the utility user tax's sunset date from 2015 to 2030. In 2009, the City's voters approved a measure to update the utility user tax ordinance to account for changing technology in the telecommunications services industry.

In fiscal years 2018-19 and 2019-20, utility user tax receipts were approximately $3.0 million and $3.2 million, respectively, providing approximately 3.4% and 3.2% of total General Fund revenues in fiscal years 2018-19 and 2019-20, respectively. The City has budgeted for utility user tax revenues of approximately $3.2 million to be received during fiscal year 2020-21.

Franchise Fees

The City receives franchise fees from cable, solid waste, water, gas and electricity franchisees that operate in the City. The fees range from 1% to 12% of the franchisee's gross revenues depending on each particular agreement. Generally, these revenues are relatively steady and not sensitive to economic fluctuations.

In fiscal years 2018-19 and 2019-20, the City received franchise fees of approximately $3.4 million and $3.4 million, respectively, providing approximately 3.8% and 3.4% of total General Fund revenues in fiscal years 2018-19 and 2019-20, respectively. The City has budgeted for franchise fees of approximately $3.3 million to be received during fiscal year 2020-21.

Charges for Services

In fiscal years 2018-19 and 2019-20, charges of approximately $10.9 million (approximately 4.6% of total General Fund revenues) and $12.0 million (approximately 11.9% of total General Fund Revenues), respectively, were collected for services. Charges for services includes the City's attempts to recover the costs of services provided by the City, including planning, zoning and engineering permit processing for new property development, as well as some recreation-related fees. Charges for services also includes an overhead services fee provided to certain enterprise funds, internal service funds and special funds. In fiscal year 2020-21, the City has budgeted revenues from charges for services of approximately $11.1 million, which includes an approximately $900,000 increase due to increases to City fees which will become effective October 1, 2020.

Fiscal year 2019-20 revenues from charges for services were lower than budgeted amounts due to the impact of the COVID-19 Pandemic causing the City's recreation facilities to shut down by way of the shelter-in-place orders of the Santa Clara County Public Health Department. See the caption "—COVID-19 Pandemic Impact."

Licenses and Permits

Licenses and permits include fees for reviewing building plans, building inspections, construction, tenant improvements and commercial/residential installations for compliance with state and municipal building codes. In fiscal years 2018-19 and 2019-20, the City collected approximately $4.1 million and $4.7 million, respectively, providing approximately 4.6% and 4.7% of total General Fund revenues in fiscal years 2018-19 and 2019-20, respectively. License and permit fees of approximately $3.1 million are budgeted to be received during fiscal year 2020-21.

Use of Money and Property

The use of money and property category is comprised of General Fund interest earnings as well as facility and concession rental income of City-owned property. The City's portfolio is approximately $154.9 million. Fluctuations in the use of money and property is generally the result of investment earnings, as rental income is generally steady year-to-year. Financial markets have recently experienced a high degree of volatility due to the uncertainty about the impact of the COVID-19 pandemic. See the caption "—COVID-19 Pandemic Impact."

In fiscal years 2018-19 and 2019-20, the City received $2.6 million and $2.9 million, respectively, in use of money and property revenues, providing approximately 2.9% and 2.8% of General Fund revenues in fiscal years 2018-19 and 2019-20, respectively. Use of money and property revenues of approximately $1.2 million are budgeted to be received during fiscal year 2020-21.

Other Revenues

Other Tax Revenues. Other taxes received by the City include business license taxes, construction taxes, and property transfer taxes.

Miscellaneous Revenues. Other miscellaneous revenues received by the City include fines and forfeitures generated from vehicle, parking and miscellaneous code violations, intergovernmental revenues from federal, state and regional grants and other miscellaneous revenues.

Indebtedness

Long-Term Debt. The City's long-term obligations payable from the General Fund currently consist of the 2012 Certificates. The 2012 Certificates are expected to be prepaid from a portion of the proceeds of the Certificates. See the "PREPAYMENT PLAN" herein.

See Note 6 to the City's audited financial statements for fiscal year 2018-19 attached hereto as Appendix B for a description of the City's outstanding indebtedness.

Short-Term Debt. The City currently has no short-term debt outstanding.

Retirement System

This caption contains certain information relating to the California Public Employees Retirement System ("CalPERS"). The information is primarily derived from information produced by CalPERS, its independent accountants and actuaries. The City has not independently verified the information provided by CalPERS and makes no representations nor expresses any opinion as to the accuracy of the information provided by CalPERS.

The comprehensive annual financial reports of CalPERS are available on its Internet website at www.calpers.ca.gov. The CalPERS website also contains CalPERS' most recent actuarial valuation reports and other information concerning benefits and other matters. Such information is not incorporated by reference herein. The City cannot guarantee the accuracy of such information. Actuarial assessments are "forward-looking" statements that reflect the judgment of the fiduciaries of the pension plans, and are based upon a variety of assumptions, one or more of which may not materialize or be changed in the future. Actuarial assessments will change with the future experience of the pension plans.

Plan Description and Summary of Balances. The City contributes to CalPERS, an agent multiple-employer public employee defined benefit pension plan. CalPERS provides retirement, disability and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State, including the City. CalPERS plan benefit provisions and all other requirements are established by State statute and the City Council.

Benefits Provided. CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law ("PERL"). The Pension Reform Act of 2013 ("PEPRA"), Assembly Bill 340, is applicable to employees new to CalPERS and hired after December 31, 2012. The Plans' provisions and benefits in effect at June 30, 2019, are summarized as follows:

	Hire date	
	Prior to January 1, 2013	***On or after January 1, 2013***
Benefit formula	2.7% @ 55	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Minimum retirement age	50	52
Monthly benefits, as a % of eligible compensation	2% to 2.7%	1% to 2%
Required employee contribution rates	8.00%	6.25%
Required employer contribution rates	23.54%	25.653%

Employees Covered. As of the June 30, 2017 actuarial valuation date (most current), the following employees were covered by the benefit terms of the Plan:

Inactive employees or beneficiaries currently receiving benefits	213
Inactive employees entitled to but not yet receiving benefits	138
Active employees	188
Total	539

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

For the year ended June 30, 2019, the City's required contributions for the Miscellaneous Plan were $4,447,555. For the year ended June 30, 2020, the City's required contributions for the Miscellaneous Plan were $5,089,159. Such amounts were paid by the City and represented approximately 7.1% and 5.3% of General Fund expenditures in fiscal years 2018-19 and 2019-20, respectively.

Beginning with fiscal year 2017-18 CalPERS began collecting employer contributions toward the plan's unfunded liability as dollar amounts unfunded liability as dollar amounts instead of the prior method of a contribution rate. According to CalPERS, this change was to address potential funding issues that could arise from a declining payroll or reduction in the number of active members in the plan. Funding the unfunded liability as a percentage of payroll could lead to the underfunding of the plans. Due to stakeholder feedback regarding internal needs for total contributions expressed as an estimated percentage of payroll, the CalPERS reports include such results in the contribution projection set forth in the tables below. These results are provided for information purposes only. Contributions toward the unfunded liability will continue to be collected as set dollar amounts.

The table below is derived from the Miscellaneous Plan of the City of Cupertino Annual Valuation Report as of June 30, 2018 and delivered in July 2019 (the "2019 Report") and shows the required and projected employer contributions (before cost sharing) for the next six fiscal years. Projected results reflect the adopted changes to the discount rate described in the 2019 Report. Such projections also assume that all actuarial assumptions will be realized and that no further changes to assumptions, contributions, benefits, or funding will occur during the projection period. The projected normal cost percentages in the projections below does not reflect that the normal cost will decline over the time as new employees are hired into PEPRA or other lower cost benefit tiers.

	Required Contribution	***Projected Future Employer Contributions (Assumes 7.00% Return for Fiscal Year 2018-19)***				
Fiscal Year	***2020-21***	***2021-22***	***2022-23***	***2023-24***	***2024-25***	***2025-26***
Miscellaneous Plan						
Normal Cost %	11.306%	11.3%	11.3%	11.3%	11.3%	11.3%%
UAL Payment	$3,607,122	$4,056,000	$4,448,000	$4,724,000	$5,001,000	$4,775,000
Total as a % of Payroll*	29.8%	31.6%	32.9%	33.6%	34.3%	32.7%
Projected Payroll	$19,490,834	$20,026,831	$20,577,569	$21,143,452	$21,724,897	$22,322,332

* Illustrative only and based on the projected payroll shown.
Source: CalPERS' 2019 Report.

No assurance can be provided that the City's CalPERS plan expenses will not increase significantly in the future.

Net Pension Liability. The City's net pension liability for the Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of the Plan is measured as of June 30, 2018, using an annual actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 using standard update procedures. For a summary of principal assumptions and methods used to determine the net pension liability, see Note 10 to the City's audited financial statements for fiscal year 2018-19 attached hereto as Appendix B.

Changes in Net Pension Liability. The changes in the Net Pension Liability for the City's Miscellaneous Plan are as follows:

	Increase (Decrease)		
	Total Pension Liability	***Plan Fiduciary Net Position***	***Net Pension Liability***
Balance at June 30, 2017	$ 127,947,594	$ 86,803,192	$ 41,144,402
Changes in the year:			
Service cost	3,058,629	-	3,058,629
Interest on the total pension liability	9,065,322	-	9,065,322
Change of Assumptions	(847,606)	-	(847,606)
Differences between actual and expected experience	1,184,340	-	1,184,340
Contribution - employer	-	4,263,020	(4,263,020)
Contribution - employee	-	1,506,888	(1,506,888)
Net investment income	-	7,347,936	(7,347,936)
Administrative expenses	-	(392,346)	392,346
Benefit payments, including refunds of employee contributions	(6,051,845)	(6,051,845)	-
Net changes	6,408,840	6,673,653	(264,813)
Balance at June 30, 2018	$ 134,356,434	$ 93,476,845	$ 40,879,589

On June 25, 2012, the Governmental Accounting Standards Board approved GASB Statement No. 68 ("GASB 68") with respect to pension accounting and financial reporting standards for state and local governments and pension plans. GASB 68 states that, for pensions within the scope of the statement, a cost-sharing employer that does not have a special funding situation is required to recognize a net pension liability, deferred outflows of resources, deferred inflows of resources related to pensions, and pension expense based on its proportionate share of the net pension liability for benefits provided through the pension plan. While the new accounting standards change financial statement reporting requirements, they do not impact funding policies of the pension systems. The audited financial statements of the City for fiscal year 2018-19 reflect the application of the GASB 68. GASB 68 is a change in accounting reporting standards but it does not change the City's CalPERS plan funding obligations.

For additional information with respect to the discount rate, deferred outflows/(inflows) of resources, and recognition of gains and losses, see Note 10 to the City's audited financial statements for fiscal year 2018-19 attached hereto as Appendix B.

Funded Status. The tables below are derived from the 2019 Report and show the funded status of the Safety Plan and Miscellaneous Plan as of the valuation dates shown.

Miscellaneous Plan

Valuation Date	***Accrued Liability***	***Market Value of Assets***	***Unfunded Liability***	***Funded Ratio***	***Annual Covered Payroll***
06/30/2014	$104,798,405	$76,439,737,	$28,358,668	72.9%	$13,111,617
06/30/2015	111,188,031	77,897,977	33,290,054	701.1	13,919,387
06/30/2016	118,489,119	77,919,876	40,569,243	65.8	15,140,909
06/30/2017	127,138,300	86,617,172	40,521,128	68.1	16,359,464
06/30/2018	141,033,621	93,550,299	47,483,322	66.3	17,967,387

Source: CalPERS' 2019 Report.

AB 340, Public Employee Pension Reform Act of 2013 (PEPRA). On September 12, 2012, the California Governor signed Assembly Bill 340 ("AB 340"), which implements pension reform in California.

Effective January 1, 2013, AB 340: (i) requires public retirement systems and their participating employers to share equally with employees the normal cost rate for such retirement systems; (ii) prohibits employers from paying employer-paid member contributions to such retirement systems for employees hired after January 1, 2013; (iii) establishes a compulsory maximum non-safety benefit formula of 2.5% at age 67; (iv) defines final compensation as the highest average annual pensionable compensation earned during a 36-month period; and (v) caps pensionable income at $110,100 ($132,120 for employees not enrolled in Social Security) subject to Consumer Price Index increases. Other provisions reduce the risk of the City incurring additional unfunded liabilities, including prohibiting retroactive benefits increases, generally prohibiting contribution holidays, and prohibiting purchases of additional non-qualified service credit.

CalPERS Plan Actuarial Methods. The staff actuaries at CalPERS prepare annually an actuarial valuation which is typically delivered in the time period from July through October of each year (thus, the actuarial valuation dated July 2019 covered CalPERS' fiscal year ended June 30, 2018). The actuarial valuations express the City's required contribution which the City must contribute in the fiscal year immediately following the fiscal year in which the actuarial valuation is prepared (thus, the City's contribution requirement derived from the actuarial valuation as of June 30, 2018 and shown in the report delivered in July 2019 affects the City's fiscal year 2020-21 required contribution). CalPERS rules require the City to implement the actuary's recommended rates.

The CalPERS Chief Actuary considers various factors in determining the assumptions to be used in preparing the actuarial report. Demographic assumptions are based on a study of the actual history of retirement, rates of termination/separation of employment, years of life expectancy after retirement, disability, and other factors. This experience study is generally done once every four years. The most recent experience study was completed in 2017 in connection with the preparation of actuarial recommendations by the CalPERS Chief Actuary as described below.

In December 2016, the CalPERS Board approved lowering the funding discount rate to be phased in over three years: for fiscal year 2018-19 to a rate of 7.375 percent; for fiscal year 2019-20 to a rate of 7.25 percent; and for fiscal year 2020-21 to a rate of 7.0 percent. The funding discount rate includes a 15 basis-point reduction for administrative expenses, and the remaining decrease is consistent with the change in the financial reporting discount rate. As noted above, there is an approximately fifteen month lag between the time that CalPERS provides its annual actuarial valuation and the fiscal year in which the required contribution therein impacts the City.

On November 18, 2015, the CalPERS Board adopted a Funding Risk Mitigation Policy that seeks to reduce funding risk over time. It establishes a mechanism whereby CalPERS investment performance that significantly outperforms the discount rate triggers adjustments to the discount rate, expected investment return, and strategic asset allocation targets. Reducing the volatility of investment returns is expected to increase the long-term sustainability of CalPERS pension benefits for members. In February 2017, the CalPERS Board revised the Funding Risk Mitigation Policy. The revisions include suspension of the policy until fiscal year 2020-21, and a decrease of the required first excess investment return threshold from 4% to 2%.

On February 14, 2018, the CalPERS Board of Administration adopted revisions to its actuarial amortization policy. Major revisions that affect state plans were made to the amortization of investment gains and losses, as well as to actuarial surplus. For the amortization of investment gains and losses, the amortization period was reduced from 30 years to 20 years, and the 5-year direct smoothing process was removed from the end of the amortization period. Amortization of actuarial surplus was eliminated. These policy revisions will be applied to the amortization of investment gains and losses, and actuarial surplus, experienced on or after June 30, 2019. These revisions will affect contributions starting in fiscal year 2020-21.

Other Post-Employment Benefits

The Retiree Health Plan. For employees hired prior to April 25, 2010, the City provides certain healthcare benefits for employees who retire after attaining age 50 with at least five years of service or disability at any age. For employees hired after April 25, 2010, the City offers a defined contribution post-retirement healthcare plan and contributes 1.5% of salary to such plan. For additional information with respect to the benefits offered under the City's other post-employment benefit plan ("OPEB"), see Note 9 to the audited financial statements for fiscal year 2018-19 attached hereto as Appendix B.

At June 30, 2018, membership consisted of the following:

Active Plan Members	388
Inactive Employees or Beneficiaries Currently Receiving Benefit Payments	231
Total	619

Source: City Comprehensive Audited Financial Report for fiscal year 2018-19.

Total OPEB Liability. In June 2015, GASB issued Statement No. 75, which became effective for fiscal years beginning after June 15, 2017. The primary objective of Statement No. 75 is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (i.e. OPEB). GASB 75 is also intended to improve information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. Statement No. 75 results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

More specifically, GASB 75 requires the liability of employers to be measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service (total OPEB liability), less the amount of the OPEB plan's fiduciary net position. GASB 75 requires the recognition of the total OPEB liability in the Statement of Net Position. As a result of the implementation of GASB 75, in the City's audited financial statements for fiscal year 2017-18, a reconciliation for net position (reductions) was made to the City's beginning net position for governmental activities in the amount of $11,525,596 and for business-type activities in the amount of $80,283.

Plan Description. Permanent employees who retire under the City's CalPERS retirement plan are, pursuant to their respective collective bargaining agreements, eligible to have their medical insurance premiums paid by the City. Retirees receive the amount necessary to pay the cost of his/her enrollment, including the enrollment of his/her family members, in a health benefit plan provided by CalPERS up to the maximum received by active employees in their respective bargaining unit.

The City contracts with CalPERS for this insured-benefit plan established under the state Public Employees' Medical and Hospital Care Act ("PEMHCA"). The plan offers employees and retirees three CalPERS' self-funded options, setup as insurance risk pools, or offers various third-party insured health plans. The plan's medical benefits and premium rates are established by CalPERS and the insurance providers. The City contribution is established by City resolution. Retirees and active employees pay the difference between the premium rate and the City's contribution. Premiums and City contributions are based on the plan and coverage selected by actives and retirees, with the City's potential contribution ranging from zero to $1,605 per month per employee or retiree. The responsibility for benefit payments has transferred to the insurers and the City does not guarantee the benefits in the event of default by the insurers. A comprehensive annual financial report of CalPERS, inclusive of their benefit plans, is available at www.calpers.ca.gov.

The City participates in the Public Agency Retirement System ("PARS") Public Agencies Post Retirement Health Care Plan Trust Program ("PARS Trust"), an agent-multiple employer irrevocable trust established to fund other postemployment benefits. The City Council adopted the PARS Public Agencies Post-

Retirement Health Care Plan Trust, including the PARS Public Agencies Post-Retirement Health Care Plan, to fund medical insurance costs for its retired employees, effective February 17, 2010. The City Council appointed the City Treasurer as the City's plan administrator. The plan administrator is authorized to execute the PARS legal documents on behalf of the City and to take whatever additional actions necessary to maintain the City's participation in the Program and to maintain compliance of any relevant regulation issued or as may be issued; therefore, authorizing him/her to take whatever additional actions are required to administer the City's PARS Plan. The PARS Trust is approved by the Internal Revenue Code Section 115 and invests funds in equity, bond, and money market mutual funds. Copies of the PARS Trust's annual financial report are available at the City's Finance Department. However, as the City is the plan administrator and has ultimate responsibility for the plan, the City considered the plan to be a single employer plan with PARS as the trust administrator only (with no special funding situation or nonemployer contributing entity). As such, in accordance with the requirements of GASB Statement No. 74, *Financial Reporting for Post Employment Benefit Plans Other Than Pension Plans*, the City has elected to present the PARS Trust as a fiduciary fund and include the required disclosures and required supplementary information in its annual financial statements.

An employee is eligible for lifetime medical benefits under the OPEB Plan, along with his/her spouse or declared domestic partner at the time of retirement, if all criteria listed below are met:

- The employee was hired or the City Council member was elected prior to August 1, 2004, and the employee has five or more full-time years of service and the City Council member has five or more years of elected service with the City; or

- The employee was hired or the City Council member was elected on or after August 1, 2004, and the employee has ten or more full-time and/or elected years of CalPERS service, five years of which must be from the City; and

- The employee is eligible for retirement as defined under the CalPERS retirement system; and the employee retires from the City.

In addition, the eligible employee's dependent children at the time of retirement who are under 23 years old are eligible for medical benefits. In addition to extending the eligibility of dependents from age 23 to age 26 in accordance with the recent healthcare reform act, effective July 1, 2010, employees that retire or resign from service with the City of Cupertino and who are not eligible for retiree medical benefits can continue on the City's medical and dental plans provided that they pay the premiums in full.

Plan membership. At January 1, 2019 (the latest information available), Plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefit payments	138
Inactive plan members entitled to but not yet receiving benefit payments	-
Active plan members	176
	314

Contributions. OPEB Plan contributions are set by the adopted budget. The cost of the benefits provided by the OPEB Plan is currently being paid by the City on a fully pre-funded basis. Based on the actuarial valuation date of January 1, 2019, the annual required contribution rate is 7.41 percent of annual covered payroll. For the year ended June 30, 2019, the City paid $1,075,908 in healthcare premium payments. Plan members are not required to contribute to the plan.

Net OPEB Liability of the City. The components of the net OPEB liability (asset) of the City at June 30, 2019 (expressed in thousands) were as follows:

Total OPEB liability	$ 28,073
Plan fiduciary net position	29,218
City's net OPEB asset	$ (1,145)
Plan fiduciary net position as a percentage of the total OPEB liability	104.08%

Actuarial assumptions. The total OPEB liability was determined by an actuarial valuation as of January 1, 2019, using the previously listed actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified. Mortality rates were based on the CalPERS mortality assumptions. For more information regarding the actuarial assumptions with respect to the City's OPEB liability, see Note 11 to the audited financial statements for fiscal year 2018-19 attached hereto as Appendix B.

Changes in the Net OPEB Liability. The changes in the City's net OPEB liability (asset) are:

	Net Increase (Decrease)		
Total OPEB	***Liability***	***Plan Fiduciary Net Position***	***Net OPEB Liability (Asset)***
Balance at July 1, 2018	$ 28,471,000	$ 28,056,000	$ 415,000
Changes in the year			
Service cost	865,000	-	865,000
Interest on the total OPEB liability	2,005,000	-	2,005,000
Change of assumptions	(37,000)	-	(37,000)
Differences between actual and expected experience	(1,808,000)	-	(1,808,000)
Contribution – employer	-	1,423,000	(1,423,000)
Contribution – employee	-	-	-
Net investment income	-	1,259,000	(1,259,000)
Administrative expenses	-	(97,000)	97,000
Benefit payments, including refunds of	-		
Employee contributions	(1,423,000)	(1,423,000)	-
Net changes	(398,000)	1,162,000	(1,560,000)
Balance at June 30, 2019	$ 28,073,000	$ 29,218,000	$ (1,145,000)

For additional information with respect to the City's OPEB plan, see Note 11 to the audited financial statements for fiscal year 2018-19 attached hereto as Appendix B.

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS

Principal of and interest with respect to the Certificates are payable from Lease Payments made from the City's General Fund. See the caption "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES" herein. Articles XIIIA, XIIIB, XIIIC and XIIID of the State Constitution, Propositions 62, 111, 218, 1A and 22, and certain other provisions of law discussed below are included in this Official Statement to describe the potential effect of these Constitutional and statutory measures on the ability of the City to levy taxes and spend tax proceeds for operating and other purposes.

Article XIIIA of the State Constitution

On June 6, 1978, State voters approved Proposition 13, which added Article XIIIA to the State Constitution. Article XIIIA, as amended, limits the amount of any *ad valorem* tax on real property to 1% of the full cash value thereof, except that additional *ad valorem* taxes may be levied to pay debt service: (i) on indebtedness approved by the voters prior to December 1, 1978; (ii) on bonded indebtedness approved by a two-thirds vote on or after December 1, 1978, for the acquisition or improvement of real property; or (iii) bonded indebtedness incurred by a school district, community college district or county office of education for the construction, reconstruction, rehabilitation or replacement of school facilities, including the furnishing and equipping of school facilities or the acquisition or lease of real property for school facilities, approved by 55% of the voters voting on the proposition. Article XIIIA defines full cash value to mean "the county assessor's valuation of real property as shown on the 1975-76 tax bill under "full cash value," or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment." This full cash value may be increased at a rate not to exceed 2% per year to account for inflation.

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

Legislation Implementing Article XIIIA

Legislation has been enacted and amended a number of times since 1978 to implement Article XIIIA. Under current law, local agencies are no longer permitted to levy directly any property tax (except to pay voter-approved indebtedness). The 1% property tax is automatically levied by counties and distributed according to a formula among taxing agencies.

Increases in assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the 2% annual adjustment are allocated among the various jurisdictions in the "taxing area" based upon their respective "situs." Any such allocation made to a local agency continues as part of its allocation in future years.

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

Split Roll Initiative

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

Article XIIIB of the State Constitution

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

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

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

The City's appropriations have never exceeded the limitation on appropriations under Article XIIIB.

Articles XIIIC and XIIID of the State Constitution

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

Article XIIIC requires that all new local taxes be submitted to the electorate before they become effective. Taxes for general governmental purposes of the City (such as Measure W) require a majority vote, and taxes for specific purposes, even if deposited in the City's General Fund, require a two-thirds vote. The voter approval requirements of Proposition 218 reduce the flexibility of the City to raise revenues for the General Fund, and no assurance can be given that the City will be able to impose, extend or increase such taxes in the future to meet increased expenditure needs.

Article XIIID also adds several provisions making it generally more difficult for local agencies to levy and maintain property-related fees, charges, and assessments for municipal services and programs, such as hearings and stricter and more individualized benefit requirements and findings. These provisions include, among other things: (i) a prohibition against assessments which exceed the reasonable cost of the proportional special benefit conferred on a parcel; (ii) a requirement that assessments must confer a "special benefit," as defined in Article XIIID, over and above any general benefits conferred; (iii) a majority protest procedure for assessments which involves the mailing of notice and a ballot to the record owner of each affected parcel, a public hearing and the tabulation of ballots weighted according to the proportional financial obligation of the affected party; and (iv) a prohibition against fees and charges which are used for general governmental services, including police, fire or library services, where the service is available to the public at large in substantially the same manner as it is to property owners. If the City is unable to continue to collect revenues of this nature, the services and programs funded with these revenues would have to be curtailed and/or the City's General Fund might have to be used to support them. The City is unable to predict whether or not in the future it will be able to continue all existing services and programs funded by fees, charges and assessments in light of Proposition

218 or, if these services and programs are continued, which amounts (if any) would be used from the City's General Fund to continue to support such activities.

Article XIIIC also removes limitations on the initiative power in matters of reducing or repealing local taxes, assessments, fees or charges. This extension of the initiative power is not limited to taxes imposed on or after November 6, 1996, the effective date of Proposition 218, and could result in retroactive repeal or reduction in any existing taxes, assessments, fees and charges, subject to overriding federal constitutional principles relating to the impairments of contracts. Legislation implementing Proposition 218 provides that the initiative power provided for in Proposition 218 "shall not be construed to mean that any owner or beneficial owner of a municipal security, purchased before or after (the effective date of Proposition 218) assumes the risk of, or in any way consents to, any action by initiative measure that constitutes an impairment of contractual rights" protected by the United States Constitution. However, no assurance can be given that the voters of the City will not, in the future, approve an initiative or initiatives which reduce or repeal local taxes, assessments, fees or charges currently comprising a substantial part of the City's General Fund.

Although a portion of the City's General Fund revenues are derived from taxes purported to be governed by Proposition 218, all of such taxes were imposed in accordance with the requirements of Proposition 218. No assurance can be given that the voters of the City will not, in the future, approve an initiative or initiatives which reduce or repeal local taxes, assessments, fees or charges which support the City's General Fund.

Proposition 62

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

On September 28, 1995, the California Supreme Court, in the case of Santa Clara County Local Transportation Authority v. Guardino, upheld the constitutionality of Proposition 62. In this case, the court held that a countywide sales tax of one-half of one percent was a special tax that, under Section 53722 of the Government Code, required a two-thirds voter approval. Because the tax received an affirmative vote of only 54.1%, this special tax was found to be invalid. The decision did not address the question of whether or not it should be applied retroactively.

Following the California Supreme Court's decision upholding Proposition 62, several actions were filed challenging taxes imposed by public agencies since the adoption of Proposition 62, which was passed in November 1986. On June 4, 2001, the California Supreme Court released its decision in one of these cases, Howard Jarvis Taxpayers Association v. City of La Habra, et al. In this case, the court held that a public agency's continued imposition and collection of a tax is an ongoing violation, upon which the statute of limitations period begins anew with each collection. The court also held that, unless another statute or constitutional rule provided differently, the statute of limitations for challenges to taxes subject to Proposition 62 is three years. Accordingly, a challenge to a tax subject to Proposition 62 may only be made for those taxes received within three years of the date the action is brought.

The City has not experienced any substantive adverse financial impact as a result of the passage of Proposition 62.

Proposition 1A

Proposition 1A was approved by the voters at the November 2, 2004 election. Proposition 1A amended the State Constitution to, among other things, reduce the Legislature's authority over local government revenue sources by placing restrictions on the State's access to local governments' property, sales, and vehicle license fee revenues as of November 3, 2004. Beginning with Fiscal Year 2008-09, the State may borrow up to eight percent of local property tax revenues, but only if the Governor proclaims such action is necessary due to a severe State fiscal hardship, and two–thirds of both houses of the Legislature approves the borrowing. The amount borrowed is required to be paid back within three years. The State also will not be able to borrow from local property tax revenues for more than two fiscal years within a period of 10 fiscal years. In addition, the State cannot reduce the local sales tax rate or restrict the authority of local governments to impose or change the distribution of the statewide local sales tax.

Many of the provisions of Proposition 1A have been superseded by Proposition 22 enacted in November 2010 and described below.

Proposition 22

On November 2, 2010, the voters of the State approved Proposition 22, known as "The Local Taxpayer, Public Safety, and Transportation Protection Act" ("Proposition 22"). Proposition 22, among other things, broadens the restrictions established by Proposition 1A. While Proposition 1A permits the State to appropriate or borrow local property tax revenues on a temporary basis during times of severe financial hardship, Proposition 22 amends Article XIII of the State Constitution to prohibit the State from appropriating or borrowing local property tax revenues under any circumstances. The State can no longer borrow local property tax revenues on a temporary basis even during times of severe financial hardship. Proposition 22 also prohibits the State from appropriating or borrowing proceeds derived from any tax levied by a local government solely for the local government's purposes. Furthermore, Proposition 22 restricts the State's ability to redirect redevelopment agency property tax revenues to school districts and other local governments and limits uses of certain other funds although this provision no longer has any meaningful impact given the statewide dissolution of redevelopment agencies. Proposition 22 is intended to stabilize local government revenue sources by restricting the State government's control over local revenues. The City cannot predict whether Proposition 22 will have a beneficial effect on the City's financial condition.

Proposition 26

On November 2, 2010, State voters also approved Proposition 26. Proposition 26 amends Article XIIIC of the State Constitution to expand the definition of "tax" to include "any levy, charge, or exaction of any kind imposed by a local government" except the following: (a) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (b) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product; (c) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections, and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof; (d) a charge imposed for entrance to or use of local government property, or the purchase, rental or lease of local government property; (e) a fine, penalty or other monetary charge imposed by the judicial branch of government or a local government as a result of a violation of law; (f) a charge imposed as a condition of property development; and (g) assessments and property-related fees imposed in accordance with the provisions of Article XIIID. Proposition 26 provides that the local government bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor's burdens on, or benefits received from, the governmental activity. The City does not believe that Proposition 26 will adversely affect its General Fund revenues.

Possible Future Initiatives

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

RISK FACTORS

The following information, in addition to the other matters that are described in this Official Statement, should be considered by prospective investors in evaluating the Certificates. However, the following does not purport to be comprehensive, definitive or an exhaustive listing of risks and other considerations that may be relevant to making an investment decision with respect to the Certificates. In addition, the order in which the following information is presented is not intended to reflect the relative importance of any such risks. If any risk factor materializes to a sufficient degree, it alone could delay or preclude payment of principal of or interest with respect to the Certificates.

No Pledge of Taxes or Revenues

The Certificates do not constitute an obligation of the Corporation or the City for which the Corporation or the City is obligated to levy or pledge any form of taxation or for which the Corporation or the City has levied or pledged any form of taxation. The obligation of the City to make Lease Payments under the Lease does not constitute an obligation of the City for which the City is obligated to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation. Neither the certificates nor the obligation of the City to make Lease Payments constitutes an indebtedness of the Corporation, the City, the State of California or any of political subdivision thereof within the meaning of any constitutional or statutory debt limitation or restriction.

Although the Lease does not create a pledge, lien or encumbrance upon the funds of the City, the City is obligated under the Lease to pay Lease Payments and Additional Payments from any source of legally available funds (subject to certain exceptions) and the City has covenanted in the Lease that, for as long as the Leased Premises are available for its use and possession, it will make the necessary annual appropriations within its budget for all Lease Payments and Additional Payments. The City is currently liable on other obligations payable from general revenues. In the event of a shortfall in revenues, a court might require that the City first set aside revenues to pay the other obligations of the City or to make expenditures necessary to preserve the health and welfare of City residents. See "CITY FINANCIAL INFORMATION—Indebtedness" herein.

Certain taxes, assessments, fees and charges presently imposed by the City, such as the City utility tax and the transient occupancy tax, could be reduced or eliminated by initiative pursuant to Article XIIIC of the State Constitution, and new taxes, assessments fees and charges subject to the voter approval requirements of Article XIIID of the State Constitution may not be approved by voters. The City does not believe that Article XIIIC grants to the voters the power to reduce or repeal local taxes, assessments, fees and charges received by the City to an extent that would prevent the City from performing its existing contractual obligations. However, it is possible that the initiative power could be exercised in a manner that would have a material adverse effect on the financial condition of the City, including its General Fund. Although the City does not currently anticipate that the provisions of Article XIIIC and Article XIIID of the State Constitution would adversely affect its ability to pay the principal of and interest with respect to the Certificates, as and when due, and its other obligations payable from the General Fund, no assurance can be given regarding the ultimate interpretation or effect of Article XIIIC and Article XIIID of the State Constitution on the City's finances. See

"CITY FINANCIAL INFORMATION—Major Revenues" and "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS" herein."

Additional Obligations of the City

The City is permitted to enter into other obligations which constitute additional charges against its revenues without the consent of Owners of the Certificates. To the extent that additional obligations are incurred by the City, the funds available to pay Lease Payments may be decreased.

The Lease Payments and other payments due under the Lease (including payment of costs of repair and maintenance of the Leased Premises, taxes and other governmental charges levied against the Leased Premises) are payable from funds lawfully available to the City. In the event that the amounts which the City is obligated to pay in a fiscal year exceed the City's revenues for such year, the City may choose to make some payments rather than making other payments, including Lease Payments and Additional Payments, based on the perceived needs of the City. The same result could occur if, because of California Constitutional limits on expenditures, the City is not permitted to appropriate and spend all of its available revenues or is required to expend available revenues to preserve the public health, safety and welfare.

Default

Whenever any event of default referred to in the Lease happens and continues, the Trustee, as the assignee of the Corporation, is authorized under the terms of the Lease to exercise any and all remedies available pursuant to law or granted pursuant to the Lease; provided, however, that notwithstanding anything therein or in the Trust Agreement to the contrary, THERE SHALL BE NO RIGHT UNDER ANY CIRCUMSTANCES TO ACCELERATE THE LEASE PAYMENTS OR OTHERWISE DECLARE ANY LEASE PAYMENTS NOT THEN DUE OR PAST DUE TO BE IMMEDIATELY DUE AND PAYABLE. NEITHER THE CORPORATION NOR ITS ASSIGNEE SHALL HAVE ANY RIGHT TO REENTER OR RELET THE LEASED PREMISES EXCEPT FOLLOWING A DEFAULT UNDER THE LEASE. Following an event of default, the Trustee, as the assignee of the Corporation, may elect either to terminate the Lease and seek to collect damages from the City or to maintain the Lease in effect and seek to collect the Lease Payments as they become due. The Lease further provides that so long as an event of default exists under the Lease, the Corporation, or its assignee, may re-enter the Leased Premises for the purpose of taking possession of any portion of the Leased Premises and to re-let the Leased Premises and, in addition, at its option, with or without such entry to terminate the Lease as described therein. See Appendix C—"SUMMARY OF PRINCIPAL LEGAL DOCUMENTS—DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE TRUST AGREEMENT—EVENTS OF DEFAULT AND REMEDIES—Remedies On Default."

No assurance can be given that the Trustee will be able to re-let the Leased Premises so as to provide rental income sufficient to pay principal and interest evidenced by the Certificates in a timely manner or that such re-letting will not adversely affect the exclusion of interest due with respect to the Certificates from gross income for federal or State income tax purposes. Furthermore, due to the fact that the Leased Premises are needed to provide essential public services to residents of the City, it is not certain whether a court would permit the exercise of the remedies of repossession and re-letting with respect to the Leased Premises.

In the event of a default, there is no remedy of acceleration of the total Lease Payments due over the term of the Lease and the Trustee is not empowered to sell the Leased Premises and use the proceeds of such sale to prepay the Certificates or pay debt service with respect thereto. The City will be liable only for Lease Payments on an annual basis and, in the event of a default, the Trustee would be required to seek a separate judgment each year for that year's defaulted Lease Payments. Any such suit for money damages would be subject to limitations on legal remedies against municipalities in California, including a limitation on enforcement of judgments against funds of a fiscal year other than the fiscal year in which the Lease Payments were due and against funds needed to serve the public welfare and interest.

Release or Substitution of Property

Under the terms of the Lease, the City has the right from time to time to add other real property and improvements (subject only to Permitted Encumbrances) or to substitute other real property or improvements (subject only to Permitted Encumbrances) for all or a portion of the Leased Premises or to release a portion of the real property or improvements constituting the Leased Premises, subject to the conditions precedent to such addition, substitution or release as set forth in the Lease. No addition, substitution or release under the Lease will be, by itself, the basis for any reduction in or abatement of the Lease Payments due from the City thereunder. A release could, however, result in a reduction in the fair rental value of the Leased Premises which would result in less security for the Owners should it be necessary to relet the Leased Premises to cure a default in Lease Payments. See Appendix C—"SUMMARY OF PRINCIPAL LEGAL DOCUMENTS—DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE LEASE—COVENANTS WITH RESPECT TO THE LEASED PREMISES—Substitution or Release of the Leased Premises" herein.

In connection with a substitution or release, all interests of the Corporation, and its assignee, in the portion of the Leased Premises released shall terminate and the Corporation and its assignee shall execute and record with the County Recorder of the County all documents deemed necessary by the City to evidence such termination of interest. Upon satisfaction by the City of the conditions set forth in the Lease, the Trustee also will execute a Lease Supplement and will not impose on the City any further conditions or prerequisites to the requested addition, substitution or release. The City will cause the Lease Supplement, or another document substantially in the form of the Lease Supplement, to be recorded in the real property records of the County.

All costs and expenses incurred in connection with such addition, substitution or release will be borne by the City.

Abatement

The City's obligation to make Lease Payments will be subject to full or partial abatement and could result in the Trustee having inadequate funds to pay the principal and interest with respect to the Certificates under certain circumstances related to material damage, destruction, title defect or taking by eminent domain or condemnation of the Leased Premises which cause a substantial interference with the use and possession of the Leased Premises. In addition, if Additional Certificates are sold to finance additional improvements to the Leased Premises, failure to complete the improvements on or before the date to which capitalized interest is funded on the Additional Certificates could incur an abatement and result in the Trustee having inadequate funds to pay the principal and interest with respect to the Certificates and Additional Certificates when due.

The Lease obligates the City to obtain and keep in force various forms of insurance for the Leased Premises in the event of damage or destruction to the Leased Premises (see Appendix C—"SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS—DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE LEASE—INSURANCE" herein). However, there can be no assurance that specific losses will be covered by insurance or, if covered, that claims will be paid in full by the applicable insurers, and the City makes no representation as to the ability of any insurer to fulfill its obligations under any insurance policy provided for in the Lease. In addition, the City is not required under the Lease Agreement to obtain earthquake and flood insurance.

In the event the Leased Premises are partially or completely damaged or destroyed due to any uninsured or underinsured event, it is likely that Lease Payments will be partially or completely abated. Apart from the proceeds of insurance, the City and the Corporation will have no obligation to expend any funds to repair or replace such damaged or destroyed property. If the Leased Premises so damaged or destroyed are not repaired or replaced within the period during which the proceeds of rental interruption insurance are available, any such abatement could result in the Trustee having insufficient funds to pay the principal of and interest with respect to the Certificates as scheduled.

See Appendix C—"SUMMARY OF PRINCIPAL LEGAL DOCUMENTS—DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE LEASE—AGREEMENT TO LEASE; TERM OF LEASE; LEASE PAYMENTS—Abatement of Lease Payments in the Event of Loss of Use" herein.

No Reserve Fund

The City has not established a reserve fund in connection with the execution and delivery of the Certificates. In the event of abatement of Lease Payments, funds available to pay debt service on the Certificates will be limited to proceeds of insurance (including rental interruption insurance). In addition, if annual appropriations to pay Lease Payments are not made (for example, due to delay in adoption of an annual budget), no funds would be available to pay debt service on the Certificates until such appropriations were available.

Natural Disasters

The occurrence of any natural disaster in the City, including, without limitation, fire, windstorm, drought, earthquake, landslide, mudslide or flood, could have an adverse material impact on the economy within the City, its General Fund and the revenues available for the payment of Base Rental Payments.

Earthquakes. All jurisdictions in California are subject to the effects of damaging earthquakes. According to the Health and Safety Element of the City's General Plan, the City is located in the seismically active San Francisco Bay region, which has several active seismic faults. The San Andreas fault, one of the longest and most active faults in the world, is located west of the City. Two additional faults closely associated with the San Andreas fault, the Sargent-Berrocal and Monta Vista-Shannon fault systems, also cross the western portion of the City. Movement on the San Andreas fault is predominantly right-lateral strike-slip, where the earth ruptures in a horizontal fashion, with the opposite sides of the fault moving to the right with respect to each other. Movement on the Sargent-Berrocal and Monta Vista-Shannon faults is more variable in style. Both of these faults are characterized by "thrust" faulting, where a significant amount of vertical "up-down" (so called dip-slip) displacement occurs on an inclined plane, and one side of the fault is elevated (i.e., thrust over) the other side. Primary geologic hazards in the City are related to landslides and seismic impacts. Seismically induced ground shaking, surface fault rupture, and various forms of earthquake-triggered ground failure are anticipated within the city during large earthquakes. These geologic hazards present potential impacts to property and public safety.

Fire. According to the Health and Safety Element of the City's General Plan, due to the City's geographical location, it is exposed to hazards from both wildland and urban fires. There are approximately 16 square miles of hillsides included in and around the boundary of the City. In 2009, based on vegetation data, topography and potential fire behavior, the California Department of Forestry and Fire Protection identified approximately three acres of the City to be in the High and Very High Fire Hazard Severity Zone. The City adopted this area as its Wildand-Urban Interface Fire Area ("WUIFA"). Properties in the WUIFA are subject to building and property maintenance standards intended to prevent and manage community safety due to brush and forest fires. Planning for such areas also requires attention to the availability of access roads and water for firefighting and evacuation efforts. No portion of the Leased Premises is located within the WUIFA and the urbanized portions of the City are not exposed to a high risk of fire.

Flooding. Portions of the City and surrounding areas have been identified as potentially flood prone areas. According to the Health and Safety Element of the City's General Plan, the watersheds in the Santa Cruz Mountain Range feed into four major streambeds that traverse the City: Permanente Creek, Stevens Creek, Regnart Creek, and Calabazas Creek. Stevens Creek and its streamside are among the natural elements that have the most influence on Cupertino's character. These creeks collect surface runoff and channel it to the San Francisco Bay. However, they also pose potential flooding risks to the City if water levels exceed the top of bank as a result of heavy runoff. No portion of the Leased Premises is located within a 100-year of 500-year flood zone.

The occurrence of natural disasters in the City could result in substantial damage to the City and the Leased Premises which, in turn, could substantially reduce General Fund revenues and affect the ability of the City to make Lease Payments or cause an abatement in Lease Payments. Reduced ability to pay Lease Payments could affect the payment of the principal of and interest with respect to the Certificates. The Lease obligates the City obtain and keep in force various forms of insurance, including property casualty insurance (for losses other than from seismic events) for the Leased Premises in the event of damage or destruction to the Leased Premises. See "THE CITY OF CUPERTINO—Risk Management" herein. However, there can be no assurance that specific losses will be covered by insurance or, if covered, that claims will be paid in full by the applicable insurers, the City makes no representation as to the ability of any insurer to fulfill its obligations under any insurance policy provided for in the Lease. In addition, the City is not required under the Lease Agreement to obtain earthquake and flood insurance.

Hazardous Substances

The City knows of no existing hazardous substances which require remedial action on or near the Leased Premises. However, it is possible such substances do currently or potentially exist and that the City is not aware of them.

Owners and operators of real property may be required by law to remedy conditions of the property relating to releases or threatened releases of hazardous substances. The federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as "CERCLA" or the "Superfund Act," is the most well-known and widely applicable of these laws, but California laws with regard to hazardous substances are also stringent and similar. Under many of these laws, the owner (or operator) is obligated to remedy a hazardous substance whether or not the owner (or operator) has anything to do with creating or handling the hazardous substance. Further, such liabilities may arise not simply from the existence of a hazardous substance but from the method of handling it. All of these possibilities could significantly and adversely affect the operations and finances of the City, may result in the reduction in the assessed value of property, and therefor property tax revenue.

Cybersecurity

The City, like many other public and private entities, relies on a large and complex technology environment to conduct its operations. As a recipient and provider of personal, private, or sensitive information, the City is subject to multiple cyber threats including, but not limited to, hacking, viruses, malware and other attacks on computer and other sensitive digital networks and systems. Entities or individuals may attempt to gain unauthorized access to the City's digital systems for the purposes of misappropriating assets or information or causing operational disruption and damage. To date, the City has not experienced an attack on its computer operating systems which resulted in a breach of its cybersecurity systems that are in place. However, no assurances can be given that the City's efforts to manage cyber threats and attacks will be successful or that any such attack will not materially impact the operations or finances of the City. The City does not carry separate cybersecurity insurance. See "THE CITY OF CUPERTINO— Risk Management" in herein for more information with respect to the City's insurance coverages.

Limitations on Remedies; Bankruptcy

The rights of the owners of the Certificates are subject to the limitations on legal remedies against municipalities in the State, including a limitation on enforcement of judgments against funds needed to serve the public welfare and interest. Additionally, enforceability of the rights and remedies of the owners of the Certificates, and enforcement of the City's obligations under the Lease, may become subject to the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditor's rights generally, now or hereafter in effect, equity principles which may limit the specific enforcement under State law of certain remedies, the exercise by the United States of America of the powers delegated to it by the Constitution, the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose and the limitations on remedies against counties in the State. Bankruptcy proceedings under Chapter 9 of the Bankruptcy Code (Title 11, United States Code), which governs the bankruptcy proceedings for public agencies such as the City, or the exercise of powers by the federal or State government, if initiated, could subject the owners of the Certificates to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation, or modification of their rights. See "RISK FACTORS—Default" herein.

Dependence on State for Certain Revenues

A number of the City's revenues are collected and dispersed by the State (such as sales tax and motor-vehicle license fees) or allocated in accordance with State law (most importantly, property taxes). Therefore, State budget decisions can have an impact on City finances. In the event of a material economic downturn in the State, there can be no assurance that any resulting revenue shortfalls to the State will not reduce revenues to local governments (including the City) or shift financial responsibility for programs to local governments as part of the State's efforts to address any such related State financial difficulties.

The COVID-19 pandemic is materially adversely impacting the financial condition of the State. In addition, there are a number of other budget risks that threaten the financial condition of the State, including the onset of recession and the significant unfunded liabilities of the two main retirement systems managed by State entities, PERS and the California State Teachers' Retirement System ("STRS"). The State also has a significant unfunded liability with respect to other post-employment benefits.

On June 29, 2020, the Governor signed into law the State budget for fiscal year 2020-21 (the "2020-21 Budget"). The following information is drawn from the DOF's summary of the 2020-21 Budget.

As with the Governor's May revision (the "May Revision") to the proposed State budget, the 2020-21 Budget acknowledges that the rapid onset of COVID-19 has had an immediate and severe impact on the State's economy. The ensuing recession has caused significant job losses, precipitous drops in family and business income, and has exacerbated inequality. The May Revision forecast included a peak unemployment rate of 24.5% in the second quarter of 2020 and a decline in personal income of nearly 9%. The 2020-21 Budget reports that the official unemployment rate exceeded 16% in both April and May of 2020.

The 2020-21 Budget includes a number of measures intended to address a projected deficit of $54.3 billion identified by the May Revision, and occasioned principally by declines in the State's three main tax revenues (personal income, sales and use, and corporate). The measures included in the 2020-21 Budget, and described below, are intended to close this deficit and set aside $2.6 billion in the State's traditional general fund reserve, including $716 million for the State to respond to the changing conditions of the COVID-19 pandemic:

- *Draw Down of Reserves* – The 2020-21 Budget draws down $8.8 billion in total State reserves, including $7.8 billion from the State's Budget Stabilization Account (the "BSA"), $450 million from the Safety Net Reserve and all funds in the State's Public School System Stabilization Account.

- *Triggers* – The 2020-21 Budget includes $11.1 billion in reductions and deferrals that would be restored if at least $14 billion in federal funds are received by October 15, 2020. If the State receives less than this amount, reductions and deferrals would be partially restored. The triggers includes $6.6 billion in deferred spending on education, $970 million in funding for the California State University and University of California systems, $2.8 billion in State employee compensation and $150 million for courts, as well as funding for various other State programs. The triggers would also fund an additional $250 million for county programs to backfill revenue losses.

- *Federal Funds* – The 2020-21 Budget relies on $10.1 billion in federal funds, including $8.1 billion of which has already been received. This relief includes recent congressional approval for a temporary increase in the federal government's share of Medicaid costs, a portion of the State's Coronavirus Relief Fund allocation pursuant to the CARES Act and federal funds provided for childcare programs.

- *Borrowing/Transfers/Deferrals* – The 2020-21 Budget relies on $9.3 billion in special fund borrowing and transfers, as well as deferrals to K-14 education discussed further herein. Approximately $900 million of special fund borrowing is associated with reductions to State employee compensation and is subject to the triggers discussed above.

- *Increased Revenues* – The 2020-21 Budget temporarily suspends for three years net operating loss tax deductions for medium and large businesses and limits business tax credits, with an estimated increase in tax revenues of $4.3 billion in fiscal year 2020-21.

- *Cancelled Expansions, Updated Assumptions and Other Measures* – The 2020-21 Budget includes an additional $10.6 billion of measures, including cancelling multiple programmatic expansions, anticipated governmental efficiencies, higher ongoing revenues above the forecast included in the May Revision, and lower health and human services caseload costs than assumed by the May Revision.

For fiscal year 2019-20, the 2020-21 Budget projects total general fund revenues and transfers of $137.6 billion and authorizes expenditures of $146.9 billion. The State is projected to end the 2019-20 fiscal year with total available general fund reserves of $17 billion, including $16.1 billion in the BSA and $900 million in the Safety Net Reserve Fund. For fiscal year 2020-21, the 2020-21 Budget projects total general fund revenues and transfers of $137.7 billion and authorizes expenditures of $133.9 billion. The State is projected to end the 2020-21 fiscal year with total available general fund reserves of $11.4 billion, including $2.6 billion in the traditional general fund reserve (of which $716 million is earmarked for COVID-related responses), $8.3 billion in the BSA and $450 million in the Safety Net Reserve Fund

Current and future State budgets will be significantly affected by the COVID-19 pandemic and other factors over which the City has no control. The City cannot determine what actions will be taken in the future by the State Legislature and the Governor to deal with the COVID-19 pandemic and resulting changing State revenues and expenditures. There can be no assurance that, as a result of the COVID-19 pandemic or otherwise, the State will not significantly reduce revenues to local governments (including the City) or shift financial responsibility for programs to local governments as part of its efforts to address State financial conditions. There can be no assurance that State actions to respond to the COVID-19 pandemic will not materially adversely affect the financial condition of the City.

Information about the State budget is regularly available at various State-maintained websites. Text of proposed and adopted budgets may be found at the website of the State Department of Finance (the "DOF"), http://www.dof.ca.gov, under the heading "California Budget." An impartial analysis of the budget is posted by the Legislative Analyst's Office (the "LAO") at http://www.lao.ca.gov. In addition, various State official statements, many of which contain a summary of the current and past State budgets and the impact of those budgets on cities in the State, may be found at the website of the State Treasurer, http://www.treasurer.ca.gov. *The information referred to is prepared by the respective State agency maintaining each website and not by the City or the Underwriter, and neither the City nor the Underwriter takes any responsibility for the continued accuracy of these Internet addresses or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated herein by these references.*

COVID-19 Pandemic

The COVID-19 Pandemic is materially adversely affecting the local, state and world economies. The City cannot currently predict the extent or duration of the outbreak or what ultimate impact it may have on the City's financial condition or operations, although the City believes it will be material and adverse. See "CITY FINANCIAL INFORMATION—COVID-19 Pandemic" herein for a discussion of current and potential impacts of COVID-19 on the City's operations and finances.

THE CORPORATION

The Cupertino Public Facilities Corporation is a nonprofit, public benefit corporation duly organized and existing under the laws of the State of California and is entitled to purchase personal and real property and to sell or lease such property, to contract for construction and improvements and to execute operating agreements regarding such property. The Corporation was formed for the purpose of providing financial assistance to public entities by acquiring, constructing, developing and refinancing certain facilities for the use and benefit of the public. The board of directors of the Corporation is comprised of the members of the City Council of the City.

TAX MATTERS

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Special Counsel, under existing statutes, regulations, rulings and judicial decisions, interest with respect to the Certificates is excluded from gross income for federal income tax purposes, and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. In the further opinion of Special Counsel, interest with respect to the Certificates is exempt from State of California personal income tax.

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

Special Counsel's opinion as to the exclusion from gross income for federal income tax purposes of interest (and original issue discount) on the Certificates is based upon certain representations of fact and certifications made by the City, the Corporation and others and is subject to the condition that the City and the Corporation comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the delivery of the Certificates to assure that interest (and original issue discount) on the Certificates will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause the interest (and original issue discount) on the Certificates to be included in gross income for federal income tax purposes retroactive to the date of delivery of the Certificates. The City and the Corporation will covenant to comply with all such requirements.

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

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

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

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

SUBSEQUENT TO THE EXECUTION AND DELIVERY OF THE CERTIFICATES THERE MIGHT BE FEDERAL, STATE, OR LOCAL STATUTORY CHANGES (OR JUDICIAL OR REGULATORY CHANGES TO OR INTERPRETATIONS OF FEDERAL, STATE, OR LOCAL LAW) THAT AFFECT THE FEDERAL, STATE, OR LOCAL TAX TREATMENT OF THE Certificates INCLUDING THE IMPOSITION OF ADDITIONAL FEDERAL INCOME OR STATE TAXES BEING IMPOSED ON OWNERS OF TAX-EXEMPT STATE OR LOCAL OBLIGATIONS, SUCH AS THE CERTIFICATES. THESE CHANGES COULD ADVERSELY AFFECT THE MARKET VALUE OR LIQUIDITY OF THE CERTIFICATES. NO ASSURANCE CAN BE GIVEN THAT SUBSEQUENT TO THE EXECUTION AND DELIVERY OF THE CERTIFICATES STATUTORY CHANGES WILL NOT BE INTRODUCED OR ENACTED OR JUDICIAL OR REGULATORY INTERPRETATIONS WILL NOT OCCUR HAVING THE EFFECTS DESCRIBED ABOVE. BEFORE PURCHASING ANY OF THE CERTIFICATES, ALL POTENTIAL PURCHASERS SHOULD CONSULT THEIR TAX ADVISORS REGARDING POSSIBLE STATUTORY CHANGES OR JUDICIAL OR REGULATORY CHANGES OR INTERPRETATIONS, AND THEIR COLLATERAL TAX CONSEQUENCES RELATING TO THE CERTIFICATES.

The form of Special Counsel's proposed opinion with respect to the Certificates is attached hereto in Appendix D.

CERTAIN LEGAL MATTERS

Certain legal matters incident to the authorization, sale, execution and delivery of the Certificates are subject to the approval of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Special Counsel. A complete copy of the proposed form of opinion of Special Counsel is contained in Appendix D hereto. Special Counsel has not undertaken any responsibility to the Owners for the accuracy, completeness or fairness of this Official Statement or other offering materials relating to the Certificates and expresses no opinion relating thereto. Certain legal matters will be passed upon for the City and the Corporation by the City Attorney and by Stradling Yocca Carlson & Rauth, a Professional Corporation, as Disclosure Counsel, for the Trustee by its counsel, and for the Underwriter by Quint & Thimmig LLP, Larkspur, California. Compensation of Special Counsel is contingent upon the execution and delivery of the Certificates.

Special Counsel represents the City in connection with the execution and delivery of the Certificates. From time-to-time Special Counsel represents the Underwriter in connection with other financings and matters unrelated to the Certificates. Special Counsel does not represent the Underwriter or any other party with respect to the execution and delivery of the Certificates other than the City.

LITIGATION

General

To the best knowledge of the City, there is no action, suit or proceeding known to be pending, or threatened, restraining or enjoining the execution or delivery of the Certificates, the Trust Agreement, the Lease, the Site Lease, the Assignment Agreement or any other document relating to the Certificates, or in any way contesting or affecting the validity of the foregoing.

There are a number of lawsuits and claims pending against the City. In the opinion of the City, except as described below under the caption "—Vallco Claim," such suits and claims as are presently pending will not have a material adverse effect on the ability of the City to make Lease Payments.

Vallco Claim

In 2018, the City approved an application by Vallco Property Owner, LLC ("VPO"), the owner of approximately 50 acres of real property on which the former Vallco Fashion Mall was located (the "Vallco Site"), for development of approximately 1,810,000 square feet of office space, approximately 400,000 square feet of retail, and approximately 2,402 multi-family housing units, 50 percent of which will be affordable (collectively, the "Vallco Project"). The City understands that VPO is currently proceeding with design and construction of the Vallco Project. It has commenced demolition and other site-preparation activities and has applied for building permits. A community group challenged the City's approval of the Vallco Project ("Community Group Litigation"). The Santa Clara County Superior Court rejected the challenge in May 2020. The community group did not appeal the judgment, and the litigation is now resolved.

While the Community Group Litigation was pending, in August 2019 the City approved amendments to the General Plan and Zoning Code that would be applicable to development of the Vallco Site if VPO does not build the Vallco Project (collectively, the "Amendments"). Among other things, the Amendments (1) remove office as a permitted use for the Vallco Site, (2) permit 459 residential units by right on roughly 13 acres of the site, and (3) specify 60-foot height limits and other development standards for the site. The City did not change existing General Plan policies that (1) allow commercial uses on the Vallco Site, with a minimum of 600,000 square feet of retail uses, (2) require that 15% of residential units be affordable, and (3) require construction of specified public improvements in connection with development of the site.

Before the court rejected the Community Group Litigation, VPO submitted a claim under the California Government Tort Claims Act, asserting that an alternative development of the Vallco Site under the Amendments would not be economically feasible and that, with the uncertainty created by the Community Group Litigation against the Vallco Project, the Amendments had radically reduced the value of the Vallco Site. VPO asserted that the Amendments would thus constitute a regulatory taking of the Vallco Site, entitling VPO to just compensation under the United States and California Constitutions. VPO indicated that it would be entitled to hundreds of millions of dollars in damages against the City for the alleged taking.

The City believes that while VPO continues to develop the Site under the existing project approval, VPO's takings challenge to the Amendments would have no merit. However, VPO has alleged that any alternative development of the Vallco Site under the Amendments would not be economically feasible. In the future, VPO could abandon the Vallco Project if VPO determines it is not economically feasible due to market factors, construction or financing costs, or otherwise. In such event, VPO may reassert the takings claim outlined above against the City. In that circumstance, the City would have options to reduce or avoid claimed damages, including further amendments to the General Plan and Zoning Code. If the City left the Amendments in place and VPO were to successfully challenge them and recover damages against the City in the amounts alleged by

VPO, it could have a material adverse impact on the City's ability to pay Lease Payments when due, and a corresponding material adverse impact on the Trustee's ability to make scheduled payments under the Certificates when due.

RATING

S&P Global Ratings, a Standard & Poor's Financial Services LLC business ("S&P") has assigned a rating of "____" to the Certificates. Such rating reflects only the views of S&P and any desired explanation of the significance of such rating should be obtained from S&P. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance such rating will continue for any given period of time or that such rating will not be revised downward or withdrawn entirely by the rating agency, if in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Certificates. Neither the City nor the Underwriter has undertaken any responsibility either to bring to the attention of the owners of the Certificates a proposed change in or withdrawal of the ratings or to oppose any such proposed revision or withdrawal.

UNDERWRITING

The Certificates are being purchased by Stifel, Nicolaus & Company, Incorporated (the "Underwriter"). The Underwriter will purchase the Certificates at an aggregate purchase price of $__________ (representing the principal amount of the Certificates, plus [net] original issue premium of $__________ and less an Underwriters' discount of $__________). The purchase agreement relating to the Certificates provides that the Underwriter will purchase all of the Certificates if any are purchased. The obligation to make such purchase is subject to certain terms and conditions set forth in such purchase agreement, the approval of certain legal matters by counsel and certain other conditions.

The initial offering prices that are stated on the inside front cover page of this Official Statement may be changed from time to time by the Underwriter. The Underwriter may offer and sell the Certificates to certain dealers (including dealers depositing Certificates into investment trusts), dealer banks, banks acting as agent and others at prices lower than said public offering prices.

MUNICIPAL ADVISOR

Urban Futures, Inc., Tustin, California, has served as municipal advisor ("Municipal Advisor") to the City in connection with the Certificates. The Municipal Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement. The Municipal Advisor is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal or other public securities.

CONTINUING DISCLOSURE

The City has covenanted for the benefit of the Owners of the Certificates to provide, or cause to be provided, annually certain financial information and operating data relating to the Certificates and the City (the "Annual Report"), and to provide notices of the occurrence of certain enumerated events. For a complete listing of items of information which will be provided in each Annual Report and further description of the City's undertaking with respect to the Annual Report and certain enumerated events, see Appendix E—"FORM OF CONTINUING DISCLOSURE CERTIFICATE." The Annual Report is to be provided by the City not later than March 31 after the end of the City's fiscal year, commencing with the report for fiscal year 2019-20.

The Annual Report will be filed by the City with the Municipal Securities Rulemaking Board. These covenants have been made in order to assist the Underwriters in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the "Rule").

[The City entered into a prior continuing disclosure undertaking with respect to the 2012 Certificates. Within the past five years, the City has complied in all material respects with its prior continuing disclosure undertaking.] **[CONFIRM]**

FINANCIAL STATEMENTS OF THE CITY

Included herein as Appendix B are the audited financial statements of the City as of and for the year ended June 30, 2019 (the "Financial Statements"), together with the report thereon dated March 6, 2020 of Crowe LLP, Costa Mesa, California (the "Auditor"). The Auditor has not undertaken to update the audited financial statements of the City or its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by the Auditor with respect to any event subsequent to its report dated March 6, 2020.

The Auditor's consent to inclusion of the Financial Statements in the Official Statement was not requested and the Auditor has not consented to the inclusion of the Financial Statements as an appendix to this Official Statement. The Auditor has not performed any procedures relating to this Official Statement.

MISCELLANEOUS

Included herein are brief summaries of certain documents and reports, which summaries do not purport to be complete or definitive, and reference is made to such documents and reports for full and complete statements of the contents thereof. Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the City and the purchasers or Owners of any of the Certificates.

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

CITY OF CUPERTINO

By: ______________________________
City Manager

APPENDIX A

ECONOMIC AND DEMOGRAPHIC INFORMATION REGARDING THE CITY OF CUPERTINO

This Appendix A sets forth general information about the City of Cupertino ("Cupertino") including information with respect to its finances. The following information concerning Cupertino, the County of Santa Clara (the "County") and the State of California (the "State") is included only for general background purposes. It is not intended to suggest that the Certificates are payable from any source other than Lease Payments.

The City has not independently verified the information set forth in this Appendix A and while this information is believed to be reliable, it is not guaranteed as to accuracy by the City or the Corporation. Certain information relating to employment, income and taxable transactions to be released for 2020 can be expected to be materially different from the historical figures set forth in this Appendix A. See "CITY FINANCIAL INFORMATION—COVID-19 Pandemic Impact" and "RISK FACTORS—COVID-19 Pandemic" in the Official Statement.

Population

The City's population as of January 1, 2020 was approximately 59,549. This represents an increase of approximately 0.07 percent from January 1, 2019. The following table shows the population for the City, the County and the State of California from 2016 through 2020.

POPULATION
For Years 2015 through 2019

Year (January 1)	***City of Cupertino***	***County of Santa Clara***	***State of California***
2016	60,225	1,931,565	39,131,307
2017	60,169	1,942,176	39,398,702
2018	59,709	1,951,088	39,586,646
2019	59,504	1,954,833	39,695,376
2020	59,549	1,961,969	39,782,870

Source: State of California, Department of Finance, *E-4 Population Estimates for Cities, Counties, and the State, 2011-2019, with 2010 Census Benchmark*, Sacramento, California, May 2019.

Education

K-8 public education is provided by Cupertino Union School District, which serves over 18,000 square miles in a 26 square mile area that includes the City and portions of five other cities. The Fremont Union High School District serves 10,000 students in a 42 square mile area covering all of the City and portions of five other cities. De Anza College, a single-campus community college, is located within the City.

Building Activity

Residential and nonresidential building activity for 2014 through 2018 for the City is shown in the following tables.

NEW HOUSING UNITS BUILDING PERMITS
City of Cupertino
For Years 2015 through 2019

	2015	*2016*	*2017*	*2018*	*2019*
Single Family Units	51	52	56	46	53
Multifamily Units	120	0	15	19	12
Total Units	171	52	71	65	65

Source: Construction Industry Research Board and California Homebuilding Foundation.

BUILDING PERMIT VALUATIONS
City of Cupertino
(Dollars in Thousands)

	2015	*2016*	*2017*	*2018*	*2019*
Residential					
New Single Family	$ 24,772	$ 22,423	$ 24,765	$ 25,773	$ 44,611
New Multifamily	18,207	0	1,700	10,000	12,900
Res. Alt. & Adds	23,849	19,132	18,865	21,394	25,130
Total Residential	66,828	$ 41,555	$ 45,330	$ 57,167	$ 82,641
Nonresidential					
New Commercial	284,799	304,150	$ 0	$ 0	$ 0
New Industrial	0	0	0	0	0
New Other(1)	1,019,658	280,485	919,984	844,330	403,547
Alters. & Adds.	54,602	77,924	26,357	62,154	235,214
Total Non-Residential	$ 1,359,059	$ 662,559	$ 946,341	$ 906,484	$ 638,761
Total All Building	$ 1,425,887	$ 704,114	$ 991,671	$ 963,651	$ 721,402

(1) Includes churches and religious buildings, hospitals and institutional buildings, schools and educational buildings, residential garages, public works and utilities buildings.

Note: "Total All Building" is the sum of Residential and Nonresidential Building Permit Valuations. Totals may not add to sum because of independent rounding.

Source: Construction Industry Research Board and California Homebuilding Foundation.

Personal Income

Personal Income is the income that is received by all persons from all sources. It is calculated as the sum of wage and salary disbursements, supplements to wages and salaries, proprietors' income with inventory valuation and capital consumption adjustments, rental income of persons with capital consumption adjustment, personal dividend income, personal interest income, and personal current transfer receipts, less contributions for government social insurance.

The personal income of an area is the income that is received by, or on behalf of, all the individuals who live in the area; therefore, the estimates of personal income are presented by the place of residence of the income recipients.

The following table summarizes per capita personal income for the City, the County, the State of California and the United States for the years 2010 through 2018. This measure of income is calculated as the personal income of the residents of the area divided by the resident population of the area.

PER CAPITA PERSONAL INCOME[1]
City of Cupertino, County of Santa Clara, State of California, and United States
2010-2019

Year	*City of Cupertino*[2]	*County of Santa Clara*[3]	*California*[3]	*United States*[3]
2010	$59,999	$ 61,330	$43,634	$40,546
2011	45,828	66,406	46,170	42,735
2012	47,756	72,792	48,798	44,599
2013	50,081	72,927	49,277	44,851
2014	51,557	79,055	52,324	47,058
2015	53,311	86,188	55,758	48,978
2016	57,405	92,505	57,739	49,870
2017	59,181	100,177	60,156	51,885
2018	60,246	107,877	63,557	54,446
2019	63,817	N/A	N/A	N/A

(1) Per capita personal income is the total personal income divided by the total mid-year population estimates of the U.S. Bureau of the Census. All dollar estimates are in current dollars (not adjusted for inflation).
(2) Based on a fiscal year ending June 30 of each year
(3) Based on a calendar year ending December 31 of each year.
Source: U.S. Department of Commerce, Bureau of Economic Analysis and the City of Cupertino.

Employment

The civilian labor force in the City totaled 39,200 in 2018, a 1.8 percent increase from 2017. For the past five years the unemployment rate in the City and the County has been below the State of California's rate.

The following table summarizes the labor force, employment and unemployment figures from 2014 to 2018 for the City, the County, the State of California and the nation as a whole.

LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT
Yearly Average for Years 2015 through 2019

Year and Area	*Labor Force*	*Employment*[1]	*Unemployment*[2]	*Unemployment Rate (%)*[3]
2015				
City of Cupertino	28,900	27,900	1,000	3.3%
Santa Clara County	1,013,200	971,100	42,000	4.1
State of California	18,896,500	17,724,800	1,171,700	6.2
United States[4]	157,130,000	148,834,000	8,296,000	5.3
2016				
City of Cupertino	29,600	28,500	1,100	3.7%
Santa Clara County	1,028,700	989,900	38,800	3.8
State of California	19,093,700	18,048,800	1,044,800	5.5
United States[4]	159,187,000	151,436,000	7,751,000	4.9
2017				
City of Cupertino	29,700	28,700	1,000	3.2%
Santa Clara County	1,039,900	1,006,500	33,400	3.2
State of California	19,312,000	18,393,100	918,900	4.8
United States[4]	160,320,000	153,337,000	6,982,000	4.4
2018				
City of Cupertino	29,500	28,700	800	2.7%
Santa Clara County	1,048,800	1,021,500	27,300	2.6
State of California	19,398,200	18,582,800	815,400	4.2
United States[4]	162,075,000	155,761,000	6,314,000	3.9
2019				
City of Cupertino	29,800	29,100	700	2.4%
Santa Clara County	1,053,700	1,027,500	26,200	2.5
State of California	19,408,271	18,623,900	784,375	4.0
United States[4]				

(1) Includes persons involved in labor-management trade disputes.
(2) Includes all persons without jobs who are actively seeking work.
(3) The unemployment rate is computed from unrounded data; therefore, it may differ from rates computed from rounded figures in this table.
(4) Not strictly comparable with data for prior years.
Note: Data is not seasonally adjusted.
Source: California Employment Development Department, based on March 2018 benchmark and U.S. Department of Labor, Bureau of Labor Statistics.

The table below summarizes employment by industry in Santa Clara County from 2015 to 2019. Service Providing, Professional and Business Services and Trade, Transportation and Utilities are the largest employment sectors in the County.

AVERAGE ANNUAL INDUSTRY EMPLOYMENT 2015-2019
Santa Clara County

	2015	*2016*	*2017*	*2018*	*2019*
Total Farm	3,700	3,900	3,600	3,500	3,100
Total Nonfarm	1,025,200	1,056,700	1,090,100	1,111,700	1,131,800
Total, All Industries	1,028,900	1,060,600	1,093,700	1,115,200	1,134,900
Goods Producing	203,300	209,300	211,200	217,200	220,900
Mining and Logging	200	300	200	200	200
Construction	42,900	47,600	47,900	48,300	51,000
Manufacturing	160,200	161,300	163,100	168,700	169,700
Service Providing	821,900	847,400	878,900	894,500	910,900
Trade, Transportation and Utilities	136,100	137,300	132,000	131,700	129,200
Wholesale Trade	36,800	37,400	32,600	31,900	31,300
Retail Trade	85,100	85,000	84,500	84,400	82,200
Transportation, Warehousing and Utilities	14,100	14,800	14,900	15,300	15,700
Information	70,400	74,500	84,600	92,100	100,700
Financial Activities	34,200	35,200	35,800	36,400	37,400
Professional and Business Services	215,200	224,100	236,200	235,900	241,800
Educational and Health Services	154,900	160,600	167,400	171,900	174,000
Leisure and Hospitality	94,500	97,600	102,000	104,200	104,900
Other Services	26,500	27,000	28,400	28,400	28,700
Government	90,100	91,200	92,700	93,800	94,200

Note: The "Total, All Industries" data is not directly comparable to the employment data found herein.
Source: State of California, Employment Development Department, Labor Market Information Division, Santa Clara County Annual Average Labor Force and Industry Employment, March 2018 Benchmark.

Industry

The following tables list the largest private and public employers in the City:

MAJOR EMPLOYERS
City of Cupertino
2019

Rank	*Name of Business*	*Rank*	*Name of Business*
1.	Apple	11.	Insight Solutions Inc.
2.	De Anza College	12.	Intero Real Estate Scv Inv
3.	Seagate Technology Inc	13.	Keller Williams Realty
4.	Health Care Center at the Forum	14.	Sugar CRM Inc
5.	Magnet Systems Inc	15.	Sunny View Retirement Community
6.	All Fab Precision Sheet	16.	Target
7.	BJ's Restaurant & Brewhouse	17.	Whole Foods Market
8.	Coldwell Banker Residential	18.	99 Ranch Market
9.	Cupertino Healthcare-Wellness	19.	Argonaut Window & Door
10.	Forum at Rancho San Anontio	20.	Astra Real Estate

Source: City of Cupertino, Comprehensive Annual Financial Report, Fiscal Year Ending June 30, 2019.

Transportation

The City is served by a network of freeways; Interstate 880 connects the City with the Oakland International Airport and the Port of Oakland. Interstates 280 and 680 provide access to the peninsula and eastern regions of the San Francisco Bay Area and State Route 17 serves to connect the City with the Pacific Coast at Santa Cruz. All of these interstate highways connect to U.S. 101, a major north-south highway linking San Francisco and Los Angeles.

APPENDIX B

THE CITY OF CUPERTINO AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2019

APPENDIX C

SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

The following is a summary of certain provisions of the Trust Agreement and the Lease which are not described elsewhere. This summary does not purport to be comprehensive and reference should be made to the respective agreement for a full and complete statement of the provisions thereof.

[TO COME]

APPENDIX D

FORM OF LEGAL OPINION

Upon the execution and delivery of the Certificates, Stradling Yocca Carlson & Rauth, a Professional Corporation, Special Counsel, proposes to render its final approving opinion in substantially the following form:

[Closing Date]

City Council
City of Cupertino
Cupertino, California

Re: $__________ City of Cupertino 2020A Certificates of Participation

Ladies and Gentlemen:

We have reviewed the Constitution and the laws of the State of California and certain proceedings taken by the City of Cupertino (the "City") in connection with the authorization, execution and delivery by the City of that certain Lease Agreement, dated as of October 1, 2020 (the "Lease"), by and between the Cupertino Public Facilities Corporation (the "Corporation") and the City. We have also reviewed that certain Trust Agreement, dated as of October 1, 2020 (the "Trust Agreement"), by and among The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), the Corporation and the City. In rendering this opinion, we also have relied upon certain representations of fact and certifications made by the Corporation and the City, the initial purchaser of the Certificates (defined below) and others. We have not undertaken to verify through independent investigation the accuracy of the representations and certifications relied upon by us. All capitalized terms used herein shall have the meaning given them in the Trust Agreement unless otherwise defined.

Pursuant to the Trust Agreement, the Trustee has agreed to execute and deliver the $__________ City of Cupertino 2020A Certificates of Participation (the "Certificates") evidencing undivided fractional interests of the owners of the Certificates in certain lease payments (the "Lease Payments") to be made by the City pursuant to the Lease. Pursuant to that certain Assignment Agreement, dated as of October 1, 2020 (the "Assignment Agreement"), the Corporation has assigned to the Trustee the Corporation's right to receive Lease Payments from the City under the Lease.

Based upon our examination of the foregoing, and in reliance thereon and on all matters of fact as we deem relevant under the circumstances, and upon consideration of applicable laws, we are of the opinion that:

(1) The obligation of the City to pay Lease Payments in accordance with the terms of the Lease is a valid and binding obligation payable from the funds of the City lawfully available therefore and the obligation of the City to make Lease Payments under the Lease does not constitute a debt of the City, the State of California or any political subdivision thereof within the meaning of any statutory or constitutional debt limitation or restriction and does not constitute a pledge of the faith and credit or taxing power of the City, the State of California or any political subdivision thereof.

(2) The Lease and the Trust Agreement have been duly authorized, executed and delivered by the City and constitute valid and legally binding agreements of the City enforceable against the City in accordance with their terms.

(3) Under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest

with respect to the Certificates is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals.

(4) Interest (and original issue discount) with respect to the Certificates is exempt from personal income taxes imposed in the State of California.

(5) The difference between the issue price of a Certificate (the first price at which a substantial amount of the Certificates of a maturity are to be sold to the public) and the stated payment price at maturity with respect to such Certificate constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Certificate owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a Certificate owner will increase the Certificate owner's basis in the applicable Certificate. Original issue discount that accrues to a Certificate owner is excluded from the gross income of such owner for federal income tax purposes, is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals (as described in paragraph (3) above) and is exempt from State of California personal income tax.

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

The opinions expressed in paragraphs (3) and (5) are subject to the condition that the City and the Corporation comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the delivery of the Certificates to assure that such interest (and original issue discount) will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause interest (and original issue discount) with respect to the Certificates to be included in gross income for federal income tax purposes retroactive to the date of delivery of the Certificates. The City and the Corporation have covenanted to comply with all such requirements.

Except as expressly set forth in paragraphs (3), (4), (5) and (6) we express no opinion regarding any tax consequences with respect to the Certificates.

Certain agreements, requirements and procedures contained or referred to in the Trust Agreement, the Lease, the Tax Certificate executed by the City and other documents related to the Certificates may be changed and certain actions may be taken or omitted, under the circumstances and subject to the terms and conditions set forth in such documents, upon the advice or with the approving opinion of counsel nationally recognized in the area of tax-exempt obligations. We express no opinion as to the effect on the tax consequences on and after the date on which any such change occurs or action is taken or omitted upon advice or approval of counsel other than Stradling Yocca Carlson & Rauth, a Professional Corporation.

We have not made or undertaken to make an investigation of the state of title to any of the real property described in the Lease, the Site Lease, dated October 1, 2020 by and between the City and the Corporation, and the Assignment Agreement or of the accuracy or sufficiency of the description of such property contained therein, and we express no opinion with respect to such matters.

The opinions expressed herein are limited to matters governed by the laws of the State of California and federal law. We assume no responsibility with respect to the applicability or the effect of the laws of any other jurisdiction.

The opinions expressed herein are based upon our analysis and interpretation of existing statutes, regulations, rulings and judicial decisions and cover certain matters not directly addressed by such authorities. We call attention to the fact that rights and obligations under the Trust Agreement and the Lease are subject to bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium or other laws relating to or affecting generally the enforcement of creditors' rights, by equitable principles, by the exercise of judicial discretion in appropriate cases and by the limitations on legal remedies against municipalities in the State of California, and that we express no opinion as to any provisions in the Lease or the Trust Agreement with respect to indemnification, penalty, contribution, choice of law, choice of forum or waiver.

The opinions expressed herein may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. Our engagement with respect to the Certificates terminates on the date of their execution and delivery.

We express no opinion herein as to the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Certificates and expressly disclaim any duty to advise the owners of the Certificates with respect to matters contained in the Official Statement.

Respectfully submitted,

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

Upon execution and delivery of the Certificates, the City proposes to enter into a Continuing Disclosure Certificate in substantially the following form:

This Continuing Disclosure Certificate, dated as of October __, 2020 (the "Disclosure Certificate") is executed and delivered by the City of Cupertino (the "City") in connection with the execution and delivery of the $__________ City of Cupertino 2020A Certificates of Participation (the "Certificates"). The Certificates are being executed pursuant to a Trust Agreement, dated as of October 1, 2020 (the "Trust Agreement), by and among the City, The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), and the Cupertino Public Facilities Corporation (the "Corporation"). The City covenants as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the City for the benefit of the Owners and Beneficial Owners of the Certificates and in order to assist the Participating Underwriter in complying with the Rule.

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

"Annual Report" shall mean any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Beneficial Owner" shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Certificates (including persons holding Certificates through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Certificates for federal income tax purposes.

"Disclosure Representative" shall mean the City Manager of the City, or their designee, or such other officer or employee as the City shall designate in writing from time to time.

"Dissemination Agent" shall the City, or any successor Dissemination Agent designated in writing by the City and which has filed with the City a written acceptance of such designation.

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

"Listed Events" shall mean any of the events listed in Section 5(a) and 5(b) of this Disclosure Certificate.

"Official Statement" shall mean the Official Statement relating to the Certificates, dated _____, 2020.

"Participating Underwriter" shall mean the original underwriter of the Certificates required to comply with the Rule in connection with the offering of the Certificates.

"Repository" shall mean the Municipal Securities Rulemaking Board, which can be found at http://emma.msrb.org.

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

"State" shall mean the State of California.

SECTION 3. Provision of Annual Reports.

(a) The City shall, or, upon delivery of the Annual Report to the Dissemination Agent, shall cause the Dissemination Agent to, not later than April 1 following the end of the City's fiscal year (which currently ends on June 30), commencing with the report for the Fiscal Year ending June 30, 2020, provide to the Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the City may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the City's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c).

(b) Not later than fifteen (15) business days prior to said date, the City shall provide the Annual Report to the Dissemination Agent (if other than the City). If the City is unable to provide to the Repository an Annual Report by the date required in subsection (a) above, the Dissemination Agent shall in a timely manner send a notice to the Repository in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall:

(i) confirm the electronic filing requirements of the Municipal Securities Rulemaking Board for the Annual Report the name and address of each Repository; and

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

SECTION 4. Content of Annual Reports. The City's Annual Report shall contain or include the City's audited financial statements for the most recently completed fiscal year, prepared in accordance with generally accepted auditing standards for municipalities in the State of California. If the City's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the City shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Certificates in a timely manner not more than ten (10) Business Days after the event:

1. principal and interest payment delinquencies;
2. unscheduled draws on debt service reserves reflecting financial difficulties;
3. unscheduled draws on credit enhancements reflecting financial difficulties;
4. substitution of credit or liquidity providers, or their failure to perform;

5. adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability or Notices of Proposed Issue (IRS Form 5701 TEB);

6. tender offers;

7. defeasances;

8. ratings changes; and

9. bankruptcy, insolvency, receivership or similar proceedings of the City.

Note: For the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

10. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the obligated person, any of which reflect financial difficulties.

(b) Pursuant to the provisions of this Section 5, the City shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Certificates, if material:

1. unless described in Section 5(a)(5), other notices or determinations by the Internal Revenue Service with respect to the tax status of the Certificates or other events affecting the tax status of the Certificates;

2. modifications to the rights of Certificate holders;

3. optional, unscheduled or contingent Certificate prepayments;

4. release, substitution or sale of property securing repayment of the Certificates;

5. non-payment related defaults;

6. the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; and

7. appointment of a successor or additional trustee or the change of the name of a trustee.

8. incurrence of a Financial Obligation of the obligated person, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the obligated person, any of which affect Bond Owners.

(c) If the City determines that knowledge of the occurrence of a Listed Event under Section 5(b) would be material under applicable federal securities laws, and if the Dissemination Agent is other than the City, the City shall promptly notify the Dissemination Agent in writing. Such notice shall instruct the Dissemination Agent to file a notice of such occurrence with the MSRB in an electronic format as prescribed by the MSRB in a timely manner not more than ten (10) Business Days after the event.

(d) If the City determines that the Listed Event under Section 5(b) would not be material under applicable federal securities laws and if the Dissemination Agent is other than the City, the City shall so notify the Dissemination Agent in writing and instruct the Dissemination Agent not to report the occurrence.

(e) The City hereby agrees that the undertaking set forth in this Disclosure Certificate is the responsibility of the City and, if the Dissemination Agent is other than the City, the Dissemination Agent shall not be responsible for determining whether the City's instructions to the Dissemination Agent under this Section 5 comply with the requirements of the Rule.

SECTION 6. Termination of Reporting Obligation. The City's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Certificates. If such termination occurs prior to the final maturity of the Certificates, the City shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

SECTION 7. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the City pursuant to this Disclosure Certificate. The Dissemination Agent may resign by providing thirty days written notice to the City and the Trustee (if the Dissemination Agent is other than the Trustee). The Dissemination Agent shall not be responsible for the content of any report or notice prepared by the City and shall have no duty to review any information provided to it by the City. The Dissemination Agent shall have no duty to prepare any information report nor shall the Dissemination Agent be responsible for filing any report not provided to it by the City in a timely manner and in a form suitable for filing.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the City may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that, in the opinion of nationally recognized bond counsel, such amendment or waiver is permitted by the Rule; provided, the Dissemination Agent shall have first consented to any amendment that modifies or increases its duties or obligations hereunder. In the event of any amendment or waiver of a provision of this Disclosure Certificate, the City shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the City. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(c), and (ii) the Annual Report for the year in which the change is made shall present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the City chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the City shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Filings with the MSRB. All financial information, operating data, financial statements, notices, and other documents provided to the MSRB in accordance with this Disclosure Certificate shall be provided in an electronic format prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

SECTION 11. Default. In the event of a failure of the City to comply with any provision of this Disclosure Certificate, any Holder or Beneficial Owner of the Certificates may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Trust Agreement, and the sole remedy under this Disclosure Certificate in the event of any failure of the City to comply with this Disclosure Certificate shall be an action to compel performance.

No Certificate holder or Beneficial Owner may institute such action, suit or proceeding to compel performance unless they shall have first delivered to the City satisfactory written evidence of their status as such, and a written notice of and request to cure such failure, and the City shall have refused to comply therewith within a reasonable time.

SECTION 12. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the City agrees, to the extent permitted by law, to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorney's fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall be paid compensation by the City for its services provided hereunder in accordance with its schedule of fees as amended from time to time and all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. In performing its duties hereunder, the Dissemination Agent shall not be deemed to be acting in any fiduciary capacity for the City, the Certificate holders, or any other party. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Certificates.

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

To the City: City of Cupertino
10300 Torre Avenue
Cupertino, California 95014
Attention: City Manager

SECTION 14. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Certificates, and shall create no rights in any other person or entity.

SECTION 15. Signature. This Disclosure Certificate has been executed by the undersigned on the date hereof, and such signature binds the City to the undertaking herein provided.

CITY OF CUPERTINO

By: ______________________________
Mayor

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer:	City of Cupertino
Name of Certificate Issue:	$__________ City of Cupertino 2020A Certificates of Participation
Date of Delivery:	_____, 2020

NOTICE IS HEREBY GIVEN that the City has not provided an Annual Report with respect to the above-named Certificates as required by the Continuing Disclosure Certificate executed by the City on the date of delivery of the Certificates. The City anticipates that the Annual Report will be filed by _____________.

Dated: _____________

Dissemination Agent

By:____

APPENDIX F

DTC BOOK-ENTRY SYSTEM

The information in this Appendix F concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the completeness or accuracy thereof. The following description of the procedures and record keeping with respect to beneficial ownership interests in the Certificates, payment of principal, premium, if any, accreted value, if any, and interest with respect to the Certificates to DTC Participants or Beneficial Owners, confirmation and transfers of beneficial ownership interests in the Certificates and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC.

DTC will act as securities depository for the Certificates. The Certificates will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered certificate will be issued for each annual maturity of the Certificates, each in the aggregate principal amount of such annual maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

To facilitate subsequent transfers, all Certificates deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Certificates with DTC and their registration in the name of

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

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

Prepayment notices shall be sent to DTC. If less than all of the Certificates within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Certificates unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Corporation as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Prepayment proceeds, distributions, and dividend payments on the Certificates will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Corporation or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the Corporation, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Corporation or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Certificate Owner shall give notice to elect to have its Certificates purchased or tendered, through its Participant, to the Trustee, and shall effect delivery of such Certificates by causing the Direct Participant to transfer the Participant's interest in the Certificates, on DTC's records, to the Trustee. The requirement for physical delivery of Certificates in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Certificates are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Certificates to the Trustee's DTC account. DTC may discontinue providing its services as depository with respect to the Certificates at any time by giving reasonable notice to the Corporation or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, physical certificates are required to be printed and delivered.

DTC may discontinue providing its services as depository with respect to the Certificates at any time by giving reasonable notice to the City or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Certificate certificates are required to be printed and delivered and the registration and transfer provisions of the Trust Agreement will apply.

The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Certificate certificates will be printed and delivered to DTC and the registration and transfer provisions of the Trust Agreement will apply.