

SECOND PARTY OPINION – GREEN BONDS

EXECUTIVE SUMMARY

Kestrel Verifiers is of the opinion that the City of Berkeley, California 2020 Refunding General Obligation Bonds, Series A (2008 Election Measure FF: Neighborhood Branch Library Improvement Project) (Green Bonds) conform with the four pillars of the Green Bond Principles 2018 as follows:



Use of Proceeds

The City of Berkeley intends to use the proceeds of the Series A 2020 Refunding General Obligation Bonds to refund the Series 2009 General Obligation bonds that were used to finance renovations and construction of four neighborhood library branches. The libraries have successfully obtained multiple green building certifications including LEED and Zero Net Energy. These qualify as eligible projects in the category of Green Buildings. Kestrel Verifiers considers that the City of Berkeley's investments in these areas will continue to lead to positive environmental impacts.



Process for Project Evaluation and Selection

In the November 2008 election, voters approved Measure FF, which authorized up to \$26 million in general obligation bonds for renovations and improvements to the City's four neighborhood branch libraries. The City Council adopted the Refunding Bond Resolution on February 25, 2020.



Management of Proceeds

100% of the bond proceeds are required to be allocated to the refunding immediately after bond issuance. Proceeds will be allocated to a separately established Refunding Debt Service Fund, to refund the General Obligation Bonds, Series 2009 (Neighborhood Branch Library Improvement Project).



Reporting

The City of Berkeley commits to posting continuing disclosures to the Municipal Securities Rulemaking Board (MSRB) done annually on the Electronic Municipal Market Access (EMMA) system.

ISSUER:

City of Berkeley, California

OPINION ON:

2020 Refunding General
Obligation Bonds, Series A
(2008 Election Measure FF:
Neighborhood Branch Library
Improvement Project)
(Green Bonds)

SECTORS:

Green Buildings



The
Green Bond
Principles

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GREEN BONDS SECOND PARTY OPINION

CITY OF BERKELEY, CALIFORNIA 2020 REFUNDING GENERAL OBLIGATION BONDS, SERIES A (2008 ELECTION MEASURE FF: NEIGHBORHOOD BRANCH LIBRARY IMPROVEMENT PROJECT) (GREEN BONDS)

Issuer:	City of Berkeley, California
Project:	Library Improvement Project
Green Category:	Green Buildings
Par:	\$7,790,000
Evaluation date:	4/1/2020

ABOUT THIS ENGAGEMENT

Kestrel Verifiers, an Approved Verifier accredited by the Climate Bonds Initiative, conducted an independent review of this bond to evaluate conformance with the Green Bond Principles (June 2018) established by the International Capital Market Association.

TRANSACTION OVERVIEW

The City of Berkeley, California is issuing \$7,790,000 in City of Berkeley, California 2020 Refunding General Obligation Bonds, Series A (2008 Election Measure FF: Neighborhood Branch Library Improvement Project) (Green Bonds) ("Series A 2020 Refunding General Obligation Bonds"). The City will use the bonds to refund its previously issued General Obligation Bonds, Series 2009 (Measure FF - Neighborhood Branch Library Improvements Project) used to renovate and rebuild neighborhood libraries.

This Second Party Opinion reflects our view of the City of Berkeley's project and financing, allocation and oversight and conformance of the bonds with the Green Bond Principles and the eligible Green Project category of Green Buildings. In our opinion, the Series A 2020 Refunding General Obligation Bonds issued by the City of Berkeley, California are aligned with the Green Bond Principles, and qualify for green bonds designation.

ABOUT THE CITY OF BERKELEY, CALIFORNIA

The City of Berkeley is in Alameda County, California and is the home to University of California, Berkeley, which plays a significant role in the economic and social culture of the city. The city is east of San Francisco and has the highest population density of any city in the East Bay with a population of 123,328 as of January 1, 2019. Berkeley is committed to environmental sustainability, as demonstrated by City voters approving a goal of reducing greenhouse gas emissions by 80% by 2050 in a 2006 ballot measure and by the City Council adopting a Climate Action Plan (Plan) in 2009. The Plan lays out the community's vision with guidance on the paths to emission reductions in sectors including sustainable transportation and land use, building energy use, waste reduction and recycling, community outreach and empowerment and preparing for climate change impacts. Under the city's Plan, all major city building projects must be designed to meet, at a minimum, LEED Silver certification.

The Office of Energy & Sustainable Development leads the City's sustainability efforts through the Climate Action Plan. In 2015, Mayor Tom Bates signed the Compact of Mayors, the world's largest cooperative effort among mayors and City officials to reduce greenhouse gas emissions, track progress, and prepare for impacts of climate change. In 2017, Mayor Jesse Arreguin signed the Mayors National Climate Action Agenda as a demonstration of the City's ongoing commitment to accelerate climate progress.

THE BOND-FINANCED PROJECT

The Branch Library Improvement Program began in 2009 and was completed in December 2013. The four libraries covered in the Branch Libraries Facilities Master Plan include the West Branch, the North Branch, the Claremont Branch, and the South Branch. The Central downtown library was not included in the renovation plans.

The Claremont and North branches were remodeled, and the South and West branches were demolished and rebuilt. The libraries were designed to meet and have successfully attained multiple green building certifications. The Leadership in Energy and Environmental Design (LEED) certification program demonstrates a building's adherence to a scorecard for green building criteria. Points are received based on site selection, water efficiency, energy and atmosphere, materials and resources, indoor environmental quality, and innovation in design.


The South Branch and the Tool Lending Library received a LEED Gold certification, and the Claremont and North branches received LEED Silver certifications. The West Branch earned a LEED Platinum certification and received the American Institute of Architect's Committee on the Environment Top Ten award in 2016. The building also received certification as a Zero Net Energy building because it produces enough renewable energy to offset the energy that it consumes each year. Features such as rooftop solar, energy efficient lighting, water saving fixtures, innovative designs and native plant landscaping contribute to the sustainability of these buildings.

ALIGNMENT TO GREEN STANDARDS

Use of Proceeds

The Series A 2020 Refunding General Obligation Bonds will be used exclusively to refund the bonds that financed the Library Improvement Project exclusively.

The project conforms with the Green Bond Principles:

BOND LABEL	ELIGIBILITY CRITERIA
	Green buildings which meet regional, national or internationally recognized standards or certifications

Process for Project Evaluation and Selection

The City of Berkeley uses a transparent decision-making process to select capital projects for financing. The Board of Library Trustees is responsible for Berkeley library operations and consists of a group of five Berkeley residents and one member of City Council. The Board of Trustees approved funds to assess library needs in 2008 and initiated the completion of the Branch Libraries Facilities Master Plan that identified branch needs and informed decision-making.

The original 2009 bond was authorized by voters on Measure FF in the November 2008 election. Voters approved up to \$26 million in general obligation bonds for renovations and improvements to the City's four neighborhood branch libraries. City Council adopted the Refunding Bond Resolution on February 25, 2020.

In addition to this informed decision-making process involving the Master Plan, Board of Trustees, and voters, the designs for the library renovations also align with Berkeley's Climate Action Plan which aims to reduce greenhouse gas emissions by 80% by 2050.

Management of Proceeds

100% of the bond proceeds are required to be allocated to the refunding immediately after bond issuance. Proceeds will be allocated to a separately established fund, namely, the Refunding Debt Service Fund, to refund the General Obligation Bonds, Series 2009 (Neighborhood Branch Library Improvement Project). The Fund will be established and managed as a separate fund from the city's other assets. Proceeds of the original refunded bonds Series 2009 (Neighborhood Branch Library Improvement Project) were deposited to the Project Fund.

Reporting

So long as the Refunding General Obligation Bonds, Series A are outstanding, the City of Berkeley will submit continuing disclosures to the Municipal Securities Rulemaking Board (MSRB). This reporting will be done annually on the Electronic Municipal Market Access (EMMA) system operated by the MSRB.

SECOND PARTY OPINION

Based on our independent verification, the City of Berkeley, California 2020 Refunding General Obligation Bonds, Series A (2008 Election Measure FF: Neighborhood Branch Library Improvement Project) (Green Bonds) conform, in all material respects, with the Green Bond Principles (2018).

It is the opinion of Kestrel Verifiers that these bonds are in complete alignment with the Green Buildings category of the Green Bond Principles. The City of Berkeley, California has demonstrated leadership toward a more sustainable future with the Library Improvement Project.

DISCLAIMER

This opinion aims to explain how and why the discussed financing meets the ICMA Green Bond Principles based on the information which was available to us during the time of this engagement (April 2020) only. By providing this opinion, Kestrel Verifiers is not certifying the materiality of the projects financed by the Green Bonds. It was beyond Kestrel Verifiers' scope of work to review issues relating to regulatory compliance and no surveys or site visits were conducted. Furthermore, we are not responsible for surveillance on the project or use of proceeds. The opinion delivered by Kestrel Verifiers does not address financial performance of the Green Bonds or the effectiveness of allocation of its proceeds. This opinion does not make any assessment of the creditworthiness of the Issuer, or its ability to pay principal and interest when due. This is not a recommendation to buy, sell or hold the Bonds. Kestrel Verifiers is not liable for consequences when third parties use this opinion either to make investment decisions or to undertake any other business transactions. This Opinion may not be altered without the written consent of Kestrel Verifiers.

ABOUT KESTREL VERIFIERS

For 20 years Kestrel has been a trusted consultant in environmental finance. Kestrel Verifiers, a division of Kestrel 360, Inc. is a Climate Bonds Initiative Approved Verifier qualified to verify transactions in all asset classes worldwide. Our project experience includes green buildings, renewable energy, water, energy efficiency, affordable housing, pollution prevention and control, climate change adaptation, natural resources and land uses. Kestrel is a US-based Woman-Owned Small Business and a certified Women's Business Enterprise.

For more information, visit www.kestrelverifiers.com

