




Office of the City Manager

CONSENT CALENDAR

October 10, 2006

To: Honorable Mayor and
Members of the City Council

From:  Phil Kamlarz, City Manager

Submitted by: Robert Hicks, Acting Director, Finance Department

Subject: Borrowing of Funds and the Sale and Issuance of FY 2007 Tax and Revenue
Anticipation Notes

RECOMMENDATION

Adopt a Resolution approving the borrowing of \$25,000,000 and the sale and issuance of Fiscal Year 2007 Tax and Revenue Anticipation Notes.

FISCAL IMPACTS OF RECOMMENDATION

Borrowing \$25 million will help the City with its working capital needs during the first six months of the fiscal year. It will also enable the General Fund to recoup some of the interest earnings lost in advancing money to grant funds pending grant reimbursements, since the interest rate earned on any note proceeds invested will exceed the cost of borrowing.

The money will be deposited in the General Fund and used by the City for any purpose for which it is authorized to expend General Fund monies. The interest earned on these monies will be allocated to the General Fund. The repayment of principal and interest on the notes are to be made from General Fund taxes and other revenues.

CURRENT SITUATION AND ITS EFFECTS

The General Fund advances grant funds in the amounts needed to pay for their expenditures, until these funds receive reimbursement from the granting agencies. During the first six months of the fiscal year, General Fund operating expenditures exceed revenues. As a result, the General Fund's working capital is depleted. Borrowing funds will alleviate that situation.

BACKGROUND

Under the interpretation of Sections 53850-53858 of the California Government Code and federal tax law by the City's Bond Counsel, the City may borrow an amount not to exceed the maximum anticipated cash flow deficit plus five percent of working capital reserve if all the note proceeds, including investment earnings, are deemed spent within 6 months of the date of the issue of the notes. This method of financing involves the sale of Tax and Revenue Anticipation Notes (TRANS) and is a traditional means used by local governments to ensure a consistent cash

flow during the fiscal year. Each year the City borrows monies to help with working capital needs in the first six months of the fiscal year, when expenditures exceed incoming revenues. In the last six months of the fiscal year these notes are repaid from General Fund taxes and other revenues, mainly property taxes and business license taxes.

For the Fiscal Year 2007, the City will require a note sale of an amount not to exceed twenty five million dollars (\$25,000,000). The interest rate on the notes will depend on competitive rates at the time of the sale.

RATIONALE FOR RECOMMENDATION

The General Fund advances grant funds and the Berkeley Redevelopment Agency the amounts needed to pay for their expenditures, until these funds receive reimbursement from the granting agencies/County of Alameda. During the first six months of the fiscal year, General Fund operating expenditures exceed revenues. As a result, the General Fund's working capital is depleted during this period, and borrowing these funds will alleviate that situation. Moreover, the interest rate earned on any note proceeds invested will exceed the cost of borrowing.

CONTACT PERSON

Robert Hicks, Acting Director of Finance, Finance Department, 981-7339

Attachments:

1: Resolution

Exhibit A: Form of Note No. 1 \$25,000,000

2: Draft Preliminary Official Statement (POS)

RESOLUTION NO. ##,###-N.S.

APPROVING THE BORROWING OF FUNDS FOR FISCAL YEAR 2006-07 AND THE
ISSUANCE AND SALE OF 2006-07 TAX AND REVENUE ANTICIPATION NOTES

WHEREAS, pursuant to Article 7.6 (commencing with Section 53850) of Chapter 4 of Part 1 of Division 2 of Title 5 of the California Government Code (the "Law"), this City Council ("Council") has found and determined that moneys are needed for the requirements of the City, a municipal corporation and general law city duly organized and existing under the laws of the State of California, to satisfy obligations payable from the General Fund of the City (the "General Fund"), and that it is necessary that said sum be borrowed for such purpose at this time by the issuance of temporary notes therefore in anticipation of the receipt of taxes, income, revenue, cash receipts and other moneys to be received by the City for the General Fund during or allocable to the fiscal year of the City beginning July 1, 2006 and ending June 30, 2007 ("Fiscal Year 2006-07").

NOW THEREFORE, BE IT RESOLVED by the Council of the City of Berkeley that the Council approves the following:

Section 1. Limitation on Maximum Amount. The principal amount of notes issued pursuant hereto, when added to the interest payable thereon, shall not exceed eighty-five percent (85%) of the estimated amount of the uncollected taxes, income, revenue, cash receipts and other moneys of the City for the General Fund attributable to Fiscal Year 2006-07, and available for the payment of said notes and the interest thereon (as hereinafter provided).

Section 2. Authorization and Terms of Notes. Solely for the purpose of anticipating taxes, income, revenue, cash receipts and other moneys to be received by the City for the General Fund during or allocable to Fiscal Year 2006-07, and not pursuant to any common plan of financing, the City hereby determines to and shall borrow the principal amount of not-to-exceed Twenty Five Million Dollars (\$25,000,000) by the issuance of temporary notes under the Law, designated "City of Berkeley, California 2006-2007 Tax and Revenue Anticipation Notes" (the "Notes"). The Notes shall be dated the date of initial delivery, shall mature (without option of prior redemption) no later than thirteen months after their date of issuance, and shall bear interest, payable at maturity and computed on a 30-day month/360-day year basis, at a rate not in excess of five percent per annum. Both the principal of and interest on the Notes shall be payable in lawful money of the United States of America, as described below.

Section 3. Form of Notes; Book Entry Only System. The Notes shall be issued in fully registered form, without coupons, and shall be substantially in the form and substance set forth in Exhibit A attached hereto and by reference incorporated herein, the blanks in said form to be filled in with appropriate words and figures. The Notes shall be numbered from 1 consecutively upward in order of issuance, shall be in the denomination of \$5,000 each or any integral multiple thereof.

“CUSIP” identification numbers shall be imprinted on the Notes, but such numbers shall not constitute a part of the contract evidenced by the Notes and any error or omission with respect thereto shall not constitute cause for refusal of any purchaser to accept delivery of and pay for the Notes. In addition, failure on the part of the City to use such CUSIP numbers in any notice to the registered owners of the Notes shall not constitute an event of default or any violation of the City’s contract with such owners and shall not impair the effectiveness of any such notice.

Except as provided below, the owner of all of the Notes shall be The Depository Trust Company, New York, New York (“DTC”), and the Notes shall be registered in the name of Cede & Co., as nominee for DTC. The Notes shall be initially executed and delivered in the form of a single fully registered Note in the full aggregate principal amount of the Notes. The City may treat DTC (or its nominee) as the sole and exclusive owner of the Notes registered in its name for all purposes of this Resolution, and the City shall not be affected by any notice to the contrary. The City shall not have any responsibility or obligation to any participant of DTC (a “Participant”), any person claiming a beneficial ownership interest in the Notes under or through DTC or a Participant (a “Beneficial Owner”), or any other person not shown on the register of the City as being an owner, with respect to the accuracy of any records maintained by DTC or any Participant or the payment by DTC or any Participant by DTC or any Participant of any amount in respect of the principal or interest with respect to the Notes. The City shall pay all principal and interest with respect to the Notes only to DTC or its nominee, and all such payments shall be valid and effective to fully satisfy and discharge the City’s obligations with respect to the principal and interest with respect to the Notes to the extent of the sum or sums so paid. Except under the conditions noted below, no person other than DTC shall receive a Note. Upon delivery by DTC to the City of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., the term “Cede & Co.” in this Resolution shall refer to such new nominee of DTC.

If the City determines that it is in the best interest of the Beneficial Owners that they be able to obtain Notes and delivers a written certificate to DTC to that effect, DTC shall notify the Participants of the availability through DTC of Notes. In such event, the City shall issue, transfer and exchange Notes as requested by DTC and any other owners in appropriate amounts. DTC may determine to discontinue providing its services with respect to the Notes at any time by giving notice to the City and discharging its responsibilities with respect thereto under applicable law. Under such circumstances (if there is no successor securities depository), the City shall be obligated to deliver Notes to the Beneficial Owners as described in this Resolution. Whenever DTC requests the City to do so, the City will cooperate with DTC in taking appropriate action after reasonable notice to (a) make available one or more separate Notes evidencing the Notes to any DTC Participant having Notes credited to its DTC account or (b) arrange for another securities depository to maintain custody of Certificates evidencing the Notes.

Notwithstanding any other provision of this Resolution to the contrary, so long as any Note is registered in the name of Cede & Co., as nominee of DTC, all payments with respect to the principal and interest with respect to such Note and all notices with respect to such Note shall be

made and given, respectively, to DTC as provided as in the representation letter delivered on the date of issuance of the Notes.

Section 4. Use of Proceeds. The proceeds of the sale of the Notes shall be deposited in a segregated account in the General Fund and used and expended by the City for any purpose for which it is authorized to expend funds from the General Fund.

Section 5. Security. The principal amount of the Notes, together with the interest thereon, shall be payable from taxes, income, revenue, cash receipts and other moneys which are received by the City for the General Fund for Fiscal Year 2006-07. As security for the payment of the principal of and interest on the Notes the City hereby pledges the first “unrestricted moneys” (as hereinafter defined) to be received by the City as follows: (a) an amount equal to fifty percent (50%) of the principal amount of the Notes in the month of January, 2007; (b) an amount equal to fifty percent (50%) of the principal amount of the Notes in the month of May, 2007; and (c) an amount sufficient to pay interest as due on the Notes at their maturity, in the month of May, 2007 (such pledged amounts being hereinafter called the “Pledged Revenues”). The principal of the Notes and the interest thereon shall constitute a first lien and charge thereon and shall be payable from the Pledged Revenues. To the extent not so paid from the Pledged Revenues, the Notes shall be paid from any other moneys of the City lawfully available therefore. In the event that there are insufficient “unrestricted moneys” received by the City to permit the deposit into the Special Account (as hereinafter defined) of the full amount of the Pledged Revenues to be deposited in any month by the last business day of such month, then the amount of any deficiency shall be satisfied and made up from any other moneys of the City lawfully available for the repayment of the Notes and interest thereon. The term “unrestricted moneys” shall mean taxes, income, revenue, cash receipts, and other moneys intended as receipts for the General Fund for Fiscal Year 2006-07 and which are generally available for the payment of current expenses and other obligations of the City.

Section 6. Special Account. There is hereby created, within the General Fund, a special account to be designated the “2006-07 Tax and Revenue Anticipation Note Special Account” (the “Special Account”) and applied as directed in this Resolution. Any money placed in the Special Account shall be for the benefit of the owners of the Notes and, until the Notes and all interest thereon are paid or until provision has been made for the payment of the Notes at maturity with interest to maturity, the moneys in the Special Account shall be applied solely for the purposes for which the Special Account is created.

During the months of January and May 2007, the City shall deposit all Pledged Revenues in the Special Account. On the maturity date of the Notes, the City shall transfer to DTC the moneys in the Special Account necessary to pay the principal of and interest on the Notes at maturity and to the extent said moneys are insufficient therefore an amount of moneys from the General Fund which will enable payment of the full principal of and interest on the Notes at maturity. DTC will thereupon make payments of principal of and interest on the Notes to the DTC Participants who will thereupon make payments to the Beneficial Owners of the Notes. Any moneys remaining in

the Special Account after the Notes and the interest thereon have been paid, or provision for such payment has been made, shall be transferred to the General Fund.

Section 7. Deposit and Investment of Special Account. All moneys held by the City in the Special Account, if not invested, shall be held in time or demand deposits as public funds and shall be secured at all times by bonds or other obligations which are authorized by law as security for public deposits, of a market value at least equal to the amount required by law.

Moneys in the Special Account shall, to the greatest extent possible, be invested by the City directly, or through an investment agreement, in investments as permitted by the laws of the State of California as now in effect and as hereafter amended, and the proceeds of any such investments shall be deposited in the Special Account.

Section 8. Execution of Notes. The Mayor of the City, the City Manager, or the Director of Finance (each an “Authorized Officer”) is hereby authorized to execute the Notes by manual or facsimile signature, and the City Clerk of the City is hereby authorized to countersign the same by manual or facsimile signature (although at least one of such signatures shall be manual) and to affix the seal of the City thereto by facsimile impression thereof, and said officers are hereby authorized to cause the blank spaces thereof to be filled in as may be appropriate.

Section 9. Transfer of Notes. Any Note may, in accordance with its terms, but only if the City determines to no longer maintain the book entry only status of the Notes, DTC determines to discontinue providing such services and no successor securities depository is named or DTC requests the City to deliver Note certificates to particular DTC Participants, be transferred, upon the books required to be kept pursuant to the provisions of Section 11 hereof, by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Note for cancellation at the office of the City Clerk, accompanied by delivery of a written instrument of transfer in a form approved by the City, duly executed.

Whenever any Note or Notes shall be surrendered for transfer, the City shall execute and the Paying Agent shall authenticate and deliver a new Note or Notes, for like aggregate principal amount.

Section 10. Exchange of Notes. Any Note may, in accordance with its terms, but only if the City determines to no longer maintain the book entry only status of the Notes, DTC determines to discontinue providing such services and no successor securities depository is named or DTC requests the City to deliver Note certificates to particular DTC Participants, be exchanged at the office of the City Clerk for a like aggregate principal amount of Notes of authorized denominations and of the same maturity.

Section 11. Note Register. The City shall keep or cause to be kept sufficient books for the registration and transfer of the Notes if the book entry only system is no longer in effect and, in such case, the City Clerk shall register or transfer or cause to be registered or transferred, on said books, Notes as herein before provided. While the book entry only system is in effect, such

books need not be kept as the Notes will be represented by one Note registered in the name of Cede & Co., as nominee for DTC.

Section 12. Temporary Notes. The Notes may be initially issued in temporary form exchangeable for definitive Notes when ready for delivery. The temporary Notes may be printed, lithographed or typewritten, shall be of such denominations as may be determined by the City, and may contain such reference to any of the provisions of this Resolution as may be appropriate. Every temporary Note shall be executed by the City upon the same conditions and in substantially the same manner as the definitive Notes. If the City issues temporary Notes it will execute and furnish definitive Notes without delay, and thereupon the temporary Notes may be surrendered, for cancellation, in exchange therefore at the office of the City Clerk and the City Clerk shall deliver in exchange for such temporary Notes an equal aggregate principal amount of definitive Notes of authorized denominations. Until so exchanged, the temporary Notes shall be entitled to the same benefits pursuant to this Resolution as definitive Notes executed and delivered hereunder.

Section 13. Notes Mutilated, Lost, Destroyed or Stolen. If any Note shall become mutilated the City, at the expense of the owner of said Note, shall execute and deliver a new Note of like maturity and principal amount in exchange and substitution for the Note so mutilated, but only upon surrender to the City Clerk of the Note so mutilated. Every mutilated Note so surrendered to the City Clerk shall be canceled and delivered to, or upon the order of, the City. If any Note shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the City and, if such evidence be satisfactory to the City and indemnity satisfactory to it shall be given, the City, at the expense of the owner, shall execute and deliver a new Note of like maturity and principal amount in lieu of and in substitution for the Note so lost, destroyed or stolen. The City may require payment of a sum not exceeding the actual cost of preparing each new Note issued under this Section 13 and of the expenses which may be incurred by the City in the premises. Any Note issued under the provisions of this Section 13 in lieu of any Note alleged to be lost, destroyed or stolen shall constitute an original additional contractual obligation on the part of the City whether or not the Note so alleged to be lost, destroyed or stolen be at any time enforceable by anyone, and shall be equally and proportionately entitled to the benefits of this Resolution with all other Notes issued pursuant to this Resolution.

Section 14. Covenants and Warranties. It is hereby covenanted and warranted by the City that all representations and recitals contained in this Resolution are true and correct, and that the City and its appropriate officials have duly taken all proceedings necessary to be taken by them, and will take any additional proceedings necessary to be taken by them, for the prompt collection and enforcement of the taxes, income, revenue, cash receipts and other moneys pledged hereunder in accordance with law and for carrying out the provisions of this Resolution.

Section 15. Tax Covenants.

(a) *No Arbitrage.* The City shall not take, nor permit nor suffer to be taken any action with respect to the proceeds of the Notes which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the date of issuance of the Notes (the “Closing Date”) would have caused the Notes to be “arbitrage bonds” within the meaning of section 148 of the Internal Revenue Code of 1986 (the “Code”).

(b) *Rebate Requirement.* The City shall take any and all actions necessary to assure compliance with section 148(f) of the Code, relating to the rebate of excess investment earnings, if any, to the federal government.

(c) *Private Activity Note Limitation.* The City shall assure that proceeds of the Notes are not so used as to cause the Notes to satisfy the private business tests of section 141(b) of the Code.

(d) *Private Loan Financing Limitation.* The City shall assure that proceeds of the Notes are not so used as to cause the Notes to satisfy the private loan financing test of section 141(c) of the Code.

(e) *Federal Guarantee Prohibition.* The City shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause any of the Notes to be “federally guaranteed” within the meaning of section 149(b) of the Code.

(f) *Maintenance of Tax-Exemption.* The City shall take all actions necessary to assure the exclusion of interest on the Notes from the gross income of the owners of the Notes to the same extent as such interest is permitted to be excluded from gross income under the Code as in effect on the Closing Date.

Section 16. Official Statement. The City Council hereby approves the Official Statement describing the Notes, in substantially the form on file with the City Clerk, together with any changes therein or additions thereto deemed advisable by the Authorized Officer. The City Council authorizes and directs the Authorized Officer on behalf of the City to deem “final” pursuant to Rule 15c2-12 under the Securities Exchange Act of 1934 (the “Rule”) the Official Statement prior to its distribution by the financial advisors to the City. The execution of the Official Statement, which shall include such changes and additions thereto deemed advisable by the Authorized Officer and such information permitted to be excluded from the Official Statement pursuant to the Rule, shall be conclusive evidence of the approval of the Official Statement by the City.

The Authorized Officer is authorized and directed to execute the Official Statement and a statement that the facts contained in the Official Statement, and any supplement or amendment thereto (which shall be deemed an original part thereof for the purpose of such statement) were, at the time of sale of the Notes, true and correct in all material respects and that the Official Statement did not, on the date of sale of the Notes, and does not, as of the date of delivery of the Notes, contain any untrue statement of a material fact with respect to the City or omit to state material facts with respect to the City required to be stated where necessary to make any statement made therein not misleading in the light of the circumstances under which it was made. The Authorized Officer shall take such further actions prior to the signing of the Official Statement as are deemed necessary or appropriate to verify the accuracy thereof. The Official Statement is approved for distribution in the offering and sale of the Notes.

Section 17. Sale of Notes. An underwriter (the “Underwriter”) to be designated by an Authorized Officer will purchase the Notes. A form of Contract of Purchase (the “Contract of Purchase”) has been submitted for the Council’s review by the City’s financial advisor, Northcross, Hill & Ach, Inc. (the “Financial Advisor”). The form of Contract of Purchase is hereby approved and the Authorized Officer is hereby authorized to execute and deliver a Contract of Purchase, substantially in the form submitted to and on file with the City Clerk, but with such changes therein, deletions therefrom, and modifications thereto (including designation of the Underwriter) as the Authorized Officer shall approve, such approval to be conclusively evidenced by his or her execution and delivery thereof; provided, however, that the maximum interest rate on the Notes shall not exceed six percent per annum. The Authorized Officer is further authorized to determine the maximum principal amount of Notes to be specified in the Contract of Purchase not to exceed \$25,000,000 and to enter into and execute the Contract of Purchase with the Underwriter, if the conditions set forth in this Resolution are satisfied.

Section 18. Engagement of Professional Services. The City hereby approves the engagement of Jones Hall, A Professional Law Corporation as Bond Counsel and Northcross, Hill & Ach, Inc. as Financial Advisor to the City in connection with the issuance and sale of the Notes.

Section 19. Preparation of Notes; Official Action. Jones Hall, A Professional Law Corporation, as bond counsel, is directed to cause suitable Notes to be prepared showing on their face that the same bear interest at the rate specified in the offer submitted by the successful bidder or bidders, and to cause the blank spaces therein to be filled in to comply with the provisions of this Resolution, and to procure their execution by the proper officers, and to cause the Notes to be delivered when so executed to DTC on behalf of the successful bidder or bidders therefore upon the receipt of the purchase price by the City Treasurer in accordance with such successful bid or bids.

The Mayor of the City, the City Manager, or the Director of Finance and the City Clerk, or any of them, are further authorized and directed to make, execute and deliver such certificates, agreements and other closing documents as are necessary to consummate the transactions contemplated by this Resolution.

Section 20. Effective Date. This Resolution shall take effect upon its adoption.

Exhibits:

A: Exhibit A – Form of Note

EXHIBIT A
FORM OF NOTE

No. 1

*****\$25,000,000*****

CITY OF BERKELEY, CALIFORNIA
2006-07 TAX AND REVENUE ANTICIPATION NOTE

INTEREST RATE:	MATURITY DATE:	ISSUE DATE:	CUSIP:
%	____, 2007	____, 2006	

REGISTERED OWNER: CEDE & CO.

PRINCIPAL SUM: ****TWENTY-FIVE MILLION DOLLARS****

The CITY OF BERKELEY, a municipal corporation, duly organized and existing under and by virtue of the Constitution and laws of the State of California (the "City"), for value received hereby promises to pay to the Registered Owner stated above, or registered assigns (the "Owner"), on the Maturity Date stated above, the Principal Sum stated above, in lawful money of the United States of America, and to pay interest thereon in like lawful money at the rate per annum stated above, payable on the Maturity Date stated above, calculated on the basis of 360-day year composed of twelve 30-day months. Both the principal of and interest on this Note shall be payable at maturity to the Owner.

It is hereby certified, recited and declared that this Note is one of an authorized issue of Notes in the aggregate principal amount of Twenty-Five Million Dollars (\$25,000,000), all of like tenor, issued pursuant to the provisions of Resolution No. _____ of the City Council of the City duly passed and adopted on October 10, 2006 (the "Resolution"), and pursuant to Article 7.6 (commencing with section 53850) of Chapter 4, Part 1, Division 2, Title 5, of the California Government Code, and that all things, conditions and acts required to exist, happen and be performed precedent to and in the issuance of the Notes exist, have happened and have been performed in regular and due time, form and manner as required by law, and that this Note, together with all other indebtedness and obligations of the City, does not exceed any limit prescribed by the Constitution or statutes of the State of California.

The principal amount of the Notes, together with the interest thereon, shall be payable from taxes, income, revenue, cash receipts and other moneys which are received by the City for the General Fund of the City for Fiscal Year 2006-07. As security for the payment of the principal of and interest on the Notes the City has pledged the first “unrestricted moneys” (as hereinafter defined) to be received by the City as follows: (a) an amount equal to fifty percent (50%) of the principal amount of the Notes in the month of January, 2007; (b) an amount equal to fifty percent (50%) of the principal amount of the Notes in the month of May, 2007; and (c) an amount sufficient to pay interest as due on the Notes at their maturity, in the month of June, 2007 (such pledged amounts being hereinafter called the “Pledged Revenues”). The principal of the Notes and the interest thereon shall constitute a first lien and charge thereon and shall be payable from the Pledged Revenues. To the extent not so paid from the Pledged Revenues, the Notes shall be paid from any other moneys of the City lawfully available therefore. In the event that there are insufficient “unrestricted moneys” received by the City to permit the deposit into the Special Account (as hereinafter defined) of the full amount of the Pledged Revenues to be deposited in any month by the last business day of such month, then the amount of any deficiency shall be satisfied and made up from any other moneys of the City lawfully available for the repayment of the Notes and interest thereon. The term “unrestricted moneys” shall mean taxes, income, revenue, cash receipts, and other moneys intended as receipts for the General Fund of the City for Fiscal Year 2006-07 and which are generally available for the payment of current expenses and other obligations of the City.

The Notes are issuable as fully registered Notes, without coupons, in denominations of \$5,000 and any integral multiple thereof. Subject to the limitations and conditions as provided in the Resolution, Notes may be exchanged for a like aggregate principal amount of Notes of other authorized denominations and of the same maturity.

The Notes are not subject to redemption prior to maturity.

This Note is transferable by the Owner hereof, but only under the circumstances, in the manner and subject to the limitations provided in the Resolution. Upon registration of such transfer a new Note or Notes, of authorized denomination or denominations, for the same aggregate principal amount and of the same maturity will be issued to the transferee in exchange herefor.

The City may treat the Owner hereof as the absolute owner hereof for all purposes, and the City shall not be affected by any notice to the contrary.

Unless this Note is presented by an authorized representative of The Depository Trust Company to the issuer or its agent for registration of transfer, exchange or payment, and any certificate issued is registered in the name of Cede & Co. or such other name as requested by an authorized representative of The Depository Trust Company and any payment is made to Cede & Co., ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL since the registered owner hereof, Cede & Co., has an interest herein.

IN WITNESS WHEREOF, the City of Berkeley has caused this Note to be executed by the City Manager and countersigned by the City Clerk of the City, all as of the Issue Date stated above.

CITY OF BERKELEY

By _____
City Manager

Countersigned:

By _____
City Clerk

PRELIMINARY OFFICIAL STATEMENT DATED _____, 2006

NEW ISSUE BOOK-ENTRY ONLYRATINGMoody's: _____
(see "RATING" herein)

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to certain qualifications described herein, under existing law, the interest on the Notes is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, although, for the purpose of computing the alternative minimum tax imposed on certain corporations, such interest is taken into account in determining certain income and earnings. In the further opinion of Bond Counsel, such interest is exempt from California personal income taxes. See "TAX MATTERS" herein.



\$ _____ *

CITY OF BERKELEY
2006-07 TAX AND REVENUE ANTICIPATION
NOTES

Dated: Date of Delivery**Due:** _____

The Notes will be issued in denominations of \$5,000 or any integral multiple thereof. Principal of and interest on the Notes will be payable upon maturity. The Notes are to be delivered as fully registered Notes, without coupons and, when delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York (as described herein under "THE NOTES – Book-Entry Only System"). DTC will act as securities depository of the Notes. Purchases will be made in book-entry form only, in the principal amount of \$5,000 or any integral multiple thereof. **The Notes are not subject to redemption prior to maturity.**

The Notes are by statute general obligations of the City of Berkeley, California (the "City"), payable solely from taxes, income, revenues, cash receipts and other moneys which are received by the City for the General Fund for Fiscal Year 2006/2007 and which are generally available for the payment of current expenses and other obligations of the City (the "Unrestricted Moneys"). The Notes are secured by a pledge of Unrestricted Moneys to be received by the City in (a) an amount equal to fifty percent (50%) of the principal amount of the Notes in the month of January, 2007; (b)) an amount equal to fifty percent (50%) of the principal amount of the Notes in the month of May, 2007; and (c) an amount sufficient to pay interest as due on the Notes at their maturity, in the month of June, 2007 (such pledged amounts being hereinafter called the "Pledged Revenues"). The Pledged Revenues shall be deposited and held by the City, in a special fund designated "City of Berkeley, California, 2006-07 Tax and Revenue Anticipation Notes Special Account", as defined in the City's Resolution adopted October __, 2006.

Principal of and interest on the Notes are payable in lawful moneys of the United States of America upon maturity, and interest on the Notes will be computed on the basis of a 360-day year comprised of twelve 30-day months and accrues from the date of delivery.

The Notes are legal investments for commercial banks in California and are eligible to secure deposits of public moneys in California.

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.

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

|NORTHCROSS | HILL | ACH |

MATURITY SCHEDULE

<u>Principal</u>	<u>Interest Rate</u>	<u>Reoffering Yield</u>
\$ _____		

The Notes are offered when, as and if issued and received by the Underwriter, subject to the approval of legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel. Certain legal matters will be passed upon for the City by the City Attorney. It is anticipated that the Notes, in definitive form, will be available for delivery through DTC in New York, New York on or about _____, 2006.

Dated: November __, 2006

*Preliminary; subject to change.

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

This Official Statement is not to be construed as a contract with the purchasers of the Notes. Statements contained in this Official Statement 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 a representation of facts.

The information set forth herein has been obtained from sources that are believed to be reliable, but is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the Underwriter. The information and expressions of opinion stated herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the information or opinions set forth herein or in the affairs of the City since the date hereof. This Official Statement is submitted in connection with the sale of the Notes referred to herein and may not be reproduced or used, in whole or in part, for any purpose, unless authorized in writing by the City.

The Notes have not been registered under the Securities Act of 1933, in reliance upon an exemption contained in such Act. The Notes have not been registered under the securities laws of any state.

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

Certain statements included or incorporated by reference in this Official Statement constitute “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended (the “Exchange Act”), and Section 27A of the United States Securities Act of 1933, as amended (the “Securities Act”). Such statements are generally identifiable by the terminology used such as “plan,” “expect,” “estimate,” “budget” or other similar words.

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

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS 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 THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN ITS EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR.

CITY OF BERKELEY, CALIFORNIA

ELECTED OFFICIALS

Tom Bates, /Mayor
Linda Maio, Councilmember District 1
Darryl Moore, Councilmember District 2
Maxwell Anderson, Councilmember District 3
Dona Spring, Councilmember District 4
Laurie Capitelli, Councilmember District 5
Betty Olds, Councilmember District 6
Kriss Worthington, Councilmember District 7
Gordon Wozniak, Councilmember District 8

CITY OFFICIALS

Phil Kamlarz
City Manager

Lisa Caronna
Deputy City Manager

Manuela Albuquerque, Esq.
City Attorney

Robert Hicks
Acting Director of Finance

Ann-Marie Hogan
Auditor

PROFESSIONAL SERVICES

Financial Advisor

Northcross, Hill & Ach, Inc.
San Rafael, California

Bond Counsel

Jones Hall, A Professional Law Corporation
San Francisco, California

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OFFICIAL STATEMENT

\$ _____ *

CITY OF BERKELEY 2006-07 TAX AND REVENUE ANTICIPATION NOTES

INTRODUCTORY STATEMENT

This Official Statement, which includes the cover page, appendices hereto and this Introductory Statement, is provided to furnish information in connection with the sale by the City of Berkeley, California (the "City") of its 2006-07 Tax and Revenue Anticipation Notes (the "Notes") issued by the City in the principal amount of \$ _____*.

The Notes are issued in full conformity with the Constitution and laws of the State of California (the "State"), including Article 7.6, Chapter 4, Part 1, Division 2, Title 5 (commencing with Section 53850 of the Government Code of the State), (the "Law") and under the Law are general obligations of the City payable solely from those taxes, income, revenues, cash receipts and other moneys intended as receipts for the City's General Fund for fiscal year 2006-2007 and which are generally available for the payment of current expenses and other obligations of the City (the "Unrestricted Moneys"). The Notes are authorized by a resolution adopted by the City Council on _____, 2006 (the "Resolution"). The City may, under the Law, issue the Notes only if the principal of and interest on the Notes will not exceed 85 percent of the estimated amount of the uncollected Unrestricted Moneys which will be available for the payment of said Notes. Proceeds from the sale of the Notes will be deposited in a segregated account in the General Fund and used and expended by the City for any purpose for which it is authorized to expend funds from the General Fund.

THE NOTES

Description of the Notes

The Notes will be issued in the principal amount of \$ _____* and at the interest rate shown on the cover page of this Official Statement. Principal of and interest on the Notes are payable in lawful moneys of the United States of America upon maturity, and interest on the Notes will be computed on the basis of a 360-day year comprised of twelve 30-day months and accrues from the date of delivery.

Principal of and interest on the Notes are payable at maturity upon surrender thereof at the office of the Director of Finance of the City (the "Paying Agent"). The Notes will be dated the date of delivery and will mature on _____. The Notes are to be delivered as fully registered Notes, without coupons, and, when delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository of the Notes. Purchases will be made in book-entry form only, in the principal amount of \$5,000 or any integral multiple thereof.

Purpose of Issue

Proceeds of the Notes will provide moneys to meet the City's General Fund cash flow requirements during the 2006-2007 fiscal year commencing July 1, 2006 and ending June 30, 2007, including current expenses, capital expenditures, and the discharge of other obligations or indebtedness.

Authority for Issuance

The Notes are issued under the authority of the Law and pursuant to the Resolution.

*Preliminary; subject to change.

Book-Entry Only System

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the securities (the “Notes”). The Notes 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 Note will be issued for the Notes, in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds \$500 million, one Note will be issued with respect to each \$500 million of principal amount and an additional Note will be issued with respect to any remaining principal amount of such issue.

DTC, the world’s largest 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 2.2 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instrument 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 Notes. 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, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. 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 Standard & Poor’s highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC’s records. The ownership interest of each actual purchaser of each Note (“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 Notes 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 Notes representing their ownership interests in Notes, except in the event that use of the book-entry system for the Notes is discontinued.

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

wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

Redemption notices (if applicable) shall be sent to DTC. If less than all of the Notes within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

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

Redemption proceeds, distributions, and interest payments on the Notes 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 Town or Agent on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, Agent, or Town, 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 Town or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Notes at any time by giving reasonable notice to Town or Agent. Under such circumstances, in the event that a successor securities depository is not obtained, security Notes are required to be printed and delivered.

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, security Notes will be printed and delivered to DTC.

THE INFORMATION IN THIS SECTION 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 ACCURACY THEREOF.

Security for the Notes

The principal amount of the Notes, together with the interest thereon, is payable from Unrestricted Moneys. Estimated Unrestricted Moneys exceed estimated payment requirements by more than five to one. See “THE NOTES – Available Sources of Payment.”

As security for the repayment of principal of and interest on the Notes, the City has pledged to deposit in a special fund designated as the “City of Berkeley, California 2006 Tax and Revenue Anticipation Notes Special Account” (the “Special Account”) (a) an amount equal to 50% of the principal amount of the Notes from the first Unrestricted Moneys to be received by the City in the month ending January 31, 2007; (b) an amount equal to 50% of the principal amount of the Notes from the first Unrestricted Moneys to be received by the City in the month ending May 31, 2007; and (c) an amount sufficient to pay interest on the Notes from the first Unrestricted Moneys to be received by the City in the month ending May 31, 2007 (such pledged amounts, the “Pledged Revenues.”). The Notes are equally and ratably secured by the City's pledge of the Pledged Revenues.

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

All Pledged Revenues, as and when received, shall be deposited by the City in the Special Account, which will be held by the Director of Finance of the City for the payment of the principal of and interest on the Notes at maturity. Amounts deposited by the City in the Special Account shall be applied solely for the purpose of paying the principal of and interest on the Notes. Such amounts shall be invested by the City in legal investments, as permitted by Section 53601 of the Government Code of the State. See “**CITY INVESTMENT POLICY AND PORTFOLIO**” herein.

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

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

Available Sources of Repayment

The Notes, in accordance with State law, are general obligations of the City, but are payable only out of Unrestricted Moneys, which include the taxes, income, revenues, cash receipts and other moneys intended as receipts for the General Fund for fiscal year 2006-2007 and which are generally available for payment of current expenses and other obligations of the City. The Constitution of the State substantially limits the City's ability to levy ad valorem taxes. See "**CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING CITY REVENUES AND APPROPRIATIONS.**" The City may, under existing law, issue the Notes only if the principal of, and interest on, the Notes will not exceed 85 percent of the estimated uncollected Unrestricted Moneys which will be available for the repayment of the Notes.

The Note coverage ratio is the ratio of estimated Unrestricted Moneys to the amount of Unrestricted Moneys needed to pay principal of and interest on the Notes. The City expects to receive a projected \$_____ in Unrestricted Moneys on a cash basis (including carry-over balances and transfers, and proceeds of the Notes). The amount needed to repay the Notes and the interest thereon is estimated to be \$_____. Based on an amount of Unrestricted Moneys needed to pay principal of and interest on the Notes, the Note coverage ratio is over ____:1*.

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

CITY OF BERKELEY	
Estimated Unrestricted Moneys	
<u>Source</u>	<u>Amount</u>
Available Cash Balance, July 1, 2006	\$ _____
Taxes (including property tax, sales tax and other taxes)	_____
Other Revenue	_____
Transfers from other City funds	_____
TOTAL UNRESTRICTED MONEYS	\$ _____
ESTIMATED PRINCIPAL PLUS INTEREST NEEDED FOR NOTE REPAYMENT	\$ _____
NOTE COVERAGE RATIO	_____:1*

*Preliminary; subject to change.
Source: City of Berkeley Finance Department.

Monthly Cash Flows

The City's General Fund expenditures tend to flow evenly during the fiscal year. However, receipts follow an uneven pattern primarily as a result of secured tax installment payment dates in December and April.

The City has prepared exhibits for use in this Official Statement showing actual cash receipts and disbursements through June 30, 2006 for fiscal year 2005-2006 and a projected receipts and disbursements for fiscal year 2006-2007 when the Notes will be outstanding. Projected 2006-2007 revenues and expenses include the proceeds and repayment of the Notes.

THIS WILL BE REPLACED WITH FY2006 DATA

GENERAL FUND

	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER 12/01/04-12/15/04	DECEMBER 12/16/04-12/31/04	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	TOTAL
BEGINNING BALANCE	7,157,006	3,800,326	362,513	(978,519)	(13,083,010)	4,902,709	2,846,024	27,402,604	11,400,076	11,968,367	16,701,734	30,055,844	14,569,913	7,157,006
RECEIPTS:														
Property/Other Taxes	3,727,182	2,396,292	6,065,541	3,938,273	3,833,616		20,260,915	4,079,017	6,765,262	12,015,212	14,649,252	3,548,782	6,513,705	87,793,049
License and Permits	6,415	12,803	32,091	10,522	9,527	5,380	5,380	15,501	43,734	22,301	20,167	42,313	13,435	239,569
Subventions & Grants	514,559	145,678	164,201	29,685	110,249	961,278	961,278	50,050	45,111	89,541	2,125,606	1,708,031	235,630	7,140,896
Service Fees	565,983	315,235	386,821	213,582	343,658	208,897	208,897	335,704	695,538	525,996	416,757	437,643	624,802	5,279,512
Fines and Penalties	821,081	714,542	828,613	587,504	661,361	359,550	359,550	756,048	568,134	543,472	1,224,229	707,787	849,187	8,981,058
Miscellaneous	688	232,291	164,560	23,505	4,931	7,720	7,720	900	13,817	4,375	3,605	917	183,643	648,672
Interest Income	144,836	360,463	123,066	140,287	240,789	159,504	159,504	442,743	380,300	19,834	179,933	1,692	626,704	2,979,654
Rents and Royalties	9,512	7,740	8,446	8,719	8,318	5,527	5,527	9,906	6,194	10,287	19,781	16,905	14,216	131,077
Franchises	165,141	-	-	159,851	-	-	-	169,735	-	-	942,025	-	-	1,436,752
Transfers In/Indirect Costs	560,816	502,784	507,170	835,786	493,423	246,242	246,242	658,554	493,200	493,850	480,445	762,943	791,449	7,072,904
One-time transfer in from other funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance Sheet Accounts	-	25,364	16,388	83,655	-	24,000	24,000	742,240	80,535	-	22,500	-	778,787	1,797,469
TRAN Proceeds	-	-	-	-	25,000,000	-	-	-	-	-	-	-	-	25,000,000
TOTAL RECEIPTS	6,516,213	4,713,192	8,296,897	6,031,369	30,705,872	1,978,096	22,239,011	7,260,398	9,091,825	13,724,868	20,084,300	7,227,013	10,631,558	148,500,612
DISBURSEMENTS:														
General Government	1,047,348	1,669,034	1,846,439	2,205,024	1,728,117	772,526	772,526	1,351,299	1,644,378	1,637,098	2,206,083	1,982,178	2,291,437	21,153,486
Public Safety	2,771,592	4,612,786	4,371,991	6,269,306	4,475,316	2,425,439	2,425,439	4,564,856	4,630,661	4,518,499	6,163,887	4,321,573	6,568,986	58,120,331
Highways and Streets	17,735	30,106	35,123	41,514	71,404	16,572	16,572	34,423	38,005	31,118	110,811	38,388	79,269	561,040
Health and Human Service	475,790	761,534	633,961	963,013	697,230	336,907	336,907	717,802	712,827	709,249	865,429	676,926	795,069	8,682,643
Culture - Recreation	325,401	575,876	397,900	482,870	309,765	130,977	130,977	292,214	320,199	334,207	388,056	340,841	662,720	4,692,003
Urban redevelopment/Housing	964,086	204,749	213,705	638,314	261,100	227,715	227,715	489,432	396,739	550,855	599,210	242,607	572,157	5,588,384
Econ Dev & Assistance	111,406	62,322	42,042	322,542	148,123	40,345	40,345	53,376	115,918	72,716	84,160	49,779	94,449	1,237,523
Debt Service	-	-	-	-	-	2,925	2,925	-	-	-	-	-	-	387,121
Transfers Out/Other	3,851,461	162,752	162,752	2,644,421	162,752	81,376	81,376	2,711,622	162,752	162,752	479,931	2,708,871	267,390	13,640,208
One-time transfer out to deficit funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TRAN Principal Pledge	-	-	-	-	-	-	-	12,500,000	-	-	-	12,500,000	-	25,000,000
TRAN Interest Pledge	-	-	-	-	-	-	-	-	-	-	-	872,569	-	872,569
Advances From	-	-	-	-	-	-	-	-	-	-	83,923	-	1,565,068	1,648,991
Grant advances from GF/(Repayment to GF)	308,074	71,846	1,934,016	4,568,856	4,866,346	-	(6,352,350)	547,902	502,055	975,007	(4,251,300)	(1,020,788)	227,572	2,377,236
TOTAL DISBURSEMENTS	9,872,893	8,151,005	9,637,929	18,135,860	12,720,153	4,034,781	(2,317,569)	23,262,926	8,523,534	8,991,501	6,730,190	22,712,944	13,511,238	143,967,385
INTERFUND BORROWINGS														
ENDING BALANCE	3,800,326	362,513	(978,519)	(13,083,010)	4,902,709	2,846,024	27,402,604	11,400,076	11,968,367	16,701,734	30,055,844	14,569,913	11,690,233	11,690,233

CITY OF BERKELEY

Projected FY 2006 Cash Flow
GENERAL FUND

THIS WILL BE REPLACED WITH FY2007 PROJECTION

	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER 12/01/05-12/15/05	DECEMBER 12/16/05-12/31/05	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	TOTAL
BEGINNING BALANCE	11,690,233	7,295,343	2,608,602	181,310	85,282	2,896,776	191,171	11,877,083	11,483,187	11,331,307	17,165,149	29,219,603	11,561,880	11,690,233
RECEIPTS:														
Property/Other Taxes	3,787,999	2,435,393	6,164,514	4,002,535	3,896,170		20,591,518	4,145,575	6,875,653	12,211,267	14,888,288	3,606,688	6,619,991	89,225,591
License and Permits	5,146	10,271	25,745	8,441	7,643	4,316	4,316	12,436	35,085	17,891	16,179	33,945	10,778	192,193
Subventions & Grants	362,426	102,607	115,654	20,908	77,653	677,069	677,069	35,252	31,774	63,068	1,497,156	1,203,040	165,964	5,029,642
Service Fees	568,166	316,451	388,313	214,406	344,983	209,702	209,702	336,999	698,220	528,024	418,364	439,331	627,211	5,299,871
Fines and Penalties	889,887	774,420	898,050	636,737	716,783	389,680	389,680	819,404	615,743	589,015	1,326,819	767,099	920,348	9,733,666
Miscellaneous	567	191,585	135,723	19,386	4,067	6,367	6,367	742	11,396	3,608	2,973	756	151,462	535,000
Interest Income	160,407	399,217	136,297	155,369	266,677	176,652	176,652	490,343	421,186	21,966	199,278	1,874	694,082	3,300,000
Rents and Royalties	9,078	7,387	8,061	8,321	7,939	5,274	5,274	9,454	5,912	9,818	18,879	16,134	13,568	125,100
Franchises	168,275	-	-	162,884	-	-	-	172,956	-	-	959,900	-	-	1,464,015
Transfers In	694,210	622,374	627,804	1,034,583	610,787	304,812	304,812	815,195	610,511	611,315	594,722	944,414	979,700	8,755,238
One-time transfer in from other funds	-	-	-	-	-	-	-	4,968,325	-	1,616,621	-	-	-	6,584,946
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TRAN Proceeds	-	-	-	-	25,175,250	-	-	-	-	-	-	-	-	25,175,250
TOTAL RECEIPTS	6,646,162	4,859,705	8,500,160	6,263,571	31,107,951	1,773,873	22,365,391	11,806,682	9,305,479	15,672,594	19,922,558	7,013,282	10,183,104	155,420,512
DISBURSEMENTS:														
General Government	1,490,770	2,375,663	2,628,177	3,138,578	2,459,760	1,099,594	1,099,594	1,923,406	2,340,568	2,330,206	3,140,085	2,821,384	3,261,576	30,109,362
Public Safety	3,025,897	5,036,029	4,773,140	6,844,542	4,885,945	2,647,983	2,647,983	4,983,701	5,055,544	4,933,091	6,729,450	4,718,096	7,171,719	63,453,121
Highways and Streets	17,413	29,559	34,485	40,760	70,107	16,271	16,271	33,798	37,315	30,553	108,799	37,691	77,830	550,852
Health and Human Service	492,544	788,350	656,285	996,923	721,781	348,770	348,770	743,078	737,928	734,224	895,903	700,763	823,066	8,988,384
Culture - Recreation	275,958	488,375	337,442	409,501	262,698	111,076	111,076	247,814	271,547	283,426	329,093	289,052	562,024	3,979,082
Urban redevelopment/Housing	406,753	86,385	90,163	269,308	110,160	96,074	96,074	206,494	167,386	232,409	252,810	102,357	241,396	2,357,771
Econ Dev & Assistance	134,682	75,343	50,826	389,930	179,070	48,774	48,774	64,528	140,136	87,908	101,743	60,179	114,182	1,496,076
Debt Service	-	-	-	-	-	7,468	7,468	-	-	-	-	-	988,434	1,003,371
Transfers Out/Other	4,897,035	206,935	206,935	3,362,314	206,935	103,468	103,468	3,447,758	206,935	206,935	610,220	3,444,260	339,980	17,343,177
One-time transfer out to deficit funds	-	359,807	150,000	807,742	-	-	-	-	-	-	-	-	-	1,317,549
TRAN Principal Pledge	-	-	-	-	-	-	12,500,000	-	-	-	-	12,500,000	-	25,000,000
TRAN Interest Pledge	-	-	-	-	-	-	-	-	-	-	-	997,222	-	997,222
Advances From	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grant advances from GF/(Repayment to GF)	300,000	100,000	2,000,000	4,600,000	4,900,000	-	(6,300,000)	550,000	500,000	1,000,000	(4,300,000)	(1,000,000)	230,000	2,580,000
TOTAL DISBURSEMENTS	11,041,052	9,546,446	10,927,452	20,859,598	13,796,457	4,479,479	10,679,479	12,200,577	9,457,359	9,838,752	7,868,104	24,671,005	13,810,206	159,175,967
INTERFUND BORROWINGS				14,500,000	(14,500,000)									
ENDING BALANCE	7,295,343	2,608,602	181,310	85,282	2,896,776	191,171	11,877,083	11,483,187	11,331,307	17,165,149	29,219,603	11,561,880	7,934,778	7,934,778

Prepared By the City of Berkeley, Finance Department

CITY INVESTMENT POLICY AND PORTFOLIO

The City adopted its "Socially Responsible Investments Policy" in October 1988. The City's primary objective is security, liquidity and social responsibility as mandated by prior ordinances of the City. In general, it is the City policy to prefer investments in United States Agency securities, because of their generally higher yields and generally socially preferable uses, such as housing loans or students loans and to avoid investments in Treasury securities, because of their generally lower yields and their association with nuclear weapons.

The City's investment instrument options are as follows: U.S. Treasury Bills, Notes and Bonds, United States Government Agency securities, repurchase agreements (seven day maximum limit), reverse repurchase agreements (seven day maximum limit), certificates of deposit, bankers acceptances, interest bearing checking accounts, money market accounts, passbook savings, commercial paper and other local investments with the City or Alameda County. There are currently no derivative instruments held with the City's Investment Pool.

The City Treasurer provides an investment report on a monthly basis to the Mayor, City Council, City Manager and City Auditor. Any investment with a maturity over two years (except for debt proceeds, debt service reserve funds and retirement medical trust funds) requires City Council approval. The following is a list of investments held by the City:

CITY OF BERKELEY City Pooled Investments (As of June 30, 2006)

Security	Market Value	% of Total Portfolio
Medium Term Notes	\$ _____	__%
Federal Agency Coupon Notes	_____	__%
Treasury Coupon Notes	_____	__%
Federal Agency Discount Notes	_____	__%
Money Market Fund and Loans	_____	__%
Commercial Paper	_____	__%
TOTAL:	\$ _____	100.0%

Source: City of Berkeley Finance Department

SPECIAL RISK FACTORS

The following information should be considered by prospective investors in evaluating the Notes. However, this information does not purport to be an exhaustive listing of the risks and other considerations, which may be relevant to an investment in the Notes.

Limitations on Remedies

The rights of the owners of the Notes are subject to the limitations on legal remedies against cities in the State, including a limitation on enforcement of judgements against funds needed to serve the public welfare and interest. Additionally, enforceability of the rights and remedies of the owners of the Notes and the obligations incurred by the City, may become subject to the following: the 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; and the reasonable and necessary exercise in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose. Bankruptcy proceedings, or the exercise of powers by the federal or State government, if initiated, could subject the owners of the Notes to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation, or modification of their rights.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING CITY REVENUES AND APPROPRIATIONS

Limitations on Revenues

Article XIII A of the California Constitution. Article XIII A of the State Constitution, adopted and known as Proposition 13, was approved by the voters in June 1978. Section 1(a) of Article XIII A limits the maximum ad valorem tax on real property to one percent of “full cash value,” and provides that such tax shall be collected by the counties and apportioned according to State law. Section 1(b) of Article XIII A provides that the one-percent limitation does not apply to ad valorem taxes levied to pay interest and redemption charges on (i) indebtedness approved by the voters prior to July 1, 1978, or (ii) bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978, by two-thirds of the votes cast on the proposition, or (iii) bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% of the voters of the district, but only if certain accountability measures are included in the proposition. The tax for payment of the District’s general obligation bonds falls within the exception for bonds approved by a two-thirds vote.

Section 2 of Article XIII A defines “full cash value” to mean the county assessor’s valuation of real property as shown on the Fiscal Year 1975-76 tax bill, or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred. The full cash value may be adjusted annually to reflect inflation at a rate not to exceed two percent per year, or to reflect a reduction in the consumer price index or comparable data for the area under taxing jurisdiction, or may be reduced in the event of declining property value caused by substantial damage, destruction or other factors. Legislation enacted by the State Legislature to implement Article XIII A provides that, notwithstanding any other law, local agencies may not levy any ad valorem property tax except the 1% base tax levied by each County and taxes to pay debt service on indebtedness approved by the voters as described above.

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

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

Article XIII C and Article XIII D of the California Constitution. On November 5, 1996, the voters of the State approved Proposition 218, the so-called “Right to Vote on Taxes Act.” Proposition 218 added Articles XIII C and XIII D to the State Constitution, which contain a number of provisions affecting the ability of local agencies, including school districts, to levy and collect both existing and future taxes, assessments, fees and charges. Among other things, Article XIII C establishes that every tax is either a “general tax” (imposed for general governmental purposes) or a “special tax” (imposed for specific purposes); prohibits special purpose government agencies such as school districts from levying general taxes; and prohibits any local agency from imposing, extending or increasing any special tax beyond its maximum authorized rate without a two-thirds vote. Article XIII C also provides that no tax may be assessed on property other than ad valorem property taxes imposed in accordance with Articles XIII and XIII A of the California Constitution and special taxes approved by a two-thirds vote under Article XIII A, Section 4.

Article XIII C also provides that the initiative power shall not be limited in matters of reducing or repealing local taxes, assessments, fees and charges. The State Constitution and the laws of the State impose a duty on the County to levy the 1% ad valorem property tax and to distribute proceeds of the tax to local agencies in the County, including school districts. The initiative power cannot be used to reduce or repeal the authority and obligation to levy such taxes or to otherwise interfere with performance of the duty of the County with respect to such taxes. Legislation adopted in 1997 provides that Article XIII C shall not be construed to mean that any owner or beneficial owner of a municipal security assumes the risk of or consents to any initiative measure which would constitute an impairment of contractual rights under the contracts clause of the U.S. Constitution.

Article XIII D deals with assessments and property-related fees and charges. Article XIII D explicitly provides that nothing in Article XIII C or XIII D shall be construed to affect existing laws relating to the imposition of fees or charges as a condition of property development; however it is not clear whether the initiative power is therefore unavailable to repeal or reduce developer and mitigation fees imposed by the District. Developer fees imposed by the District are restricted as to use and are generally unavailable for repayment for the Notes.

The interpretation and application of Proposition 218 will ultimately be determined by the courts with respect to a number of the matters discussed above, and it is not possible at this time to predict with certainty the outcome of such determination.

Expenditures and Appropriations

Article XIII B of the California Constitution. In addition to the limits Article XIII A imposes on property taxes that may be collected by local governments, certain other revenues of the State and local governments are subject to an annual “appropriations limit” or “Gann Limit” imposed by Article XIII B of the State Constitution, which effectively limits the amount of such revenues that government entities are permitted to spend. Article XIII B, approved by the voters in June 1979, was modified substantially by Proposition 111 in 1990. The appropriations limit of each government entity applies to “proceeds of taxes,” which consist of tax revenues, state subventions and certain other funds, including proceeds from regulatory licenses, user charges or other fees to the extent that such proceeds exceed “the cost reasonably borne by such entity in providing the regulation, product or service.” “Proceeds of taxes” exclude tax refunds and some benefit payments such as unemployment insurance. No limit is imposed on the appropriation of funds which are not “proceeds of taxes,” such as reasonable user charges or fees, and certain other non-tax funds.

Article XIII B also does not limit appropriation of local revenues to pay debt service on bonds existing or authorized by January 1, 1979, or subsequently authorized by the voters, appropriations required to comply with mandates of courts or the federal government, appropriations for qualified capital outlay projects, and appropriation by the State of revenues derived from any increase in gasoline taxes and motor vehicle weight fees above January 1, 1990, levels. The appropriations limit may also be exceeded in cases of emergency; however, the appropriations limit for the three years following such emergency appropriation must be reduced to the extent by which it was exceeded, unless the emergency arises from civil disturbance or natural disaster declared by the Governor, and the expenditure is approved by two-thirds of the legislative body of the local government.

The State and each local government entity 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. Each school district is required to establish an appropriations limit each year. In the event that a school district’s revenues exceed its spending limit, the district may increase its appropriations limit to equal its spending by taking appropriations limit from the State.

Proposition 111 requires that each agency’s actual appropriations be tested against its limit every two years. If the aggregate “proceeds of taxes” for the preceding two-year period exceed the aggregate limit, the excess must be returned to the agency’s taxpayers through tax rate or fee reductions over the following two years. If the State’s aggregate “proceeds of taxes” for the preceding two-year period exceed the aggregate limit, 50% of the excess is transferred to fund the State’s contribution to school and college districts.

Future initiatives. Articles XIII A, XIII V, XIII C, and XIII D, and Propositions 98 and 111 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 City revenues or the City’s ability to expend revenues.

Appropriations Limit and Appropriations Subject to Limitation

	<u>Fiscal Year</u>	
	<u>2005-2006</u>	<u>2006-2007</u>
Appropriations Limit	\$ 142,774,956	\$ _____
Appropriations Subject to Limit	\$ 121,306,017	\$ _____

Source: City of Berkeley Finance Department

Future Initiatives

Article XIII A, Article XIII B, Article XIII C, Article XIII D and Propositions 62 and 111 were each adopted as measures that qualified for the ballot pursuant to California's initiative process. From time to time other initiative measures could be adopted, further affecting City revenues or the City's ability to expend revenues. The nature and impact of these measures cannot be anticipated by the City.

LEGAL OPINION

The statements of law and legal conclusions set forth in this Official Statement under the heading "TAX MATTERS" have been reviewed by Bond Counsel. Bond Counsel's employment is limited to a review of the legal proceedings required for the authorization of the Notes and to rendering the opinion discussed below. Such opinion will not consider or extend to any documents, agreements, representations, offering circulars or other material of any kind concerning the Notes not mentioned in this paragraph. Bond Counsel takes no responsibility for the accuracy, completeness or fairness of this Official Statement. Bond Counsel's compensation is contingent upon the delivery of the Notes. Certain legal matters will be passed upon for the City by the City Attorney.

TAX MATTERS

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however, to the qualifications set forth below, under existing law, the interest on the Notes is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, provided, however, that, for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining certain income and earnings.

The opinions set forth in the preceding paragraph are subject to the condition that the City comply with all requirements of the Internal Revenue Code of 1986 (the "Code") that must be satisfied subsequent to the issuance of the Notes in order that such interest be, or continue to be, excluded from gross income for federal income tax purposes. The City has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of such interest in gross income for federal income tax purposes to be retroactive to the date of issuance of the Notes.

Purchasers should be aware that the Internal Revenue Service has issued Notice 94-84 which may have federal income tax consequences with respect to the Notes. This Notice provides generally that, in the case of short-term tax-exempt obligations (such as the Notes), the Service is studying whether interest payable at maturity on the obligations should, or should not, be included in stated redemption price at maturity, for purposes of the rule that original issue discount represents the excess of stated redemption price at maturity over issue price.

Notice 94-84 states that until the Internal Revenue Service provides further guidance, taxpayers may treat stated interest on certain short-term obligations, such as the Notes, either as includible in stated redemption price at maturity or as not included in stated redemption price at maturity. A taxpayer, however, must treat stated interest payable at maturity on all short-term tax-exempt bonds in a consistent manner. A short-term tax-exempt bond is defined as a tax-exempt bond with a term that is not more than 1 year from the date of issue.

Purchasers of the Notes are cautioned that the opinion of Bond Counsel does not identify the amount of interest that is excluded from gross income for federal income tax purposes.

Purchasers of the Notes should consult their tax advisors regarding effects of Notice 94-84 upon individual tax circumstances.

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

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

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

CONTINUING DISCLOSURE

The City will covenant for the benefit of owners of the Notes to provide notices, during the time the Notes are outstanding, of the occurrence of certain enumerated events, if deemed by the City to be material. The notices of material events will be filed by the City with the Municipal Securities Rulemaking Board, and the appropriate State information depository, if any. These covenants will be made in order to assist the Underwriter in complying with S.E.C. Rule 15c2-12(b)(5). The City has never failed to comply in any material respect with any previous undertaking with regard to said Rule to provide annual reports or notices of material events. See “**APPENDIX D - FORM OF CONTINUING DISCLOSURE CERTIFICATE**”.

LEGALITY FOR INVESTMENT IN CALIFORNIA

Under the provisions of the Financial Code of the State, the Notes are legal investments for commercial banks in the State to the extent that the Notes, in the informed opinion of the investor bank, are prudent for the investment of funds of its depositors, and under provisions of the Government Code of the State are eligible to secure deposits of public moneys in the State.

Absence of Material Litigation

No litigation is pending or threatened concerning the validity of the Notes, and a certificate to that effect will be furnished to the underwriter at the time of the original delivery of the Notes. The City is not aware of any litigation pending or threatened questioning the political existence of the City or contesting the City's ability to receive ad valorem taxes or to collect other Unrestricted Moneys or contesting the City's ability to issue and retire the Notes.

There are a number of lawsuits and claims pending against the City. The aggregate amount of the uninsured liabilities of the City, and the timing of any anticipated payments of judgments which may result from suits and claims, will not, in the opinion of the City, materially affect the finances of the City or impair its ability to repay the Notes. A certificate of the City to this effect will be available at the time of original delivery of the Notes.

UNDERWRITING

The Notes were purchased by _____ (the "Underwriter") at a price of \$_____ (representing \$_____ aggregate principal amount of the Notes plus a purchase premium of \$_____ less an underwriter's discount of \$_____). The Purchase Contract provides that the Underwriter will purchase all of the Notes if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in the Purchase Contract, the approval of certain legal matters by counsel and certain other conditions.

The Underwriter may offer and sell Notes to certain dealers and others at prices lower than the offering price stated on the cover page hereof. The offering price may be changed from time to time by the Underwriter.

FINANCIAL ADVISOR

The City has retained Northcross, Hill & Ach, Inc., San Rafael, California, as financial advisor (the “Financial Advisor”) in connection with the preparation of this Official Statement and with respect to the issuance of the Notes. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement. Northcross, Hill & Ach, Inc. is an independent financial advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities. Financial Advisor's compensation is contingent upon the delivery of the Notes.

RATING

Moody's Investors Service has assigned a rating to the Notes as shown on the cover to this Official Statement. Certain information was supplied by the City to said rating agency to be considered in evaluating the Notes. The rating issued reflects only the views of such rating agency, and any explanation of the significance of such rating should be obtained from the rating agency. There is no assurance that the rating will be retained for any given period of time or that the same will not be revised downward or withdrawn entirely by such rating agency if, in its judgment, circumstances so warrant. Any downward revision or withdrawal of the rating obtained may have an adverse effect on the market price of the Notes.

ADDITIONAL INFORMATION

The purpose of this Official Statement is to supply information to purchasers of the Notes. Quotations from and summaries and explanations of the Notes and the Resolution authorizing the Notes and of statutes and documents contained herein do not purport to be complete, and reference is hereby made to said Resolution, statutes and documents for full and complete statements of their provisions. Additional information can be obtained from the City's Director of Finance.

This Official Statement speaks only as of its date and the information presented herein is subject to change. Any statements in this Official Statement involving matters of opinion, whether or not expressly stated are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement among the City and the purchaser of the Notes or owners of any of the Notes. This Official Statement and its distribution have been authorized and approved by the City Council of the City.

CITY OF BERKELEY, CALIFORNIA

By: _____
City Manager

APPENDIX A - CERTAIN INFORMATION CONCERNING THE CITY OF BERKELEY

Introduction

The City of Berkeley, California (the "City") is located in Alameda County (the "County") on the east side of the San Francisco Bay, approximately 10 miles northeast of San Francisco. The City encompasses a total area of approximately 19 square miles and had an estimated January 1, 2006 population of 105,385, giving it the highest population density of any city in the East Bay. The City is defined to a large degree, both culturally and economically, by the presence of the University of California campus located on the eastern side of the City. The University of California is a major component of the City's economy, employing more than 10,000 full and part-time workers.

The City is among the oldest in California. The City was founded in 1864, incorporated as a town in 1878, and incorporated as a City in 1909. The City's charter was adopted in 1895.

City Government

The City operates under a Council-Manager form of government. The City is governed by a nine-member City Council, eight of whom are elected by district plus the Mayor who is elected on a city-wide basis. The Mayor and the City Council members serve four-year terms. The Council appoints a City Manager who is responsible for daily administration of City affairs, preparation and submission of the annual budget under the direction of the Mayor and the City Council for the Mayor's submission to the City Council. The City Manager appoints a Director of Finance to supervise the City's financial affairs. The Director of Finance also serves as the City's Treasurer.

The City Council also appoints the City Attorney. The City Clerk and Director of Finance are appointed by the City Manager subject to City Council approval. The City Auditor is elected at the same time as the Mayor.

PROPERTY TAX INFORMATION

General

Taxable property located in the City has a 2006-2007 assessed value of approximately \$ _____. All taxable property is assessed using full cash value as defined by Article XIII A of the State Constitution. State law provides exemptions from ad valorem property taxation for certain classes of property such as churches, colleges, non-profit hospitals, and charitable institutions. State law also exempts from taxation \$7,000 of the full cash value of an owner-occupied dwelling provided that the owner files for such exemption. This exemption does not result in any loss of revenue to local agencies, since the State reimburses local agencies for the value of the exemptions.

The assessment of all property and levy and collection of local property taxes is required to be performed for the City by the County. City property taxes are assessed and collected by the County at the same time and on the same rolls as county, special district, and city property taxes. The valuation of secured property and a statutory tax lien is established as of January 1 and is subsequently equalized in August of each year. The resulting secured property tax is payable in two equal installments due November 1 and February 1, and payments become delinquent on December 10 and April 10, respectively. Taxes on unsecured property (personal property and leasehold) are due on August 31 of each year. Taxes on unsecured property are levied at the preceding fiscal year's tax rate and become delinquent on October 31.

Future assessed valuation growth allowed under Article XIII A (as a result of new construction, certain changes of ownership, and increases in the cost of living of up to 2% per year) will be allocated on the basis of "situs" among the jurisdictions that serve the tax rate area within which the growth occurs. Local agencies will share the growth of "base" revenues from the tax rate area. Each year's growth allocation becomes part of each agency's allocation in the following year. The availability of revenue from growth in an agency tax bases is affected by the existence or establishment of redevelopment agencies which, under certain circumstances, may be entitled to such revenues.

For assessment and collection purposes, property is classified as either “secured” or “unsecured” and is listed accordingly on separate parts of the assessment roll. The “secured roll” is that part of the assessment roll containing State-assessed property and real property having a tax lien which is sufficient, in the opinion of the assessor, to secure payment of the taxes. Unsecured property comprises all property not attached to land such as personal property, business inventories, boats and airplanes. Unsecured property is assessed on the “unsecured roll.”

Taxation of State-Assessed Utility Property

A portion of property tax revenue of the City is derived from utility property subject to assessment by the State Board of Equalization (“SBE”). State-assessed property, or “unitary property,” is property of a utility system with components located in many taxing jurisdictions assessed as part of a “going concern” rather than as individual parcels of real or personal property. Unitary and certain other state-assessed property is allocated to the counties by the SBE, taxed at special county-wide rates, and the tax revenues distributed to taxing jurisdictions according to statutory formulae generally based on the distribution of taxes in the prior year.

Recent changes in the California electric utility industry structure and in the way in which components of the industry are regulated, including the sale of electric generation assets to largely unregulated, nonutility companies, may affect how utility assets are assessed in the future, and which local agencies are to receive the property taxes. The City is unable to predict the impact of these changes on its utility property tax revenues, or whether future legislation or litigation may affect the State’s methods of assessing utility property and allocating tax revenues to local taxing agencies.

Tax Levies, Collections and Delinquencies

A 10% penalty attaches to any delinquent payment for secured roll taxes. In addition, property on the secured roll with respect to which taxes are delinquent becomes tax-defaulted. Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus a redemption penalty to the time of redemption. If taxes are unpaid for a period of five years or more, the property is subject to auction sale by the County Tax Collector.

In the case of unsecured property taxes, a 10% penalty attaches to delinquent taxes on property on the unsecured roll, and an additional penalty of 1.5% per month begins to accrue beginning November 1st of the fiscal year, and a lien is recorded against the assessee. The taxing authority has four ways of collecting unsecured personal property taxes: (a) a civil action against the taxpayer; (b) filing a certificate in the office of the County Clerk specifying certain facts in order to obtain a judgment lien on specific property of the taxpayer; (c) filing a certificate of delinquency for record in the County Recorder’s office in order to obtain a lien on specified property of the taxpayer; and (d) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee.

The following is a table summarizing the historical and current assessed valuation of the City.

CITY OF BERKELEY
Assessed Valuation

Fiscal Year	Local Secured	Utility	Unsecured	Total Assessed Valuation
1995-96	\$5,073,323,182	\$8,140,154	\$303,740,381	\$5,385,203,717
1996-97	5,244,826,431	3,424,327	287,030,491	5,535,281,249
1997-98	5,361,809,315	4,047,790	306,875,197	5,705,950,670
1998-99	5,615,630,799	4,333,802	330,102,429	5,950,067,030
1999-00	6,041,217,058	4,016,481	343,244,408	6,388,477,946
2000-01	6,494,200,455	2,639,989	370,967,675	6,867,808,119
2001-02	6,990,750,147	2,522,621	399,694,699	7,392,967,437
2002-03	7,646,957,900	2,463,388	391,087,713	8,040,509,001
2003-04	8,251,039,596	4,526,768	402,174,941	8,655,741,305
2004-05	8,687,909,495	3,075,097	571,603,260	9,262,587,852
2005-06	9,382,514,077	2,520,396	574,137,169	9,959,171,642
2006-07				

Source: California Municipal Statistics, Inc. and County of Alameda

Property tax levies and collections for the City for 1994-95 through 2005-06 are shown in the following table:

CITY OF BERKELEY
Property Tax Levies and Collections
(Dollar amounts in thousands)

Fiscal Year	Total Taxes Levied ⁽¹⁾	Total Taxes Collected	Percentage of Levy Uncollected
1994-95	\$17,599	\$16,982	3.49%
1995-96	18,300	17,787	2.81
1996-97	19,439	18,863	2.96
1997-98	22,608	22,023	2.59
1998-99	20,382	19,873	2.50
1999-00	21,633	21,193	2.03
2000-01	23,339	22,854	2.08
2001-02	24,936	24,304	2.53
2002-03	26,792	26,076	2.67
2003-04	28,034	27,397	2.31
2004-05	29,970	29,384	1.95
2005-06			

⁽¹⁾ Levies include secured and unsecured property.

Source: Alameda County Office of the Auditor-Controller.

Tax Rates

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

**CITY OF BERKELEY
Historical Property Tax Rates
(TRA 13-000)**

	Fiscal Year <u>2000-01</u>	Fiscal Year <u>2001-02</u>	Fiscal Year <u>2002-03</u>	Fiscal Year <u>2003-04</u>	Fiscal Year <u>2004-05</u>	Fiscal Year <u>2005-06</u>
County-wide Rate	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%
Other Districts ⁽¹⁾	0.0150	0.0310	0.0149	0.0136	0.0133	
Schools	0.1327	0.1335	0.1576	0.1887	0.1873	
City (exclusive of schools)	<u>0.0867</u>	<u>0.0850</u>	<u>0.0750</u>	<u>0.0725</u>	<u>0.0725</u>	
TOTAL	<u>1.2344%</u>	<u>1.2495%</u>	<u>1.2475%</u>	<u>1.2748%</u>	<u>1.2731%</u>	<u>%</u>

⁽¹⁾ Other Districts include East Bay Regional Park District and Bay Area Rapid Transit District.

Source: California Municipal Statistics, Inc

**CITY OF BERKELEY
Typical Total Tax Rate
TRA 13-000**

	<u>2006-07</u>
1% General Fund Levy ⁽¹⁾	1.0000%
City of Berkeley	
Berkeley Unified School Bonds	
Peralta Community College District	
East Bay Regional Park	.
East Bay Municipal Utility District, Special District No. 1	.
Bay Area Rapid Transit	.
Total Tax Rate	<u>1. %</u>

(1) Maximum rate for purposes other than paying debt service in accordance with Article XIII A of the State Constitution.

Source: California Municipal Statistics, Inc.

Labor Relations

As of October 1, 2004, the City employed 1,583 salaried employees. There are seven employee associations as shown below. In addition, the City employs approximately fifty management employees who are not represented by a formal bargaining unit. The City has not experienced any work stoppages or strikes by its employees.

CITY OF BERKELEY Labor Relations

<u>Labor Organization</u>	<u>Employees</u>	<u>Contract Expiration Date</u>
United Public Employees Local 790	566	June 28, 2008
Service Employees Local 535	384	June 28, 2008
Public Employees Local 1	149	June 28, 2008
I.B.E.W Local 1245	20	June 28, 2008
Part-Time Recreational Leaders Association/SEIU Local 1245	40	June 28, 2008
Berkeley Fire Fighters Association/I.A.F.F. Local 1227	120	July 1, 2006
Berkeley Police Association	207	June 30, 2007

Source: City of Berkeley

Retirement Programs

The City contributes to the Public Employees' Retirement System ("PERS") of the State of California, a defined benefit plan. All full-time and part-time benefited employees are eligible to participate in PERS. The total covered payroll for employees participating in PERS for the year ended June 30, 2003 was \$97,772,955.

In addition, the City maintains the Safety Member Pension Fund ("SMPF"), a defined benefit plan for fire and police officers who retired prior to March 1973. In March 1973, all active fire and police officers were transferred from SMPF to PERS. As of June 30, 2004, the date of the last actuarial study, there are 5 retired members. The City pays the benefits to SMPF members on a pay-as-you-go basis, primarily through a Funding Agreement, purchased by the Berkeley Civic Improvement Corporation on behalf of the City in 1989.

Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, or restriction of assets; errors or omissions; injuries to employees; or acts of God.

As part of its Risk Management Program, the City has excess coverage insurance for Workers' Compensation claims in excess of \$250,000 per occurrence; Medical/Dental claims in excess of \$75,000 per participant and Public Liability claims with a maximum of \$10,000,000.

The City requires pre-employment physical examinations for all employees as well as annual examination for all uniformed officers. As part of its Medical Care Management Program, copies of all injured employee medical reports are monitored by a third party agent to insure that injured employees receive proper care.

Population

The following table sets forth population figures for the City and the County for 1960, 1970, 1980, and 1990 and the annual estimates for 1996 through 2006.

CITY OF BERKELEY AND ALAMEDA COUNTY Population

<u>Year</u>	<u>City of Berkeley</u>	<u>Alameda County</u>
1960	111,268	908,209
1970	116,716	1,071,446
1980	103,328	1,105,379
1990	102,724	1,279,182
1996	100,100	1,340,400
1997	100,800	1,361,200
1998	101,800	1,388,800
1999	102,200	1,412,100
2000	102,743	1,443,939
2001	103,518	1,465,508
2002	104,254	1,483,311
2003	104,192	1,491,209
2004	104,210	1,496,968
2005	104,534	1,507,500
2006	105,385	1,510,303

Source: The 1960, 1970, 1980 and 1990 totals are U.S. Census figures. The 1996 through 2006 figures are based upon annual estimates provided by the State Department of Finance as of January 1.

The University of California at Berkeley contributes significantly to the population of the City. The following table lists the fall enrollment of the University of California at Berkeley from 1980 through 2005.

UNIVERSITY OF CALIFORNIA AT BERKELEY
Fall Enrollment

<u>Year</u>	<u>Fall Enrollment</u>
1980	30,587
1985	31,286
1990	30,401
1991	30,145
1992	30,357
1993	30,100
1994	29,435
1995	29,411
1996	29,552
1997	30,022
1998	30,692
1999	31,015
2000	31,277
2001	32,128
2002	33,145
2003	33,076
2004	32,814
2005	33,483

Source: University of California, Berkeley, Office of Student Research.

Employment

For 2005, the EDD reports that within the County the average annual civilian labor force numbered 747,800, employment numbered 708,900, unemployment numbered 38,900 and the unemployment rate was 5.2%. For the same period, the unemployment rate was 5.4% for the State of California and 5.1% for the United States. Related employment statistics for Alameda County for the period 1999 through 2005 are shown in the following table.

ALAMEDA COUNTY
Civilian Labor Force, Employment and Unemployment
Annual Averages⁽¹⁾
(Amounts in Thousands)

	1999	2000	2001	2002	2003	2004	2005
Civilian Labor Force(1)	714,700	769,300	777,900	774,600	760,200	751,700	747,800
Civilian Employment	689,800	741,500	740,500	722,100	707,300	706,800	708,900
Civilian Unemployment	24,900	27,800	37,400	52,500	52,900	44,900	38,900
Civilian Unemployment Rate	3.5%	3.6%	4.8%	6.8%	7.0%	6.0%	5.2%
Wage and Salary Employment							
Total, All Industries	683,600	711,000	719,500	699,600	693,800	685,100	691,900
Agriculture	900	800	900	800	600	600	700
Construction	35,500	38,300	40,900	39,300	40,200	40,800	44,300
Manufacturing	89,600	93,100	90,400	81,700	77,400	78,000	75,600

Transportation & Public Utilities	33,300	32,900	32,300	30,200	28,100	26,700	27,000
Wholesale Trade	42,500	44,500	45,800	43,000	41,300	39,600	39,600
Retail Trade	67,900	69,500	70,100	68,700	68,400	67,000	68,200
Finance, Insurance	14,300	13,700	18,800	20,900	24,300	24,200	25,200
Real Estate, Rental, Leasing	10,700	10,500	11,100	10,800	10,900	10,600	11,100
Professional & Business Services	104,800	116,000	110,200	101,600	99,800	100,800	103,600
Government	125,800	128,400	129,200	133,600	132,100	129,700	129,200

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

Source: California Employment Development Department.

The following table lists the major manufacturing and non-manufacturing employers in the City:

CITY OF BERKELEY
Major Employers
(As Of June 30, 2004)

<u>Company</u>	<u>Type of Business</u>	<u>Employees</u>
University of California at Berkeley	Education	13,635
Lawrence Berkeley National Laboratory	Research	3,900
Alta Bates Medical Center	Health Care	2,065
City of Berkeley	Government	1,516
Bayer Corporation	Pharmaceutical	1,262
Berkeley Unified School District	Education	1,200
Kaiser Permanente Medical Group	Health Care	700
California Department of Health Services	Public Health	600
Andronico's Market	Grocer	342
Pacific Steel Casting Company	Manufacturing	340

Source: City of Berkeley, Office of Economic Development.

Commercial Activity

Total taxable transactions during the first three quarters of calendar year 2005 in the County were reported to be \$17,729,193,000, a 5.4% increase over the total taxable transactions \$16,828,801,000 reported during the first three quarters of calendar year 2004. Annual figures are not yet available for 2005.

Total taxable transactions during the first three quarters of calendar year 2005 in the City were reported to be \$941,831,000, a 1.1% increase over the total taxable transactions \$931,852,000 reported during the first three quarters of calendar year 2004. Annual figures are not yet available for 2005.

The following table reflects the taxable retail sales in the City and the County from 1994 through 2004:

CITY OF BERKELEY AND ALAMEDA COUNTY
Taxable Sales
1994-2003
(Dollars in Thousands)

	<u>City of Berkeley</u>	<u>Alameda County</u>
1994	\$1,006,624	\$14,164,148
1995	996,669	15,476,364
1996	1,042,545	17,087,375
1997	1,102,957	18,505,619
1998	1,173,318	19,221,688
1999	1,254,176	20,672,287
2000	1,359,434	23,763,516
2001	1,347,567	22,758,085
2002	1,279,942	21,264,629
2003	1,248,889	21,375,029
2004	1,256,273	22,996,365

Source: State Board of Equalization.

Comparative Financial Statements

The following table reflects the City's General Fund financial statements for fiscal years 2000-01 through 2004-05, estimated actual figures for 2005-06 and the City's adopted budget for fiscal year 2006-07.

CITY OF BERKELEY
General Fund
Fiscal Years 2000-01 through 2006-07
(\$ in Thousands)

	<u>Actual</u> <u>2001-02</u>	<u>Actual</u> <u>2002-03</u>	<u>Actual</u> <u>2003-04</u>	<u>Actual</u> <u>2004-05</u>	<u>Actual</u> <u>2005-06</u>	<u>Adopted</u> <u>Budget</u> <u>2006-07</u>
REVENUES:						
Taxes	\$73,867	\$77,225	\$79,894	\$87,793	\$	\$
Licenses and Permits	183	158	164	240		
Fines and Forfeitures	6,503	6,948	8,109	8,981		
Franchises	1,333	1,218	1,393	1,437		
Rents	133	134	140	131		
Interest	3,557	3,010	1,458	2,980		
Subvention and Grants	6,672	6,861	5,224	7,141		
Service Fees	4,473	4,780	6,261	5,279		
Transfers In/Other	<u>7,579</u>	<u>7,767</u>	<u>7,716</u>	<u>8,670</u>		
TOTAL REVENUES	\$104,300	\$108,101	\$110,359	\$122,652	\$	\$
EXPENDITURES:						
General Government	\$19,885	\$20,753	\$21,529	\$21,337	\$	\$
Highways and Streets	457	627	581	561		
Public Safety	47,625	53,554	53,903	58,120		
Community Development	5,810	5,922	5,410	5,588		
Health and Human Services	7,994	8,573	8,709	8,683		
Economic Development	1,527	1,610	1,519	1,238		
Culture-Recreation	5,896	4,778	4,807	4,692		
Non-departmental	1,910	0	0	0		
Debt Service	432	438	567	559		
Transfers Out/Other	<u>14,048</u>	<u>12,942</u>	<u>12,177</u>	<u>13,342</u>		
TOTAL EXPENDITURES	\$105,585	\$109,197	\$109,202	\$114,120	\$	\$
EXCESS REVENUES OVER (UNDER) EXPENDITURES	(1,285)	(1,096)	1,157	8,532		
EQUITY TRANSFER IN/(OUT)						
PRIOR PERIOD ADJUSTMENT	(723)		1,436			
FUND BALANCE, JUNE 30	<u>\$26,455</u>	<u>\$25,359</u>	<u>\$27,952</u>	<u>\$36,484</u>	<u>\$</u>	<u>\$</u>

Source: City of Berkeley.

City Debt

Short-Term Debt. On November 22, 2005, the City issued \$25,000,000 2005 Tax and Revenue Anticipation Notes (the "2005 Notes"). The 2005 Notes mature on November 21, 2006.

Long-Term Debt. As of June 30, 2006, long-term obligations of the City were as follows:

**CITY OF BERKELEY
Long-Term Obligations
Balance As of June 30, 2005**

Payments Due Year Ending (June 30)	Loans	Tax Allocation Bonds	Certificates Of Participation	Capital Leases	Lease Revenue Bonds	Pension Obligation Bonds	G.O. Bonds
2006	403,514	938,823	1,243,346	498,512	1,088,675	1,078,100	5,381,790
2007	408,596	941,925	1,508,346	498,512	1,088,438	964,313	5,377,975
2008	412,184	931,777	1,511,721	498,512	1,086,719	853,925	5,383,119
2009	376,730	934,143	1,884,847	498,512	1,088,524	756,938	5,383,877
2010	<u>379,731</u>	<u>933,577</u>	<u>1,885,196</u>	<u>0</u>	<u>1,083,888</u>	<u>672,275</u>	<u>5,383,877</u>
Subtotal	\$1,980,755	\$4,680,245	\$8,033,456	\$1,994,050	\$5,436,244	\$4,325,551	26,910,638
Thereafter	6,665,051	2,776,367	43,391,025	0	16,459,577	3,307,410	88,821,334
Less: Interest	<u>(964,524)</u>	<u>(1,416,612)</u>	<u>(23,474,481)</u>	<u>(250,406)</u>	<u>(9,155,821)</u>	<u>(1,657,961)</u>	<u>(45,791,972)</u>
Total ⁽²⁾	\$7,681,281	\$6,040,000	\$27,950,000	\$1,743,644	\$12,740,000	\$5,975,000	\$69,940,000

Source: City of Berkeley Finance Department.

Loans. The City currently has three outstanding Harbor Construction Loans with the California Department of Navigation and Ocean Development for the purpose of marina berthing rehabilitation. The City also has an outstanding Street Light Conversion Loan with the California Energy Commission for lighting efficiency improvements.

Tax Allocation Bonds. In October 2005, the City of Berkeley Redevelopment Agency issued its West Berkeley Redevelopment Project Tax Allocation Refunding Bonds to defease its outstanding 1996 and 1997 Redevelopment Bonds and finance additional housing projects. The 2005 Bonds have a final maturity in June 2015.

The City of Berkeley Redevelopment Agency issued in December 2001 \$600,000 tax allocation bonds secured by tax increment in the Savo Island Project Area. Final maturity of the bonds is September 1, 2025, with interest and principal paid semi-annually each March 1 and September 1.

Certificates of Participation. In March, 2003, the City issued its \$27,950,000, 2003 Certificates of Participation (Building Acquisition and Improvement Projects). The 2003 Certificates mature in 2033.

Revenue Bonds. The Berkeley Joint Powers Financing Authority issued parking revenue bonds in August 2005, in the aggregate principal amount of \$5,620,000 to refund Authority's 1994 Lease Revenue Bonds, and to finance additional construction.

In May 1996 the Berkeley Joint Powers Financing Authority issued lease revenue bonds to refund, on June 1, 1996 the City's \$31,535,000 of certificates of participation, dated June 1986 originally issued to refund the City's 1985 certificates of participation originally issued to acquire land and existing improvements for public purposes. The final maturity of the refunding bonds is June 2015.

In October 1999, the Berkeley Joint Powers Financing Authority issued \$9,125,000 in lease revenue bonds to fund two projects. The proceeds are anticipated to be used to acquire a park property and make improvements and to acquire the Berkeley Repertory Theater upon completion in 2001. The final maturity for the bonds is October 1, 2029.

On May 28, 1998, the City issued \$12,415,000 in pension refunding bonds to refund the City's outstanding \$27,320,000 certificates of participation originally issued on February 1, 1989 to finance the Safety Members Pension Fund. The final maturity for the bonds is June 1, 2018.

General Obligation Bonds. In 1992, the City received authorization to issue \$55 million in bonded indebtedness. In 1993, the City issued \$8,000,000 in general obligation bonds for seismic retrofitting and general construction at four of the City's fire stations and various water system improvements, in 1995, issued \$14,000,000 in general obligation bonds and in 1997 issued \$10,500,000 for improvements to and seismic retrofitting of buildings, fixtures and equipment used in connection with the City's fire protection system. The 1993 and 1995 bonds are being refunded with proceeds of the Bonds. No other bonds will be issued under this authorization.

In 1996, the City received authorization to issue \$49 million in bonded indebtedness. The first series, Series A, was issued in 1997 for \$10,000,000 for seismic retrofitting to the City's main library, the civic center and downtown improvements. The second series, Series B, was issued in 1998 for \$25,000,000 for seismic retrofitting to the City's main library. The third and final series was issued in August 1999 for \$14,000,000.

Special Tax Bonds. In 2000, the City received voter authorization to issue \$9,750,000 in special tax bonds secured a community facilities district encompassing all parcels located within the City boundaries. The bonds were issued in June 2002 with proceeds used to purchase disaster fire protection equipment and a storage facility for the equipment. Final maturity of the bonds is September 2021. As part of the voter authorization for the special tax bonds, the City terminated the balance of the general obligation bond authorization remaining on the 1992 authorization.

Statement of Direct and Overlapping Debt

Set forth below is a direct and overlapping debt report (the "Debt Report") prepared by California Municipal Statistics, Inc. and dated June 30, 2006. The Debt Report is included for general information purposes only. The City has not reviewed the Debt Report for completeness or accuracy and makes no representations in connection therewith.

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

CITY OF BERKELEY
Statement of Direct and Overlapping Debt

2004-05 Assessed Valuation: \$9,262,587,852
 Redevelopment Incremental Valuation: 215,120,566
 Adjusted Assessed Valuation: \$9,047,467,286

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 6/30/05</u>
Bay Area Rapid Transit District	2.700%	\$ 2,700,000
East Bay Municipal Utility District	7.661	233,661
East Bay Municipal Utility District, Special District No. 1	19.4	707,491,083
Peralta Community College District	21.184	32,499,434
Berkeley Unified School District	99.995	187,455,774
City of Berkeley	100.	69,940,000
City of Berkeley Community Facilities District No. 1	100.	9,085,000
East Bay Regional Park District	4.008	<u>5,801,602</u>
TOTAL GROSS DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$316,696,551
Less: East Bay Municipal Utility District (100% self-supporting)		<u>233,661</u>
TOTAL NET DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$316,462,893

<u>DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT:</u>		
Alameda County and Coliseum Obligations	6.782%	\$ 43,223,246
Alameda County Pension Obligations	6.782	20,811,461
Alameda County Board of Education Certificates of Participation	6.782	138,353,439
Alameda-Contra Costa Transit District Certificates of Participation	8.087	1,676,839
City of Berkeley Lease Revenue Bonds and Certificates of Participation	100.	40,640,000
City of Berkeley Pension Obligations	100.	<u>5,975,000</u>
TOTAL DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT		\$112,464,899

GROSS COMBINED TOTAL DEBT \$429,161,453 (1)
 NET COMBINED TOTAL DEBT \$428,927,792

Ratios to 2004-05 Assessed Valuation:

Direct Debt (\$69,940,000)..... 0.76%
Combined Direct Debt (\$70,025,000) (2).....0.85%
 Total Gross Direct and Overlapping Tax and Assessment Debt.....3.42%
 Total Net Direct and Overlapping Tax and Assessment Debt.....3.42%

Ratios to Adjusted Assessed Valuation:

Combined Direct Debt (\$125,640,000) (2)..... 1.39%
 Gross Combined Total Debt4.74%
 Net Combined Total Debt4.74%

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

(2) Includes Community Facilities District No. 1 (boundaries are coterminous with the city).

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/04: \$21,740

 Source: California Municipal Statistics, Inc.

**APPENDIX B - EXCERPTS FROM THE CITY'S COMPREHENSIVE
ANNUAL FINANCIAL REPORT FOR YEAR ENDED JUNE 30, 2005**

APPENDIX C - FORM OF BOND COUNSEL OPINION

2. The Resolution has been duly adopted by the City and constitutes a valid and binding obligation of the City enforceable upon the City.

3. Pursuant to the Act, the Resolution creates a first lien on funds pledged by the Resolution for the security of the Notes.

4. The Notes have been duly authorized, executed and delivered by the City and are valid and binding general obligations of the City.

5. The interest on the Notes is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; it should be noted, however, that, for the purpose of computing the alternative minimum tax imposed on such corporations (as defined for federal income tax purposes), such interest is taken into account in determining certain income and earnings. The opinion set forth in the preceding sentence is subject to the condition that the City comply with all requirements of the Internal Revenue Code of 1986 that must be satisfied subsequent to the issuance of the Notes in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The City has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Notes in gross income for federal income tax purposes to be retroactive to the date of issuance of the Notes. We express no opinion regarding other federal tax consequences arising with respect to the Notes.

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

The rights of the owners of the Notes and the enforceability of the Notes and the Resolution may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and may also be subject to the exercise of judicial discretion in appropriate cases.

Respectfully submitted,

A Professional Law Corporation

APPENDIX D - FORM OF CONTINUING DISCLOSURE CERTIFICATE

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the City of Berkeley (the "City") in connection with the issuance by the City, of \$_____ City of Berkeley, California 2006 Tax and Revenue Anticipation Notes (the "Notes"). The Notes are being issued pursuant to a resolution adopted by the City Council of the City on _____, 2006 (the "Resolution"). The City covenants and agrees as follows:

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

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

"*Dissemination Agent*" shall mean 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.

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

"*Participating Underwriter*" shall mean any of the original underwriters of the Notes required to comply with the Rule in connection with offering of the Notes.

"*Repository*" shall mean each State Repository.

"*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 Repository*" shall mean any public or private repository or entity designated by the State of California as a state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. As of the date of this Disclosure Certificate, there is no State Repository.

Section 3. Reporting of Significant Events.

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

- (1) Principal and interest payment delinquencies.
- (2) Non-payment related defaults.
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties.
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties.
- (5) Substitution of credit or liquidity providers, or their failure to perform.
- (6) Adverse tax opinions or events affecting the tax-exempt status of the security.
- (7) Modifications to rights of security holders.
- (8) Contingent or uncheduled bond calls.
- (9) Defeasances.
- (10) Release, substitution, or sale of property securing repayment of the securities.
- (11) Rating changes.

(b) Whenever the City obtains knowledge of the occurrence of a Listed Event, the City shall as soon as possible determine if such event would be material under applicable Federal securities law.

(c) If the City determines that knowledge of the occurrence of a Listed Event would be material under applicable Federal securities law, the City shall promptly file a notice of such occurrence with the Municipal Securities Rulemaking Board and each State Repository. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Notes pursuant to the Resolution.

Section 4. Termination of Reporting Obligation. The City's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Notes. If such termination occurs prior to the final maturity of the Notes, the City shall give notice of such termination in the same manner as for a Listed Event under Section 3(c).

Section 5. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be the City.

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

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

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

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

Section 7. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the City chooses to include any information in any notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the City shall have no obligation under this Disclosure Certificate to update such information or include it in any future notice of occurrence of a Listed Event.

Section 8. Default. In the event of a failure of the City to comply with any provision of this Disclosure Certificate any holder or beneficial owner of the Notes may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the City to comply with this Disclosure Certificate shall be an action to compel performance.

Section 9. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the City agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Notes.

Section 10. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriters and holders and beneficial owners from time to time of the Notes, and shall create no rights in any other person or entity.

Date: November __, 2006

CITY OF BERKELEY

By _____
City Manager