COVID-19 NOTICE

As part of the City of Arcadia’s COVID-19 transmission mitigation efforts, Arcadia City Council Meetings are closed to the public. Pursuant to Executive Order N-25-20 and the Brown Act, the Arcadia City Council will meet virtually. The public is welcome to view City Council Meetings as they take place on the City’s website at ArcadiaCA.gov/livegov or on ACTV (check your local listings).

How to Submit Public Comment:
Citizens who wish to submit public comment may do so using one of the following methods. Public comment is limited to the time and words allotted.

1. **Website**: Use our online public comment form at ArcadiaCA.gov/comment at least 30 minutes prior to the posted meeting time. Your comments should be 300 words or less.

2. **Email**: Please submit your comments via email to cityclerk@ArcadiaCA.gov so that it is received at least 30 minutes prior to the posted meeting time. Your email must be 300 words or less.

3. **Phone**: A conference line has been established for public comment. Your call will be recognized in the order it was received. Please keep your phone on MUTE until you are recognized for public comment.

   **Conference Line**: (669) 224-3412  
   **Access Code**: 604-838-893#

Please contact the City Clerk’s Office at cityclerk@ArcadiaCA.gov or at (626) 574-5455 for more information.
Pursuant to the Americans with Disabilities Act, persons with a disability who require a disability related modification or accommodation in order to participate in a meeting, including auxiliary aids or services, may request such modification or accommodation from the City Clerk at (626) 574-5455. Notification 48 hours prior to the meeting will enable the City to make reasonable arrangements to assure accessibility to the meeting.

根据《美国残障人法案》，需要调整或提供便利设施才能参加会议的残障人士（包括辅助器材或服务）可与市书记官办公室联系（电话：626-574-5455）。请在会前48小时通知市书记官办公室，以便作出合理安排，确保顺利参加会议。

Pursuant to the City of Arcadia's Language Access Services Policy, limited-English proficient speakers who require translation services in order to participate in a meeting may request the use of a volunteer or professional translator by contacting the City Clerk's Office at (626) 574-5455 at least 72 hours prior to the meeting.

根据阿凯迪亚市的语言便利服务政策，英语能力有限并需要翻译服务才能参加会议的人可与市书记官办公室联系（电话：626-574-5455），请求提供志愿者或专业翻译服务，需至少在会前72小时提出要求。

1. **CALL TO ORDER**

2. **INVOCATION**

   Pastor Terrence Shay, First Chinese Baptist Church of Walnut/Arcadia Resident

3. **PLEDGE OF ALLEGIANCE**

   Girl Scout Troop 2881
4. **ROLL CALL OF CITY COUNCIL MEMBERS**

Roger Chandler, Mayor  
Sho Tay, Mayor Pro Tem  
Tom Beck, Council Member  
Paul P. Cheng, Council Member  
April A. Verlato, Council Member

5. **REPORT FROM CITY ATTORNEY REGARDING CLOSED/STUDY SESSION ITEMS**

6. **SUPPLEMENTAL INFORMATION FROM CITY MANAGER REGARDING AGENDA ITEMS**

7. **MOTION TO READ ALL ORDINANCES AND RESOLUTIONS BY TITLE ONLY AND WAIVE THE READING IN FULL**

8. **PUBLIC COMMENTS** (5 minute time limit each speaker)

   In accordance with Executive Order N-29-20 all public participation will be conducted virtually. Public comments can be submitted via the methods described in the COVID-19 Notice posted on this agenda. Under the Brown Act, the City Council is prohibited from discussing or taking action on any item not listed on the posted agenda.

9. **REPORTS FROM MAYOR, CITY COUNCIL AND CITY CLERK** *(including reports from the City Council related to meetings attended at City expense [AB 1234]).*

10. **CONSENT CALENDAR**

    All matters listed under the Consent Calendar are considered to be routine and can be acted on by one roll call vote. There will be no separate discussion of these items unless a member of the City Council, staff, or the public requests that a specific item be removed from the Consent Calendar for separate discussion and action.

    a. **Special and Regular Meeting Minutes of September 15, 2020.**  
       Recommended Action: Approve

    b. **Resolution No. 7336 approving participation in the Los Angeles Urban County Permanent Local Housing Allocation Program and authorizing the Mayor, or Designee, to sign a contract for funding for this program from the County of Los Angeles.**  
       Recommended Action: Adopt

    c. **Resolution No. 7337 approving and adopting an amended Conflict of Interest Code pursuant to the Political Reform Act of 1974.**  
       Recommended Action: Adopt

    d. **Contract for the purchase of Citywide office supplies with Office Depot in an amount no to exceed $110,000 annually for two years, with the option of renewing the Contract for three (3) additional one-year periods through June 30, 2025.**  
       Recommended Action: Approve
e. Agreement for Special Legal Services with Collins Collins Muir & Stewart, LLP. Recommended Action: Approve

f. Renewal of Microsoft Enterprise License Agreement through SoftwareOne, Inc. for Microsoft Office 365 in the amount of $111,282. Recommended Action: Approve

g. Professional Services Agreement with Infrastructure Management Services for the Pavement Management Program in the amount of $51,495, in addition to a 10% contingency; and Resolution No. 7334 amending the Fiscal Year 2020-21 Capital Improvement Program budget authorizing a supplemental appropriation in the amount of $10,000 from the Proposition C Fund. Recommended Action: Approve and Adopt

h. Amendment to the Professional Services Agreement with Best Best & Krieger, LLP for Professional Lobbying and Consulting Services to secure grant funding for water and stormwater related projects in the amount of $25,323.08. Recommended Action: Approve

i. Purchase Order with Merrimac Petroleum, Inc. dba Merrimac Energy Group for the purchase and delivery of fuel for the City’s fleet in an amount not to exceed $350,000. Recommended Action: Approve

11. CITY MANAGER

a. Setting the issuance amount of Pension Obligation Bonds at $90 million for the purpose of addressing the City’s unfunded accrued actuarial liability and the related Preliminary Official Statement.

Resolution No. 7338 approving the form of a Preliminary Official Statement and a Continuing Disclosure Certificate in connection with the issuance of bonds to refund certain pension obligations of the City and approving additional actions related thereto. Recommended Action: Adopt


12. ADJOURNMENT

The City Council will adjourn this meeting to Tuesday, October 20, 2020, 7:00 p.m. in the City Council Chambers.
Welcome to the Arcadia City Council Meeting!

The City Council encourages public participation, and invites you to share your views on City business.

MEETINGS: Regular Meetings of the City Council are held on the first and third Tuesday of each month at 7:00 p.m. in City Council Chambers. A full City Council agenda packet with all backup information is available at City Hall, the Arcadia Library, and on the City’s website at www.ArcadiaCA.gov. Copies of individual Agenda Reports are available via email upon request (CityClerk@ArcadiaCa.gov). Documents distributed to a majority of the City Council after the posting of this agenda will be available for review at the Office of the City Clerk, 240 W. Huntington Drive, Arcadia, California. Live broadcasts and replays of the City Council Meetings are on cable television. Your attendance at this public meeting may result in the recording and broadcast of your image and/or voice as previously described.

CITIZEN PARTICIPATION: Your participation is welcomed and invited at all City Council meetings. Time is reserved at each regular meeting for those in the audience who wish to address the City Council. The City requests that persons addressing the City Council refrain from making personal, slanderous, profane, or disruptive remarks. Where possible, please submit a Speaker Card to the City Clerk prior to your comments, or simply come to the podium when the Mayor asks for those who wish to speak, and state your name and address (optional) for the record. Please provide the City Clerk with a copy of any written materials used in your address to the City Council as well as 10 copies of any printed materials you would like distributed to the City Council. The use of City equipment for presentations is not permitted.

MATTERS NOT ON THE AGENDA should be presented during the time designated as “PUBLIC COMMENTS.” In general, each speaker will be given five (5) minutes to address the City Council; however, the Mayor, at his/her discretion, may shorten the speaking time limit to allow all speakers time to address the City Council. By State law, the City Council may not discuss or vote on items not on the agenda. The matter will automatically be referred to staff for appropriate action or response or will be placed on the agenda of a future meeting.

MATTERS ON THE AGENDA should be addressed when the City Council considers that item. Please indicate the Agenda Item Numbers(s) on the Speaker Card. Your name will be called at the appropriate time and you may proceed with your presentation within the five (5) minute time frame. The Mayor, at his/her discretion, may shorten the speaking time limit to allow all speakers to address the City Council.

PUBLIC HEARINGS AND APPEALS are items scheduled for which public input is either required or desired. Separate and apart from the applicant (who may speak longer in the discretion of the City Council), speakers shall be limited to five (5) minutes per person. The Mayor, at his/her discretion, may shorten the speaking time limit to allow all speakers to address the City Council. The applicant may additionally submit rebuttal comments.

AGENDA ITEMS: The Agenda contains the regular order of business of the City Council. Items on the Agenda have generally been reviewed and investigated by the City Staff in advance of the meeting so that the City Council can be fully informed about a matter before making its decision.

CONSENT CALENDAR: Items listed on the Consent Calendar are considered to be routine by the City Council and will be acted upon by one motion. There will be no separate discussion on these items unless a member of the City Council, Staff, or the public so requests. In this event, the item will be removed from the Consent Calendar and considered and acted on separately.

DECORUM: While members of the public are free to level criticism of City policies and the action(s) or proposed action(s) of the City Council or its members, members of the public may not engage in behavior that is disruptive to the orderly conduct of the proceedings, including but not limited to, conduct that prevents other members of the audience from being heard when it is their opportunity to speak or which prevents members of the audience from hearing or seeing the proceedings. Members of the public may not threaten any person with physical harm or act in a manner that may reasonably be interpreted as an imminent threat of physical harm. All persons attending the meeting are expected to adhere to the City’s policy barring harassment based upon a person’s race, religious creed, color, national origin, ancestry, physical handicap, medical condition, marital status, gender, sexual orientation, or age. The Chief of Police, or such member or members of the Police Department, shall serve as the Sergeant-at-Arms of the City Council meeting. The Sergeant-at-Arms shall carry out all orders and instructions given by the presiding official for the purpose of maintaining order and decorum at the meeting. Any person who violates the order and decorum of the meeting may be placed under arrest and such person may be prosecuted under the provisions of Penal Code Section 403 or applicable Arcadia Municipal Code section.
欢迎参加阿凯迪亚市议会会议！

市议会鼓励公众参与，并邀请您分享对城市管理的看法。

会议：市议会定期会议于每个月第一个和第三个星期二下午七时在市议会会议厅举行。在市政厅、阿凯迪亚图书馆和市政府网站（www.ArcadiaCa.gov）可以找到包含所有相关信息的完整市议会议程。单独的议程报告可应请求通过电子邮件索取（CityClerkGeneralMailbox@ArcadiaCa.gov）。市议会会议实况将通过有线电视进行现场直播和回放。如在以往的通知中所提示，如果您参加这次公开会议，您的图像和/或声音可能被录下并播出。

公民参与：市议会欢迎并邀请您参加市议会的会议。在每次定期会议上都为那些希望在会上发言的市民留出时间。市议会要求在市议会发言的人杜绝个人攻击、诽谤、亵渎或破坏性言论。如有可能，请在发表意见之前向市书记官提交一张发言卡，亦可在市长宣布自由发言时直接上台发言，并说出您的姓名和地址（如果您愿意），以便制作会议记录。请向市书记官提供一份您在发言中使用的任何书面材料，以及 10 份您希望分发给市议会的任何印刷材料。不同意把市政府设备用于准备发言内容。

议程之外的事项：应于在指定的“公众评议”时间提出。在一般情况下，每位发言者将有五（5）分钟时间向市议会陈述意见，而市长可酌情缩短发言时限，以便让所有希望发言的人都有机会发言。根据州法，市议会不得讨论或表决未列入议程的事项。此类事项将自动转给工作人员采取适当行动或作出回应，或将其列入未来会议的议程。

列入议程的事项：应于在市议会审议该事项时讨论。请在发言卡上标明事项的议程编号。在适当的时间会叫到您的名字，您可以在五（5）分钟时限内发言。市长可酌情缩短发言时限，以便让所有希望发言的人都有机会发言。

公开听证和上诉：是为需要或希望征求公众意见的事项安排的日期。除申请人外（市议会可酌情决定延长申请人的发言时间），每位发言人的发言不得超过五（5）分钟。市长可酌情缩短发言时限，以便让所有希望发言的人都有机会发言。申请人还可以另外提交反驳意见。

议程事项：议程包含市议会的例行议题。一般而言，由市政府工作人员在会议前对议程中的事项进行审查和调查，以便市议会在作出决定之前能够充分了解情况。

同意日历：在同意日历上列出的事项被市议会视为例行公事，并将通过一项动议采取行动。除非市议员、工作人员或公众提出请求，否则不会对这些事项进行单独讨论。如果有人提出请求，该事项或将从同意日历中删除，单独进行审议和采取行动。

行为规范：尽管市民可对市政府的政策和市议会及其成员的行动或拟议行动自由地提出批评，但不得出现干扰会议正常秩序的行为，包括但不限于在别人的发言时间内阻止别人发言，或妨碍公众听到发言内容或看到议程进展状况。市民亦不得威胁进行身体伤害或以可能被合理理解为作出身体伤害紧迫威胁的方式行事。所有出席会议的人都必须遵守市政府的反骚扰政策，禁止基于个人种族、宗教信仰、肤色、原国籍、祖籍、身体残障、疾病、婚姻状况、性别、性取向或年龄骚扰他人。警察局长或警察局其他成员将担任市议会会议秩序的保安官。保安官将执行会议主持人的一切命令和指示，以维持会议秩序和行为规范。对任何违反会议秩序和行为规范的人可执行拘捕，并可能根据《刑法典》第 403 条或《阿凯迪亚市政法典》相关条款提出起诉。
CALL TO ORDER - Mayor Chandler called the Special Meeting to order at 6:00 p.m.

ROLL CALL OF CITY COUNCIL MEMBERS

PRESENT: Cheng, Verlato, Tay, and Chandler

ABSENT: Beck

A motion was made by Mayor Chandler, and seconded by Mayor Pro Tem Tay, to excuse Council Member Beck from this meeting.

PUBLIC COMMENTS – No public comments were received.

CLOSED SESSION

a. Pursuant to Government Code Section 54956.9 (d)(2) to confer with legal counsel regarding the matter of Judy Cook v. City of Arcadia (WCAB Case Nos. ADJ8653795 and ADJ9030057)

No reportable action was taken on the Closed Session Item.

The Closed Session ended at 6:12 p.m.

Linda Rodriguez
Assistant City Clerk
ARCADIA CITY COUNCIL
REGULAR MEETING MINUTES
TUESDAY, SEPTEMBER 15, 2020

1. CALL TO ORDER – Mayor Chandler called the regular meeting to order at 7:00 p.m.

2. INVOCATION – Ministry Intern Michael Chesnut, Church of the Good Shepherd

3. PLEDGE OF ALLEGIANCE – City Manager Lazzaretto

4. ROLL CALL OF CITY COUNCIL MEMBERS

   PRESENT: Cheng, Verlato, Tay, and Chandler
   ABSENT: Beck

   A motion was made by Mayor Chandler, and seconded by Mayor Pro Tem Tay, to excuse Council Member Beck from this meeting.

5. REPORT FROM CITY ATTORNEY REGARDING CLOSED/STUDY SESSION ITEMS

   City Attorney Deitsch announced that, prior to the regular meeting, the City Council met in a Closed Session to discuss the one item listed on the posted agenda; and no reportable action was taken.

6. SUPPLEMENTAL INFORMATION FROM CITY MANAGER REGARDING AGENDA ITEMS

   City Manager Lazzaretto announced that regarding Public Hearing Item 9.a, Resolution No. 7333 was revised and distributed to the City Council; he requested that City Manager Item 13.a be moved to the beginning of the agenda due to the importance of the Bobcat fire.

7. MOTION TO READ ALL ORDINANCES AND RESOLUTIONS BY TITLE ONLY AND WAIVE THE READING IN FULL

   A motion was made by Mayor Chandler, and seconded by Mayor Pro Tem Tay, to read all ordinances and resolutions by title only and waive the reading in full.

   It was the consensus of the City Council that City Manager Item 13.a be moved to this portion of the agenda.

13. CITY MANAGER

   a. Resolution No. 7335 ratifying and declaring the existence of a local emergency regarding the Bobcat fire.
      Recommended Action: Ratify and Adopt

   City Manager Lazzaretto presented the staff report and Fire Chief Lang provided an update regarding the Bobcat fire.

   City Manager Lazzaretto read into the record an email submitted for Public Comment from Brad Thompson regarding rescinding the mandatory evacuation order.
In response to Mr. Thompson’s Public Comment, Fire Chief Lang explained why the evacuation order for the area north of Elkins Avenue has not been lifted; and he indicated that the eastern reopening was due to minimal fire activity.

In response to Council Member Verlato’s inquiry, Fire Chief Lang indicated that residents will be allowed into their homes when it is 100 percent safe.

City Manager Lazzaretto reported that the Emergency Operation Center opened on Sunday, September 13; he thanked residents and local business for their donations; and thanked the community, staff, and Chief Lang for their support.

It was moved by Council Member Verlato, seconded by Council Member Cheng, and carried on a roll call vote to adopt Resolution No. 7335 ratifying and declaring the existence of a local emergency regarding the Bobcat fire.

AYES: Verlato, Cheng, Tay, and Chandler
NOES: None
ABSENT: Beck

8. PRESENTATIONS

a. Presentation by Downtown Arcadia Improvement Association Executive Director Donna Choi.

A taped video presentation by the Downtown Arcadia Improvement Association was shown in lieu of Donna Choi appearing in person.

9. PUBLIC HEARING

a. Appeal of the Planning Commission’s Approval of a Conditional Use Permit to allow the sale of beer, wine, and distilled spirits for off-site consumption and extended hours of operation with a categorical exemption under the California Environmental Quality Act (“CEQA”) for Grocery Outlet at 140 E. Live Oak Avenue. Recommended Action: Adopt Resolution No. 7333 Upholding the Approval

Mayor Chandler announced that he has a conflict of interest regarding Public Hearing Item 9.a because he owns property in close proximity to the proposed project area; and indicated that he will recuse himself from participation and discussion. Mayor Pro Tem Tay presided over this agenda item.

Associate Planner Song presented the staff report.

In response to Council Member Verlato’s inquiry, Assistant City Manager/Development Services Director Kruckeberg stated the names of those businesses in the tract within the City of Arcadia; he noted the fourth business with a liquor license is located in Temple City; he provided the type of liquor licenses for the businesses located in the City of Arcadia; and confirmed that Altadena Dairy is not in the tract, but that establishment does have a liquor license.

Assistant City Manager/Development Services Director Kruckeberg stated that Resolution No. 7333 has been revised and explained the changes made to the findings.
Mayor Pro Tem Tay opened the Public Hearing.

Attorney R. Bruce Tepper, on behalf of the appellant, stated that the Class 1 Categorical Exemption under the California Environmental Quality Act guidelines was improperly utilized; and that a report was submitted to assess the potential environmental impacts caused by the proposed project.

Pat Barber, the Applicant, stated that Grocery Outlet is not a well know chain in southern California and provided some history about the chain; he explained the need for the grocery store at the proposed location; and he indicated that in his experience an Environment Impact Report has never been required for any new store to open in an existing building that had been previously occupied by another store.

Dan Bacani of Lee & Associates called and expressed his reasons why he is in support of the proposed Grocery Outlet.

Jodi Shoemaker of Lee & Associates called and expressed her reasons why she is in support of the proposed project; and indicated that in her experience she has never seen a request for an Environmental Impact Report where a user is taking over an existing building.

A motion to close the public hearing was made by Council Member Verlato, seconded by Council Member Cheng, and, seeing no objection, Mayor Pro Tem Tay declared the public hearing closed.

Council Member Cheng indicated that Grocery Outlet would be a great business at the proposed location.

Council Member Verlato indicated that she agrees with findings one through five as amended with all the conditions of approval.

Mayor Pro Tem Tay thanked staff for the report and agrees with all the conditions of approval.

Appeal of the Planning Commission's Approval of a Conditional Use Permit to allow the sale of beer, wine, and distilled spirits for off-site consumption and extended hours of operation with a categorical exemption under the California Environmental Quality Act ("CEQA") for Grocery Outlet at 140 E. Live Oak Avenue.

A motion was made by Council Member Verlato, seconded by Council Member Cheng, and carried on a roll call vote to adopt revised Resolution No. 7333 upholding the Planning Commission’s approval of Conditional Use Permit No. CUP 20-08 with a categorical exemption under the California Environmental Quality Act ("CEQA") to allow the sale of beer, wine, and distilled spirits for off-site consumption and extended hours of operation for Grocery Outlet at 140 E. Live Oak Avenue.

AYES: Verlato, Cheng, and Tay
NOES: None
ABSENT: Beck

Mayor Chandler was recused from the vote due to his ownership of property located within 1,000 feet of the property subject to the proposed City Council decision.
10. **PUBLIC COMMENTS**

City Manager Lazzaretto read into the record emails submitted for Public Comment from the following:

Stephanie Moreno: Regarding an Online Webinar Thursday, October 1, hosted by the San Gabriel Basin Water Quality Authority

Vincent Tran: Opposed to Proposition 16

Chris Chai: Opposed to Proposition 16

Chris Yu-Ling Chai: Opposed to Proposition 16

Ryan Su: Opposed to Proposition 16

Larry and Mary Rovarino: Regarding the dangers of the Bike Route on Camino Real

11. **REPORTS FROM MAYOR, CITY COUNCIL AND CITY CLERK** *(including reports from the City Council related to meetings attended at City expense [AB 1234]).*

Council Member Cheng thanked first responders, firefighters, and City staff for their hard work during the Bobcat fire; he asked the community to consider donating to the Arcadia Firefighter’s Foundation; he asked residents to continue donating lunch to the firefighters; and commented on Proposition 16.

Council Member Verlato thanked the Hakka Foundation for their donation to the Gilb Museum of Arcadia Heritage; she noted different programs offered by the Museum; she commented on the Bobcat fire; she thanked the firefighters and police officers for all they do; she thanked everyone for their donations; she noted the services provided by the Arcadia Library; and announced that on September 30, the Arcadia Library is hosting “Google Drive for Parents”, a virtual learning lab class.

Mayor Pro Tem Tay thanked the Hakka Foundation for their donation to the Gilb Museum and for their continued support to the community; he addressed comments made on social media regarding the fires; he clarified that the City of Arcadia is not responsible for posting information on WeChat; he indicated that Council Members voluntarily post information on social media in an effort to keep everyone informed; and wished everyone well.

Mayor Chandler thanked the firefighters and the Public Works Services Department for all they do; and commented on Proposition 16.

12. **CONSENT CALENDAR**

a. **Regular Meeting Minutes of September 1, 2020.**
   Recommended Action: Approve

b. **Donation in the amount of $5,000 from the Friends of the Museum and the Hakka Foundation for the Gilb Museum of Arcadia Heritage.**
   Recommended Action: Accept
c. **Contract with Premier Pipe, Inc. for the Fiscal Year 2020-21 Annual Sewer CCTV Inspections in the amount of $40,800.**
Recommended Action: Approve

d. **Renewal of a 20-year Reciprocal Parking Agreement between the City and Chan, Chau & Wong for parking spaces adjacent to the Arcadia Medical Center located at 65 North First Avenue.**
Recommended Action: Approve

e. **Selection of Stifel Nicolaus & Company to serve as underwriter for the proposed Pension Obligation Bond issuance.**
Recommended Action: Approve

f. **Accept all work performed by Vincor Construction, Inc. for the City Manager’s Office Reorganization Remodel Project as complete.**
Recommended Action: Approve

g. **Accept all work performed by Byrom-Davey, Inc. for the design and construction of the Eisenhower Park Improvement Project as complete.**
Recommended Action: Approve

h. **Grant Award from the Office of Traffic Safety – Selective Traffic Enforcement Program for reimbursement of costs related to various traffic enforcement operations in the amount of $67,000.**
Recommended Action: Accept

Council Member Verlato stated that she has a conflict of interest regarding Consent Calendar Item 12.d; and indicated that she will recuse herself from the vote.

It was moved by Council Member Verlato, seconded by Mayor Chandler, and carried on a roll call vote to approve Consent Calendar Items 12.a through 12.h.

**AYES:** Verlato, Chandler, Cheng, and Tay  
**NOES:** None  
**ABSENT:** Beck

Council Member Verlato was recused from the vote (only for Item 12.d).

13. **CITY MANAGER**

b. **Designate Council Member Cheng as the Voting Delegate and City Manager Lazzaretto as the Alternate Voting Delegate for the 2020 League of California Cities Annual Conference and Expo and provide direction on Resolution No. 1.**  
Recommended Action: Approve and Provide Direction

Intern Pedersen presented the Staff Report.

It was moved by Mayor Chandler, seconded by Council Member Verlato, and carried on a roll call vote to appoint Council Member Cheng as the Voting Delegate and City Manager Lazzaretto as the Alternate Voting Delegate for the 2020 League of California Cities Annual Conference and Expo; and recommend that the Voting Member or Alternate vote in support of Resolution No. 1.
AYES: Chandler, Verlato, Cheng, and Tay
NOES: None
ABSENT: Beck


City Manager Lazzaretto provided an update on COVID-19. No action was requested or taken.

14. ADJOURNMENT

The City Council meeting adjourned at 8:54 p.m. to Tuesday, October 6, 2020, 7:00 p.m. in the City Council Chambers.

[Signature]
Linda Rodriguez
Assistant City Clerk
DATE: October 6, 2020

TO: Honorable Mayor and City Council

FROM: Jason Kruckeberg, Assistant City Manager/Development Services Director
By: Tim Schwehr, Senior Economic Development Analyst

SUBJECT: RESOLUTION NO. 7336 APPROVING PARTICIPATION IN THE LOS ANGELES URBAN COUNTY PERMANENT LOCAL HOUSING ALLOCATION PROGRAM AND AUTHORIZING THE MAYOR, OR DESIGNEE, TO SIGN A CONTRACT FOR FUNDING FOR THIS PROGRAM FROM THE COUNTY OF LOS ANGELES

Recommendation: Adopt

SUMMARY

The City of Arcadia is eligible to receive $182,505 in Permanent Local Housing Allocation ("PLHA") Program funding in Fiscal Year 2020-21 as part of the SB 2 legislation signed into law in 2017. In order to receive these funds, the City is required to adopt a Resolution for participation in the Los Angeles Urban County PLHA Program and identify the activity or activities to be funded under the program. It is recommended that the City Council adopt Resolution No. 7336 approving participation in the Los Angeles Urban County Permanent Local Housing Allocation Program and specifying that the PLHA funding will be used for programs to assist persons in Arcadia who are experiencing or at risk of homelessness.

BACKGROUND

The PLHA is a new SB 2 funded program designed to provide an ongoing annual source of funding through State Property Transfer Fees. Funds can be used for construction of affordable housing, programs to assist persons who are experiencing or at risk of homelessness, or other housing-related assistance programs for low-to-moderate income households. Similar to the Community Development Block Grant program for non-entitlement cities, the PLHA funding is first allocated to a regional entity, in this case the Los Angeles County Development Authority ("LACDA"), and then distributed to individual participating cities according to an allocation formula. Under the provisions of SB 2, Arcadia will receive a similar allocation amount on an annual basis over the next five years. Unexpended program funds are allowed to be carried over from year to year.

On August 31, 2020, the City received a bulletin from the LACDA outlining the new PLHA Program and allocation process. The bulletin includes a list of eligible program activities...
that can be funded under the PLHA Program, and the amount each partner city will receive. For the current fiscal year, the City of Arcadia is eligible to receive $182,505 in PLHA funds. A copy of the letter, eligible activities, and City funding amounts is included as Attachment No. 2. In order to receive these funds, the LACDA is requesting that each participating city adopt and submit a resolution to them by October 15, 2020, specifying participation in the program and the activity or activities to be funded. After receiving this information, the LACDA will assemble and submit a final package of all its partner city PLHA activities to the State for final approval and funding distribution. It is anticipated that these funds will be received and available to use beginning in January 2021.

**DISCUSSION**

The SB 2 legislation relating to PLHA funds specifies 10 different eligible activities that these funds can be used to finance. These 10 activities can be broadly categorized as follows:

1. Activities related to the construction or preservation of affordable housing or supportive housing;

2. Homelessness services and prevention programs;

3. Accessibility modifications for lower-income, owner-occupied housing; and

4. Programs that expand homeownership opportunities, including but not limited to down-payment assistance programs.

Of note, the County of Los Angeles will also receive its own PLHA funding in the amount of $5,417,739. The County has stated it intends to utilize all of its funding for an Eviction Defense Program for the PHLA activity of preventing homelessness. As outlined in the August 31, 2020, LACDA bulletin, one option is for the City to contribute its PLHA funding to this countywide program as well. However, in speaking with LACDA staff, the County’s Eviction Defense Program will be made available to all Los Angeles County residents regardless of whether an individual city contributes its PLHA funds to the program. Rather than allocate Arcadia’s PLHA funds to this program, it is recommended that the City instead fund a program that provides more immediate tangible benefits to Arcadia residents or those in the City.

Of the 10 activities eligible to be funded by the PLHA program, it is recommended that the City use its $182,505 in PLHA funds for the activity of assisting persons in the City who are experiencing or at risk of homelessness. The Recreation and Community Services Department has recently been awarded a number of grants for specific activities related to homelessness. This includes a $150,000 grant for a new Homeless Services Pilot Program, a $30,000 grant for a joint Homeless Services/Diversion Program with the City of La Canada Flintridge, and a $200,000 grant for implementation of the City’s Homelessness Plans. These grants are scheduled to be before the City Council for acceptance at the October 20, 2020, regular meeting. Because PLHA funds are allowed
to be carried over from year to year, designating Arcadia’s PLHA funds towards homelessness assistance and prevention will create an additional funding source to supplement these or other homelessness programs, including potential extension of programs beyond the life of the current grants. A list of existing homelessness programs proposed to be supplemented or extended using this year’s PLHA funds is included as Attachment No. 3.

Decisions on the use of future PLHA funds can be made on an annual basis. There is flexibility to choose a different program in future years as the City Council desires.

ENVIRONMENTAL ANALYSIS

The proposed action does not constitute a project under the California Environmental Quality Act (“CEQA”), based on Section 15061(b)(3) of the CEQA Guidelines, as it can be seen with certainty that it will have no impact on the environment. Thus, this matter is exempt under CEQA.

FISCAL IMPACT

The PLHA Program is a new SB 2 funded program that provides a new ongoing annual source of funding through State Property Transfer Fees. The City will receive $182,505 through participation in the PLHA Program to address homelessness in the City. No additional funding is required to participate in the program. Participation will result in either no fiscal impact to the City, or a small net-positive impact if PLHA funds are used in place of other existing funding sources.

RECOMMENDATION

It is recommended that the City Council determine that this action does not constitute a project and is therefore, exempt under the California Environmental Quality Act (“CEQA”); and adopt Resolution No. 7336 approving participation in the Los Angeles Urban County Permanent Local Housing Allocation Program and specifying that the funding be used for programs to assist persons who are experiencing or at risk of homelessness.

Approved:

[Signature]
Dominic Lazzaretto
City Manager

Attachment No. 1: Resolution No. 7336
Attachment No. 2: August 31, 2020 LACDA Bulletin
Attachment No. 3: PLHA Proposed Activities Form
RESOLUTION NO. 7336

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF ARCADIA APPROVING PARTICIPATION IN THE LOS ANGELES URBAN COUNTY PERMANENT LOCAL HOUSING ALLOCATION PROGRAM AND AUTHORIZING THE MAYOR, OR DESIGNEE, TO SIGN A CONTRACT FOR FUNDING FOR THIS PROGRAM FROM THE COUNTY OF LOS ANGELES

WHEREAS, the City of Arcadia desires to participate in the Los Angeles Urban County Permanent Local Housing Allocation ("PLHA") Program for the period beginning January 2021; and

WHEREAS, the City intends to authorize the execution of a contract with the County of Los Angeles in order to receive said PLHA funds;

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF ARCADIA HEREBY RESOLVES AS FOLLOWS:

SECTION 1. The City Council approves using PLHA funds for the activity of assisting persons in Arcadia who are experiencing or are at risk of homelessness.

SECTION 2. The City Council authorizes the Mayor, or his/her designee, to execute any and all documents, including a contract, necessary for participation in the Los Angeles Urban County PLHA Program on behalf of the City of Arcadia.

SECTION 3. The City Council determines that the proposed action does not constitute a project under the California Environmental Quality Act ("CEQA"), based on Section 15061(b)(3) of the CEQA Guidelines.

SECTION 4. The City Clerk shall certify to the adoption of this Resolution.
Passed, approved and adopted this 6th day of October, 2020.

Mayor of the City of Arcadia

ATTEST:

City Clerk

APPROVED AS TO FORM:

Stephen P. Deitsch
City Attorney
TO: PARTICIPATING CITIES

The County of Los Angeles (County) applied for a grant from the California Department of Housing and Community Development’s (HCD) Permanent Local Housing Allocation (PLHA) Program. PLHA is an SB 2 funded program that provides an ongoing permanent source of funding through State Property Transfer Fees to increase affordable housing stock in California. The LACDA, on behalf of the County, has applied for its annual allocation. This allocation includes funding for the Los Angeles County Development Authority (LACDA) to administer the program and for the Urban County Participating Cities to implement housing programs. Cities that are partners of the County through the Urban County Cooperation Agreement will be able to access their allocations for this housing program through the LACDA. It is estimated that the County will be allocating approximately $5,056,130 to Participating Cities through the program and $5,417,739 will be allocated to the unincorporated areas in Los Angeles County through the County Supervisor’s District Offices.

Because of the limited time we had to submit the application for this current Fiscal Year, the County identified the activity to be funded for the State PLHA Plan as the Eviction Defense Program. However, cities will be given the option to utilize their allocated funds for other eligible housing activities (see Attachment A and B, PLHA List of Eligible Activities and the 2020 Allocation).

The LACDA must amend the State PLHA Plan previously submitted to include the various activities that Participating Cities wish to implement, and this will require the Board of Supervisor’s approval prior to submission to the State. Cities must utilize the grant funds for eligible activities and identify them, using the enclosed form, “Proposed Program for the State Permanent Local Housing Allocation Program” (Attachment C). This form should be completed and submitted to the LACDA, no later than October 15, 2020, along with a Resolution (Sample Resolution enclosed, Attachment D) indicating City Council approval. In order to manage this process in an efficient manner, so that we are prepared when the County does receive the PLHA funding from the State, there are several steps that we must take in preparation for this event.

The LACDA will take administrative action to set up procedures and processes to receive these funds and issue contracts for this program. After October 15, 2020, we will review the City’s proposed activity (Attachment C) and an eligibility determination will be made. The next step will be for the LACDA to send a contract to the City, which hopefully will be by mid-December 2020. We anticipate PLHA funds to be received by the County before the end of the calendar year, however, given the unique set of circumstances we find ourselves in this year, we can only convey the information we have to date. The County and its Partner Cities should be prepared to begin implementing these programs in January 2021. We will communicate closely with cities and keep you apprised of information and the schedule regarding this program as we receive information from the State. Please be aware that the County cannot issue PLHA funding until we receive funding from the State.
We will need a copy of a Resolution from your City Council approving the program and the City's participation in the PLHA Program. The enclosed resolution (Attachment D) is simply a sample meant to provide some guidance in this area. We recognize that many cities have their own format. We will need both documents completed; the Proposed Program for the State Permanent Local Housing Allocation Program Form and the City Council Resolution by October 15, 2020.

You may contact Linda Jenkins at (626) 586-1765 or linda.jenkins@lacda.org, should you need assistance in this matter or have any questions related to the Permanent Local Housing Participation Program.

Sincerely,

DAVON BARBOUR, Director
Community & Economic Development Division
ATTACHMENT A

PERMANENT LOCAL HOUSING ALLOCATION (PLHA)
LIST OF ELIGIBLE ACTIVITIES

Eligible activities for the formula allocations are:

1. The predevelopment, development, acquisition, rehabilitation, and preservation of multifamily, residential live-work, rental housing that is affordable to extremely low-, very low-, low-, or moderate-income households, including necessary operating subsidies.

2. The predevelopment, development, acquisition, rehabilitation, and preservation of affordable rental and ownership housing, including Accessory Dwelling Units (ADUs), that meets the needs of a growing workforce earning up to 120-percent of AMI, or 150-percent of AMI in high-cost areas. ADUs shall be available for occupancy for a term of no less than 30 days.

3.Matching portions of funds placed into Local or Regional Housing Trust Funds.

4. Matching portions of funds available through the Low- and Moderate-Income Housing Asset Fund pursuant to subdivision (d) of HSC Section 34176.

5. Capitalized Reserves for Services connected to the preservation and creation of new permanent supportive housing.

6. Assisting persons who are experiencing or at risk of homelessness, including, but not limited to, providing rapid rehousing, rental assistance, supportive/case management services that allow people to obtain and retain housing, operating and capital costs for navigation centers and emergency shelters, and the new construction, rehabilitation, and preservation of permanent and transitional housing.

   A. This activity may include sub-awards to administrative entities as defined in HSC Section 50490(a)(1-3) that were awarded the CESH program or HEAP funds for rental assistance to continue assistance to these households.

   B. Applicants must provide rapid rehousing, rental assistance, navigation centers, emergency shelter, and transitional housing activities in a manner consistent with the Housing First practices described in 25 CCR, Section 8409, subdivision (b)(1)-(6) and in compliance with WIC Section 8225(b)(8). An applicant allocated funds for the new construction, rehabilitation, and preservation of permanent supportive housing shall incorporate the core components of Housing First, as provided in WIC Section 8255, subdivision (b).

7. Accessibility modifications in lower-income owner-occupied housing.

8. Efforts to acquire and rehabilitate foreclosed or vacant homes and apartments.

9. Homeownership opportunities, including, but not limited to, down payment assistance.

10. Fiscal incentives made by a county to a city within the county to incentivize approval of one or more affordable housing projects, or matching funds invested by a county in an affordable housing development project in a city within the county, provided that the city has made an equal or greater investment in the project. The county fiscal incentives shall be in the form of a grant or low-interest loan to an affordable housing project. Matching funds investments by both the county and the city shall be a grant or low-interest deferred loan to the affordable housing project.
## ATTACHMENT B
Permanent Local Housing Allocation 2020

<table>
<thead>
<tr>
<th>City</th>
<th>Population 2015</th>
<th>Poverty 2015</th>
<th>Overcrowding 2025</th>
<th>Factor</th>
<th>Allocation 2025-2021 to be Allocated (in $)</th>
</tr>
</thead>
<tbody>
<tr>
<td>AGOURA HILLS</td>
<td>20,697</td>
<td>1194</td>
<td>65</td>
<td>0.0043</td>
<td>$45,511</td>
</tr>
<tr>
<td>ARCADIA</td>
<td>57,564</td>
<td>5496</td>
<td>735</td>
<td>0.0174</td>
<td>$182,505</td>
</tr>
<tr>
<td>AVALON</td>
<td>3,777</td>
<td>539</td>
<td>313</td>
<td>0.0238</td>
<td>$24,932</td>
</tr>
<tr>
<td>AZUSA</td>
<td>48,333</td>
<td>5769</td>
<td>1,759</td>
<td>0.0339</td>
<td>$243,977</td>
</tr>
<tr>
<td>BELL</td>
<td>35,958</td>
<td>9947</td>
<td>2,294</td>
<td>0.0279</td>
<td>$252,586</td>
</tr>
<tr>
<td>BELLGARDENS</td>
<td>42,842</td>
<td>11935</td>
<td>3,556</td>
<td>0.0359</td>
<td>$376,671</td>
</tr>
<tr>
<td>BEVERLY HILLS</td>
<td>34,863</td>
<td>3100</td>
<td>317</td>
<td>0.0097</td>
<td>$101,845</td>
</tr>
<tr>
<td>CALABASAS</td>
<td>24,975</td>
<td>1897</td>
<td>62</td>
<td>0.0058</td>
<td>$60,596</td>
</tr>
<tr>
<td>CLAREMONT</td>
<td>35,762</td>
<td>2591</td>
<td>300</td>
<td>0.0090</td>
<td>$94,274</td>
</tr>
<tr>
<td>COMMERCE</td>
<td>13,017</td>
<td>2052</td>
<td>724</td>
<td>0.0072</td>
<td>$75,053</td>
</tr>
<tr>
<td>COVINA</td>
<td>48,587</td>
<td>5245</td>
<td>1,042</td>
<td>0.0171</td>
<td>$179,076</td>
</tr>
<tr>
<td>COUDAY</td>
<td>24,138</td>
<td>7527</td>
<td>1,322</td>
<td>0.0212</td>
<td>$222,034</td>
</tr>
<tr>
<td>CULVER CITY</td>
<td>39,469</td>
<td>3491</td>
<td>803</td>
<td>0.0126</td>
<td>$132,163</td>
</tr>
<tr>
<td>DIAMOND BAR</td>
<td>56,471</td>
<td>3910</td>
<td>322</td>
<td>0.0133</td>
<td>$140,318</td>
</tr>
<tr>
<td>DUARTE</td>
<td>21,769</td>
<td>3313</td>
<td>535</td>
<td>0.0094</td>
<td>$86,724</td>
</tr>
<tr>
<td>EL SEGUNDO</td>
<td>16,929</td>
<td>1224</td>
<td>208</td>
<td>0.0045</td>
<td>$47,098</td>
</tr>
<tr>
<td>HAWAIIAN GARDENS</td>
<td>14,475</td>
<td>4426</td>
<td>806</td>
<td>0.0131</td>
<td>$118,548</td>
</tr>
<tr>
<td>HIDDEN HILLS</td>
<td>1,567</td>
<td>76</td>
<td>2</td>
<td>0.0003</td>
<td>$3,091</td>
</tr>
<tr>
<td>HERMOSA BEACH</td>
<td>19,747</td>
<td>783</td>
<td>79</td>
<td>0.0036</td>
<td>$38,337</td>
</tr>
<tr>
<td>IRWINDALE</td>
<td>1,426</td>
<td>178</td>
<td>31</td>
<td>0.0005</td>
<td>$5,685</td>
</tr>
<tr>
<td>LA CANADA-FLINTRIDGE</td>
<td>20,923</td>
<td>518</td>
<td>129</td>
<td>0.0035</td>
<td>$38,873</td>
</tr>
<tr>
<td>LA HABRA HEIGHTS</td>
<td>5,425</td>
<td>186</td>
<td>39</td>
<td>0.0010</td>
<td>$10,722</td>
</tr>
<tr>
<td>LA MIRADA</td>
<td>49,182</td>
<td>3453</td>
<td>1,257</td>
<td>0.0125</td>
<td>$160,011</td>
</tr>
<tr>
<td>LA PUENTE</td>
<td>40,496</td>
<td>5853</td>
<td>1,511</td>
<td>0.0306</td>
<td>$213,614</td>
</tr>
<tr>
<td>LA VERNE</td>
<td>31,920</td>
<td>2576</td>
<td>352</td>
<td>0.0087</td>
<td>$91,588</td>
</tr>
<tr>
<td>LAWNDALE</td>
<td>33,231</td>
<td>5915</td>
<td>1,639</td>
<td>0.0189</td>
<td>$196,797</td>
</tr>
<tr>
<td>LOMITA</td>
<td>20,822</td>
<td>3009</td>
<td>479</td>
<td>0.0086</td>
<td>$90,382</td>
</tr>
<tr>
<td>MALIBU</td>
<td>12,856</td>
<td>1339</td>
<td>95</td>
<td>0.0038</td>
<td>$39,959</td>
</tr>
<tr>
<td>MANHATTAN BEACH</td>
<td>35,803</td>
<td>1416</td>
<td>90</td>
<td>0.0064</td>
<td>$76,194</td>
</tr>
<tr>
<td>MAYWOOD</td>
<td>27,739</td>
<td>6284</td>
<td>2,405</td>
<td>0.0245</td>
<td>$206,740</td>
</tr>
<tr>
<td>MONROVA</td>
<td>37,154</td>
<td>3738</td>
<td>685</td>
<td>0.0123</td>
<td>$128,994</td>
</tr>
<tr>
<td>RANCHO PALOS VERDES</td>
<td>4,244</td>
<td>1790</td>
<td>277</td>
<td>0.0084</td>
<td>$58,371</td>
</tr>
<tr>
<td>ROLLING HILLS ESTS</td>
<td>8,188</td>
<td>444</td>
<td>43</td>
<td>0.0017</td>
<td>$18,206</td>
</tr>
<tr>
<td>SAN DIMAS</td>
<td>34,973</td>
<td>2283</td>
<td>223</td>
<td>0.0089</td>
<td>$84,444</td>
</tr>
<tr>
<td>SAN FERNANDO</td>
<td>24,296</td>
<td>4653</td>
<td>947</td>
<td>0.0131</td>
<td>$137,424</td>
</tr>
<tr>
<td>SAN GABRIEL</td>
<td>40,198</td>
<td>5492</td>
<td>1,402</td>
<td>0.0179</td>
<td>$187,992</td>
</tr>
<tr>
<td>SAN MARINO</td>
<td>13,353</td>
<td>740</td>
<td>108</td>
<td>0.0029</td>
<td>$31,388</td>
</tr>
<tr>
<td>SANTA FE SPRINGS</td>
<td>17,162</td>
<td>2153</td>
<td>660</td>
<td>0.0075</td>
<td>$79,514</td>
</tr>
<tr>
<td>SIERRA MADRE</td>
<td>11,584</td>
<td>636</td>
<td>62</td>
<td>0.0024</td>
<td>$25,352</td>
</tr>
<tr>
<td>SIGNAL HILL</td>
<td>11,332</td>
<td>2041</td>
<td>515</td>
<td>0.0026</td>
<td>$65,482</td>
</tr>
<tr>
<td>SOUTH EL MONTE</td>
<td>20,483</td>
<td>4200</td>
<td>995</td>
<td>0.0121</td>
<td>$129,020</td>
</tr>
<tr>
<td>SOUTH PASADENA</td>
<td>25,999</td>
<td>2025</td>
<td>319</td>
<td>0.0072</td>
<td>$74,651</td>
</tr>
<tr>
<td>TEMPLE CITY</td>
<td>30,379</td>
<td>3414</td>
<td>745</td>
<td>0.0119</td>
<td>$124,815</td>
</tr>
<tr>
<td>WALNUT</td>
<td>29,370</td>
<td>1999</td>
<td>223</td>
<td>0.0071</td>
<td>$75,151</td>
</tr>
<tr>
<td>WEST HOLLYWOOD</td>
<td>35,352</td>
<td>5408</td>
<td>311</td>
<td>0.0133</td>
<td>$139,621</td>
</tr>
<tr>
<td>WESTLAKE VILLAGE</td>
<td>8,471</td>
<td>512</td>
<td>18</td>
<td>0.0018</td>
<td>$18,569</td>
</tr>
</tbody>
</table>

**TOTAL PARTICIPATING CITIES**: 1,234,244, 150,488, 31,901, 0.482737599, **$5,056,130**

### Supervisorsial Districts (Unincorporated Area only) *

| I. | 262483 | 52,187 | 13,007 | 0.156276164 | $1,636,816 |
| II. | 253210 | 64,961 | 12,653 | 0.173593546 | $1,810,190 |
| III. | 21,410 | 1,826 | 60 | 0.006577334 | $56,321 |
| IV. | 223783 | 24,416 | 6,599 | 0.083079644 | $901,581 |
| V. | 279396 | 31,613 | 4,587 | 0.095936351 | $1,004,825 |

**TOTAL DISTRICTS**: 1,040,282, 175,002, 36,907, 0.517262441, **$5,417,739**  
**TOTAL ALLOCATIONS**: 2,274,526, 325,490, 68,808, 100%, **$10,473,870**

* Supervisorsial District boundary updated after 2011 adopted reapportionment borders; the population numbers are based on 2011-2015 ACS Data

---

**All Participating Cities**: $5,056,130  
**All Supervisorsial Districts**: $5,417,739  
**County Administration**: $551,256  
**TOTAL URBAN COUNTY DISTRIBUTION**: $11,025,126
PROPOSED ACTIVITY OR ACTIVITIES
FOR THE STATE PERMANENT LOCAL HOUSING ALLOCATION PROGRAM

City Name: Arcadia  Date: October 6, 2020

Name and Description of the Eligible Activity or Activities the City would like to Implement Using PLHA funds:

Assisting persons in Arcadia who are experiencing or at risk of homelessness. Funding will be used for one or more of the following items:

1. Homelessness Services (Pilot) Program – The City will provide various services to the homeless population in the City. Services would include mobile restrooms and showers, laundry facilities, eye exams, informational resources alongside a Homeless Case Manager who will be available on site, workshops covering various topics, light meals, as well as clothing that would be available for individuals to take with them. The resource hub would occur twice a month and would be located on City-owned property.

2. Homeless Prevention/Diversion Program – Funding to be used towards implementing homeless prevention and diversion programs that provide financial assistance to Arcadia residents at risk of becoming homeless.

3. Homeless Plans Implementation – Funding to help Arcadia implement elements of its completed Homeless Plans, including:
   - Encampment Clean-Up
   - First Responder Outreach/HELP Team
   - Homeless Case Management
   - Emergency Resources
   - Program Administration

Budget (s) Proposed for Activity or Activities:

$ 182,505

Pertinent Facts and Information about the Priority Need for this Activity or Activities in your City:

In recent years the City of Arcadia has seen a large increase in homeless individuals and a resulting increased need to provide homeless services. Several plans and programs have been put into place to address this issue, including those outlined above. With this year’s COVID-19 pandemic and the resulting economic impacts, the City of Arcadia has a priority need to allocate additional funding to expand and/or extend the timeline of these programs. Utilizing PLHA funds towards these programs will allow the City to better meet the current needs of homelessness assistance and prevention in our community.

Submitted to LACDA By: _________________________   Date: ___________________
Title: _________________________________________
DATE:           October 6, 2020

TO:             Honorable Mayor and City Council

FROM:           Stephen P. Deitsch, City Attorney
                Prepared by: Linda Rodriguez, Assistant City Clerk

SUBJECT:        RESOLUTION NO. 7337 APPROVING AND ADOPTING AN AMENDED
                CONFLICT OF INTEREST CODE PURSUANT TO THE POLITICAL
                REFORM ACT OF 1974
                Recommendation: Adopt

SUMMARY

The Political Reform Act of 1974, Government Code Section 81000, et seq., requires
every local agency to review its Conflict of Interest Code (the “Code”) every two years to
determine if it is accurate or, alternatively, if it needs to be amended. The Conflict of
Interest Code must specifically designate all agency positions that make or participate in
the making of decisions. The Code must also assign specific types of personal assets to
be disclosed that may be affected by the exercise of powers and duties of that position.

During the past two years, several positions have been re-titled or redefined, which
requires amendment to the Code. As a result of the required review, it is recommended
that the City Council adopt Resolution No. 7337 approving and adopting an amended
Conflict of Interest Code pursuant to the Political Reform Act of 1974 (the “Act”).

BACKGROUND

The Political Reform Act (the “Act”) requires all public agencies to adopt and maintain a
Conflict of Interest Code containing the rules for disclosure of personal assets and the
prohibition from making or participating in making governmental decisions that may
affect any personal assets. The Conflict of Interest Code must specifically designate all
agency positions that make or participate in the making of decisions and assign specific
types of personal assets to be disclosed that may be affected by the exercise of powers
and duties of that position.

The Act further requires that an agency regularly review and update its Code as
necessary when directed by the code-reviewing body or when change is necessitated
by changed circumstances (Sections 87306 and 87306.5).
Pursuant to the Act, the City adopted its last updated Conflict of Interest Code on December 4, 2018. Review of the Code was done as directed by City Council as the City’s code-reviewing body and shows that it must be amended to include provisions for electronic filing for certain filers, revise titles of existing positions, and clarify requirements for disclosing interests. Staff has also included information for filers on ethics training as required under AB 1234.

Attached to Resolution No. 7337 is a redline version of the proposed amended Conflict of Interest Code showing the revisions made. There are two changes to the Code from the prior update that reflect the changes in job duties and titles as a result of the City Manager’s Office reorganization. These include the new position of Deputy City Manager and Assistant City Clerk.

Government Code Section 87303 provides that no code or amendment to a code shall be effective until it has been approved by the code-reviewing body.

ENVIRONMENTAL ANALYSIS

The proposed action does not constitute a project under the California Environmental Quality Act (“CEQA”), and it can be seen with certainty that it will have no impact on the environment. Thus, this matter is exempt under CEQA.

FISCAL IMPACT

There is no fiscal impact as a result of adopting this Resolution.

RECOMMENDATION

It is recommended that the City Council determine that this project is exempt under the California Environmental Quality Act (“CEQA”); and adopt Resolution No. 7337 approving and adopting an amended Conflict of Interest Code pursuant to the Political Reform Act of 1974.

Approved:

Dominic Lazzaretto
City Manager

Attachment: Resolution No. 7337
RESOLUTION NO. 7337

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF ARCADIA, CALIFORNIA, APPROVING AND ADOPTING AN AMENDED CONFLICT OF INTEREST CODE PURSUANT TO THE POLITICAL REFORM ACT OF 1974

WHEREAS, the State of California enacted the Political Reform Act of 1974, Government Code Section 81000, et seq. (the "Act"), which contains provisions relating to conflicts of interest governing officers, employees and consultants of the City of Arcadia (the “City”), and which requires all public agencies to adopt and promulgate a conflict of interest code; and

WHEREAS, the City Council has adopted a Conflict of Interest Code (the "Code") which was most recently amended on December 4, 2018, in compliance with the Act; and

WHEREAS, subsequent changed circumstances within the City have made it advisable and necessary pursuant to Sections 87306 and 87307 of the Act to amend and update the City’s Code; and

WHEREAS, the potential penalties for violation of the provisions of the Act are significant and may include criminal and civil liability, as well as equitable relief which could result in the City being restrained or prevented from acting in cases where the provisions of the Act may have been violated; and

WHEREAS, a public meeting was held regarding the proposed amended Code at a regular meeting of the City Council on October 6, 2020, at which all persons present were given an opportunity to be heard on the proposed amended Code.
NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF ARCADIA, CALIFORNIA, DOES HEREBY FIND, DETERMINE AND RESOLVE AS FOLLOWS:

SECTION 1. The City Council does hereby approve and adopt the proposed amended Conflict of Interest Code, a copy of which is attached hereto and which shall remain on file with the City Clerk and which shall remain available to the public for inspection and copying during regular business hours.

SECTION 2. The said amended Conflict of Interest Code shall become effective immediately upon its adoption and approval.

SECTION 3. The City Clerk shall certify to the adoption of this Resolution.

Passed, approved and adopted this 6th day of October, 2020.

______________________________
Mayor of the City of Arcadia

ATTEST:

______________________________
City Clerk of the City of Arcadia

APPROVED AS TO FORM:

______________________________
Stephen P. Deitsch
City Attorney
LEGISLATIVE VERSION
(SHOWS CHANGES MADE)

CONFLICT OF INTEREST CODE FOR THE
CITY OF ARCADIA

(Amended December 4, 2018 October 6, 2020)

The Political Reform Act (Gov. Code § 81000, et seq.) requires state and local government agencies to adopt and promulgate conflict of interest codes. The Fair Political Practices Commission has adopted a regulation (2 Cal. Code Regs. § 18730) that contains the terms of a standard conflict of interest code, which can be incorporated by reference in an agency's code. After public notice and hearing Regulation 18730 may be amended by the Fair Political Practices Commission to conform to amendments in the Political Reform Act. Therefore, the terms of 2 California Code of Regulations section 18730 and any amendments to it duly adopted by the Fair Political Practices Commission are hereby incorporated by reference. This incorporation page, Regulation 18730 and the attached Appendix designating positions and establishing disclosure categories, shall constitute the conflict of interest code of the City of Arcadia (the "City").

The Mayor, Members of the City Council and Planning Commission, the City Manager, the City Attorney and the City Treasurer, shall electronically file their annual statements of economic interests directly with the Fair Political Practices Commission. All other officials and designated positions required to submit a statement of economic interests shall file their statements with the Deputy Chief Assistant City Clerk as the City’s Filing Officer. The Deputy Chief City Clerk shall make and retain a copy of all statements filed by all Officials subject to Government Code section 87200, and forward the originals of such statements to the Fair Political Practices Commission. The Deputy-Chief Assistant City Clerk shall retain the originals of the statements filed

-1-   BBK—October 2018 September 2020
by all other designated positions and will make all retained statements available for public inspection and reproduction during regular business hours. (Gov. Code § 81008.)

All officials and designated positions required to submit a statement of economic interests shall receive ethics training as required pursuant to Government Code section 53235 (AB 1234). The City's Filing Officer shall annually provide all filers with information on training available to meet the requirements of Section 53235, and maintain required records indicating the dates that filers satisfied the training requirements and the entity that provided the training. These records shall be retained for five years after the date of training and are public records subject to disclosure under the California Public Records Act. (Gov. Code § 53235.2.)
APPENDIX

CONFLICT OF INTEREST CODE
OF THE
CITY OF ARCADIA
(Amended December 4, 2018 October 6, 2020)

PART “A”

The Mayor, Members of the City Council and Planning Commission, the City Manager, the City Attorney, the City Treasurer, and all Other City Officials who manage public investments as defined by 2 Cal. Code of Regs. § 18700.3(b), are NOT subject to the City’s Code but must file disclosure statements under Government Code Section 87200 et seq. [Regs. § 18730(b)(3)]

OFFICIALS WHO MANAGE PUBLIC INVESTMENTS

It has been determined that the positions listed below are Other City Officials who manage public investments1. These positions are listed here for informational purposes only.

Financial Services Manager

Financial Consultant

1 Individuals holding one of the above-listed positions may contact the Fair Political Practices Commission for assistance or written advice regarding their filing obligations if they believe that their position has been categorized incorrectly. The Fair Political Practices Commission makes the final determination whether a position is covered by § 87200.
### DESIGNATED POSITIONS GEORDER BY THE CONFLICT OF INTEREST CODE

<table>
<thead>
<tr>
<th>DESIGNATED POSITIONS' TITLE OR FUNCTION</th>
<th>DISCLOSURE CATEGORIES ASSIGNED</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounting Supervisor</td>
<td>4</td>
</tr>
<tr>
<td>Administrative Assistant, Sr. (ALL)</td>
<td>5</td>
</tr>
<tr>
<td>Administrative Services Director</td>
<td>4</td>
</tr>
<tr>
<td>Assistant City Manager/Development Services Director</td>
<td>1, 2</td>
</tr>
<tr>
<td>Assistant Director of Recreation and Community Services</td>
<td>2, 5</td>
</tr>
<tr>
<td>Assistant Engineer (ALL)</td>
<td>2, 3, 6</td>
</tr>
<tr>
<td>Assistant Planner</td>
<td>2, 3, 5, 6</td>
</tr>
<tr>
<td>Assistant to the Deputy City Manager</td>
<td>5</td>
</tr>
<tr>
<td>Associate Civil Engineer (ALL)</td>
<td>2, 3, 5</td>
</tr>
<tr>
<td>Associate Planner</td>
<td>2, 3, 5, 6</td>
</tr>
<tr>
<td>Building Maintenance Crew Supervisor</td>
<td>5</td>
</tr>
<tr>
<td>Building Official</td>
<td>2, 3, 5, 6</td>
</tr>
<tr>
<td>Business License Officer</td>
<td>6</td>
</tr>
<tr>
<td>Chief Deputy City Clerk/ Records Manager</td>
<td>5</td>
</tr>
<tr>
<td>Chief of Police</td>
<td>5, 6</td>
</tr>
<tr>
<td>City Attorney (not filing under Gov. Code §87200)</td>
<td>1, 2</td>
</tr>
<tr>
<td>City Clerk</td>
<td>5</td>
</tr>
<tr>
<td>Code Services Officer (ALL)</td>
<td>5, 6</td>
</tr>
<tr>
<td>Combination Inspector (ALL)</td>
<td>2, 3, 5, 6</td>
</tr>
</tbody>
</table>

App. A-2- BBK – October 2018 September 2020
<table>
<thead>
<tr>
<th>DESIGNATED POSITIONS’ TITLE OR FUNCTION</th>
<th>DISCLOSURE CATEGORIES ASSIGNED</th>
</tr>
</thead>
<tbody>
<tr>
<td>Communications and Marketing Specialist (ALL)</td>
<td>5</td>
</tr>
<tr>
<td>Community Development Administrator</td>
<td>1, 2</td>
</tr>
<tr>
<td>Assistant/Deputy City Clerk</td>
<td>5</td>
</tr>
<tr>
<td>Deputy Director of Development Services/City Engineer</td>
<td>1, 2</td>
</tr>
<tr>
<td>Deputy Fire Chief</td>
<td>2, 3, 5, 6</td>
</tr>
<tr>
<td>Deputy Public Works Services Director</td>
<td>1, 2</td>
</tr>
<tr>
<td>Director of Library and Museum Services</td>
<td>5</td>
</tr>
<tr>
<td>Director of Recreation and Community Services</td>
<td>2, 3, 5</td>
</tr>
<tr>
<td>Economic Development Manager</td>
<td>1, 2</td>
</tr>
<tr>
<td>Engineering Assistant (ALL)</td>
<td>3, 6</td>
</tr>
<tr>
<td>Environmental Services Officer</td>
<td>2, 5, 6</td>
</tr>
<tr>
<td>Fire Administrative Specialist</td>
<td>5</td>
</tr>
<tr>
<td>Fire Battalion Chief (ALL)</td>
<td>5</td>
</tr>
<tr>
<td>Fire Captain</td>
<td>5, 6</td>
</tr>
<tr>
<td>Fire Chief</td>
<td>2, 3, 5, 6</td>
</tr>
<tr>
<td>Fire Inspector</td>
<td>5, 6</td>
</tr>
<tr>
<td>Fire Marshal</td>
<td>5, 6</td>
</tr>
<tr>
<td>General Services Superintendent</td>
<td>5</td>
</tr>
<tr>
<td>Historical Museum Curator</td>
<td>5</td>
</tr>
<tr>
<td>Human Resources Administrator</td>
<td>5</td>
</tr>
<tr>
<td>Human Resources Analyst (ALL)</td>
<td>5</td>
</tr>
<tr>
<td>DESIGNATED POSITIONS' TITLE OR FUNCTION</td>
<td>DISCLOSURE CATEGORIES ASSIGNED</td>
</tr>
<tr>
<td>----------------------------------------</td>
<td>--------------------------------</td>
</tr>
<tr>
<td>Human Resources Technician</td>
<td>5</td>
</tr>
<tr>
<td>Information Systems Manager</td>
<td>5</td>
</tr>
<tr>
<td>Library Services Manager (ALL)</td>
<td>5</td>
</tr>
<tr>
<td>Maintenance Contract Officer</td>
<td>5</td>
</tr>
<tr>
<td>Management Aide</td>
<td>5</td>
</tr>
<tr>
<td>Management Analyst (ALL)</td>
<td>5</td>
</tr>
<tr>
<td>Police Captain (ALL)</td>
<td>5, 6</td>
</tr>
<tr>
<td>Police Lieutenant (ALL)</td>
<td>5, 6</td>
</tr>
<tr>
<td>Police Records Manager</td>
<td>5</td>
</tr>
<tr>
<td>Principal Civil Engineer</td>
<td>1, 2</td>
</tr>
<tr>
<td>Principal Librarian (ALL)</td>
<td>5</td>
</tr>
<tr>
<td>Public Works Coordinator</td>
<td>5, 6</td>
</tr>
<tr>
<td>Public Works Inspector</td>
<td>2, 3, 6</td>
</tr>
<tr>
<td>Public Works Services Director</td>
<td>1, 2</td>
</tr>
<tr>
<td>Purchasing Officer</td>
<td>4</td>
</tr>
<tr>
<td>Recreation Coordinator</td>
<td>5</td>
</tr>
<tr>
<td>Recreation Supervisor</td>
<td>5</td>
</tr>
<tr>
<td>Revenue Collection Specialist</td>
<td>1, 2</td>
</tr>
<tr>
<td>Senior Citizens Program Specialist</td>
<td>5</td>
</tr>
<tr>
<td>Senior Civil Engineer</td>
<td>2, 3, 5, 6</td>
</tr>
<tr>
<td>Senior Planner</td>
<td>2, 3, 5, 6</td>
</tr>
<tr>
<td>DESIGNATED POSITIONS’ TITLE OR FUNCTION</td>
<td>DISCLOSURE CATEGORIES ASSIGNED</td>
</tr>
<tr>
<td>----------------------------------------</td>
<td>------------------------------</td>
</tr>
<tr>
<td>Storekeeper/Buyer</td>
<td>5</td>
</tr>
<tr>
<td>Streets Superintendent</td>
<td>5</td>
</tr>
<tr>
<td>Transportation Services Manager</td>
<td>5</td>
</tr>
<tr>
<td>Utilities Superintendent</td>
<td>2, 3, 6</td>
</tr>
<tr>
<td>Water Quality/Backflow Inspector</td>
<td>5</td>
</tr>
</tbody>
</table>

**MEMBERS OF BOARDS, COMMISSIONS AND COMMITTEES**

<table>
<thead>
<tr>
<th>Name</th>
<th>Categories</th>
</tr>
</thead>
<tbody>
<tr>
<td>Homeowners Assn. Architectural Review Board</td>
<td>1, 2</td>
</tr>
<tr>
<td>Library Board of Trustees</td>
<td>2, 3, 5</td>
</tr>
</tbody>
</table>

Consultants and New Positions

---

2 Individuals serving as a consultant as defined in FPPC Reg 18700.3(a) or in a new position created since this Code was last approved that makes or participates in making decisions must file statements pursuant to the broadest disclosure category in this Code subject to the following limitation:

The City Manager may determine that, due to the range of duties or contractual obligations, it is more appropriate to assign a limited disclosure requirement. A clear explanation of the duties and a statement of the extent of the disclosure requirements must be in a written document. (Gov. Code Sec. 82019; FPPC Regulations 18219 and 18734.) The City Manager’s determination is a public record and shall be retained for public inspection in the same manner and location as this Conflict of Interest Code. (Gov. Code Sec. 81008.)
PART “B”

DISCLOSURE CATEGORIES

The disclosure categories listed below identify the types of economic interests that the designated position must disclose for each disclosure category to which he or she is assigned. “Investment” means financial interest in any business entity (including a consulting business or other independent contracting business) and are reportable if they are either located in or doing business in the jurisdiction, are planning to do business in the jurisdiction, or have done business during the previous two years in the jurisdiction of the City.

Category 1: All investments and business positions in business entities, and sources of income, including gifts, loans and travel payments, that are located in, do business in or own real property within the jurisdiction of the City.

Category 2: All interests in real property which is located in whole or in part within, or not more than two (2) miles outside, the jurisdiction of the City, including any leasehold, beneficial or ownership interest or option to acquire property.

Category 3: All investments and business positions in business entities, and sources of income, including gifts, loans and travel payments, that are engaged in land development, construction, or the acquisition or sale of real property within the jurisdiction of the City.

Category 4: All investments and business positions in business entities, and sources of income, including gifts, loans and travel payments, that provide services, products, materials, machinery, vehicles or equipment of a type purchased or leased by the City.

Category 5: All investments and business positions in business entities, and sources of income, including gifts, loans and travel payments, that provide services, products, materials, machinery, vehicles or equipment of a type purchased or leased by the designated position’s department, unit or division.

Category 6: All investments and business positions in business entities, and sources of income, including gifts, loans and travel payments, subject to the regulatory, permit, or licensing authority of the designated position’s department, unit or division.

---

This Conflict of Interest Code does not require the reporting of gifts from outside this agency’s jurisdiction if the source does not have some connection with or bearing upon the functions of the position. (Reg. 18730.1)
DATE: October 6, 2020

TO: Honorable Mayor and City Council

FROM: Hue C. Quach, Administrative Services Director
      By: Vanina Rynkiewicz, Purchasing Officer

SUBJECT: CONTRACT FOR THE PURCHASE OF CITYWIDE OFFICE SUPPLIES WITH OFFICE DEPOT IN AN AMOUNT NOT TO EXCEED $110,000 ANNUALLY FOR TWO YEARS, WITH THE OPTION OF RENEWING THE CONTRACT FOR THREE (3) ADDITIONAL ONE-YEAR PERIODS THROUGH JUNE 30, 2025
      Recommendation: Approve

SUMMARY

The City spends approximately $110,000 per year on average for citywide office supplies. Staff performed a price and benefit comparison analysis of current available office supply contracts that were competitively bid and awarded to determine the lowest pricing and best value to the City. The top 100 items bought by the City by usage were selected to compare between the current contract pricing with the Foundation for California Community Colleges (“FCCC”) and other public procurement contracts available.

It is recommended the City Council authorize the award of a contract for the purchase of office supplies with Office Depot utilizing the OMNIA (formerly National Intergovernmental Purchasing Alliance-NIPA and U.S. Communities) Region 4 cooperative contract number R190303, for the period of July 1, 2020, through June 30, 2022, with the option of renewing the contract for three additional one-year periods through June 30, 2025.

DISCUSSION

On June 21, 2016, the City Council approved a contract for the purchase of office supplies with Office Depot for $125,000 annually for one year, plus three additional one-year extensions piggybacking on the Foundation for California Community Colleges (“FCCC”) contract.
Office supplies are ordered citywide on an as needed basis by each department. The existing contract with Office Depot provides next-day and desktop delivery of office supplies to each City location. Departments place their orders mainly online through the Office Depot internet portal at the contracted price, and some orders are placed over the phone by contacting an account manager directly.

Staff searched and narrowed down the two most competitive cooperative purchase agreements to use for the preparation of a Price and Benefit Comparison analysis, utilizing the Foundation for California Community Colleges and the OMNIA Region 4 contracts to ascertain that the lowest pricing and best value to the City was achieved. The following are the results of the comparison analysis using the City’s most commonly 100 used items:

<table>
<thead>
<tr>
<th>Vendor</th>
<th>Cooperative Contract</th>
<th>Sample Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Office Depot</td>
<td>FCCC (Foundation for California Community Colleges)</td>
<td>$ 33,780.14</td>
</tr>
<tr>
<td>Office Depot</td>
<td>OMNIA Region 4 (New proposed Contract)</td>
<td>$ 32,007.67</td>
</tr>
</tbody>
</table>

The proposal required not only cost savings compared to the current contract, but also maintained additional negotiated benefits including rebates, incentives, and technical capabilities including online desktop ordering, fill rate, free delivery, retail store proximity, minimum order amount required for next day delivery, and return policy.

The California Government Code allows public agencies to participate in cooperative purchasing agreements while adhering to the City’s rules and regulations. By participating in the national cooperative program with OMNIA Region 4 contract with Office Depot, it streamlines the process of procuring office supplies, while receiving the best price possible by obtaining product cost savings through nationally leveraged pricing.

Office Depot’s pricing and capabilities utilizing the OMNIA Region 4 cooperative contract pricing is approximately 5.5% lower than the current contract for the same items. The contract period is for the period of July 1, 2020, through June 30, 2022, with the option of renewing the contract for three (3) additional one-year periods through June 30, 2025.

Office Depot currently provides on-time, next day deliveries to each user’s desktop and consistently provides excellent customer service. Office Depot’s assigned account manager has promised to continue to provide the City with the same level of service and professionalism with the additional benefits of the lower costs.

**ENVIRONMENTAL ANALYSIS**

The proposed actions do not constitute a project under the California Environmental Quality Act (“CEQA”), and it can be seen with certainty that it will have no impact on the environment. Thus, this matter is exempt from CEQA.
FISCAL IMPACT

Funds are appropriated in Fiscal Year 2020-21 Operating Budget by each department and their respective funds for the purchases of office supplies citywide. Cumulatively, total office supplies expenditures are not anticipated to exceed $110,000 per year.

RECOMMENDATION

It is recommended that the City Council determine that this project is exempt under the California Environmental Quality Act ("CEQA"); and authorize the City Manager to award a contract for the purchase of Citywide office supplies with Office Depot in an amount not to exceed $110,000 annually, with the option of renewing the Contract for three (3) additional one-year periods through June 30, 2025.

Approved:

Dominic Lazzaretto
City Manager
SUMMARY

In 2017, the law firm of Collin Collins Muir & Stewart was interviewed and selected by the Legal Affairs Subcommittee, the City Manager, and the City Attorney to be on an approved panel of tort and other litigation defense outside counsel, to be available if needed from time to time. Their 2017 agreement has now been revised to include their proposed fee increase as negotiated with the City. Therefore, it is recommended that the City Council approve the Letter Agreement with Collins Collins Muir & Stewart, LLP.

DISCUSSION

The law firm of Collins Collins Muir & Stewart (“CCMS”) and the City of Arcadia entered into a Letter Agreement (“Agreement”) for legal services in 2017. This was part of a concerted effort by the Legal Affairs Subcommittee (“Subcommittee”) to retain a panel of firms with varying expertise to assist the City in special litigation matters. The 2017 Agreement has since been revised to reflect the new hourly rates offered by the firm in 2020. The table below provides a summary of the new rates:

<table>
<thead>
<tr>
<th>Service</th>
<th>2017 Rates</th>
<th>2020 Rates</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Partner</td>
<td>$200</td>
<td>$230</td>
<td>15%</td>
</tr>
<tr>
<td>Associate</td>
<td>$180</td>
<td>$210</td>
<td>17%</td>
</tr>
<tr>
<td>Paralegal</td>
<td>$100</td>
<td>$120</td>
<td>20%</td>
</tr>
</tbody>
</table>

The City Attorney has reviewed the current rates and believes that they are fair, reasonable, and competitive for similar firms with comparable expertise. Below is a table of all the current rates for other contracted firms with the City:
Fiscal Impact

There is no impact to the General Fund by entering into this Agreement.

Environmental Analysis

The proposed actions do not constitute a project under the California Environmental Quality Act (“CEQA”), based on Section 15061(b)(3) of the CEQA Guidelines, as it can be seen with certainty that they will have no impact on the environment. Thus, these matters are exempt under CEQA.

Recommendation

It is recommended that the City Council determine that this project is exempt under the California Environmental Quality Act (“CEQA”); and approve the Letter Agreement for Special Legal Services with Collins Collins Muir & Stewart, LLP.

Approved:

[Signature]
Dominic Lazzaretto
City Manager

Attachment: Letter Agreement with Collins Collins Muir & Stewart
September 18, 2020

VIA ELECTRONIC MAIL

stephen.deitsch@bbklaw.com
City Attorney
CITY OF ARCADIA
240 W. Huntington Drive
Arcadia, CA 91007

Re: Representation of the City of Arcadia

Dear Mr. Deitsch:

The purpose of this letter is to set forth the terms under which we will revise our attorney-client relationship with the City of Arcadia following our conversations of September 8 and 9, 2020. This letter, once executed and returned by you will act as our Attorney-Client Agreement (“AGREEMENT”) and it is being entered into as required under California law between, the City of Arcadia (“CLIENT”) and Collins Collins Muir + Stewart LLP (“CCM+S”). It will replace the agreement from 2017 but, as we discussed, other than the rates and some cost items, the terms are generally the same. I have attached a copy of the old agreement per our call to my email so you can compare if you desire to do so. You did indicate that you needed to discuss this with the City Manager and it would be subject to approval by the City Council. The terms of engagement of CCM+S are as follows:

1. **CONDITIONS.** This AGREEMENT will not take effect and CCM+S will have no obligation to provide legal services until CLIENT returns the signed original of this AGREEMENT.

2. **SCOPE AND DUTIES.** CLIENT hires CCM+S to provide general legal services, advice, consultation, and representation on an as-needed basis relating to legal issues that might arise from time to time related to CLIENT’S business including, but not limited to, defending the CLIENT in
various tort claim litigation and personnel related matters on an as-needed basis, as well as other legal issues that might confront CLIENT in the future (collectively “REPRESENTATION”).

3. **LEGAL SERVICES SPECIFICALLY EXCLUDED.** The legal services that are not to be provided by CCM+S under this AGREEMENT specifically include, but are not limited to, the following: (a) representation of CLIENT or advice in relation to any litigated, arbitrated, or administrative proceeding, or matter not assigned to CCM+S (“Other Matters”); (b) representation of CLIENT or advice in relation to any insurance, tax, or financial matters in relation to this or Other Matters; (c) any advice in relation to statutes of limitations or repose for any Other Matters; (d) any matter that is not specifically and contemporaneously memorialized in writing and agreed to by the parties. CCM+S hereby advises CLIENT to consult its own accountant, broker, or tax attorney regarding insurance, tax, or financial matters or any Other Matters.

If CLIENT wishes that CCM+S provide any legal services beyond the limited scope of this AGREEMENT, or specifically excluded above, a separate written agreement between CCM+S and CLIENT will be required.

4. **CLIENTS’ DUTIES.** CLIENT agrees to be forthright with CCM+S, to cooperate with CCM+S, to keep CCM+S informed of developments, to abide by this AGREEMENT, to pay CCM+S’ bills on time and to keep CCM+S advised of CLIENT’S contact information.

5. **RETAINER.** CCM+S does not require a retainer from CLIENT.

6. **LEGAL FEES.** CLIENT agrees to pay CCM+S $230 per hour for partners, $210 per hour for associate-level attorneys; and $120 per hour for paralegals and/or law clerks, and CCM+S agrees to bill CLIENT in increments of 1/10ths of an hour for work performed on the REPRESENTATION. All time expended is billed, including but not limited to: research, consultation, telephone discussions, conferences, analysis, drafting correspondence or court documents, reviewing correspondence or communications or materials provided by CLIENT or others related to the REPRESENTATION, travel time, and all time spent for any court, administrative hearings, arbitration hearings, mediations, or depositions. CCM+S reserves the right to review the rates being charged under this AGREEMENT no more frequently than once every other calendar year and to adjust them to reflect the fees customarily being charged by CCM+S upon mutual agreement with the CLIENT.

7. **COSTS AND EXPENSES.** In addition to paying legal fees, CLIENTS shall reimburse CCM+S for all costs and expenses incurred by CCM+S, including, but not limited to, process server fees, fees fixed by law or assessed by the California Secretary of State’s office, other State and Federal governmental agencies or courts, court reporters’ fees, messenger and other delivery charges, postage, in-office photocopying at $0.30 per page, $1.00 per page for color copies, out-of-office photocopying at the actual charge, facsimile charges at $0.50 per page, parking, mileage at rates allowed by the U.S. Internal Revenue Service on the date the mileage is traveled, secretarial and/or paralegal overtime, investigation expenses, consultants’ fees, expert witness fees and other similar items. CCM+S reserves the right to amend the costs charged pursuant to this section on a basis no more frequent than every six months to reflect the normal and customary charges CCM+S is charging for these items at that
time. Nothing herein shall require CCM+S to advance such costs. CLIENT authorizes CCM+S to incur all reasonable costs and to hire any investigators, consultants, or expert witnesses reasonably necessary, upon consultation with CLIENT. CCM+S agrees to contact CLIENT in advance of any expense exceeding $250.00, and CCM+S will not incur such expense without the CLIENT’S express authorization. At any time, should CLIENT’S account be more than thirty (30) days past due, no costs will be advanced by CCM+S and CCM+S reserves the right to immediately withdraw from the representation of CLIENT.

8. **STATEMENTS.** CCM+S shall send to CLIENT periodic statements for fees and costs incurred. CLIENT shall pay CCM+S’ statements within thirty (30) days of the mailing of each statement. All amounts delinquent for thirty (30) days or more shall bear a service charge, not an interest charge, at the rate of 1.5 percent per month and CLIENT expressly acknowledges this obligation and duty to promptly pay all statements.

9. **DISCHARGE AND WITHDRAWAL.** CLIENT may discharge CCM+S at any time. CCM+S may withdraw with CLIENT’S consent or for good cause. Good cause shall be deemed to specifically include, but is not limited to, CLIENT’S failure to pay statements, CLIENT’S breach of this AGREEMENT, CLIENT’S refusal to cooperate with CCM+S or to follow CCM+S’ advice on a material matter or any other fact or circumstance that would render CCM+S’ continuing representation unlawful, unethical, or difficult.

10. **CONCLUSION OF SERVICES.** When services of CCM+S conclude, all unpaid charges shall become immediately due and payable. After CCM+S’ services conclude, CCM+S will, in conformity with the rules governing the practice of law, and upon CLIENT’S request, deliver CLIENT’S file to CLIENT, along with any CLIENT funds or property in the possession of CCM+S.

11. **DISCLAIMER OF GUARANTEE.** Nothing in this AGREEMENT and nothing in CCM+S’ statements or communications to CLIENT will be construed as a promise or guarantee about the outcome of CLIENT’S matter or the interpretation of any contract provision. CCM+S makes no such promises or guarantees.

12. **ARBITRATION/MEDIATION.** In the event of a dispute between CCM+S and CLIENT concerning the fees charged or the services provided to the CLIENT, the parties hereto agree that any such dispute may be placed into binding arbitration pursuant to state law. The parties agree that an express condition precedent to instituting arbitration or other legal proceeding shall be attending a mediation before a mutually agreed-to mediator and the parties agree to make a reasonable and good faith attempt to resolve any dispute. The mediation shall take place within one month after written request unless such time is extended by mutual agreement of both parties.

13. **ATTORNEYS’ FEES.** Except as otherwise provided herein, if a dispute should arise between the parties, the prevailing party shall be reimbursed for all reasonable expenses, including attorneys’ fees (including pre and post judgment attorneys’ fees), costs, consultants/experts’ fees, time expended by the parties billed at their normal and customary rate, and all other reasonable expenses incurred in resolving such dispute.
14. **EFFECTIVE DATE.** This AGREEMENT will take effect when CLIENT has performed the conditions stated in Paragraph 1, but its effective date will be retroactive to the date CCM+S first provided services. The date at the beginning of this AGREEMENT is for reference only. If for any reason this AGREEMENT does not take effect, CLIENT will be obligated to pay CCM+S the reasonable value of any services CCM+S may have performed for CLIENT.

15. **ERRORS AND OMISSIONS INSURANCE.** CCM+S maintains errors and omissions insurance coverage applicable to the services that it renders.

16. **MUTUAL NEGOTIATION.** The terms and conditions of this agreement have been negotiated between CCM+S and CLIENT and are hereby expressly agreed to by CLIENT.

17. **VENUE.** This AGREEMENT is deemed entered into at South Pasadena, California.

18. **METHOD AND MANNER OF COMMUNICATION.** By executing this AGREEMENT, CLIENT acknowledges and authorizes CCM+S to communicate with CLIENT by means including, but not limited to, electronic mail (e-mail), file transfer protocol (FTP), links to documents, or other cloud-based internet services. CLIENT authorizes CCM+S to transmit and/or receive documents or other communications to and/or from CLIENT or others by such means. CCM+S will not undertake any steps to encrypt such documents or communications when delivered by electronic means.

19. **WAIVER OF CALIFORNIA BUSINESS AND PROFESSIONS CODE SECTION 6148:** To the extent that the terms of this AGREEMENT may be deemed not to comply with the provisions of section 6148 of the California Business and Professions Code on legal fees and other charges, CLIENT hereby expressly agree to waive the requirements of that section. The full text of section 6148 can be found attached to this letter.

20. **EXECUTION OF THIS AGREEMENT:** By executing this AGREEMENT, CLIENT agrees that CLIENT has had sufficient time to review this AGREEMENT. Further, CLIENT has sought the advice of independent counsel, or agrees that CLIENT has had the opportunity to seek such advice. CLIENT understands and agrees that this AGREEMENT was entered into at arm’s length between

(Continued on next page.)
parties of equal bargaining strength and CLIENT has freely determined, without any duress, to sign and agree to the terms of this AGREEMENT.

Please sign, date, and return the AGREEMENT if you find it acceptable. Feel free to call if you have any questions.

Very truly yours,

COLLINS COLLINS MUIR + STEWART LLP

BRIAN K. STEWART

BKS/erd

I HAVE READ AND AGREE TO THE TERMS OF THIS RETAINER.

DATED: _________________, 2020

CITY OF ARCADIA

By: _________________________________
Dominic Lazzaretto
City Manager

APPROVED AS TO FORM:

DATED: _________________, 2020

By: _________________________________
Stephen Deitsch, Esq.
City Attorney
Fee for service contracts; Bills for services rendered

(a) In any case not coming within Section 6147 in which it is reasonably foreseeable that total expense to a client, including attorney fees, will exceed one thousand dollars ($1,000), the contract for services in the case shall be in writing. At the time the contract is entered into, the attorney shall provide a duplicate copy of the contract signed by both the attorney and the client, or the client’s guardian or representative, to the client or to the client’s guardian or representative. The written contract shall contain all of the following:

1. Any basis of compensation including, but not limited to, hourly rates, statutory fees or flat fees, and other standard rates, fees, and charges applicable to the case.
2. The general nature of the legal services to be provided to the client.
3. The respective responsibilities of the attorney and the client as to the performance of the contract.

(b) All bills rendered by an attorney to a client shall clearly state the basis thereof. Bills for the fee portion of the bill shall include the amount, rate, basis for calculation, or other method of determination of the attorney’s fees and costs. Bills for the cost and expense portion of the bill shall clearly identify the costs and expenses incurred and the amount of the costs and expenses. Upon request by the client, the attorney shall provide a bill to the client no later than 10 days following the request unless the attorney has provided a bill to the client within 31 days prior to the request, in which case the attorney may provide a bill to the client no later than 31 days following the date the most recent bill was provided. The client is entitled to make similar requests at intervals of no less than 30 days following the initial request. In providing responses to client requests for billing information, the attorney may use billing data that is currently effective on the date of the request, or, if any fees or costs to that date cannot be accurately determined, they shall be described and estimated.

(c) Failure to comply with any provision of this section renders the agreement voidable at the option of the client, and the attorney shall, upon the agreement being voided, be entitled to collect a reasonable fee.

(d) This section shall not apply to any of the following:

1. Services rendered in an emergency to avoid foreseeable prejudice to the rights or interests of the client or where a writing is otherwise impractical.
2. An arrangement as to the fee implied by the fact that the attorney’s services are of the same general kind as previously rendered to and paid for by the client.
3. If the client knowingly states in writing, after full disclosure of this section, that a writing concerning fees is not required.
4. If the client is a corporation.
5. This section applies prospectively only to fee agreements following its operative date.
6. This section shall become operative on January 1, 2000.
DATE: October 6, 2020

TO: Honorable Mayor and City Council

FROM: Hue Quach, Administrative Services Director
       By: Wilson Luo, Information Technology Manager

SUBJECT: RENEWAL OF MICROSOFT ENTERPRISE LICENSE AGREEMENT THROUGH SOFTWAREONE, INC. FOR MICROSOFT OFFICE 365 IN THE AMOUNT OF $111,282

Recommendation: Approve

SUMMARY

This report recommends approval to maintain a Microsoft Enterprise License Agreement ("MELA") through SoftwareOne, Inc., leveraging favorable pricing accessible to local government entities through the County of Riverside’s Master Agreement 01E73970. Renewal of MELA will allow the City to maintain conformity with software licensing requirements and continue access to cloud-based services and ensure availability of applicable software version updates.

This is the second year of a three-year MELA term with SoftwareOne. A budget of $111,282 has been appropriated in the Fiscal Year 2020-21. Subsequent annual costs are included in the Equipment Replacement Fund’s Five-Year Expenditure Forecast and will be proposed for adoption in their respective years. It is recommended that the City Council approve the renewal of the Microsoft Enterprise License Agreement through SoftwareOne.

BACKGROUND

The City’s core software infrastructure is based on Microsoft’s desktop, server, productivity, and communication products that require continuous maintenance patching as well as periodic version upgrades in order to meet operational needs and information security standards. While Microsoft provides the requisite patches and upgrades for several years following a product’s initial release, prior to the MELA many of the City’s software products were more than 10 years old and aged beyond Microsoft’s support period. The continued use of these products created significant security risks to the
City’s information technology operations. The modern product lines now licensed through the MELA have supported numerous upgrades across all City departments. Historically, the City’s Information Technology Support Services (“ITSS”) providers have assisted with the purchase of software licensing through various procurement vehicles. Prior to the MELA, there was no centralized mechanism enabling the City to directly manage and ensure compliance with software licensing requirements. Establishing the MELA has resolved this administrative deficiency.

**DISCUSSION**

Renewing the MELA will allow the City to continue the modernization and maintenance of server and desktop operating systems, provide access to state-of-the-art enterprise collaboration tools, office productivity platforms, product version updates, vendor support, and cloud-based services. Included in the MELA is licensing for Microsoft’s Office 365 Government G3 platform comprised of numerous applications and data storage benefits. These include Office desktop applications, government-only cloud file storage and sharing, online meetings and instant messaging, HD videoconferencing, intranet and team sites, personalized search and discovery, self-service business intelligence, enterprise management of apps, eDiscovery tools, and other services that meet municipality standard Security Policy requirements and are suitable for law enforcement agencies.

Examples of current operating systems and applications applicable to the City and eligible for continuous upgrade under MELA includes the platforms identified in Table 1.

<table>
<thead>
<tr>
<th>Table 1: Current Product Version</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1.</strong> Server Operating System (2019+)</td>
</tr>
<tr>
<td><strong>2.</strong> Desktop Operating System (10 Enterprise)</td>
</tr>
<tr>
<td><strong>3.</strong> Microsoft Exchange Server (2019+)</td>
</tr>
<tr>
<td><strong>4.</strong> Office 365 (2019+)</td>
</tr>
<tr>
<td><strong>5.</strong> Microsoft SQL Server (2017+)</td>
</tr>
<tr>
<td><strong>6.</strong> Microsoft Project (2019+)</td>
</tr>
<tr>
<td><strong>7.</strong> Microsoft Visio (2019+)</td>
</tr>
</tbody>
</table>

Additional benefits from renewing MELA include the following:

- **Software Updates**
  - New Version Rights for Applications
  - New Version Rights for Windows Desktop Operating Systems
New Version Rights for Windows Servers Operating Systems
New Version Rights for Server Client Access License (“CAL”)

- Services and Programs
  - Consolidated License Management
  - Additional 7.5% Discount Above Other Volume Licensing
  - Additional 15% Discount Across All 3 Enterprise Products
  - Home Use Program

- Maintenance and Support
  - 24 x 7 Phone Support Incidents
  - Web Incidents

- Transition Tools
  - Extended Hot-Fix Support for Windows Client and Servers

SoftwareOne was awarded with a three-year licensing agreement in September 2019, based on the most competitive pricing as shown in Table 2 below.

<table>
<thead>
<tr>
<th>Company</th>
<th>Annual Installment</th>
</tr>
</thead>
<tbody>
<tr>
<td>CDW</td>
<td>$134,258</td>
</tr>
<tr>
<td>SHI International</td>
<td>$126,076</td>
</tr>
<tr>
<td>SoftwareOne</td>
<td>$111,282</td>
</tr>
</tbody>
</table>

ENVIRONMENTAL ANALYSIS

The proposed action does not constitute a project under the California Environmental Quality Act (“CEQA”), and it is deemed to have no impact on the environment. Thus, this matter is exempt under CEQA.

FISCAL IMPACT

A budget of $111,282 has been appropriated in the Fiscal Year 2020-21. Subsequent annual costs are projected and included in the Equipment Replacement Five Year Expenditure Forecast and will be proposed for adoption in their respective years.
RECOMMENDATION

It is recommended that the City Council determine this project is exempt under the California Environmental Quality Act ("CEQA"); and approve the renewal of the Microsoft Enterprise License Agreement through SoftwareOne, Inc., for Microsoft Office 365 in the amount of $111,282.

Approved:

Dominic Lazzaretto
City Manager
DATE: October 6, 2020

TO: Honorable Mayor and City Council

FROM: Jason Kruckeberg, Assistant City Manager/Development Services Director  
Philip A. Wray, Deputy Director of Development Services/City Engineer  
Prepared by: Kevin Merrill, Principal Civil Engineer

SUBJECT: PROFESSIONAL SERVICES AGREEMENT WITH INFRASTRUCTURE MANAGEMENT SERVICES FOR THE PAVEMENT MANAGEMENT PROGRAM IN THE AMOUNT OF $51,495, IN ADDITION TO A 10% CONTINGENCY; AND RESOLUTION NO. 7334 AMENDING THE FISCAL YEAR 2020-21 CAPITAL IMPROVEMENT PROGRAM BUDGET AUTHORIZING A SUPPLEMENTAL APPROPRIATION IN THE AMOUNT OF $10,000 FROM THE PROPOSITION C FUND

Recommendation: Approve and Adopt

SUMMARY

Pavement Management Programs are required of local jurisdictions in order to receive federal, state, and county funding for street repair and maintenance projects. The City updates its program approximately every two years to monitor pavement deterioration and identify any changes in various pavement conditions. Updates include a full survey and rating of all arterial, collector, and local roadways.

A Request-for-Proposal (“RFP”) was sent to three qualified consultants; two proposals were received. Infrastructure Management Services provided the best proposal for the requested services.

It is recommended that the City Council approve, and authorize and direct the City Manager to execute, a Professional Services Agreement with Infrastructure Management Services for the City’s Pavement Management Program in the amount of $51,495, in addition to a 10% contingency. Due to the potential total cost, it will be necessary to increase the budget for this effort. It is, therefore, recommended that the City Council adopt Resolution No. 7334 amending the 2020-21 Fiscal year Capital Improvement Program budget authorizing a supplemental appropriation in the amount of $10,000 from the Proposition C Fund.
BACKGROUND

Most state and federal funding sources for roadway infrastructure improvements have requirements for cities to maintain an updated Pavement Management Program ("PMP"). The Los Angeles County Metropolitan Transportation Authority ("Metro") requires cities to maintain a current Pavement Management Program to remain eligible for County transportation funding like Propositions A and C, and Measures R and M. At a minimum, a PMP must cover the City’s arterial/collector network, and be updated every two years for a jurisdiction to remain in compliance.

A PMP is a useful planning tool to set thresholds for acceptable and failed pavement conditions, and to assist in prioritizing, budgeting, and decision-making related to pavement maintenance and rehabilitation. A PMP includes a survey of all roadways within the jurisdiction to monitor pavement deterioration and inventory conditions such as distress type, cause, and rate. The roadways are typically divided into manageable segments, and the survey data for each section is documented and systematically refined into a Pavement Condition Index ("PCI") rating, ranging from 1 to 100. A typical grouping of PCI’s is as follows:

<table>
<thead>
<tr>
<th>PCI Range</th>
<th>Pavement Condition</th>
</tr>
</thead>
<tbody>
<tr>
<td>86-100</td>
<td>Excellent</td>
</tr>
<tr>
<td>71-85</td>
<td>Very good</td>
</tr>
<tr>
<td>56-70</td>
<td>Good</td>
</tr>
<tr>
<td>41-55</td>
<td>Fair</td>
</tr>
<tr>
<td>26-40</td>
<td>Poor</td>
</tr>
<tr>
<td>11-25</td>
<td>Very Poor</td>
</tr>
<tr>
<td>0-10</td>
<td>Failed</td>
</tr>
</tbody>
</table>

As a result of the most recent update, the City’s overall weighted average PCI for all streets was 65.1, which is in the "Good" range. The weighted average PCI takes into account the pavement area for each segment when averaging all segments. When the PCI averages were separated for arterial/collector and local streets, the weighted average PCI for arterials/collectors was a 74.4 in the “Very Good” range, and the average for the locals was 58.2, at the low end of the “Good” range.

Previous PMP updates for the City were developed using data gathered by pavement inspectors and manually entered into a computer program. The program refined the data and converted it into PCI ratings. These program updates were very helpful but tended to be somewhat subjective due to the inherent human element in visual inspections. Because of these conditions, more staff time is necessary to review and check program output to verify the actual priority needs.
In 2017, the City awarded a Professional Services Agreement to IMS Infrastructure Management Services ("IMS") to prepare the City's PMP update. IMS utilized innovative survey technology such as lasers, digital cameras, and GIS measurements to perform a semi-automated survey of all of the city streets (arterial, collector, and local). The IMS update was more expensive than past updates, but the survey established a more objective, consistent, and comprehensive PCI database based upon actual surface conditions and physical characteristics of each segment. The results were extremely favorable.

The City's discretionary funds for road maintenance have generally been limited to arterial roadways like Huntington Drive and Santa Anita Avenue, and collectors like Second Avenue and Longden Avenue. Local streets have had no dedicated maintenance funding source and, therefore, have competed for Gas Tax funding with other important maintenance functions. Over the last few years, new funding sources for local street maintenance have become available, like the SB1-Road Maintenance and Rehabilitation Act ("RMRA") and County Measure M. These funding sources have allowed the City to take on more substantial local street repaving projects. Because of all the recent repaving activity, as well as the ongoing slurry seal projects around the City, this Pavement Management Program update will again include a full survey of all roadways to maintain a complete and accurate current status.

**DISCUSSION**

A Request-for-Proposal ("RFP") was prepared to seek professional services for an update to the City’s PMP with the intention of utilizing the same innovative methodology as the last update. The RFP was sent to three (3) qualified firms in July 2020, and two (2) proposals were received in August 2020 as follows:

<table>
<thead>
<tr>
<th>COMPANY</th>
<th>AMOUNT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Infrastructure Management Services (IMS)</td>
<td>$47,995</td>
</tr>
<tr>
<td>NCE</td>
<td>$76,300</td>
</tr>
</tbody>
</table>

Both firms are very qualified and proposed services consistent with the City's RFP. The IMS proposal cost reflects savings from their past work in Arcadia. Their services for the previous PMP update were excellent and they presented the best proposal to provide the requested services. IMS has over 30 years of experience in infrastructure management, and has provided infrastructure management services to many southern California cities.

The RFP requested several additional services to be considered at the City's discretion. To save cost on the previous update, no written final report was required. The final product was in the form of databases and explanations on how to utilize them. Upon completion of the last update, it was determined that a formal written report is beneficial for a better understanding of the process and results, and for ease of extracting
information. The additional cost for the written final report is $3,500, bringing the total cost of services to $51,495. The Budget for these services is $50,000, so an additional appropriation is requested in the amount of $10,000 to cover the additional cost, the typical 10% contingency, and previously incurred staff time charges to research and administer the RFP.

ENVIRONMENTAL ANALYSIS

The California Environmental Quality Act (“CEQA”) is not applicable to the Pavement Management Program Update because the program is not considered a project pursuant to CEQA definition of a “Project” in Section 21065 of the CEQA Guidelines.

FISCAL IMPACT

The Pavement Management Plan update was budgeted at $50,000 from Measure M funds in the 2018-19 Capital Improvement Program. Some staff time expenses have been incurred in the professional services selection process. The total cost for the IMS proposal is $51,495. In order to cover the previous expenses, the proposal, and a 10% contingency, an additional appropriation of $10,000 from Proposition C funds is requested. No General Funds are needed for this project.

RECOMMENDATION

It is recommended that the City Council determine that this project is exempt under the California Environmental Quality Act (“CEQA”); approve, authorize, and direct the City Manager to execute a Professional Services Agreement with Infrastructure Management Services for the City’s Pavement Management Program in the amount of $51,495, in addition to a 10% contingency; and adopt Resolution No. 7334 amending the Fiscal Year 2020-21 Capital Improvement Program Budget authorizing a supplemental appropriation in the amount of $10,000 from the Proposition C Fund.

Approved:

Dominic Lazzaretto
City Manager

Attachments: Proposed Professional Services Agreement
Resolution No. 7334
This Agreement is made and entered into as of ________________, 20____ by and between the City of Arcadia, a municipal corporation organized and operating under the laws of the State of California with its principal place of business at 240 West Huntington Drive, Arcadia, California 91066 ("City"), and IMS Infrastructure Management Services, an Arizona Limited Liability Company, with its principal place of business at 1820 West Drake Drive, Suite 104, Tempe, Arizona 85283 (hereinafter referred to as "Consultant"). City and Consultant are sometimes individually referred to as "Party" and collectively as "Parties" in this Agreement.

RECITALS

A. City is a public agency of the State of California and is in need of professional services for the following project:

PAVEMENT MANAGEMENT PROGRAM
(thereinafter referred to as "the Project").

B. Consultant is duly licensed and has the necessary qualifications to provide such services.

C. The Parties desire by this Agreement to establish the terms for City to retain Consultant to provide the services described herein.

AGREEMENT

NOW, THEREFORE, IT IS AGREED AS FOLLOWS:

1. Services.

Consultant shall provide the City with the services described in the Scope of Services attached hereto as Exhibit “A.”

2. Compensation.

   a. Subject to paragraph 2(b) below, the City shall pay for such services in accordance with the Schedule of Charges set forth in Exhibit “B.”

   b. In no event shall the total amount paid for services rendered by Consultant under this Agreement exceed the sum of $51,495.00. This amount is to cover all printing and related costs, and the City will not pay any additional fees for printing expenses. Periodic payments shall be made within 30 days of receipt of an invoice, which includes a detailed description of the work performed. Payments to Consultant for work performed will be made on a monthly billing basis.

3. Additional Work.

If changes in the work seem merited by Consultant or the City, and informal consultations with the other party indicate that a change is warranted, it shall be processed in the following manner: a letter outlining the changes shall be forwarded to the City by Consultant with a
statement of estimated changes in fee or time schedule. An amendment to this Agreement shall be prepared by the City and executed by both Parties before performance of such services, or the City will not be required to pay for the changes in the scope of work. Such amendment shall not render ineffective or invalidate unaffected portions of this Agreement.


Books, documents, papers, accounting records, and other evidence pertaining to costs incurred shall be maintained by Consultant and made available at all reasonable times during the contract period and for four (4) years from the date of final payment under the contract for inspection by City.

5. Term.

The term of this Agreement shall be from [insert start date] to [insert end date], unless earlier terminated as provided herein. The Parties may, by mutual, written consent, extend the term of this Agreement if necessary to complete the Project. Consultant shall perform its services in a prompt and timely manner within the term of this Agreement and shall commence performance upon receipt of written notice from the City to proceed (“Notice to Proceed”). The Notice to Proceed shall set forth the date of commencement of work.

Consultant shall perform its services in a prompt and timely manner and shall commence performance upon receipt of written notice from the City to proceed (“Notice to Proceed”). Consultant shall complete the services required hereunder within 120 calendar days. The Notice to Proceed shall set forth the date of commencement of work.


a. Neither City nor Consultant shall be considered in default of this Agreement for delays in performance caused by circumstances beyond the reasonable control of the non-performing party. For purposes of this Agreement, such circumstances include but are not limited to, abnormal weather conditions; floods; earthquakes; fire; epidemics; war; riots and other civil disturbances; strikes, lockouts, work slowdowns, and other labor disturbances; sabotage or judicial restraint.

b. Should such circumstances occur, the non-performing party shall, within a reasonable time of being prevented from performing, give written notice to the other party describing the circumstances preventing continued performance and the efforts being made to resume performance of this Agreement.

7. Compliance with Law.

a. Consultant shall comply with all applicable laws, ordinances, codes and regulations of the federal, state and local government, including Cal/OSHA requirements.

b. If required, Consultant shall assist the City, as requested, in obtaining and maintaining all permits required of Consultant by federal, state and local regulatory agencies.

c. If applicable, Consultant is responsible for all costs of clean up and/or removal of hazardous and toxic substances spilled as a result of his or her services or operations performed under this Agreement.
8. **Standard of Care**

Consultant’s services will be performed in accordance with generally accepted professional practices and principles and in a manner consistent with the level of care and skill ordinarily exercised by members of the profession currently practicing under similar conditions.

9. **Assignment and Subconsultant**

Consultant shall not assign, sublet, or transfer this Agreement or any rights under or interest in this Agreement without the written consent of the City, which may be withheld for any reason. Any attempt to so assign or so transfer without such consent shall be void and without legal effect and shall constitute grounds for termination. Subcontracts, if any, shall contain a provision making them subject to all provisions stipulated in this Agreement. Nothing contained herein shall prevent Consultant from employing independent associates, and subconsultants as Consultant may deem appropriate to assist in the performance of services hereunder.

10. **Independent Contractor**

Consultant is retained as an independent contractor and is not an employee of City. No employee or agent of Consultant shall become an employee of City. The work to be performed shall be in accordance with the work described in this Agreement, subject to such directions and amendments from City as herein provided.

11. **Insurance.** Consultant shall not commence work for the City until it has provided evidence satisfactory to the City it has secured all insurance required under this section. In addition, Consultant shall not allow any subcontractor to commence work on any subcontract until it has secured all insurance required under this section.

   a. **Commercial General Liability**

      (i) The Consultant shall take out and maintain, during the performance of all work under this Agreement, in amounts not less than specified herein, Commercial General Liability Insurance, in a form and with insurance companies acceptable to the City.

      (ii) Coverage for Commercial General Liability insurance shall be at least as broad as the following:

         (1) Insurance Services Office Commercial General Liability coverage (Occurrence Form CG 00 01) or exact equivalent.

         (iii) Commercial General Liability Insurance must include coverage for the following:

            (1) Bodily Injury and Property Damage
            (2) Personal Injury/Advertising Injury
            (3) Premises/Operations Liability
            (4) Products/Completed Operations Liability
            (5) Aggregate Limits that Apply per Project
            (6) Explosion, Collapse and Underground (UCX) exclusion deleted
            (7) Contractual Liability with respect to this Agreement
            (8) Property Damage
(9) Independent Consultants Coverage

(iv) The policy shall contain no endorsements or provisions limiting coverage for (1) contractual liability; (2) cross liability exclusion for claims or suits by one insured against another; (3) products/completed operations liability; or (4) contain any other exclusion contrary to the Agreement.

(v) The policy shall give City, its officials, officers, employees, agents and City designated volunteers additional insured status using ISO endorsement forms CG 20 10 10 01 and 20 37 10 01, or endorsements providing the exact same coverage.

(vi) The general liability program may utilize either deductibles or provide coverage excess of a self-insured retention, subject to written approval by the City, and provided that such deductibles shall not apply to the City as an additional insured.

b. Automobile Liability

(i) At all times during the performance of the work under this Agreement, the Consultant shall maintain Automobile Liability Insurance for bodily injury and property damage including coverage for owned, non-owned and hired vehicles, in a form and with insurance companies acceptable to the City.

(ii) Coverage for automobile liability insurance shall be at least as broad as Insurance Services Office Form Number CA 00 01 covering automobile liability (Coverage Symbol 1, any auto).

(iii) The policy shall give City, its officials, officers, employees, agents and City designated volunteers additional insured status.

(iv) Subject to written approval by the City, the automobile liability program may utilize deductibles, provided that such deductibles shall not apply to the City as an additional insured, but not a self-insured retention.

c. Workers’ Compensation/Employer’s Liability

(i) Consultant certifies that he/she is aware of the provisions of Section 3700 of the California Labor Code, which requires every employer to be insured against liability for workers’ compensation or to undertake self-insurance in accordance with the provisions of that code, and he/she will comply with such provisions before commencing work under this Agreement.

(ii) To the extent Consultant has employees at any time during the term of this Agreement, at all times during the performance of the work under this Agreement, the Consultant shall maintain full compensation insurance for all persons employed directly by him/her to carry out the work contemplated under this Agreement, all in accordance with the “Workers’ Compensation and Insurance Act,” Division IV of the Labor Code of the State of California and any acts amendatory thereof, and Employer’s Liability Coverage in amounts indicated herein. Consultant shall require all subconsultants to obtain and maintain, for the period required by this Agreement, workers’ compensation coverage of the same type and limits as specified in this section.
d. Professional Liability (Errors and Omissions)

At all times during the performance of the work under this Agreement the
Consultant shall maintain professional liability or Errors and Omissions insurance appropriate to
its profession, in a form and with insurance companies acceptable to the City and in an amount
indicated herein. This insurance shall be endorsed to include contractual liability applicable to
this Agreement and shall be written on a policy form coverage specifically designed to protect
against acts, errors or omissions of the Consultant. “Covered Professional Services” as
designated in the policy must specifically include work performed under this Agreement. The
policy must “pay on behalf of” the insured and must include a provision establishing the insurer's
duty to defend.

e. Minimum Policy Limits Required

(i) The following insurance limits are required for the Agreement:

<table>
<thead>
<tr>
<th>Insurance Type</th>
<th>Limits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commercial General Liability</td>
<td>$1,000,000 per occurrence/ $2,000,000 aggregate for bodily injury, personal injury, and property damage</td>
</tr>
<tr>
<td>Automobile Liability</td>
<td>$1,000,000 per occurrence for bodily injury and property damage</td>
</tr>
<tr>
<td>Employer’s Liability</td>
<td>$1,000,000 per occurrence</td>
</tr>
<tr>
<td>Professional Liability</td>
<td>$1,000,000 per claim and aggregate (errors and omissions)</td>
</tr>
</tbody>
</table>

(ii) Defense costs shall be payable in addition to the limits.

(iii) Requirements of specific coverage or limits contained in this
section are not intended as a limitation on coverage, limits, or other requirement, or a waiver of
any coverage normally provided by any insurance. Any available coverage shall be provided to
the parties required to be named as Additional Insured pursuant to this Agreement.

f. Evidence Required

Prior to execution of the Agreement, the Consultant shall file with the City evidence of
insurance from an insurer or insurers certifying to the coverage of all insurance required
herein. Such evidence shall include original copies of the ISO CG 00 01 (or insurer's equivalent)
signed by the insurer’s representative and Certificate of Insurance (Acord Form 25-S or
equivalent), together with required endorsements. All evidence of insurance shall be signed by
a properly authorized officer, agent, or qualified representative of the insurer and shall certify the
names of the insured, any additional insureds, where appropriate, the type and amount of the
insurance, the location and operations to which the insurance applies, and the expiration date of
such insurance.
g. Policy Provisions Required

(i) Consultant shall provide the City at least thirty (30) days prior written notice of cancellation of any policy required by this Agreement, except that the Consultant shall provide at least ten (10) days prior written notice of cancellation of any such policy due to non-payment of premium. If any of the required coverage is cancelled or expires during the term of this Agreement, the Consultant shall deliver renewal certificate(s) including the General Liability Additional Insured Endorsement to the City at least ten (10) days prior to the effective date of cancellation or expiration.

(ii) The Commercial General Liability Policy and Automobile Policy shall each contain a provision stating that Consultant’s policy is primary insurance and that any insurance, self-insurance or other coverage maintained by the City or any named insureds shall not be called upon to contribute to any loss.

(iii) The retroactive date (if any) of each policy is to be no later than the effective date of this Agreement. Consultant shall maintain such coverage continuously for a period of at least three years after the completion of the work under this Agreement. Consultant shall purchase a one (1) year extended reporting period A) if the retroactive date is advanced past the effective date of this Agreement; B) if the policy is cancelled or not renewed; or C) if the policy is replaced by another claims-made policy with a retroactive date subsequent to the effective date of this Agreement.

(iv) All required insurance coverages, except for the professional liability coverage, shall contain or be endorsed to waiver of subrogation in favor of the City, its officials, officers, employees, agents, and volunteers or shall specifically allow Consultant or others providing insurance evidence in compliance with these specifications to waive their right of recovery prior to a loss. Consultant hereby waives its own right of recovery against City, and shall require similar written express waivers and insurance clauses from each of its subconsultants.

(v) The limits set forth herein shall apply separately to each insured against whom claims are made or suits are brought, except with respect to the limits of liability. Further the limits set forth herein shall not be construed to relieve the Consultant from liability in excess of such coverage, nor shall it limit the Consultant’s indemnification obligations to the City and shall not preclude the City from taking such other actions available to the City under other provisions of the Agreement or law.

h. Qualifying Insurers

(i) All policies required shall be issued by acceptable insurance companies, as determined by the City, which satisfy the following minimum requirements:

(1) Each such policy shall be from a company or companies with a current A.M. Best’s rating of no less than A:VII and admitted to transact in the business of insurance in the State of California, or otherwise allowed to place insurance through surplus line brokers under applicable provisions of the California Insurance Code or any federal law.
i. Additional Insurance Provisions

   (i) The foregoing requirements as to the types and limits of insurance coverage to be maintained by Consultant, and any approval of said insurance by the City, is not intended to and shall not in any manner limit or qualify the liabilities and obligations otherwise assumed by the Consultant pursuant to this Agreement, including but not limited to, the provisions concerning indemnification.

   (ii) If at any time during the life of the Agreement, any policy of insurance required under this Agreement does not comply with these specifications or is canceled and not replaced, City has the right but not the duty to obtain the insurance it deems necessary and any premium paid by City will be promptly reimbursed by Consultant or City will withhold amounts sufficient to pay premium from Consultant payments. In the alternative, City may cancel this Agreement.

   (iii) The City may require the Consultant to provide complete copies of all insurance policies in effect for the duration of the Project.

   (iv) Neither the City nor any of its officials, officers, employees, agents or volunteers shall be personally responsible for any liability arising under or by virtue of this Agreement.

j. Subconsultant Insurance Requirements. Consultant shall not allow any subcontractors or subconsultants to commence work on any subcontract until they have provided evidence satisfactory to the City that they have secured all insurance required under this section. Policies of commercial general liability insurance provided by such subcontractors or subconsultants shall be endorsed to name the City as an additional insured using ISO form CG 20 38 04 13 or an endorsement providing the exact same coverage. If requested by Consultant, City may approve different scopes or minimum limits of insurance for particular subcontractors or subconsultants.

12. Indemnification.

   a. To the fullest extent permitted by law, Consultant shall defend (with counsel of City’s choosing), indemnify and hold the City, its officials, officers, employees, volunteers, and agents free and harmless from any and all claims, demands, causes of action, costs, expenses, liability, loss, damage or injury of any kind, in law or equity, to property or persons, including wrongful death, in any manner arising out of, pertaining to, or incident to any acts, errors or omissions, or willful misconduct of Consultant, its officials, officers, employees, subcontractors, consultants or agents in connection with the performance of the Consultant’s services, the Project or this Agreement, including without limitation the payment of all damages, expert witness fees and attorney’s fees and other related costs and expenses. Consultant’s obligation to indemnify shall not be restricted to insurance proceeds, if any, received by Consultant, the City, its officials, officers, employees, agents, or volunteers.

   b. To the extent required by Civil Code section 2782.8, which is fully incorporated herein, Consultant’s obligations under the above indemnity shall be limited to claims that arise out of, pertain to, or relate to the negligence, recklessness, or willful misconduct of the Consultant, but shall not otherwise be reduced. If Consultant’s obligations to defend, indemnify, and/or hold harmless arise out of Consultant’s performance of “design professional services” (as that term is defined under Civil Code section 2782.8), then upon Consultant obtaining a final
adjudication that liability under a claim is caused by the comparative active negligence or willful misconduct of the City, Consultant’s obligations shall be reduced in proportion to the established comparative liability of the City and shall not exceed the Consultant’s proportionate percentage of fault.


a. Consultant is aware of the requirements of California Labor Code Sections 1720 et seq. and 1770 et seq., which require the payment of prevailing wage rates and the performance of other requirements on certain “public works” and “maintenance” projects (“Prevailing Wage Laws”). If the services are being performed as part of an applicable “public works” or “maintenance” project, as defined by the Prevailing Wage Laws, and if the total compensation is $15,000 or more for maintenance or $25,000 or more for construction, alteration, demolition, installation, or repair, Consultant agrees to fully comply with such Prevailing Wage Laws. Consultant shall defend, indemnify and hold the City, its officials, officers, employees and agents free and harmless from any claims, liabilities, costs, penalties or interest arising out of any failure or alleged failure to comply with the Prevailing Wage Laws. It shall be mandatory upon the Consultant and all subconsultants to comply with all California Labor Code provisions, which include but are not limited to prevailing wages (Labor Code Sections 1771, 1774 and 1775), employment of apprentices (Labor Code Section 1777.5), certified payroll records (Labor Code Sections 1771.4 and 1776), hours of labor (Labor Code Sections 1813 and 1815) and debarment of contractors and subcontractors (Labor Code Section 1777.1).

b. If the services are being performed as part of an applicable “public works” or “maintenance” project and if the total compensation is $15,000 or more for maintenance or $25,000 or more for construction, alteration, demolition, installation, or repair, then pursuant to Labor Code Sections 1725.5 and 1771.1, the Consultant and all subconsultants performing such services must be registered with the Department of Industrial Relations. Consultant shall maintain registration for the duration of the Project and require the same of any subconsultants, as applicable. This Project may also be subject to compliance monitoring and enforcement by the Department of Industrial Relations. It shall be Consultant’s sole responsibility to comply with all applicable registration and labor compliance requirements.

c. This Agreement may also be subject to compliance monitoring and enforcement by the Department of Industrial Relations. It shall be Consultant’s sole responsibility to comply with all applicable registration and labor compliance requirements. Any stop orders issued by the Department of Industrial Relations against Consultant or any subcontractor that affect Consultant’s performance of services, including any delay, shall be Consultant’s sole responsibility. Any delay arising out of or resulting from such stop orders shall be considered Consultant caused delay and shall not be compensable by the City. Consultant shall defend, indemnify and hold the City, its officials, officers, employees and agents free and harmless from any claim or liability arising out of stop orders issued by the Department of Industrial Relations against Consultant or any subcontractor.

14. Verification of Employment Eligibility.

By executing this Agreement, Consultant verifies that it fully complies with all requirements and restrictions of state and federal law respecting the employment of undocumented aliens, including, but not limited to, the Immigration Reform and Control Act of 1986, as may be amended from time to time, and shall require all subconsultants and sub-subconsultants to comply with the same.
15. **Laws and Venue.**

This Agreement shall be interpreted in accordance with the laws of the State of California. If any action is brought to interpret or enforce any term of this Agreement, the action shall be brought in a state or federal court situated in the County of Los Angeles, State of California.

16. **Termination or Abandonment**

   a. City has the right to terminate or abandon any portion or all of the work under this Agreement by giving ten (10) calendar days written notice to Consultant. In such event, City shall be immediately given title and possession to all original field notes, drawings and specifications, written reports and other documents produced or developed for that portion of the work completed and/or being abandoned. City shall pay Consultant the reasonable value of services rendered for any portion of the work completed prior to termination. If said termination occurs prior to completion of any task for the Project for which a payment request has not been received, the charge for services performed during such task shall be the reasonable value of such services, based on an amount mutually agreed to by City and Consultant of the portion of such task completed but not paid prior to said termination. City shall not be liable for any costs other than the charges or portions thereof, which are specified herein. Consultant shall not be entitled to payment for unperformed services, and shall not be entitled to damages or compensation for termination of work.

   b. Consultant may terminate its obligation to provide further services under this Agreement upon thirty (30) calendar days’ written notice to City only in the event of substantial failure by City to perform in accordance with the terms of this Agreement through no fault of Consultant.

17. **Documents.** Except as otherwise provided in “Termination or Abandonment,” above, all original field notes, written reports, Drawings and Specifications and other documents, produced or developed for the Project shall, upon payment in full for the services described in this Agreement, be furnished to and become the property of the City.

18. **Organization**

Consultant shall assign Jim Tourek as Project Manager. The Project Manager shall not be removed from the Project or reassigned without the prior written consent of the City.

19. **Limitation of Agreement.**

This Agreement is limited to and includes only the work included in the Project described above.
20. **Notice**

Any notice or instrument required to be given or delivered by this Agreement may be given or delivered by depositing the same in any United States Post Office, certified mail, return receipt requested, postage prepaid, addressed to:

**CITY:**
City of Arcadia  
240 West Huntington Drive  
Arcadia, CA 91066  
Attn: Philip A. Wray, Deputy Director of Development Services/City Engineer

**CONSULTANT:**
IMS Infrastructure Management Services  
1820 West Drake Drive, Suite 104  
Tempe, AZ 85283  
Attn: Jim Tourek

And shall be effective upon receipt thereof.

22. **Third Party Rights**

Nothing in this Agreement shall be construed to give any rights or benefits to anyone other than the City and the Consultant.

23. **Equal Opportunity Employment.**

Consultant represents that it is an equal opportunity employer and that it shall not discriminate against any employee or applicant for employment because of race, religion, color, national origin, ancestry, sex, age or other interests protected by the State or Federal Constitutions. Such non-discrimination shall include, but not be limited to, all activities related to initial employment, upgrading, demotion, transfer, recruitment or recruitment advertising, layoff or termination.

24. **Entire Agreement**

This Agreement, with its exhibits, represents the entire understanding of City and Consultant as to those matters contained herein, and supersedes and cancels any prior or contemporaneous oral or written understanding, promises or representations with respect to those matters covered hereunder. Each party acknowledges that no representations, inducements, promises or agreements have been made by any person which are not incorporated herein, and that any other agreements shall be void. This Agreement may not be modified or altered except in writing signed by both Parties hereto. This is an integrated Agreement.

25. **Severability**

The unenforceability, invalidity or illegality of any provision(s) of this Agreement shall not render the provisions unenforceable, invalid or illegal.

26. **Successors and Assigns**

This Agreement shall be binding upon and shall inure to the benefit of the successors in interest, executors, administrators and assigns of each party to this Agreement. However,
Consultant shall not assign or transfer by operation of law or otherwise any or all of its rights, burdens, duties or obligations without the prior written consent of City. Any attempted assignment without such consent shall be invalid and void.

27. **Non-Waiver**

None of the provisions of this Agreement shall be considered waived by either party, unless such waiver is specifically specified in writing.

28. **Time of Essence**

Time is of the essence for each and every provision of this Agreement.

29. **City’s Right to Employ Other Consultants**

City reserves its right to employ other consultants, including engineers, in connection with this Project or other projects.

30. **Prohibited Interests**

Consultant maintains and warrants that it has not employed nor retained any company or person, other than a bona fide employee working solely for Consultant, to solicit or secure this Agreement. Further, Consultant warrants that it has not paid nor has it agreed to pay any company or person, other than a bona fide employee working solely for Consultant, any fee, commission, percentage, brokerage fee, gift or other consideration contingent upon or resulting from the award or making of this Agreement. For breach or violation of this warranty, City shall have the right to rescind this Agreement without liability. For the term of this Agreement, no director, official, officer or employee of City, during the term of his or her service with City, shall have any direct interest in this Agreement, or obtain any present or anticipated material benefit arising therefrom.

[SIGNATURES ON FOLLOWING PAGE]
SIGNATURE PAGE FOR PROFESSIONAL SERVICES AGREEMENT
BETWEEN THE CITY OF ARCADIA
AND IMS INFRASTRUCTURE MANAGEMENT SERVICES

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the date first written above.

CITY OF ARCADIA

By: ____________________________
   Dominic Lazzaretto
   City Manager

IMS INFRASTRUCTURE MANAGEMENT SERVICES

By: ____________________________
   Its: ____________________________
   Printed Name: ____________________________

ATTEST:

By: ____________________________
   Its: ____________________________
   Printed Name: ____________________________

APPROVED AS TO FORM:

By: ____________________________
   City Attorney

CONCUR:

By: ____________________________
   Jason Kruckeberg, Assistant City Manager/Development Services Director
EXHIBIT A
Scope of Services

Existing Pavement Inventory

The consultant shall obtain all the necessary information from the City to understand the City’s arterial roadway system. The consultant shall review the latest Pavement Management Program for reference to establish roadway segments. For this Pavement Management Program update, the following survey/evaluation schedule shall be assumed:

- All Arterial and Collector roadways surveyed – Approximately 69 centerline miles, all surveyed every two years.
- Local roadways surveyed – A total of approximately 96.5 centerline miles surveyed every two years.

Proposed Software

The consultant shall propose a software program to manage the surveys and PCI determination, and one that is compatible with the City’s GIS system. The proposal shall include an explanation of the proposed software and the benefits of its use.

Street Segment Survey Set-Up

The consultant shall organize the database of street segments similar to the past programs with the flexibility to work with the existing EMS smart excel program or the optional task of an excel file configured for import into MicroPAVER.

Survey Method and Condition Attributes for PCI Generation

The consultant shall utilize innovative survey technology to perform a semi-automated survey of all of the City streets (arterial, collector and residential). Every mile of street shall be surveyed. The survey shall establish an objective, consistent, and comprehensive PCI database of pavement characteristics and distress types based upon actual surface conditions and physical characteristics of each segment. The consultant shall utilize the latest advancements in technology such as lasers, digital cameras, and GIS measurements to review and rate streets. The City is also seeking to integrate the information with the City’s existing GIS system.

The pavement ratings assigned to each roadway segment shall be based on the attributes consistent with the software, but should include the various types of distresses like alligator, block, transverse, edge cracking, raveling, bleeding. Attributes should also include ride quality and drainage condition.

As a result of the survey, a Pavement Condition Index (PCI) rating shall be assigned to each segment as an overall condition assessment. The numbering system shall range between 0-100, with 100 indicating new pavement.
Pavement Data Tables

The services shall include detailed and accurate data of the PCI’s separated into two categories: Arterial/collector streets and local/residential streets. All streets shall be listed with the PCI’s and the segment attributes identified above with filtering and queries available in an updated Excel database, MicroPAVER program (two new licenses), or in a new software application. The last two are optional items.

For purposes of an optional printed report, all street segments shall be divided into the two categories (arterial/collector and residential) and sorted both alphabetically and by PCI ranking.

Pavement Management Recommendations

The services shall include the following elements:

A. Categories for PCI rankings (like Poor, Fair, Good, Very Good, etc.)
B. Total pavement square footages for each category
C. Methods of improvements for each category
D. Unit costs for each improvement category
E. Total costs associated with improving each category by street segment
F. Total cost for all improvements (in total and by street type)

At this time, there is no need to establish an annual/ongoing Capital Improvement Program for the deficiencies.

Compatibility with the City of Arcadia’s GIS

The consultant shall create GIS layer(s) in ESRI based ArcGIS file format for the segment PCI ratings, correctly geo-referenced to the City's GIS coordinate system. The consultant shall be responsible for ensuring that the PCI data is compatible with the existing excel database, and providing the new database and ArcGIS file for use on the City's computer system. This will be tested and accepted by City staff with remote support from the selected consultant.

Final Report (Optional Task)

The final report shall be prepared to incorporate the results of the semi-automated survey as follows:

A. Executive Summary to include an overview of the program and the statistics and a summary of the results

B. Discussion of the City's road network and statistics; an explanation of the methodology, software, and a summary of the PCI conditions with weighted averages for both street categories; and a discussion of improvement strategies with unit costs and a cost summary
C. PCI Tables separated by Arterial/Collector and Local/Residential streets organized as follows:

   I.  Alphabetical order  
   II. PCI Ranking  
   III. Alphabetical by segment (for local/residential only)  
   IV. PCI Ranking by segment (for local/residential only)

D. PCI Map (ArcGIS electronic pdf file format only for City to print hard copies)
EXHIBIT B

Schedule of Charges/Payments

Consultant will invoice City on a monthly cycle. Consultant will include with each invoice a detailed progress report that indicates the amount of budget spent on each task. Consultant will inform City regarding any out-of-scope work being performed by Consultant. This is a time-and-materials contract based on Consultant hourly rate per attached table. Total not to exceed $51,495.
Thank you for selecting IMS to conduct the network wide pavement data collection assignment. IMS is proposing to utilize our new LCMS2 Laser Road Surface Tester for the acquisition of pavement condition.

Hourly Rates:

<table>
<thead>
<tr>
<th>Project Role</th>
<th>IMS Personnel</th>
<th>Hourly Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Principal/Project Engineer</td>
<td>Kurt Keifer</td>
<td>$140</td>
</tr>
<tr>
<td>Senior Project Engineer</td>
<td>Dave Butler</td>
<td>$140</td>
</tr>
<tr>
<td>Intermediate Project Engineer</td>
<td>David Bratton</td>
<td>$120</td>
</tr>
<tr>
<td>Intermediate Project Engineer</td>
<td>Roy Barkman</td>
<td>$100</td>
</tr>
<tr>
<td>Senior GIS Technologist</td>
<td>Sara Thompson</td>
<td>$100</td>
</tr>
<tr>
<td>Client Services Manager</td>
<td>Jim Tourek</td>
<td>$85</td>
</tr>
<tr>
<td>Technologist</td>
<td>Mike Powell</td>
<td>$85</td>
</tr>
<tr>
<td>RST Crew Chief/Operator</td>
<td>TBD</td>
<td>$100</td>
</tr>
<tr>
<td>RST Driver</td>
<td>TBD</td>
<td>$85</td>
</tr>
</tbody>
</table>

Thank you for your interest in IMS as your pavement management specialists. We will strive to remain an asset and extension of the City of Arcadia staff and team. If any questions arise please do not hesitate to contact me at (480) 462-4030 or jtourek@imsanalysis.com.

Regards,

IMS Infrastructure Management Services

Jim Tourek, West Region Manager of Client Services
RESOLUTION NO. 7334

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF ARCADIA, CALIFORNIA, AMENDING THE FISCAL YEAR 2020-21 CAPITAL IMPROVEMENT PROGRAM BUDGET BY AUTHORIZING A SUPPLEMENTAL APPROPRIATION FOR THE PAVEMENT MANAGEMENT PROGRAM IN THE AMOUNT OF $10,000, OFFSET BY A REDUCTION IN THE PROPOSITION C FUND

WHEREAS, in June 2018, the City approved a Project to update the Pavement Management Plan as part of the 2018-19 Capital Improvement Program;

WHEREAS, in August 2020, the City received two proposals for professional services to prepare the Pavement Management Plan update;

WHEREAS, Infrastructure Management Services, an Arizona Limited Liability Company, has been selected to provide those services;

WHEREAS, an additional appropriation of funds is necessary to cover the cost of the services; and

WHEREAS, the City Manager has certified that there are sufficient reserves available in the Proposition C Funds for appropriation;

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF ARCADIA, CALIFORNIA, DOES FIND, DETERMINE AND RESOLVE AS FOLLOWS:

SECTION 1. The sum of Ten Thousand Dollars ($10,000) is hereby appropriated from funds designated for the Pavement Management Plan, offset with an equal reduction in the Proposition C Fund.

SECTION 2. The City Clerk shall certify to the adoption of this Resolution.

[SIGNATURES ON NEXT PAGE]
Passed, approved and adopted this 6th day of October, 2020.

Mayor of the City of Arcadia

ATTEST:

City Clerk

APPROVED AS TO FORM:

Stephen P. Deitsch
City Attorney
DATE: October 6, 2020

TO: Honorable Mayor and City Council

FROM: Tom Tait, Public Works Services Director
By: Vanessa Hevener, Environmental Services Officer

SUBJECT: AMENDMENT TO THE PROFESSIONAL SERVICES AGREEMENT WITH BEST BEST & KRIEGER, LLP FOR PROFESSIONAL LOBBYING AND CONSULTING SERVICES TO SECURE GRANT FUNDING FOR WATER AND STORMWATER RELATED PROJECTS IN THE AMOUNT OF $25,323.08

Recommendation: Approve

SUMMARY

On October 1, 2019, the City Council awarded a Professional Services Agreement to Best Best & Krieger, LLP ("BB&K"), for professional lobbying and consulting services to secure grant funding for water and stormwater related projects. The cost of the contract was $84,000 a year divided among member agencies of the Rio Hondo/San Gabriel River Water Quality Group (the “Group”), which is comprised of the Cities of Arcadia, Bradbury, Duarte, Monrovia, and Sierra Madre. Based on the cost share formula, Arcadia’s cost is $25,323.08 per year. BB&K is reaching the end of contract term and has submitted a written offer to extend their contract for an additional year with no increase in pricing. This is the first extension to the contract. All terms and conditions of the contract will remain the same.

It is recommended that the City Council approve, authorize, and direct the City Manager to execute an amendment to the Professional Services Agreement with Best Best & Krieger, LLP for Professional Lobbying and Consulting Services for water and stormwater related projects in the amount $25,323.08.

BACKGROUND

In 2007, the Cities of Arcadia and Sierra Madre were awarded a joint authorization of $20 million dollars under the WRDA for local water and wastewater related infrastructure projects, but the grants were never funded by Congress. In July 2017, the City Council
awarded a Professional Services Agreement to Best Best & Krieger, LLP (“BB&K”), for professional lobbying and consulting services to secure grant funding for water and stormwater related projects under the 2007 WRDA authorization. The City and Sierra Madre split the cost for lobbying services equally for an annual cost of $36,000. During the contract term, BB&K provided a high level of expertise and strategic guidance at the federal level to the Cities of Arcadia and Sierra Madre. Subsequently, the City Council approved an extension to this contract in July 2018.

In July 2019, the Public Works Services Department (“PWSD”) proposed to the Oversight Committee of the Rio Hondo/San Gabriel River Water Quality Group (“Group”) that a regional approach to lobbying efforts was necessary to better engage federal agencies and stakeholders. The PWSD proposed to expand the scope of BB&K’s efforts to include the other regional projects identified in the Watershed Management Plan, and to better leverage BB&K’s expertise and relationships established during the previous two years. BB&K has extended lobbying services to the Group for $84,000 a year and Arcadia’s cost in the Group is $25,323.08 per year based on a cost share formula factoring in participation and land area percentages.

The City of Arcadia serves as the lead agency and the primary liaison between the Group and BB&K. Under the modified scope of work, BB&K worked with the Group to lobby for a new WRDA authorization and assisted in identifying grant funding opportunities with federal agencies, as well as facilitating meetings with key decision makers and building coalitions to secure support for federal grant applications. In addition, BB&K assisted in educating key stakeholders on the Rio Hondo/San Gabriel River Water Quality Group’s five regional projects and their benefits at the federal level.

**DISCUSSION**

During this past year, BB&K was able to garner support from Congresswoman Napolitano and Congresswoman Chu to include the Rio Hondo/San Gabriel River Water Quality Group’s regional stormwater quality projects into the House Transportation and Infrastructure Committee’s Water Resources Development Act of 2020. As of July 29, 2020, the House of Representatives passed H.R. 7575, the Water Resources Development Act of 2020 and it is headed to the Senate. The key provision includes authorizing a feasibility study for the Group’s projects listed in the Watershed Management Program Plan. This is a significant milestone because having the provision included into the House bill means BB&K will be able to work to ensure it stays through the committee and floor process, as well as the conference with the Senate. Extending the contract will allow BB&K to continue lobbying efforts through the legislative process.
As established in the contract, the cost share formula is based 50% on participation and 50% on land area. The City of Arcadia’s annual contribution will be $25,323.08 or $2,110.26 per month, with the cost to each city shown in the chart below:

<table>
<thead>
<tr>
<th>Jurisdiction</th>
<th>Monthly</th>
<th>Annual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arcadia</td>
<td>$2,110.26</td>
<td>$25,323.08</td>
</tr>
<tr>
<td>Bradbury</td>
<td>$943.59</td>
<td>$11,323.08</td>
</tr>
<tr>
<td>Duarte</td>
<td>$1,161.54</td>
<td>$13,938.46</td>
</tr>
<tr>
<td>Monrovia</td>
<td>$1,725.64</td>
<td>$20,707.69</td>
</tr>
<tr>
<td>Sierra Madre</td>
<td>$1,058.97</td>
<td>$12,707.69</td>
</tr>
</tbody>
</table>

Although the County of Los Angeles and the Los Angeles County Flood Control District are in support of a regional approach to our lobbying efforts, both agencies have internal staff that serve the same function; therefore, the County and the Flood Control District will work in tandem with BB&K in lieu of contributing directly to the cost sharing arrangement. While Arcadia is the lead agency, BB&K invoiced the member agencies separately based on each City’s monthly share.

It should be noted that the City of Azusa is under consideration for joining the Working Group. If that occurs during the course of this contract, the costs for BB&K will be readjusted to include the extra City, saving each existing community on a going forward basis. In addition, it is expected that Azusa would be required to contribute some funds to account for costs and efforts already undertaken.

**ENVIRONMENTAL IMPACT**

The proposed action does not constitute a project under the California Environmental Quality Act (“CEQA”), and it can be seen with certainty that it will have no impact on the environment. Thus, this matter is exempt under CEQA.

**FISCAL IMPACT**

The annual cost of services for BB&K is $84,000, with the City of Arcadia’s annual contribution share in the amount of $25,323.08, or $2,110.26 per month. The contract is to be proportionally divided on a formula based on participation (50%) and land area (50%) between the Cities of Arcadia, Bradbury, Duarte, Monrovia, and Sierra Madre. Funding for lobbying services is budgeted in the Fiscal Year 2020-21 Water Operating Budget. The rate is all inclusive and covers other direct expenses including telephone, postage, shipping, photocopying, and other administrative costs.
RECOMMENDATION

It is recommended that the City Council determine that this project is exempt under the California Environmental Quality Act ("CEQA"); and approve, authorize, and direct the City Manager to execute an amendment to the Professional Services Agreement with Best Best & Krieger, LLP for Professional Lobbying and Consulting Services to secure grant funding for water and stormwater related projects in the amount of $25,323.08.

Approved:

[Signature]
Dominic Lazzaretto  
City Manager

Attachment: Proposed Amendment No. 1 to the Professional Services Agreement
This Amendment No. 1 ("Amendment No. 1") is hereby entered into this ______ day of ______________, 2020 by and between the City of Arcadia, a municipal corporation of the State of California, and Best, Best, & Krieger, LLP, a Limited Liability Partnership, with respect to that certain Professional Services Agreement ("Agreement") between the parties dated October 29, 2019.

The Parties agree as follows:

1. Section 3.1.2 of the Professional Services Agreement, the Term is hereby extended from October 29, 2020 through October 29, 2021 ("Extended Term").

2. All terms and provisions of the Agreement not amended by this Amendment No. 1 are hereby reaffirmed.

In witness whereof the Parties have executed this Amendment No. 1 on the date set forth below.

CITY OF ARCADIA

By: ________________________________
Dominic Lazzaretto
City Manager

Dated: ________________________________

BEST BEST & KRIEGER, LLP

By: ________________________________
Title: ________________________________

Dated: ________________________________

ATTEST:

By: ________________________________
Title: ________________________________

Dated: ________________________________

City Clerk

APPROVED AS TO FORM

Concur:

Stephen P. Deitsch
City Attorney

Tom Tait
Public Works Services Director
DATE: October 6, 2020

TO: Honorable Mayor and City Council

FROM: Tom Tait, Public Works Services Director
By: Jacquelyn Mercado, Senior Management Analyst

SUBJECT: PURCHASE ORDER WITH MERRIMAC PETROLEUM, INC. DBA MERRIMAC ENERGY GROUP FOR THE PURCHASE AND DELIVERY OF FUEL FOR THE CITY’S FLEET IN AN AMOUNT NOT TO EXCEED $350,000

Recommendation: Approve

SUMMARY

The City currently has a purchase order with Falcon Fuels, Inc., through the Los Angeles County Countywide Master Agreement, for the purchase and delivery of fuel for the City’s fleet vehicles and other fueled equipment. After exploring possible contract opportunities for the purchase and delivery of fuel, it was determined that piggybacking on the City of Torrance’s purchase order contract with Merrimac Petroleum dba Merrimac Energy Group (“Merrimac”) would provide the most competitive pricing and meet the City’s fleet fuel delivery needs. The City of Torrance fuel pricing contract with Merrimac was awarded on February 26, 2019, providing the best pricing for a three-year period, with two optional annual extensions through 2024.

It is recommended that the City Council approve a purchase order with Merrimac Petroleum dba Merrimac Energy Group for the purchase and delivery of fuel for the City’s fleet in an annual amount not to exceed $350,000, with optional annual extensions through 2024.

BACKGROUND

The Public Works Services Department (“PWSD”) is responsible for the purchase of bulk fuel delivery (unleaded and diesel) for over 200 City vehicles and other fueled equipment such as generators. Annually, the City uses approximately 85,000 gallons of unleaded fuel and 28,000 gallons of diesel fuel. The City’s purchasing rules and procedures allow the City to “piggyback” onto, or join, an existing written purchase contract obtained through a competitive bidding process prepared and awarded by another local, state, or
federal government agency. Since 2016, the City has piggybacked on the Los Angeles County Countywide Master Agreement fuel pricing contract. This Master Agreement expires in October 2020.

DISCUSSION

Due to the fluctuation in fuel costs, and the amount of fuel the City purchases on an annual basis, the PWSD determined that the City would receive the best pricing by piggybacking on a contract with a larger agency to receive a discount on bulk fuel. An in depth review of fuel pricing contracts from other cities and local agencies was conducted in order to find a contract that would provide the most competitive pricing and meet the City’s fleet fuel delivery needs. It was determined that the City of Torrance’s fuel purchase order contract with Merrimac would provide the best pricing.

The mechanism used to price motor fuel is the Oil Price Information Service (“OPIS”) wholesale/rack index pricing, which rises and falls daily as a function of the oil market. OPIS is used as the industry standard for reporting national weekly average fuel prices on a per gallon basis. Based on the fuel order date, the City pays the daily OPIS price with a fixed price adjustment discount (-) or surcharge (+) factored in, based on volume and load size. Applicable local taxes and state fees are then added on the per gallon price.

The City of Torrance pricing terms are based on a per gallon discount (-) or surcharge (+) from the daily OPIS price for the Los Angeles area for bulk and non-bulk fuel deliveries. Bulk fuel sites are storage tanks over 10,000 gallons in capacity, while non-bulk fuel locations are comprised of smaller storage tanks and back-up generators from 200 to 1,000 gallons in size. The City of Arcadia orders in bulk quantities for our fueling sites.

Historically, the City purchases an average of 113,000 gallons of fuel per year (85,000 gallons in unleaded and 28,000 gallons in diesel) and is expecting to use a similar volume of fuel for City vehicles this fiscal year. In determining the purchase order contract amount, the factors taken into consideration were the average price paid per gallon in Fiscal Year 2019-20, average gallons used, and the proposed OPIS discount amount.

<table>
<thead>
<tr>
<th>Estimated Usage</th>
<th>Average Unit Price Paid FY19/20</th>
<th>City of Torrance Purchase Contract OPIS (-) Discount</th>
<th>Total Unit Price</th>
<th>Extended Unit Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unleaded Gasoline Bulk Deliveries</td>
<td>85,000</td>
<td>$3.19</td>
<td>- $0.1509</td>
<td>$3.0391</td>
</tr>
<tr>
<td>Ultra Low Sulfur Diesel</td>
<td>28,000</td>
<td>$3.28</td>
<td>- $0.0299</td>
<td>$3.2501</td>
</tr>
<tr>
<td><strong>Total Based on Anticipated Annual Usage</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Under the City’s current fuel purchasing contract, the City was receiving an OPIS discount of $0.0970 for Unleaded Gasoline bulk deliveries and $0.0109 for Ultra Low Sulfur Diesel bulk deliveries. The City of Torrance fuel pricing agreement with Merrimac was awarded on February 26, 2019, for a three-year period, with two optional annual extensions through 2024 per the attached contract. Merrimac offers a higher bulk discount than the City’s current contract and they are allowing the City the opportunity to piggyback on this purchase contract at the same pricing discounts and terms. Merrimac currently supplies and delivers fuel to the Cities of Burbank, Costa Mesa, La Habra, Los Angeles, Long Beach, and Yorba Linda, as well as the Orange County Transportation Authority.

ENVIRONMENTAL ANALYSIS

The proposed action does not constitute a project under the California Environmental Quality Act (“CEQA”) per Section 15061(b)(3) of the CEQA Guidelines as it can be seen with certainty that it will have no impact on the environment. Thus, this matter is exempt under CEQA.

FISCAL IMPACT

Sufficient funds are appropriated in each Department’s Fiscal Year 2020-21 Operating Budget for the purchase and delivery of unleaded and diesel fuel.

RECOMMENDATION

It is recommended that the City Council determine that this project is exempt under the California Environmental Quality Act (“CEQA”); and approve a purchase order with Merrimac Petroleum dba Merrimac Energy Group for the purchase and delivery of fuel for the City’s fleet in an amount not to exceed $350,000, with optional annual extensions through 2024.

Approved:

[Signature]
Dominic Lazzaretto
City Manager

Attachment: City of Torrance Fuel Purchase Order Contract
<table>
<thead>
<tr>
<th>QUANTITY</th>
<th>UNIT</th>
<th>DESCRIPTION</th>
<th>UNIT COST</th>
<th>TOTAL COST</th>
</tr>
</thead>
<tbody>
<tr>
<td>5,069,615.0000</td>
<td>Dollar</td>
<td>Item - To Furnish various fuel as per Bid 2019-07 in its entirety on an as requested basis for the General Services Department, Fleet Services Warehouse Division.</td>
<td>1.000000</td>
<td>$5,069,615.00</td>
</tr>
</tbody>
</table>

PURCHASE ORDER TOTAL: $5,069,615.00

Special Instructions
NEBPO. Quoted by Mary Hazelrigg. Invoice Terms: Net 30. Term: 3/1/19-2/28/22. Total 3 year NEBPO not to exceed $5,069,615.00. Total combined 3-year NTE for General Services, Transit and Fire $6,000,000.00. (B2019-07). Council approved 2/28/19 item 9G.

By: ____________________________
Buyer: Senior Buyer

See Attached Specifications, Comments, Terms And Conditions Which Are A Part Of This Order.
Specifications, Comments, Terms and Conditions
(Continued from page 1)

Reference Purchase Order No. 2019-00000522

Quoted By: Mary Hazelrigg

Invoice Terms: Net 30  **Vendor offers 1 (one) cent per gallon discount if paid within 10 days from delivery date.**

Furnish various fuel as per Bid B2019-07 in its entirety on an as requested basis for the General Services Department, Fleet Services Warehouse Division.

Term: 3/1/2019 through 2/28/2022 (Three Years)
Vendor has agreed to a 4th and 5th year renewal with price, terms and conditions unchanged from year 3.

Following are the items and prices covered by this Purchase Order:

<table>
<thead>
<tr>
<th>Bid Item #</th>
<th>Brand</th>
<th>Price + or - OPIS</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>CARB 87 Octane NL Unleaded Gasoline – Bulk Deliveries</td>
<td>Yr 1 minus $.1509&lt;br&gt;Yr 2 minus $.1509&lt;br&gt;Yr 3 minus $.1509</td>
</tr>
<tr>
<td>2A</td>
<td>CARB Ultra Low Sulfur Diesel (Clear) – Bulk Deliveries</td>
<td>Yr 1 minus $.0299&lt;br&gt;Yr 2 minus $.0299&lt;br&gt;Yr 3 minus $.0299</td>
</tr>
<tr>
<td>3A</td>
<td>CARB Ultra Low Sulfur Diesel (Clear) – Non-Bulk Deliveries</td>
<td>Yr 1 minus $.0290&lt;br&gt;Yr 2 minus $.0290&lt;br&gt;Yr 3 minus $.0290</td>
</tr>
<tr>
<td>2B</td>
<td>CARB Renewable Diesel - Bulk Deliveries</td>
<td>Yr 1 plus $.0491&lt;br&gt;Yr 2 plus $.0491&lt;br&gt;Yr 3 plus $.0491</td>
</tr>
<tr>
<td>3B</td>
<td>CARB Renewable Diesel Non-Bulk Deliveries</td>
<td>Yr 1 plus $.0290&lt;br&gt;Yr 2 plus $.0290&lt;br&gt;Yr 3 plus $.0290</td>
</tr>
</tbody>
</table>

Prices are to remain firm for the first year based on the vendor’s bid submittal for the first year.
Prices are to remain firm for the second year based on the vendor’s bid submittal for the second year.
Prices are to remain firm for the third year based on the vendor’s bid submittal for the third year.

Total 3-year contract expenditure authorization (including sales tax) not to exceed: $5,069,815.00

This Purchase Order is part of a group of 3 Purchase Orders as follows:
1. PO 2019-522 for the General Services Department, Fleet Services Warehouse - Not to exceed $5,076,800.00
2. PO 2019-523 for the Fire Department - Not to exceed $186,077.00
3. PO 2019-525 for the Transit Department - Not to exceed $744,308.00

Total expenditure for all three (3) user departments not to exceed $6,000,000.00 as per City Council Approval 2/26/2019, Item 9G.

City of Torrance Tax ID #95-6000803.

Orders will be placed against this Purchase Order on an as requested basis. Each time a delivery of specific items or service is requested, you will be contacted by the requesting department/division.

No items are to be shipped or services performed prior to authorization from the requesting department/division. Unauthorized shipments will be returned to the vendor at no cost to the City.

The order date (the date that a purchase was made against this Purchase Order) must appear on the invoice.

To expedite payment, the Purchase Order number must appear on all invoices, shipping documents and packages.

Payment(s) will be made upon acceptance of goods and services received and upon receipt of correct billing.

Inside Delivery is required. It is the responsibility of the vendor to provide all equipment and labor necessary to unload the shipment as directed by the City of Torrance. The City may refuse shipment if delivery does not comply with this
requirement. All deliveries of such items to be furnished must be made to job sites, warehouses and locations as specified on the Order.

You are not to release any goods or services beyond what is listed in this PO. Goods and/or services issued by the vendor against the PO that exceed the dollar amount shown on the PO will not be considered an obligation for the City of Torrance. Requests for additional items and/or services are only authorized if they are requested in the form of a Change Order issued by the Purchasing Division of the City of Torrance.

Quantities listed (or PO not to exceed amount) are anticipated based upon historical usage. The City shall not be held responsible for the exact amounts used during the PO period.

If you have any questions about this Purchase Order, please feel free to contact the Purchasing Division at 310/618-5820. For questions about individual orders placed against this PO, please contact Kasey Green of the General Services Department, Fleet Services Warehouse Division, phone #310/618-6236.

PURCHASE ORDER TERMS AND CONDITIONS
(For Commodities with Services)

DEFINITIONS: The following meanings are attached to the following defined words when used in these terms and conditions and the purchase order. The word “City” means the City of Torrance, California. The word “Vendor” or “Contractor” means the person, firm, or corporation providing goods or services to the City.

The word “purchase order” means the contract, purchase order or blanket purchase order issued to the vendor by the City.

GOODS: The term “Goods” means the products, goods or other commodities purchased pursuant to the Purchase Order.

DESCRIPTION OF GOODS: The Vendor must produce and deliver the Goods in accordance with the specifications, and the shipping and quantity schedule set forth on the first page of the Purchase Order.

SUBSTITUTION: No substitution of Goods ordered will be made unless authorized by the Purchasing Division.

DELIVERY DATE: The Goods must be shipped and must arrive at the destination specified by the CITY in strict compliance with the shipping and quantity schedule set forth on the first page of this Purchase Order. Any failure by the Vendor to meet the Required Delivery Date (set forth on the first page of this Purchase Order) will constitute a material default. The Vendor must notify the CITY immediately if the Vendor reasonably believes the Vendor will not be able to meet said Required Delivery Date for any reason. In addition, the Vendor must promptly provide the CITY with a schedule that the Vendor reasonably believes it will be able to meet.

CANCELLATION: The CITY reserves the right to cancel any portion of this order with respect to Goods not delivered on or before the Required Delivery Date.

DELIVERY RISK OF LOSS: All orders will be F.O.B. destination if not otherwise specified. Risk of loss or damage to the Goods will remain with the Vendor until the Goods have been delivered to and accepted by the CITY. All Goods will be received by the CITY subject to its right of inspection, rejection, and revocation of acceptance under the Uniform Commercial Code. The CITY will be allowed a reasonable period of time to inspect the Goods and to notify the Vendor of any nonconformance with the terms and conditions of this purchase order. The CITY may reject any Goods that do not conform to the terms and conditions of this purchase order; any Goods rejected may be returned to the Vendor at the Vendor’s risk and expense. Further, where the CITY rightfully revokes acceptance, the CITY may, to the extent of any deficiency in its effective insurance coverage, treat the risk of loss as having rested on the Vendor from the date of the Vendor’s acceptance of this purchase order.

INVOICES FOR GOODS: Two copies of the invoice must be mailed to the City of Torrance Finance Department not later than five (5) business days after shipment is made. Individual invoices must be issued for each shipment against each purchase order. Invoices must contain the purchase order number, description of Goods, unit price, quantities billed and extended totals. Payment will be made by the CITY in accordance with the terms specified on the first page of this Purchase Order.

INVOICES FOR SERVICES: Two copies of invoices must be mailed to the City of Torrance Finance Department not later than the day after work is completed. Invoices must contain the purchase order number, scope of service, itemized prices and extended totals. Payment will be made by the CITY in accordance with the terms specified on the first page of this Purchase Order.

To expedite payment, the PO number must appear on all invoices, shipping documents and packages.
Payment(s) will be made upon verification and acceptance by the requesting department/division of items received or services performed and receipt of correct billing(s).

PACKING AND SHIPPING OF GOODS: Deliveries must be made as specified without charge for boxing, crating, or storage unless otherwise specified, and Goods must be suitably packed to secure lowest transportation costs, and in accordance with the requirements of common carriers, and in a manner to assure against damage from weather or transportation. The CITY's order numbers and symbols must be plainly marked on all invoices, packages, and shipping orders. Packing lists specifying the quantity, description and purchase order number must accompany each box or package shipment. The CITY's count or weight must be final and conclusive on shipments not accompanied by packing lists. Shipments for two or more destinations when so directed by the CITY must be shipped in separate boxes or containers for each destination, at no charge.

ACCEPTANCE OF PURCHASE AGREEMENT: This purchase order constitutes the CITY's offer to the Vendor and becomes a binding contract upon acceptance by the Vendor by commencement of performance. Any terms or conditions (including price and dates of performance) proposed by the Vendor in accepting the CITY's offer, which are inconsistent with or in addition to the terms and conditions set forth in this purchase order, will be void and of no effect unless and to the extent expressly accepted by the CITY in writing.

TAXES: The Vendor must separately state on all invoices any taxes imposed by the federal or state government applicable to furnishing of the Goods: provided, however where a tax exemption is available, the tax must be subtracted from the total price and identified. Municipalities are exempt from federal excise and transportation taxes. Total prices quoted are to exclude federal taxes. Exemption certificates will be furnished upon request. Unless otherwise indicated, prices quoted will be considered to exclude state and city sales or use tax, which is payable to the CITY.

PRICES: The Vendor represents that prices quoted to or paid by the CITY will not exceed current prices charged to any other customer or the Vendor for items that are the same or substantially similar to the Goods, taking into account the quality under consideration, and the Vendor will forthwith refund any amounts paid by the CITY in excess of the price.

CASH DISCOUNTS: The date used as the basis for cash discounts calculation is the date the Goods are received and work is completed, or the date an acceptable invoice is received, whichever is later.

WARRANTY FOR GOODS: The Vendor warrants that all Goods will conform to applicable specifications, drawings, descriptions, and samples, and will be merchantable, of good workmanship and material, and free from defect. Unless manufactured pursuant to detailed design furnished by the CITY, the Vendor assumes design responsibility and warrants the Goods to be free from design defect and suitable for the purposes intended by the CITY. The Vendor's warranties, together with its service guarantees, must run to the CITY and its customers or users of the Goods and must not be deemed exclusive. The CITY's inspection, approval, acceptance, use of, or payment for all or any part of the Goods must in no way affect its warranty rights whether or not a breach of warranty had become evident at the time.

WARRANTY FOR SERVICE:
The Vendor warrants that:

1. The Vendor's performance of the services called for by this Purchase Order does not and must not violate or conflict with (1) any applicable law, rule, or regulation applicable to the Vendor, or (2) any contracts between the Vendor and any third parties; and

2. the services performed must be performed with professional diligence and skill; and

3. That in the event of a nonconformity or breach of any warranty, the Vendor must provide the services to the CITY necessary to correct or remedy any noncompliance or breach.

CHANGES FOR GOODS: The CITY has the right by written notice to change the quantity or specifications of the Goods ordered and the terms of, shipment or packaging of Goods. Upon receipt of any notice, the Vendor will proceed promptly to make the changes in accordance with the terms of the notice. If any change causes an increase or decrease in the cost or performance or in the time required for performance, an equitable adjustment must be negotiated promptly and the contract modified in writing accordingly. The Vendor must deliver to the CITY as promptly as possible, and in any event within 30 days after receipt of change notice, a statement showing the effect of any change in the delivery dates and prices; the statement must be supplemented within 30 days by detailed specification of the amount of the price adjustment and supporting cost figures. The Vendor's failure to submit the statements within the time limits stated, will constitute its consent to perform the change without increase in price, without claim for material rendered obsolete and without change in delivery schedule.

CHANGES FOR SERVICE: The CITY has the right by written notice to change the nature or extent of the work covered by the purchase order, or the drawings and specifications related to the work, or to suspend the work. Upon receipt of any notice, the Vendor will proceed promptly to make the changes in accordance with the terms of the notice. If any change
causes an increase or decrease in the cost or performance or in the time required for performance, an equitable adjustment must be negotiated promptly and the contract modified in writing accordingly. The Vendor must deliver to the CITY as promptly as possible, and in any event within 30 days after receipt of change notice, a statement showing the effect of any change in the delivery dates and prices; the statement must be supplemented within 30 days by detailed specification of the amount of the price adjustment and supporting cost figures. The Vendor's failure to submit the statements within the time limits stated, will constitute its consent to perform the change without increase in price, without claim for material rendered obsolete and without change in delivery schedule.

TERMINATION OF PURCHASE AGREEMENT WITH RESPECT TO SERVICES:
A. Termination without Cause.

Either party may terminate this Purchase Order at any time, without cause, upon 30 days' written notice to the other party. Upon receipt of the notice of termination, the Vendor must immediately cease all work or services except as may be specifically approved by the CITY. The Vendor will be entitled to compensation for all services rendered prior to the effectiveness of the notice of termination and for additional services specifically authorized by the CITY. The CITY will be entitled to reimbursement for any expenses that have been paid for but not rendered.

B. Termination for Cause.

If either party fails to perform any term, covenant or condition in this Purchase Order and that failure continues for 15 calendar days after the nondefaulting party gives the defaulting party written notice of the failure to perform, this Purchase Order may be terminated for cause; provided, however, that if during the notice period the defaulting party has promptly commenced and continues diligent efforts to remedy the default, the defaulting party will have such additional time as is reasonably necessary to remedy the default.

In the event this Purchase Order is terminated for cause by the default of the Vendor, the CITY may, at the expense of the Vendor and its surety, complete this Purchase Order or cause it to be completed. Any check or bond delivered to the CITY in connection with this Purchase Order, and the money payable, will be forfeited to and remain the property of the CITY. All moneys due the Vendor under the terms of this Purchase Order will be retained by the CITY, but the retention will not release the Vendor and its surety from liability for the default. Under these circumstances, however, the Vendor and its surety will be credited with the amount of money retained, toward any amount by which the cost of completion exceeds the Purchase Order Sum and any amount authorized for extra services.

Termination for cause will not affect or terminate any of the rights of the CITY as against the Vendor or its surety then existing, or which may thereafter accrue because of the default; this provision is in addition to all other rights and remedies available to the CITY under law.

C. Termination for Breach of Law.

In the event the Vendor or any of its officers, directors, shareholders, employees, agents, subsidiaries or affiliates is convicted (i) of a criminal offense as an incident to obtaining or attempting to obtain a public or private contract or subcontract, or in the performance of a contract or subcontract; (ii) under state or federal statutes of embezzlement, theft, forgery, bribery, falsification or destruction of records, receiving stolen property, or any other offense indicating a lack of business integrity or business honesty that currently, seriously, and directly affects responsibility as a public consultant or vendor; (iii) under state or federal antitrust statutes arising out of the submission of bids or proposals; or for any other cause the CITY determines to be so serious and compelling as to affect the Vendor's responsibility as a public consultant or vendor, including but not limited to, debarment by another governmental agency, then the CITY reserves the unilateral right to terminate this Purchase Order or to impose other sanctions (that may include financial sanctions, temporary suspensions or any other condition deemed appropriate short of termination) as it deems proper. The CITY will not take action until the Vendor has been given notice and an opportunity to present evidence in mitigation.

FORCE MAJEURE: If any party fails to perform its obligations because of strikes, lockouts, labor disputes, embargoes, acts of God, inability to obtain labor or materials or reasonable substitutes for labor or materials, governmental regulations, governmental controls, judicial orders, enemy or hostile governmental action, civil commotion, fire or other casualty, or other causes beyond the reasonable control of the party obligated to perform, then that party's performance will be excused for a period equal to the period of the cause for failure to perform.

RETENTION OF FUNDS: The Vendor authorizes the CITY to deduct from any amount payable to the Vendor (whether or not arising out of this Purchase Order) any amounts the payment of which may be in dispute or that are necessary to compensate the CITY for any losses, costs, liabilities, or damages suffered by the CITY, and all amounts for which the CITY may be liable to third parties, by reason of the Vendor's negligent acts or omissions or willful misconduct in performing or failing to perform the Vendor's obligations under this Purchase Order. In the event that any claim is made by a third party, the amount or validity of which is disputed by the Vendor, or any indebtedness exists that appears to be the basis for a claim
of lien, the CITY may withhold from any payment due, without liability for interest because of the withholding, an amount sufficient to cover the claim. The failure of the CITY to exercise the right to deduct or to withhold will not, however, affect the obligations of the Vendor to insure, indemnify, and protect the CITY as elsewhere provided in this Purchase Order.

INDEPENDENT CONTRACTOR: The successful proposer is, and will at all times remain as to the City, a wholly independent contractor. Neither the City nor any of its agents will have control over the conduct of the Contractor or any of the Contractor's employees, except as otherwise set forth in the awarded Agreement. The Contractor's agents and employees are not and will not be considered employees of the City for any purpose. The Contractor may, at any time or in any manner, represent that it or any of its agents or employees are in any manner agents or employees of the City. The City has no duty, obligation, or responsibility to the Contractor's agents or employees under the Affordable Care Act. The Contractor is solely responsible for any tax penalties associated with the failure to offer affordable coverage to its agents and employees under the Affordable Care Act and any other liabilities, claims and obligations regarding compliance with the Affordable Care Act with respect to the Contractor's agents and employees. The City is not responsible and will not be held liable for the Contractor's failure to comply with the Contractor's duties, obligations, and responsibilities under the Affordable Care Act. The Contractor agrees to defend, indemnify and hold the City harmless for any and all taxes and penalties that may be assessed against the City as a result of the Contractor's obligations under the Affordable Care Act relating to the Contractor's agents and employees.

BUSINESS LICENSE: Prior to the award of a Purchase Order, you are required to have a City of Torrance Business License if your company is located in the City of Torrance; will physically be working in the City of Torrance; or will be using your own vehicles to deliver to the City of Torrance. For additional information and licensing requirements, please contact the City of Torrance Business License Office at (310) 618-5923.

OTHER LICENSES AND PERMITS: The Vendor warrants that it has all professional, contracting and other permits and licenses required to undertake the work contemplated by this Purchase Order.

FAMILIARITY WITH WORK: By executing this Purchase Order, the Vendor warrants that the Vendor (a) has thoroughly investigated and considered the scope of services to be performed, (b) has carefully considered how the services should be performed, (c) fully understands the facilities, difficulties and restrictions attending performance of the services under this Purchase Order and (d) has the necessary skills and expertise and adequate staffing to perform such services. If the services involve work upon any site, the Vendor warrants that the Vendor has or will investigate the site and is or will be fully acquainted with the conditions there existing, prior to commencement of services set forth in this Purchase Order. Should the Vendor discover any latent or unknown conditions that will materially affect the performance of the services set forth in this Purchase Order, the Vendor must immediately inform the CITY of that fact and may not proceed except at the Vendor's risk until written instructions are received from the CITY.

CARE OF WORK: The Vendor must adopt reasonable methods and take reasonable steps during the life of the Purchase Order protect the work, and the equipment, materials, papers, documents, plans, studies and other components to prevent losses or damages. The Vendor will be responsible for all damages, to persons or property, until acceptance of the work by the CITY, except those losses or damages as may be caused by the CITY's own negligence.

VENDOR'S ACCOUNTING RECORDS; OTHER PROJECT RECORDS: The Vendor must keep and maintain accurate books and records at its principal place of business concerning the performance of services pursuant to this Purchase Order, including but not limited to records of accounts between the CITY and the Vendor, specifications and drawings relating to the services, and progress and inspection reports concerning the work performed. The CITY and/or its duly authorized representative (including independent certified public accountants), will have the right, during regular business hours to inspect the Vendor's books and records and to make copies of that information at the CITY's expense. The Vendor will maintain these records for three years after final payment.

INDEMNIFICATION WITH RESPECT TO GOODS: The Vendor assumes all responsibility for, and agrees to undertake, to protect, indemnify and hold the CITY, the City Council, each of its members, present and future, its officers, employees, and agents, harmless from any and all liabilities, losses, claims, suits, judgments and causes of action for damage to property and injuries to persons, including death, and from any cost and expense, including recall expenses and attorneys fees, arising out of or related to any of the Goods resulting from the Vendors breach of the terms of the Purchase Order (including the warranties contained herein), the Vendor's negligence, or allegations that such Goods are defective in manufacture or design.

INDEMNIFICATION WITH RESPECT TO SERVICES: The Vendor will indemnify, defend, and hold harmless the CITY, the City Council, each member thereof, present and future, its officers, agents and employees from and against any and all liability, expense, including defense costs and legal fees, and claims for damages whatsoever, including, but not limited to, bodily injury, death, personal injury, or property loss or damage arising from or related to acts or omissions of the Vendor, its officers, employees, agents, subcontractors or vendors, or in connection with the performance by the Vendor, its officers, employees, agents, subcontractors or vendors, of its services, except for liability resulting solely from the negligence or willful misconduct of the CITY, its officers, employees, or agents. Payment by the CITY is not a condition precedent to enforcement of this indemnity.
NON-LIABILITY OF CITY OFFICERS AND EMPLOYEES: No officer or employee of the CITY will be personally liable to the Vendor, in the event of any default or breach by the CITY or for any amount that may become due to the Vendor.

INSURANCE:

A. The Vendor must maintain at its sole expense the following insurance, which will be full coverage not subject to self-insurance provisions:

   (1) Automobile Liability, including owned, non-owned and hired vehicles, with at least the following limits of liability:

      (a) Primary Bodily Injury with limits of at least $500,000 per person, $1,000,000 per occurrence; and

      (b) Primary Property Damage of at least $250,000 per occurrence; or

      (c) Combined single limits of $1,000,000 per occurrence.

   (2) General Liability including coverage for premises, products and completed operations, independent contractors, personal injury and contractual obligations with combined single limits of coverage of at least $1,000,000 per occurrence and $2,000,000 in aggregate.

   (3) Workers’ Compensation with limits as required by the Labor Code of the State of California and Employers Liability with limits of at least $1,000,000 per occurrence.

   (4) If vendor/Contractor provides services with data exposure, custom software coding/development or cloud services, Cyber Liability Insurance, with limits not less than $2,000,000 per occurrence or claim, $2,000,000 Aggregate.

B. The insurance provided by the Vendor will be primary and non-contributory

C. The CITY, the City Council and each member thereof, members of boards and commissions, every officer, agent, official, employee and volunteer must be named as additional insured under the automobile and general liability policies.

D. The Vendor must provide certificates of insurance and/or endorsements indicating appropriate coverage to the Purchasing Division of the City of Torrance before the commencement of work.

E. Each insurance policy required by this Paragraph must contain a provision that no termination, cancellation or change of coverage can be made without notice to the CITY.

SUFFICIENCY OF INSURERS AND SURETIES: Insurance or bonds required by this Purchase Order will be satisfactory only if issued by companies admitted to do business in California, rated "B" or better in the most recent edition of Best’s Key Rating Guide, and only if they are of a financial category Class VII or better, unless these requirements are waived by the Risk Manager of the CITY ("Risk Manager") due to unique circumstances. In the event the Risk Manager determines that the work or services to be performed under this Purchase Order creates an increased or decreased risk of loss to the CITY, the Vendor agrees that the minimum limits of the insurance policies and the performance bond required by this Purchase Order may be changed accordingly upon receipt of written notice from the Risk Manager; provided that the Vendor will have the right to appeal a determination of increased coverage by the Risk Manager to the City Council of the CITY within 10 days of receipt of notice from the Risk Manager.

CONFLICT OF INTEREST:

A. No officer or employee of the CITY may have any financial interest, direct or indirect, in this Purchase Order, nor may any officer or employee participate in any decision relating to the Purchase Order that affects the officer or employee’s financial interest or the financial interest of any corporation, partnership or association in which the officer or employee is, directly or indirectly interested, in violation of any law, rule or regulation.

B. No person may offer, give, or agree to give any officer or employee or former officer or employee, nor may any officer or employee solicit, demand, accept, or agree to accept from another person, a gratuity or an offer of employment in connection with any decision, approval, disapproval, recommendation, preparation or any part of a program requirement or a purchase request, influencing the content of any specification or procurement standard, rendering of advice, investigation, auditing, or in any other advisory capacity in any way pertaining to any program requirement, contract or subcontract, or to any solicitation or proposal.

NOTICE:

A. All notices, requests, demands, or other communications under this Purchase Order will be in writing. Notice will be sufficiently given for all purposes as follows:
(1) Personal delivery. When personally delivered to the recipient: notice is effective on delivery.

(2) First Class mail. When mailed first class to the last address of the recipient known to the party giving notice: notice is effective three mail delivery days after deposit in an United States Postal Service office or mailbox.

(3) Certified mail. When mailed certified mail, return receipt requested: notice is effective on receipt, if delivery is confirmed by a return receipt.

(4) Overnight delivery. When delivered by an overnight delivery service, charges prepaid or charged to the sender’s account: notice is effective on delivery, if delivery is confirmed by the delivery service.

(5) Facsimile transmission. When sent by fax to the last fax number of the recipient known to the party giving notice: notice is effective on receipt. Any notice given by fax will be deemed received on the next business day if it is received after 5:00 p.m. (recipient’s time) or on a non-business day.

B. Any correctly addressed notice that is refused, unclaimed, or undeliverable because of an act or omission of the party to be notified, will be deemed effective as of the first date the notice was refused, unclaimed or deemed undeliverable by the postal authorities, messenger or overnight delivery service.

C. Either party may change its address or fax number by giving the other party notice of the change.

PROHIBITION AGAINST ASSIGNMENT AND SUBCONTRACTING: This Purchase Order and all exhibits are binding on the heirs, successors, and assigns of the parties. The Purchase Order may not be assigned or subcontracted by either the CITY or the Vendor without the prior written consent of the other.

INTEGRATION AMENDMENT: This Purchase Order represents the entire understanding of the CITY and Vendor as to those matters contained in it. No prior oral or written understanding will be of any force or effect with respect to the terms of this Purchase Order. The Purchase Order may not be modified or altered except in writing signed by both parties.

INTERPRETATION: The terms of this Purchase Order should be construed in accordance with the meaning of the language used and should not be construed for or against either party by reason of the authorship of this Purchase Order or any other rule of construction that might otherwise apply.

SEVERABILITY: If any part of this Purchase Order is found to be in conflict with applicable laws, that part will be inoperative, null and void insofar as it is in conflict with any applicable laws, but the remainder of the Purchase Order will remain in full force and effect.

TIME OF ESSENCE: Time is of the essence in the performance of this Purchase Order.

GOVERNING LAW; JURISDICTION: This Purchase Order will be administered and interpreted under the laws of the State of California. The parties consent to the jurisdiction of the state and federal courts located in Los Angeles County, California for the resolution of all disputes arising under this Purchase Order, and the parties agree that jurisdiction and venue for proceedings will lie exclusively with these courts. Service of process in any proceeding (including service of process for the institution of a proceeding) may be made by certified mail, return receipt requested, directed to the respective party.

COMPLIANCE WITH STATUTES AND REGULATIONS: The Vendor will be knowledgeable of and will comply with all applicable federal, state, county and city statutes, rules, regulations, ordinances and orders.

WAIVER OF BREACH: No delay or omission in the exercise of any right or remedy by a nondefaulting party on any default will impair the right or remedy or be construed as a waiver. A party’s consent or approval of any act by the other party requiring the party’s consent or approval will not be deemed to waive or render unnecessary the other party’s consent to or approval of any subsequent act. Any waiver by either party of any default must be in writing and will not be a waiver of any other default concerning the same or any other provision of this Purchase Order.

ATTORNEY’S FEES: In any dispute, litigation, arbitration, or other proceeding by which one party either seeks to enforce its rights under this Purchase Order (whether in contract, tort or both) or seeks a declaration of any rights or obligations under this Purchase Order, the prevailing party will be awarded reasonable attorney’s fees, together with any costs and expenses, to resolve the dispute and to enforce any judgment.
FAILURE TO COMPLETE ALL ITEMS IN THIS SECTION MAY INVALIDATE BID.

You are required to bid each of the 3 years for each item you bid. You are not required to bid every item.

In accordance with your "Invitation to Bid", the following bid is submitted to the City of Torrance.

Bid Submitted by:

Merrimac Petroleum, Inc. dba Merrimac Energy Group  
Name of Company

<table>
<thead>
<tr>
<th>3738 Bayer Ave., Ste. 204</th>
<th>Long Beach</th>
<th>CA 90808</th>
</tr>
</thead>
<tbody>
<tr>
<td>Street Address</td>
<td>City</td>
<td>State</td>
</tr>
<tr>
<td>(562) 420-6000</td>
<td>(562) 420-6005</td>
<td>Fax Number</td>
</tr>
<tr>
<td>Telephone Number</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Mary Hazelrigg - President  
Printed Name/Title

Signature

mhazelrigg@merrimacenergy.net  
E-Mail Address

1/30/2019  
Date

Form of Business Organization: Please indicate the following (check one);

- [X] Corporation  
- [ ] Partnership  
- [ ] Sole Proprietorship  
- [ ] Other: ________________________________

Business History:

Years in business under your current name and form of business organization? 30+ Years
If less than three (3) years and your company was in business under a different name, what was that name?

_________________________________________
Contact for Additional Information:

Please provide the name of the individual at your company to contact for any additional information:

Mary Hazelrigg  
Printed Name

(562) 420-6000  
Telephone

mazelrigg@merrimacenergy.net  
E-Mail Address

Addenda Received: Please indicate addenda information you have received regarding this bid:

<table>
<thead>
<tr>
<th>Addendum No.</th>
<th>Date Received</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1/15/2019</td>
</tr>
<tr>
<td>2</td>
<td>1/30/2019</td>
</tr>
<tr>
<td>3</td>
<td>2/5/2019</td>
</tr>
</tbody>
</table>

☐ No Addenda received regarding this bid.

Payment Terms:

The City of Torrance Payment terms are Net 30. The City does not make pre-payments, or pay upon receipt.

What are your discounted invoice terms? 1 (one) cent per gallon discount if paid within 10 days from delivery date. ☐ We do not have discounted terms.

Renewal Option:

Please state, if requested by the City, if your company would agree to add a fourth and fifth year to this contract with price, terms and conditions unchanged from year three.

☐ Yes, we would agree to a fourth year with price, terms and conditions unchanged from year three.

☒ Yes, we would agree to a fourth and fifth year with price, terms and conditions unchanged from year three.

☐ No, we would not be interested in renewing this contract.
Contract Extension to Other Cities/Agencies:

Please state, if requested by the City, if your company would agree to extend the same price, terms and conditions to other Cities/Agencies.

☑ Yes, we would agree to extend the same price, terms and conditions.

☐ No, we would not agree to extend the same price, terms and conditions

Placing Orders: Please indicate the contact person and telephone number for placing orders:

Name:  Mary Hazelrigg & Bruce Mainor & Evan Peters

Telephone No:  (562) 420-6000    Fax No.:  (562) 420-6005

Orders may be placed between the hours of  8:00 a.m.  until  5:00  p.m., (City of Torrance Local Pacific Time) Monday through Friday.

If not Monday through Friday, please indicate which days:  24/7 hours - 365 days.
Taxes and Fees:

Please list the taxes and fees for each fuel and delivery type. If there are any fees or taxes that are not listed below, please indicate so in the space provided. Fees and taxes that are not listed in this bid will not be paid and may not be added/invoiced after award of bid to the successful bidder.

<table>
<thead>
<tr>
<th>Description</th>
<th>Rate</th>
<th>Vendor Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal Excise Tax</td>
<td>Exempt</td>
<td></td>
</tr>
<tr>
<td>Leaky Underground Storage Tank Fee (LUST)</td>
<td>@ $0.001 per gallon</td>
<td></td>
</tr>
<tr>
<td>Federal Environmental Recovery Fee</td>
<td>@ $0.0021 per gallon</td>
<td></td>
</tr>
<tr>
<td>California Lead Poison Prevention Fee</td>
<td>@ $0.00146 per gallon</td>
<td></td>
</tr>
<tr>
<td>California Motor Vehicle Fuel Excise Tax</td>
<td>@ $0.417 per gallon</td>
<td></td>
</tr>
<tr>
<td>California AB32 Fees</td>
<td>@ $0.00428 per gallon</td>
<td></td>
</tr>
<tr>
<td>Gasoline Sales Tax Rate</td>
<td>@ 4.5 %</td>
<td>(applicable to price and all taxes and fees)</td>
</tr>
<tr>
<td>Other Taxes and Fees (please specify):</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cap at the Rack (CAR fee)</td>
<td>Changes daily</td>
<td></td>
</tr>
<tr>
<td>LCFS Fee</td>
<td>Changes daily</td>
<td></td>
</tr>
</tbody>
</table>

9269
**Taxes and Fees:**

Please list the taxes and fees for each fuel and delivery type. If there are any fees or taxes that are not listed below, please indicate so in the space provided. Fees and taxes that are not listed in this bid will not be paid and may not be added/invoiced after award of bid to the successful bidder.

<table>
<thead>
<tr>
<th>Description</th>
<th>Rate</th>
<th>Vendor Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal Excise Tax</td>
<td>Exempt</td>
<td></td>
</tr>
<tr>
<td>Leaky Underground Storage Tank Fee (LUST)</td>
<td>@ $0.001 per gallon</td>
<td></td>
</tr>
<tr>
<td>Federal Environmental Recovery Fee</td>
<td>@ $0.0021 per gallon</td>
<td></td>
</tr>
<tr>
<td>California Motor Vehicle Fuel Excise Tax</td>
<td>@ $0.36 per gallon</td>
<td></td>
</tr>
<tr>
<td>California AB32 Fees</td>
<td>@ $0.00506 per gallon</td>
<td></td>
</tr>
</tbody>
</table>

**Diesel Sales Tax Rate**

@ **15.25**%  
(applicable to price and all taxes and fees)

**Other Taxes and Fees (please specify):**

<table>
<thead>
<tr>
<th>Cap at the Rack (CAR fee)</th>
<th>Changes daily</th>
</tr>
</thead>
<tbody>
<tr>
<td>LCFS Fee</td>
<td>Changes daily</td>
</tr>
</tbody>
</table>
Taxes and Fees:

Please list the taxes and fees for each fuel and delivery type. If there are any fees or taxes that are not listed below, please indicate so in the space provided. Fees and taxes that are not listed in this bid will not be paid and may not be added/invoiced after award of bid to the successful bidder.

<table>
<thead>
<tr>
<th>Description</th>
<th>Rate</th>
<th>Vendor Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal Excise Tax</td>
<td>Exempt</td>
<td></td>
</tr>
<tr>
<td>Leaky Underground Storage Tank Fee (LUST)</td>
<td>@ $0.001 per gallon</td>
<td></td>
</tr>
<tr>
<td>Federal Environmental Recovery Fee</td>
<td>@ $0.0021 per gallon</td>
<td></td>
</tr>
<tr>
<td>California Motor Vehicle Fuel Excise Tax</td>
<td>@ $0.36 per gallon</td>
<td></td>
</tr>
<tr>
<td>California AB32 Fees</td>
<td>@ $0.00506 per gallon</td>
<td></td>
</tr>
</tbody>
</table>

Diesel Sales Tax Rate: @ 15.25 %
(applicable to price and all taxes and fees)

Other Taxes and Fees (please specify):
- Cap at the Rack (CAR fee)                              | Changes daily     |
- LCFS Fee                                               | Changes daily     |
Vendor Name: Merrimac Petroleum, Inc. dba Merrimac Energy Group

Price Proposal:

Bidder must complete each item completely. The pricing mechanism on this bid is based upon a discount (-) or mark up (+) from the Daily Oil Price Information Service (OPIS) newsletter average price for the Los Angeles area. OPIS data may be subject to Daily fluctuations. The discount or mark up offered by the successful bidder must remain the same during the term of the purchasing agreement.

<table>
<thead>
<tr>
<th>Bid Item #</th>
<th>Product</th>
<th>+ or - Adjustment to Daily OPIS</th>
<th>Product Bid</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>CARB 87 Octane NL Unleaded Gasoline</td>
<td>Year One</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total Anticipated Gallons for 3-Years: 935,000</td>
<td>+ $ ____</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Bulk Deliveries to:</td>
<td>- $ .1509</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>Transit Warehouse</td>
<td>Year Two</td>
<td></td>
</tr>
<tr>
<td></td>
<td>20500 Madrona Ave.</td>
<td>+ $ ____</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Torrance, CA 90503</td>
<td>- $ .1509</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Anticipated Usage for 3 Years: 160,000 gallons</td>
<td>Year Three</td>
<td></td>
</tr>
<tr>
<td></td>
<td>City Services Warehouse</td>
<td>+ $ ____</td>
<td></td>
</tr>
<tr>
<td></td>
<td>20500 Madrona Ave.</td>
<td>- $ .1509</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Torrance, CA 90503</td>
<td>Year Three</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Anticipated Usage for 3 Years: 760,000 gallons</td>
<td>+ $ ____</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Torrance Municipal Airport-Zamperini Field</td>
<td>- $ .1509</td>
<td></td>
</tr>
<tr>
<td></td>
<td>3901 Airport Drive</td>
<td>Year Three</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Torrance, CA 90505</td>
<td>+ $ ____</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Anticipated Usage for 3 Years: 15,000 gallons</td>
<td>- $ .1509</td>
<td></td>
</tr>
</tbody>
</table>

Brand: Various - Phillips, Valero, Tesoro, etc.

Product Identification No.: # CARB 87 OCTANE

☐ We are not bidding this item
Vendor Name: Merrimac Petroleum, Inc. dba Merrimac Energy Group

Price Proposal:

Bidder must complete each item completely. The pricing mechanism on this bid is based upon a discount (-) or mark up (+) from the Daily Oil Price Information Service (OPIS) newsletter average price for the Los Angeles area. OPIS data may be subject to Daily fluctuations. The discount or mark up offered by the successful bidder must remain the same during the term of the purchasing agreement.

<table>
<thead>
<tr>
<th>Bid Item #</th>
<th>Product</th>
<th>+ or - Adjustment to Daily OPIS</th>
<th>Product Bid</th>
</tr>
</thead>
<tbody>
<tr>
<td>2A</td>
<td>CARB Ultra Low Sulfur Diesel (Clear) Total Anticipated Gallons for 3-Years: 390,000</td>
<td>Year One</td>
<td>Brand: Various - Phillips, Valero, Tesoro, etc. Product Identification No.: # CARB ULSD CLEAR</td>
</tr>
<tr>
<td></td>
<td>Bulk Deliveries to: Transit Services Warehouse 20500 Madrona Ave. Torrance, CA 90503 Anticipated Usage for 3 Years: 10,000 gallons</td>
<td>- $ .0299</td>
<td>☐ We are not bidding this item</td>
</tr>
<tr>
<td></td>
<td>City Services Warehouse 20500 Madrona Ave. Torrance, CA 90503 Anticipated Usage for 3 Years: 380,000 gallons</td>
<td>+ $</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Year Two</td>
<td>- $ .0299</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Year Three</td>
<td>+ $</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- $ .0299</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Vendor Name: Merrimac Petroleum, Inc. dba Merrimac Energy Group

Price Proposal:

If your company can provide renewable diesel, please complete this form for consideration as an option to bid item #2A. At its discretion, the City may evaluate the use of renewable diesel in lieu of, or in combination with, Ultra Low Sulfur Diesel to meet its total anticipated three-year usage of 390,000 gallons of bulk delivery diesel fuel.

<table>
<thead>
<tr>
<th>Bid Item #:</th>
<th>Product</th>
<th>+ or - Adjustment to Daily OPIS</th>
<th>Product Bid</th>
</tr>
</thead>
<tbody>
<tr>
<td>2B</td>
<td>CARB Renewable Diesel</td>
<td>Please use the Daily OPIS for Ultra Low Sulfur Diesel (Clear)</td>
<td>Brand: Various</td>
</tr>
<tr>
<td></td>
<td>Renewable diesel meets ASTM D975-12a, but is made from non-petroleum sources. Specifically, renewable diesel meets the definition of &quot;hydrocarbon oil&quot; and the physical and chemical properties specified in ASTM D975-12a.</td>
<td>Year One</td>
<td>Product Identification No.: # RENEWABLE CLEAR</td>
</tr>
<tr>
<td></td>
<td>Total Anticipated Gallons for 3-Years: 390,000</td>
<td>- $ .0491</td>
<td>☐ We are not bidding this item</td>
</tr>
<tr>
<td></td>
<td>Bulk Deliveries to:</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Transit Services Warehouse</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>20500 Madrona Ave.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Torrance, CA 90503</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Anticipated Usage for 3 Years: 10,000 gallons</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>City Services Warehouse</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>20500 Madrona Ave.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Torrance, CA 90503</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Anticipated Usage for 3 Years: 380,000 gallons</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Bidder must complete each item completely. The pricing mechanism on this bid is based upon a discount (-) or mark up (+) from the Daily Oil Price Information Service (OPIS) newsletter average price for the Los Angeles area. OPIS data may be subject to Daily fluctuations. However, the discount or mark up offered by the successful bidder must remain the same during the term of the purchasing agreement.

<table>
<thead>
<tr>
<th>Bid Item #</th>
<th>Product</th>
<th>+ or - Adjustment to Daily OPIS</th>
<th>Product Bid</th>
</tr>
</thead>
</table>
| 3A         | CARB Ultra Low Sulfur Diesel (Clear)  
Total Anticipated Gallons for 3-Years: 45,400  
Non-Bulk Deliveries to:  
Communications & Information Technology Dept.  
3031 Torrance Blvd.  
Torrance, CA 90503  
Anticipated Usage for 3 Years: 200 gallons  
Torrance Police Dept.  
3300 Civic Center Drive  
Torrance, CA 90503  
Anticipated Usage for 3 Years: 600 gallons  
Fire Station #1  
1701 Crenshaw Blvd.  
Torrance, CA 90501  
Anticipated Usage for 3 Years: 500 gallons  
Fire Station #3  
3535 West 192nd Street  
Torrance, CA 90504  
Anticipated Usage for 3 Years: 22,500 gallons  
Fire Station #4  
5205 Calle Mayor  
Torrance, CA 90505  
Anticipated Usage for 3 Years: 18,500 gallons  
Fire Station #5  
3940 Del Amo Blvd.  
Torrance, CA 90503  
Anticipated Usage for 3 Years: 500 gallons  
Fire Station #6  
21401 Del Amo Circle W.  
Torrance, CA 90503  
Anticipated Usage for 3 Years: 500 gallons  
Water Pump Station  
25540 Crenshaw Blvd.  
Torrance, CA 90505  
Anticipated Usage for 3 Years: 1,800 gallons  
Water Pump Station  
2223 Border Avenue  
Torrance, CA 90501  
Anticipated Usage for 3 Years: 300 gallons | Year One  
+ $ .0290  
- $  
Year Two  
+ $ .0290  
- $  
Year Three  
+ $ .0290  
- $ |  
Brand: Various - Phillips, Valero, Tesoro, etc.  
Product Identification No.:  
# CARB ULSD CLEAR  
☐ We are not bidding this item |
Vendor Name: Merrimac Petroleum, Inc. dba Merrimac Energy Group

Price Proposal:

If your company can provide renewable diesel, please complete this form for consideration as an option to bid item #3A. At its discretion, the City may evaluate the use of renewable diesel in lieu of, or in combination with, Ultra Low Sulfur Diesel to meet its total anticipated three-year usage of 45,400 gallons of non-bulk delivery diesel fuel.

<table>
<thead>
<tr>
<th>Bid Item #</th>
<th>Product</th>
<th>+ or - Adjustment to Daily OPIS</th>
<th>Product Bid</th>
</tr>
</thead>
<tbody>
<tr>
<td>CARB Renewable Diesel</td>
<td><strong>Non-Bulk Deliveries to:</strong> Communications &amp; Information Technology Dept. 3031 Torrance Blvd. Torrance, CA 90503 Anticipated Usage for 3 Years: 200 gallons</td>
<td>Please use the Daily OPIS for Ultra Low Sulfur Diesel (Clear) Year One $...0.0290 <strong>Year Two</strong> $...0.0290 <strong>Year Three</strong> $...0.0290 <strong>Brand:</strong> Various <strong>Product Identification No.:</strong> # RENEWABLE CLEAR</td>
<td><strong>Product Bid</strong></td>
</tr>
<tr>
<td>3B Fire Station #1 1701 Crenshaw Blvd. Torrance, CA 90501 Anticipated Usage for 3 Years: 500 gallons Fire Station #3 3535 West 182nd Street Torrance, CA 90504 Anticipated Usage for 3 Years: 22,500 gallons Fire Station #4 5206 Calle Mayor Torrance, CA 90505 Anticipated Usage for 3 Years: 18,500 gallons Fire Station #5 3940 Del Amo Blvd. Torrance, CA 90503 Anticipated Usage for 3 Years: 500 gallons Fire Station #6 21401 Del Amo Circle W. Torrance, CA 90503 Anticipated Usage for 3 Years: 500 gallons Water Pump Station 25640 Crenshaw Blvd. Torrance, CA 90505 Anticipated Usage for 3 Years: 1,800 gallons Water Pump Station 2225 Border Avenue Torrance, CA 90501 Anticipated Usage for 3 Years: 300 gallons</td>
<td>□ We are not bidding this item</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
## Bid Proposal Summary:

<table>
<thead>
<tr>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
<th>E</th>
<th>F</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bid Item #</td>
<td>Usage</td>
<td>Evaluation Unit Price</td>
<td>Unit Price Based on OPIS Plus or Minus + or - Adjustment to Daily OPIS You Bid (from pages 18-22) added or subtracted to/from the Unit Price (in Column C)</td>
<td>Total Unit Price</td>
<td>Extended Price</td>
</tr>
<tr>
<td>Number of gallons the City anticipates using the first year</td>
<td>For evaluation purposes, this price will be used as the “OPIS average price for the Los Angeles Area” Add Column C and D</td>
<td>Multiply Column E by Column B</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>311,666.66</td>
<td>$3.17</td>
<td>$-0.20</td>
<td>$2.97</td>
<td>$925,649.98</td>
</tr>
<tr>
<td>CARB 87 Octane NL Unleaded Gasoline Bulk Deliveries</td>
<td>311,666.66</td>
<td>$3.17</td>
<td>$-0.1509</td>
<td>$3.0191</td>
<td>$940,952.81</td>
</tr>
<tr>
<td>2A</td>
<td>130,000</td>
<td>$3.41</td>
<td>$-0.0299</td>
<td>$3.3801</td>
<td>$439,413.00</td>
</tr>
<tr>
<td>CARB Ultra Low Sulfur Diesel (Clear) Bulk Deliveries</td>
<td>130,000</td>
<td>$3.41</td>
<td>$-0.0299</td>
<td>$3.3801</td>
<td>$439,413.00</td>
</tr>
<tr>
<td>3A</td>
<td>15,133.33</td>
<td>$3.41</td>
<td>$0.0290</td>
<td>$3.4390</td>
<td>$52,043.52</td>
</tr>
<tr>
<td>CARB Ultra Low Sulfur Diesel (Clear) Non-Bulk Deliveries</td>
<td>15,133.33</td>
<td>$3.41</td>
<td>$0.0290</td>
<td>$3.4390</td>
<td>$52,043.52</td>
</tr>
<tr>
<td>Year One - Total Based on Anticipated Annual Usage</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$1,432,409.33</td>
</tr>
</tbody>
</table>

### Optional: Renewable Diesel

<table>
<thead>
<tr>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
<th>E</th>
<th>F</th>
</tr>
</thead>
<tbody>
<tr>
<td>2B</td>
<td>130,000</td>
<td>$3.55</td>
<td>$-0.0491</td>
<td>$3.5009</td>
<td>$455,117.00</td>
</tr>
<tr>
<td>CARB Renewable Diesel Bulk Deliveries</td>
<td>130,000</td>
<td>$3.55</td>
<td>$-0.0491</td>
<td>$3.5009</td>
<td>$455,117.00</td>
</tr>
<tr>
<td>3B</td>
<td>15,133.33</td>
<td>$3.55</td>
<td>$0.0290</td>
<td>$3.5790</td>
<td>$54,162.19</td>
</tr>
<tr>
<td>CARB Renewable Diesel Non-Bulk Deliveries</td>
<td>15,133.33</td>
<td>$3.55</td>
<td>$0.0290</td>
<td>$3.5790</td>
<td>$54,162.19</td>
</tr>
<tr>
<td>Year One - Total Based on Anticipated Annual Usage</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$509,279.19</td>
</tr>
</tbody>
</table>
## Vendor Name: Merrimac Petroleum, Inc. dba Merrimac Energy Group

### Bid Proposal Summary:

<table>
<thead>
<tr>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
<th>E</th>
<th>F</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Bid Item #</strong></td>
<td><strong>Usage</strong></td>
<td><strong>Evaluation Unit Price</strong></td>
<td><strong>Unit Price Based on OPIS Plus or Minus</strong></td>
<td><strong>Total Unit Price</strong></td>
<td><strong>Extended Price</strong></td>
</tr>
<tr>
<td><strong>Number of gallons the City anticipates using the first year</strong></td>
<td><strong>For evaluation purposes, this price will be used as the &quot;OPIS average price for the Los Angeles Area&quot;</strong></td>
<td><strong>+ or - Adjustment to Daily OPIS You Bid (from pages 18-22) added or subtracted to/from the Unit Price (in Column C)</strong></td>
<td><strong>Add Column C and D</strong></td>
<td><strong>Multiply Column E by Column B</strong></td>
<td></td>
</tr>
</tbody>
</table>

Example for line 1: You bid minus $0.20. You would enter that amount in column D. For column E, you would subtract $0.20 from $3.17 and enter $2.97. For column F, you multiply $2.87 by 311,666.66 and enter $925,649.98.

**Example:**

| 311,666.66 | $3.17 | $0.20 | $2.97 | $925,649.98 |

### Year Two - Total Based on Anticipated Annual Usage

<table>
<thead>
<tr>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
<th>E</th>
<th>F</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1</strong></td>
<td><strong>CARB 87 Octane NL Unleaded Gasoline Bulk Deliveries</strong></td>
<td>311,666.66</td>
<td>$3.17</td>
<td>$-1509</td>
<td>$3.0191</td>
</tr>
<tr>
<td><strong>2A</strong></td>
<td><strong>CARB Ultra Low Sulfur Diesel (Clear) Bulk Deliveries</strong></td>
<td>130,000</td>
<td>$3.41</td>
<td>$-0.0299</td>
<td>$3.3801</td>
</tr>
<tr>
<td><strong>3A</strong></td>
<td><strong>CARB Ultra Low Sulfur Diesel (Clear) Non-Bulk Deliveries</strong></td>
<td>15,133.33</td>
<td>$3.41</td>
<td>$0.0290</td>
<td>$3.4390</td>
</tr>
</tbody>
</table>

**Year Two - Total Based on Anticipated Annual Usage**

$1,432,409.33

### Optional: Renewable Diesel

<table>
<thead>
<tr>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
<th>E</th>
<th>F</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2B</strong></td>
<td><strong>CARB Renewable Diesel Bulk Deliveries</strong></td>
<td>130,000</td>
<td>$3.55</td>
<td>$0.0491</td>
<td>$3.5009</td>
</tr>
<tr>
<td><strong>3B</strong></td>
<td><strong>CARB Renewable Diesel Non-Bulk Deliveries</strong></td>
<td>15,133.33</td>
<td>$3.55</td>
<td>$0.0290</td>
<td>$3.5790</td>
</tr>
</tbody>
</table>

**Year Two - Total Based on Anticipated Annual Usage**

$509,279.19
Vendor Name: Merrimac Petroleum, Inc. dba Merrimac Energy Group

Bid Proposal Summary:

<table>
<thead>
<tr>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
<th>E</th>
<th>F</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Bid Item #</strong></td>
<td><strong>Usage</strong></td>
<td><strong>Evaluation Unit Price</strong></td>
<td><strong>Unit Price Based on OPIS Plus or Minus</strong></td>
<td><strong>Total Unit Price</strong></td>
<td><strong>Extended Price</strong></td>
</tr>
<tr>
<td>Number of gallons the City anticipates using the first year</td>
<td>For evaluation purposes, this price will be used as the &quot;OPIS average price for the Los Angeles Area&quot;</td>
<td>+ or - Adjustment to Daily OPIS You Bid (from pages 18-22) added or subtracted to/from the Unit Price (in Column C)</td>
<td>Add Column C and D</td>
<td>Multiply Column E by Column B</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>311,666.66</td>
<td>$3.17</td>
<td>$ -0.20</td>
<td>$2.97</td>
<td>$925,849.98</td>
</tr>
<tr>
<td>2A</td>
<td>130,000</td>
<td>$3.41</td>
<td>$ -0.0299</td>
<td>$3.3801</td>
<td>$439,413.00</td>
</tr>
<tr>
<td>3A</td>
<td>15,133.33</td>
<td>$3.41</td>
<td>$0.0290</td>
<td>$3.4390</td>
<td>$52,043.52</td>
</tr>
<tr>
<td><strong>Year Three - Total Based on Anticipated Annual Usage</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$1,432,409.33</td>
</tr>
</tbody>
</table>

Optional: Renewable Diesel

<table>
<thead>
<tr>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
<th>E</th>
<th>F</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2B</strong></td>
<td><strong>CARB Renewable Diesel</strong></td>
<td><strong>Bulk Deliveries</strong></td>
<td><strong>Usage</strong></td>
<td><strong>Evaluation Unit Price</strong></td>
<td><strong>Unit Price Based on OPIS Plus or Minus</strong></td>
</tr>
<tr>
<td>130,000</td>
<td>$3.55</td>
<td>$ -0.0491</td>
<td>$3.5091</td>
<td>$455,117.00</td>
<td></td>
</tr>
<tr>
<td>15,133.33</td>
<td>$3.55</td>
<td>$0.0290</td>
<td>$3.5790</td>
<td>$54,162.19</td>
<td></td>
</tr>
<tr>
<td><strong>Year Three - Total Based on Anticipated Annual Usage</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$509,279.19</td>
</tr>
<tr>
<td>Vendor Name: Merrimac Petroleum, Inc. dba Merrimac Energy Group</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>---</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Bid Proposal Summary</strong> (continued):</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Items #: 1, 2A, 3A</td>
<td>Items #: 2B, 3B</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Year One total (from page 23)</td>
<td>$ 1,432,409.33</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Year Two total (from page 24)</td>
<td>$ 1,432,409.33</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Year Three total (from page 25)</td>
<td>$ 1,432,409.33</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Combined 3-Year Total</td>
<td>$ 4,297,227.99</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>$ 509,279.19</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>$ 509,279.19</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>$ 509,279.19</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>$ 1,527,837.57</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Did you bid on all items (1-3)?</th>
<th></th>
<th>No, we did not bid on all bid items</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes, we bid on all 3 items</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Did you bid each of the three years?</th>
<th>Yes, we bid on all 3 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>No, we did not bid on all three years and understand that our bid will not be considered or evaluated.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>As required by this bid, we have submitted one (1) original and four (4) copies of this bid submittal to the City of Torrance (pages 11-27).</th>
<th>Yes</th>
</tr>
</thead>
<tbody>
<tr>
<td>No</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Additional Comments:</th>
</tr>
</thead>
</table>

26
DATE: October 6, 2020

TO: Honorable Mayor and City Council

FROM: Dominic Lazzaretto, City Manager
By: Hue Quach, Administrative Services Director

SUBJECT: SETTING THE ISSUANCE AMOUNT OF PENSION OBLIGATION BONDS AT $90 MILLION FOR THE PURPOSE OF ADDRESSING THE CITY’S UNFUNDED ACCRUED ACTUARIAL LIABILITY AND THE RELATED PRELIMINARY OFFICIAL STATEMENT

RESOLUTION NO. 7338 APPROVING THE FORM OF A PRELIMINARY OFFICIAL STATEMENT AND A CONTINUING DISCLOSURE CERTIFICATE IN CONNECTION WITH THE ISSUANCE OF BONDS TO REFUND CERTAIN PENSION OBLIGATIONS OF THE CITY AND APPROVING ADDITIONAL ACTIONS RELATED THERETO

Recommendation: Adopt

SUMMARY

In June 2019, the City Council approved a contract with Urban Futures, Inc. (“UFI”) to provide pension advisory services to assist the Citizen’s Financial Advisory Committee (“CFAC”) with developing recommendations to address the City’s rising pension costs and its unfunded accrued actuarial liabilities (“UAL”) with the California Public Employees’ Retirement System (“CalPERS”).

On February 18, 2020, the City Council approved the Comprehensive Management Plan to address the City’s UAL by adopting Resolution No. 7294 that established Policies for Addressing Unfunded Retirement Costs, directed staff to proceed with the issuance of Pension Obligation Bonds (the “Bonds”), and adopted Resolution No. 7295 that authorized an additional budget appropriation of $30,000 for the purpose of entering into professional services, as bond counsel, with Stradling Yocca Carlson & Rauth, to commence with the judicial validation proceeding in anticipation of issuing Pension Obligation Bonds.

The City Council provided further guidance for City staff to meet with the CFAC to determine the recommended amount and structure of the Bonds. City staff solicited bond underwriting services through a competitive Request for Proposals (“RFP”) that included a two-part process to include a written proposal followed by a 10-question interview. Eleven (11) responses were received and Stifel Nicolaus & Co. was unanimously recommended and approved on September 15, 2020.
City staff and UFI met with the CFAC on September 3, 2020, and September 10, 2020, to discuss bond sizing and structure. The CFAC evaluated a number of scenarios and discussed the potential risks associated with the timing and amount of POBs to be issued. The CFAC unanimously recommended the issuance of $90 million in POBs, in conjunction with the other elements of the Pension Comprehensive Management Plan listed below.

It is recommended that the City Council direct staff to issue $90 million in pension obligation bonds and adopt Resolution No. 7338 approving the form of a Preliminary Official Statement and a Continuing Disclosure Certificate in connection with the issuance of bonds to refund certain pension obligations of the City and approving additional actions related thereto.

**DISCUSSION**

As of the most recent CalPERS actuarial report, dated June 30, 2019, the City had an unfunded accrued actuarial liability equal to $157 million. The projected UAL for Fiscal Year 2021-22 is comprised of 46 amortization bases:

- 24 Amortization Bases for the Miscellaneous Plan = $51.4 million
- 22 Amortization Bases for the Safety Plan = $105.9 million

The CFAC developed a Comprehensive Funding Plan that utilizes 5 different strategies, which were adopted by the City Council. These strategies will be implemented over the next 3-5 years to achieve a 95% funded ratio, as summarized below:

<table>
<thead>
<tr>
<th>Solution</th>
<th>Fund</th>
<th>Amount</th>
<th>Base</th>
<th>Years</th>
<th>Savings</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Existing Reserves</td>
<td>Water 2,000,000</td>
<td>#17</td>
<td>27</td>
<td>3,341,676</td>
</tr>
<tr>
<td></td>
<td>Existing Reserves</td>
<td>Sewer 1,000,000</td>
<td>#17</td>
<td>27</td>
<td>1,670,838</td>
</tr>
<tr>
<td>2</td>
<td>Leverage Refunding</td>
<td>RDA 470,000</td>
<td>#15</td>
<td>27</td>
<td>613,157</td>
</tr>
<tr>
<td>3</td>
<td>Annual Surplus (ADPs)</td>
<td>General 3,246,397</td>
<td>#17</td>
<td>27</td>
<td>5,424,204</td>
</tr>
<tr>
<td></td>
<td>($2.0 million x 4 years)</td>
<td>General 8,000,000</td>
<td>#15</td>
<td>27</td>
<td>10,436,719</td>
</tr>
<tr>
<td></td>
<td>Tax-Exempt Exchange</td>
<td>Water 6,844,483</td>
<td>#15</td>
<td>26</td>
<td>6,171,766</td>
</tr>
<tr>
<td></td>
<td>Tax-Exempt Exchange</td>
<td>General 8,078,043</td>
<td>#10</td>
<td>24</td>
<td>6,875,686</td>
</tr>
<tr>
<td></td>
<td>Tax-Exempt Exchange</td>
<td>General 8,078,043</td>
<td>#10</td>
<td>24</td>
<td>4,658,696</td>
</tr>
<tr>
<td></td>
<td>Tax-Exempt Exchange</td>
<td>General 8,078,043</td>
<td>#10</td>
<td>24</td>
<td>2,586,744</td>
</tr>
<tr>
<td>4</td>
<td>POBs</td>
<td>General 89,398,333</td>
<td></td>
<td></td>
<td>42,077,392</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Funded Level</td>
<td>95%</td>
<td>$135,193,341</td>
<td></td>
<td>$83,856,879</td>
</tr>
</tbody>
</table>

The Successor Agency recently completed the refunding of its 2010 TABs and the City anticipates, with future budget years, to program for Additional Discretionary Payments ("ADPs") totaling $6.2 million from Water, Sewer & General Fund reserves. Moreover, the City plans to incorporate the tax-exempt exchange options during our annual budgeting preparation period, for those Equipment Replacement purchases and Capital
Improvement Projects over the next 5-10 years, as recommended by the Pension Comprehensive Management Plan.

It is important to note that the City will not address all of the outstanding $157 million liability, approximately $22 million will remain. The Pension Comprehensive Management Plan, once implemented, will target a 95% funding level. Most pension funding strategies aim for 85-90% funded status. This funding level may fluctuate in the future as new bases are added or credited toward the UAL. The City can make additional ADPs, from available excess revenues and reserves over the next several years to address the outstanding UAL and additional bases.

Validation Proceedings

The deadline for filing a protest to the validation passed on August 17, 2020, without event. Due to COVID-related delays, the LA County Superior Court accepted the default judgement on September 18, 2020. Upon the lapse of the 30-day appeal period, the City will have authorization to issue POBs any time after October 18, 2020.

One note on the judgement was that the City had sought approval of up to $150 million in bonds to be issued all at once or over a series of issuances to provide flexibility to future City Councils. The judge’s ruling only authorized the issuance of a single series of bonds. Should the City seek to issue POBs again in the future, it would be required to obtain approval via an additional validation action.

Preliminary Official Statement and Continuing Disclosure Certificate

The City Council authorized the issuance of the Bonds on February 18, 2020. It was expected that the financing team would return to the City Council for final approval of amount of the POBs and approval of the Preliminary Official Statement (“POS”) and the Continuing Disclosure Certificate. The POS is the offering document required if the Bonds will be sold by public offering and must contain all material information to enable investors to determine whether to purchase Bonds. The Continuing Disclosure Certificate requires the City to provide certain annual financial information to investors. The proposed POS and Continuing Disclosure Certificate are attached to this report.

Timing of Sale/Bond Structure

During the interviews, each underwriter mentioned the historic market and interest rate volatility around the period of the presidential elections. Many recommended selling the Bonds prior to the election. Given this expected volatility, the financing team is seeking the ability to sell the Bonds prior to the 2020 election. If approved, the bonds are expected to be sold the week of October 15, 2020 (i.e., prior to the Presidential Election).

The CFAC recommended a $90 million POB issuance, with a 20-year final maturity, refinancing the following amortization bases:
Debt Service Level Analysis

Although the issuance of Bonds and making payment to CalPERS with Bond proceeds has been designed to provide significant savings to the City, staff further conducted a debt service level analysis to ensure the financial viability of the General Fund. The financial modeling considers normal inflationary growth for ongoing expenditures, with the newly added annual debt service of $6.3 million, and applying conservative revenue growth factors to major revenue sources such as: Property Tax, Sales Tax, Utility User’s Tax, Business Licenses, and other categories. The conservative assumptions of revenue accounts for the effect of COVID-19 through Fiscal Year 2021-22. Thereafter, most of major revenue sources assumed a 2.0% annual growth rate. For General Fund expenditures, assumption of an annual inflationary factor of 3.0% was applied for personnel and all other operating expenditures.

The analysis not only determined whether projected revenue growth can sustain growing expenditures, especially with the newly-added debt service, but also whether there would be significant margin to manage additional cost outflow from future unknowns. For example, it could be from additional CalPERS contributions should a policy change that would reduce the current expected Discount Rate (investment rate of return) or additional contribution requirements due to CalPERS’s inability to meet their investment earning objectives.

As the chart below shows, starting in Fiscal Year 2021-22, the General Fund is projected to produce surplus of roughly $3.2 million and continues in that range through Fiscal Year 2029-30, per the 10-year forecast model. These surplus balances do take into consideration any “savings” of the Bond proceed payment to CalPERS, and as such, will reduce annual employer contribution billings from CalPERS. Optimistically, as noted earlier, the revenue assumptions used are very conservative and it is expected that under a “normal” economic growth period, future revenue would provide a greater surplus margin for the outgoing years.
ENVIRONMENTAL ANALYSIS

The proposed actions do not constitute a project under the California Environmental Quality Act (“CEQA”), and it can be seen with certainty that it will have no impact on the environment. Thus, this matter is exempt from CEQA.

FISCAL IMPACT

The issuance of POBs is part of a Pension Comprehensive Management Plan. If the City were to issue POBs under the current interest rate environment, the POBs are projected to have an estimated True Interest Cost of 3.35%.

The City is issuing POBs to refinance the UAL for a portion of the UAL. The expected annual debt service on $90 million in POBs will be approximately $6.3 million, compared to approximately $7.2 million in required UAL payments. The POBs would generate $42.7 million in total savings over the next 20 years.
The UAL is a dynamic liability – each year CalPERS adds new bases that adjust the UAL either up or down depending on actual investment returns and experiences. POBs will provide the City additional financial capacity to afford any new bases that add to the City’s obligations. CalPERS investment return for Fiscal Year 2019-20 (June 30, 2020), was equal to 4.70%. UFI has estimated that CalPERS will add a new base equal to $6.9 million next year, which will require roughly an additional $750,000 in additional UAL payments for 20 years. The POBs are expected to generate more than $900,000 in actual budgetary cash flow savings, which will enable the City to absorb this new base without increasing payments from the Fiscal Year 2020-21 UAL required level. The POBs will be structured with 20-year level debt service, which will further enable the City to absorb the financial impact of any new bases added in the future.

The 5 financing strategies, collectively, will enable the City to realize significant savings and enable it to better withstand future UAL increases.

The Cost of Issuance associated with issuing the Bonds will be paid from the proceeds of the bond sale. All fees have been previously determined in prior City Council actions, except for the financial advisory fees. Urban Futures, Inc. (“UFI”) will serve as the Municipal Advisor on the transaction, the fees will be $110,000 including expenses. UFI was previously engaged on an hourly basis.

The following is a summary of the Cost of Issuance for the proposed bond transaction. These fees are contingent upon the sale of the Bonds and will be paid from the proceeds of the bond sale:
The Underwriters will be paid an underwriting fee for the sale of the bonds, which is contingent upon the sale of the bonds, and which will be equal to $3.00 per bond or 0.30%. The underwriter and fees were approved on the September 15, 2020, City Council meeting.

RECOMMENDATION

It is recommended that the City Council direct staff to issue $90 million in pension obligation bonds and adopt Resolution No. 7338 approving the form of a Preliminary Official Statement and a Continuing Disclosure Certificate in connection with the issuance of bonds to refund certain pension obligations of the City and approving additional actions related thereto.

Attachments: Resolution No. 7338
Preliminary Official Statement
Continuing Disclosure Certificate
RESOLUTION NO. 7338

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF ARCADIA, CALIFORNIA APPROVING THE FORM OF A PRELIMINARY OFFICIAL STATEMENT AND A CONTINUING DISCLOSURE CERTIFICATE IN CONNECTION WITH THE ISSUANCE OF BONDS TO REFUND CERTAIN PENSION OBLIGATIONS OF THE CITY AND APPROVING ADDITIONAL ACTIONS RELATED THERETO

WHEREAS, the City of Arcadia (the “City”) has previously adopted a retirement plan pursuant to the Public Employees' Retirement Law, commencing with Section 20000 of the Government Code of the State of California, as amended (the “Retirement Law”) and elected to become a contracting member of the California Public Employees’ Retirement System (“PERS”);

WHEREAS, the Retirement Law and the contract (the “PERS Contract”) effective July 1, 1948, between the Board of Administration of PERS and the City Council of the City (the “City Council”) obligate the City: (i) to make contributions to PERS to fund pension benefits for certain City employees; (ii) to amortize the unfunded accrued actuarial liability with respect to such pension benefits; and (iii) to appropriate funds for the foregoing purposes;

WHEREAS, pursuant to Resolution No. 7297 adopted by the City Council on March 17, 2020 (the “Prior Resolution”), the City previously authorized the issuance of its City of Arcadia 2020 Taxable Pension Obligation Bonds (the “Bonds”) pursuant to the provisions of Articles 10 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, commencing with Section 53570 of said Code (the “Bond Law”), in a maximum principal amount not to exceed that required for the purposes of refunding all or a portion of the City’s current obligation to PERS for fiscal year 2020-21,
pursuant to the PERS Contract, to pay all or a portion of the unfunded accrued actuarial liability of the City (the "Unfunded Liability") with respect to pension benefits under the Retirement Law and the PERS Contract, to pay capitalized interest on the Bonds and to pay the costs of issuance of such Bonds, including the underwriter's discount and any original issue discount on such Bonds;

WHEREAS, pursuant to the Prior Resolution, the City Council also approved the forms of certain legal documents in connection with the issuance of the Bonds, including a Trust Agreement and a Bond Purchase Agreement;

WHEREAS, pursuant to the Prior Resolution, the City Council also authorized the institution of a proceeding for judicial validation of the Bonds and the Trust Agreement in the Superior Court of Los Angeles County, under and pursuant to the provisions of Sections 860 et seq. of the California Code of Civil Procedure (the "Validation Proceeding");

WHEREAS, a judgment was entered in the Validation Proceeding determining that the Bonds and the Trust Agreement will be valid and legal obligations of the City;

WHEREAS, the City Council has determined that it is in the best interests of the City and its residents to proceed with the issuance of the Bonds and the sale thereof to the underwriter named in the Bond Purchase Agreement;

WHEREAS, Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 ("Rule 15c2-12") requires that, in order to be able to purchase or sell the Bonds, the underwriter thereof must have reasonably determined that the City has undertaken in a written agreement or contract for the benefit of the holders of the Bonds to provide disclosure of certain financial information and certain events on an ongoing basis;
WHEREAS, in order to cause such requirement to be satisfied, the City desires to execute and deliver a Continuing Disclosure Certificate (the "Continuing Disclosure Certificate") in connection with the issuance of the Bonds;

WHEREAS, Rule 15c2-12 also requires that, in order to offer the Bonds for sale to the public, the underwriter must receive a disclosure document with respect to the Bonds and the City;

WHEREAS, in order to cause such requirement to be satisfied, the City and the Authority have prepared a Preliminary Official Statement (the "Preliminary Official Statement") in connection with the issuance of the Bonds; and

WHEREAS, all acts, conditions and things required by the laws of the State of California to exist, to have happened and to have been performed precedent to and in connection with the consummation of the financing authorized hereby do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the City is now duly authorized and empowered, pursuant to each and every requirement of law, to consummate such financing for the purpose, in the manner and upon the terms herein provided;

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Arcadia as follows:

Section 1. The City Council does hereby find and declare that the above recitals are true and correct.

Section 2. The City Council hereby reaffirms its approval of the issuance of the Bonds upon the terms and conditions set forth in the Prior Resolution and authorizes staff to proceed with a public sale of the Bonds.
Section 3. The form of Preliminary Official Statement presented at this meeting, with such changes, insertions and omissions therein as may be approved by the Mayor of the City, or such member of the City Council as the Mayor may designate, the City Manager of the City, the Director of Administrative Services, and their authorized designees (the "Authorized Officers"), is hereby approved, and the use of the Preliminary Official Statement in connection with the offering and sale of the Bonds is hereby authorized and approved. Each Authorized Officer is hereby authorized to certify on behalf of the City that the Preliminary Official Statement is deemed final as of its date within the meaning of Rule 15c2-12 promulgated by the Securities and Exchange Commission ("Rule 15c2-12") (except for the omission of certain final pricing, rating and related information as permitted by Rule 15c2-12). The Authorized Officers are each hereby authorized and directed to furnish, or cause to be furnished, to prospective bidders for the Bonds a reasonable number of copies of the Preliminary Official Statement.

Section 4. The preparation and delivery of an Official Statement, and its use in connection with the offering and sale of the Bonds, is hereby authorized and approved. The Official Statement shall be in substantially the form of the Preliminary Official Statement, with such changes, insertions and omissions as may be approved by an Authorized Officer (including changes to reflect the entry into of a municipal bond insurance policy and/or debt service reserve surety policy, as approved pursuant to the Prior Resolution), such approval to be conclusively evidenced by the execution and delivery thereof. The Authorized Officers are each hereby authorized and directed, for
and in the name of and on behalf of the City, to execute the final Official Statement and any amendment or supplement thereto for and in the name and on behalf of the City.

Section 5. The form of Continuing Disclosure Certificate presented at this meeting is hereby approved, and the Authorized Officers are each hereby authorized and directed, for and in the name and on behalf of the City, to execute and deliver the Continuing Disclosure Certificate in substantially said form, with such changes, insertions and omissions therein as the Authorized Officer executing the same may require or approve, such approval to be conclusively evidenced to the execution and delivery thereof.

Section 6. The Bank of New York Mellon Trust Company, N.A. is hereby appointed to act as trustee under the Trust Agreement.

Section 7. The Authorized Officers are, and each of them hereby is, authorized and directed to execute and deliver any and all documents and instruments and to do and cause to be done any and all acts and things necessary or proper for carrying out the transactions contemplated hereby, including, but not limited to, the execution and delivery of any documents required by PERS in order to complete the issuance of the Bonds and the refunding of the Unfunded Liability.

Section 8. All actions heretofore taken by the Authorized Officers and by any other officers, employees or agents of the City with respect to the issuance of the Bonds, or in connection with or related to any of the agreements or documents referenced herein, are hereby approved, confirmed and ratified.

Section 9. The City Clerk shall attest and certify to the passage and adoption of this Resolution, and it shall become effective immediately upon its approval.
Passed, approved and adopted this 6th day of October, 2020.

Mayor of the City of Arcadia

ATTEST:

City Clerk

APPROVED AS TO FORM:

Stephen P. Deitsch
City Attorney
NEW ISSUE—BOOK-ENTRY ONLY

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest on the Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended, but is exempt from State of California personal income tax. See the caption “TAX MATTERS.”

$__________*

CITY OF ARCADIA

2020 TAXABLE PENSION OBLIGATION BONDS

Dated: Date of Delivery

Due: December 1, as shown on the inside front cover page

The City of Arcadia (the “City”) is issuing its $__________ * aggregate principal amount of 2020 Taxable Pension Obligation Bonds (the “Bonds”), pursuant to a Trust Agreement, dated as of November 1, 2020, by and between the City and The Bank of New York Mellon Trust Company, N.A., as trustee, and pursuant to Articles 10 and 11 (commencing with Section 53570) of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code. The Bonds are being issued: (i) to pay all or a portion of the City’s currently unamortized, unfunded accrued actuarial liability to the California Public Employees Retirement System with respect to the City’s defined benefit retirement plans for City employees; and (ii) to pay costs of issuance of the Bonds. See the caption “PLAN OF REFINANCING.”

The Bonds will be delivered in fully registered form only, and when delivered will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). See the caption “THE BONDS—General.” So long as Cede & Co. is the registered owner of the Bonds, references herein to the owners of the Bonds mean Cede & Co. and do not mean the Beneficial Owners of the Bonds.

Interest on the Bonds is payable semiannually on June 1 and December 1 of each year, commencing December 1, 2021, through the maturity date of such Bonds. The Bonds will be issued in denominations of integral multiples of $5,000. The Bonds will be issued in such principal amounts, and will bear interest at the rates, payable on the dates as shown on the inside front cover page of this Official Statement.

The Bonds are subject to optional and mandatory sinking fund redemption prior to maturity as described under the caption “THE BONDS.”

THE OBLIGATIONS OF THE CITY UNDER THE BONDS, INCLUDING THE OBLIGATION TO MAKE ALL PAYMENTS OF THE INTEREST ON AND THE PRINCIPAL OF THE BONDS WHEN DUE OR UPON PRIOR REDEMPTION, ARE ABSOLUTE AND UNCONDITIONAL, WITHOUT ANY RIGHT OF SET-OFF OR COUNTERCLAIM. THE BONDS DO NOT CONSTITUTE AN OBLIGATION OF THE CITY FOR WHICH THE CITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE CITY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. SEE THE CAPTION “SECURITY AND SOURCE OF PAYMENT FOR THE BONDS.”

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR 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.

MATURITY SCHEDULE

(See inside front cover page)

The Bonds are offered when, as and if issued and received by the Underwriter, subject to the approval of the valid, legal and binding nature of the Bonds by Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel, and certain other conditions. Certain matters will be passed upon for the City by the City Attorney, and by Stradling Yocca Carlson & Rauth, a Professional Corporation, as Disclosure Counsel, for the Underwriter by its counsel, Kutak Rock LLP, and for the Trustee by its counsel. It is anticipated that the Bonds will be available for delivery through the facilities of The Depository Trust Company on or about November ___, 2020.

Dated: October __, 2020

* Preliminary, subject to change.
### MATURITY SCHEDULE

**BASE CUSIP**: _____

<table>
<thead>
<tr>
<th>Maturity (December 1)</th>
<th>Principal Amount</th>
<th>Interest Rate</th>
<th>Yield</th>
<th>Price</th>
<th>CUSIP†</th>
</tr>
</thead>
<tbody>
<tr>
<td>$__________*</td>
<td>$________%</td>
<td>_______%</td>
<td>_____%</td>
<td>_____%</td>
<td>_______%</td>
</tr>
</tbody>
</table>

$___________ _____% Term Bond due December 1, 20__; Yield _____; Price _____% ; CUSIP†: ______

---

* Preliminary, subject to change.
† CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by S&P Capital IQ. Copyright© 2020 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. Neither the City nor the Underwriter takes any responsibility for the accuracy of such numbers.
CITY OF ARCADIA  
COUNTY OF LOS ANGELES, CALIFORNIA

CITY COUNCIL
Roger Chandler, Mayor  
Sho Tay, Mayor Pro Tem  
Tom Beck, Council Member  
Paul P. Cheng, Council Member  
April Verlato, Council Member

CITY OFFICIALS
Dominic Lazzaretto, City Manager  
Jason Kruckeberg, Assistant City Manager/Development Service Director  
Hue Quach, Administrative Services Director  
Henry Chen, Financial Services Manager  
Gene Glasco, City Clerk

CITY ATTORNEY
Best Best & Krieger LLP  
Ontario, California

BOND COUNSEL AND DISCLOSURE COUNSEL
Stradling Yocca Carlson & Rauth, a Professional Corporation  
Newport Beach, California

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

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

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

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

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

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

Certain statements which are included or incorporated by reference in this Official Statement constitute “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used, such as “plan,” “expect,” “estimate,” “project,” “budget,” “intend” or similar words. Such forward-looking statements include, but are not limited to, certain statements contained under the captions “THE CITY” and “CITY FINANCIAL INFORMATION” and in Appendix B. As described under the caption “THE CITY—COVID-19 Outbreak” the COVID-19 pandemic is expected to materially adversely impact the City’s financial condition. Historical information set forth in the Official Statement is not intended to be predictive of future results.

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

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

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

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

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>INTRODUCTION</td>
<td>1</td>
</tr>
<tr>
<td>General</td>
<td>1</td>
</tr>
<tr>
<td>The Bonds</td>
<td>1</td>
</tr>
<tr>
<td>Validation</td>
<td>2</td>
</tr>
<tr>
<td>Continuing Disclosure</td>
<td>2</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>2</td>
</tr>
<tr>
<td>THE BONDS</td>
<td>3</td>
</tr>
<tr>
<td>General</td>
<td>3</td>
</tr>
<tr>
<td>Optional Redemption of the Bonds</td>
<td>3</td>
</tr>
<tr>
<td>Mandatory Sinking Fund Redemption of the Bonds</td>
<td>3</td>
</tr>
<tr>
<td>Notice of Redemption</td>
<td>3</td>
</tr>
<tr>
<td>SECURITY AND SOURCE OF PAYMENT FOR THE BONDS</td>
<td>4</td>
</tr>
<tr>
<td>Bond Payments</td>
<td>4</td>
</tr>
<tr>
<td>Revenue Fund</td>
<td>5</td>
</tr>
<tr>
<td>Limited Obligations</td>
<td>5</td>
</tr>
<tr>
<td>Additional Bonds</td>
<td>6</td>
</tr>
<tr>
<td>No Reserve Fund</td>
<td>6</td>
</tr>
<tr>
<td>CITY PENSION PLANS</td>
<td>6</td>
</tr>
<tr>
<td>CITY OF ARCADIA</td>
<td>10</td>
</tr>
<tr>
<td>PLAN OF REFINANCING</td>
<td>12</td>
</tr>
<tr>
<td>ESTIMATED SOURCES AND USES OF FUNDS</td>
<td>13</td>
</tr>
<tr>
<td>ANNUAL DEBT SERVICE REQUIREMENTS</td>
<td>14</td>
</tr>
<tr>
<td>THE CITY</td>
<td>14</td>
</tr>
<tr>
<td>General</td>
<td>14</td>
</tr>
<tr>
<td>Government and Administration</td>
<td>15</td>
</tr>
<tr>
<td>Risk Management</td>
<td>16</td>
</tr>
<tr>
<td>COVID-19 Outbreak</td>
<td>16</td>
</tr>
<tr>
<td>CITY FINANCIAL INFORMATION</td>
<td>18</td>
</tr>
<tr>
<td>General and Financial Reporting</td>
<td>19</td>
</tr>
<tr>
<td>General Economic Condition and Outlook of the City</td>
<td>19</td>
</tr>
<tr>
<td>Budget Procedure, Current Budget and Historical</td>
<td>20</td>
</tr>
<tr>
<td>Budget Information</td>
<td>21</td>
</tr>
<tr>
<td>Change in Fund Balance of the City General Fund</td>
<td>22</td>
</tr>
<tr>
<td>General Fund Balance Sheets of the City</td>
<td>25</td>
</tr>
<tr>
<td>Tax Revenues of the City</td>
<td>25</td>
</tr>
<tr>
<td>Property Taxes</td>
<td>26</td>
</tr>
<tr>
<td>Sales Taxes</td>
<td>29</td>
</tr>
<tr>
<td>Utility Users Taxes</td>
<td>30</td>
</tr>
<tr>
<td>Other Taxes and Other Revenues</td>
<td>30</td>
</tr>
<tr>
<td>State of California Motor Vehicle In-Lieu Payments</td>
<td>31</td>
</tr>
<tr>
<td>Other Indebtedness</td>
<td>31</td>
</tr>
<tr>
<td>City Investment Policy</td>
<td>31</td>
</tr>
<tr>
<td>City Investment Policy</td>
<td>32</td>
</tr>
<tr>
<td>Other Post-Employment Benefits</td>
<td>34</td>
</tr>
<tr>
<td>City Financial Statements</td>
<td>36</td>
</tr>
<tr>
<td>STATE OF CALIFORNIA BUDGET INFORMATION</td>
<td>36</td>
</tr>
<tr>
<td>General</td>
<td>36</td>
</tr>
<tr>
<td>Budget for State Fiscal Year 2019-20</td>
<td>37</td>
</tr>
<tr>
<td>Budget for State Fiscal Year 2020-21</td>
<td>37</td>
</tr>
<tr>
<td>Potential Impact of State Financial Condition on the City</td>
<td>40</td>
</tr>
<tr>
<td>Future State Budgets</td>
<td>40</td>
</tr>
<tr>
<td>RISK FACTORS</td>
<td>40</td>
</tr>
<tr>
<td>City Obligations</td>
<td>40</td>
</tr>
<tr>
<td>Certain Risks Associated with Sales Tax and Other</td>
<td>40</td>
</tr>
<tr>
<td>Local Tax Revenues</td>
<td>41</td>
</tr>
<tr>
<td>Assessed Value of Taxable Property</td>
<td>41</td>
</tr>
<tr>
<td>Increasing Retirement-Related Costs</td>
<td>42</td>
</tr>
<tr>
<td>Dependence on State for Certain Revenues</td>
<td>42</td>
</tr>
<tr>
<td>No Reserve Fund</td>
<td>42</td>
</tr>
<tr>
<td>Litigation</td>
<td>42</td>
</tr>
<tr>
<td>Natural Disasters</td>
<td>43</td>
</tr>
<tr>
<td>Climate Change</td>
<td>43</td>
</tr>
<tr>
<td>Hazardous Substances</td>
<td>44</td>
</tr>
<tr>
<td>Cybersecurity</td>
<td>44</td>
</tr>
<tr>
<td>Limitation on Sources of Revenues</td>
<td>44</td>
</tr>
<tr>
<td>Economy of City and State</td>
<td>44</td>
</tr>
<tr>
<td>Limitation on Remedies; Bankruptcy</td>
<td>45</td>
</tr>
<tr>
<td>Limitation on Trustee’s Obligations</td>
<td>47</td>
</tr>
<tr>
<td>Limited Secondary Market</td>
<td>47</td>
</tr>
<tr>
<td>Changes in Law</td>
<td>47</td>
</tr>
<tr>
<td>CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND</td>
<td>47</td>
</tr>
<tr>
<td>APPROPRIATIONS</td>
<td>47</td>
</tr>
<tr>
<td>Article XIII of the State Constitution</td>
<td>47</td>
</tr>
<tr>
<td>Property Tax Ballot Measures</td>
<td>48</td>
</tr>
<tr>
<td>Article XIII B of the State Constitution</td>
<td>49</td>
</tr>
<tr>
<td>Proposition 62</td>
<td>49</td>
</tr>
<tr>
<td>Proposition 218</td>
<td>50</td>
</tr>
<tr>
<td>Unitary Property</td>
<td>51</td>
</tr>
<tr>
<td>Proposition 1A</td>
<td>51</td>
</tr>
<tr>
<td>Proposition 22</td>
<td>52</td>
</tr>
<tr>
<td>Proposition 26</td>
<td>52</td>
</tr>
<tr>
<td>Future Initiatives</td>
<td>52</td>
</tr>
<tr>
<td>TAX MATTERS</td>
<td>52</td>
</tr>
<tr>
<td>VALIDATION</td>
<td>53</td>
</tr>
<tr>
<td>CERTAIN LEGAL MATTERS</td>
<td>53</td>
</tr>
<tr>
<td>LITIGATION</td>
<td>54</td>
</tr>
<tr>
<td>RATINGS</td>
<td>54</td>
</tr>
<tr>
<td>CONTINUING DISCLOSURE</td>
<td>55</td>
</tr>
<tr>
<td>UNDERWRITING</td>
<td>55</td>
</tr>
<tr>
<td>MUNICIPAL ADVISOR</td>
<td>55</td>
</tr>
<tr>
<td>MISCELLANEOUS</td>
<td>55</td>
</tr>
<tr>
<td>APPENDIX A—AUDITED FINANCIAL STATEMENTS</td>
<td>A-1</td>
</tr>
<tr>
<td>APPENDIX B—ECONOMIC AND DEMOGRAPHIC INFORMATION</td>
<td>B-1</td>
</tr>
<tr>
<td>REGARDING THE CITY OF ARCADIA</td>
<td>B-1</td>
</tr>
<tr>
<td>APPENDIX C—SUMMARY OF CERTAIN PROVISIONS OF THE TRUST AGREEMENT</td>
<td>C-1</td>
</tr>
<tr>
<td>APPENDIX D—FORM OF BOND COUNSEL OPINION</td>
<td>D-1</td>
</tr>
<tr>
<td>APPENDIX E—FORM OF CONTINUING DISCLOSURE CERTIFICATE</td>
<td>E-1</td>
</tr>
<tr>
<td>APPENDIX F—BOOK-ENTRY SYSTEM</td>
<td>F-1</td>
</tr>
</tbody>
</table>
CITY OF ARCADIA
2020 TAXABLE PENSION OBLIGATION BONDS

INTRODUCTION

This Introduction contains only a brief summary of certain of the terms of the Bonds being offered and a brief description of the Official Statement. All statements contained in this Introduction are qualified in their entirety by reference to the entire Official Statement. References to, and summaries of, provisions of the Constitution and laws of the State of California (the “State”) and any documents referred to herein do not purport to be complete, and such references are qualified in their entirety by the complete documents. This Official Statement speaks only as of its date, and the information contained herein is subject to change.

General

This Official Statement provides certain information concerning the issuance, sale and delivery of the City of Arcadia 2020 Taxable Pension Obligation Bonds (the “Bonds”), in the aggregate principal amount of $________*. The Bonds are being issued pursuant to the Trust Agreement, dated as of November 1, 2020 (the “Trust Agreement”), by and between the City of Arcadia (the “City”) and The Bank of New York Mellon Trust Company, N.A., Los Angeles, California, as trustee (the “Trustee”). For definitions of certain words and terms which are used herein but not otherwise defined, see Appendix C.

The Bonds are being issued: (i) to pay all or a portion of the City’s currently unamortized, unfunded accrued actuarial liability (the “Pension Liability”) to the California Public Employees’ Retirement System (“CalPERS”) with respect to the City’s defined benefit retirement plans for City employees; and (ii) to pay costs of issuance of the Bonds. See the caption “PLAN OF REFINANCING.”

The obligation of the City to make all payments of interest on and principal of the Bonds when due, are absolute and unconditional, without any right of set-off or counterclaim. The Bonds are not limited as to payment to any special source of funds of the City.

THE BONDS DO NOT CONSTITUTE AN OBLIGATION OF THE CITY FOR WHICH THE CITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE CITY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. NEITHER THE BONDS NOR THE OBLIGATION OF THE CITY TO MAKE PAYMENTS ON THE BONDS CONSTITUTES AN INDEBTEDNESS OF THE CITY, THE STATE OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

The Bonds

The City is a member of CalPERS, an agent multiple-employer public employee defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California (the “State”), including the City. As such, the City is obligated by the Public Employees’ Retirement Law, constituting Part 3 of Division 5 of Title 2 of the California Government Code (the “Retirement Law”), and the contract, dated July 1, 1948 (as amended, the “CalPERS Contract”), by and between the City Council of the City (the “City Council”) and the Board of Administration of CalPERS, to make contributions to CalPERS: (a) to fund pension benefits for City employees who are members of CalPERS; (b) to amortize the unfunded actuarial liability with respect to such pension benefits; and (c) to appropriate funds for such purposes.

* Preliminary, subject to change.
The City is authorized pursuant to Articles 10 and 11 (commencing with Section 53570) of Chapter 3 of Division 2 of Title 5 of the California Government Code (the “Refunding Bond Law”), to issue bonds for the purpose of refunding obligations evidenced by the CalPERS Contract. The Bonds are authorized and issued pursuant to the Trust Agreement and a resolution adopted by the City Council on March 17, 2020 (the “Resolution”). The proceeds of the sale of the Bonds (exclusive of amounts applied to pay costs of issuance) will be used to refund all or a portion of the City’s obligations evidenced by the CalPERS Contract, representing the Pension Liability with respect to certain pension benefits under the Retirement Law.

Validation

On March 23, 2020, the City filed a complaint in the Superior Court of the State of California for the County of Los Angeles (the “Court”) in a matter entitled City of Arcadia v. All Persons Interested et al. (Case No. 20STCV11639) (the “Validation Petition”). The City filed the Validation Petition in order to seek judicial validation of the issuance of the Bonds and any future bonds issued to refund the Bonds. On September 18, 2020, the Court entered a default judgment (the “Validation Judgment”) in favor of the City with respect to the Validation Petition. See the caption “VALIDATION.”

Continuing Disclosure

The City has covenanted for the benefit of the Holders of the Bonds to provide, or to cause to be provided, to the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access System certain annual financial information and operating data and, in a timely manner, notice of certain enumerated events. These covenants have been made in order to assist the Underwriter in complying with Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time (“Rule 15c2-12”). See the caption “CONTINUING DISCLOSURE” and Appendix E for a description of the specific nature of the annual report and notices of enumerated events.

Miscellaneous

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

Included herein are brief summaries of the Trust Agreement and certain documents and reports, which summaries do not purport to be complete or definitive, and reference is made to such documents and reports for full and complete statements of the contents thereof. See Appendix C. Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the City and the purchasers or Holders of the Bonds. Copies of the documents are on file and available for inspection at the corporate trust office of the Trustee in Los Angeles, California. All capitalized terms used in this Official Statement and not otherwise defined have the meanings given to such terms in the Trust Agreement.

THE BONDS

General

The Bonds will be issued in fully registered form only and, when delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). DTC will act as Securities Depository for the Bonds. Ownership interests in the Bonds may be purchased in book-entry form only, in the denominations hereinafter set forth. Principal, premium, if any, and interest on the
Bonds will be payable by the Trustee to DTC, which is obligated in turn to remit such principal and interest to DTC Participants for subsequent disbursement to Beneficial Owners of the Bonds. See Appendix F.

The Bonds will be dated the date of delivery, mature on the dates and in the principal amounts and bear interest at the rates set forth on the inside front cover page of this Official Statement. The Bonds will be delivered in denominations equal to $5,000 or any integral multiple thereof. Interest on the Bonds will be payable on each June 1 and December 1, commencing December 1, 2021 (each, an “Interest Payment Date”).

Interest on each Bond will accrue from the Interest Payment Date for the Bonds next preceding the date of authentication and delivery thereof, unless: (i) such date of authentication is an Interest Payment Date, in which event interest will be payable from such date of authentication; (ii) it is authenticated after a Record Date and before the close of business on the immediately following Interest Payment Date, in which event interest thereon will be payable from such Interest Payment Date; or (iii) it is authenticated prior to the close of business on the first Record Date, in which event interest thereon will be payable from the Closing Date; provided, however, that if at the time of authentication of any Bond interest thereon is in default, interest thereon will be payable from the Interest Payment Date to which interest has previously been paid or made available for payment or, if no interest has been paid or made available for payment, from the Closing Date.

Principal, premium, if any, and interest on the Bonds will be payable in currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts. Payments of interest on any of the Bonds will be made on each Interest Payment Date by check of the Trustee sent by Mail, or by wire transfer to any Holder of $1,000,000 or more of Bonds, to the account specified by such Holder in a written request delivered to the Trustee on or prior to the Record Date for such Interest Payment Date, to the Holder thereof on the Record Date; provided, however, that payments of defaulted interest will be payable to the person in whose name such Bond is registered at the close of business on a special record date fixed therefor by the Trustee which will not be more than 15 days and not less than ten days prior to the date of the proposed payment of defaulted interest. Payment of the principal of the Bonds upon redemption or maturity will be made upon presentation and surrender of each such Bond, at the Principal Office of the Trustee.

Optional Redemption of the Bonds

The Bonds maturing on or after December 1, 20__ may be redeemed at the option of the City from any source of funds on any date on or after December 1, 20__ in whole or in part from such maturities as are selected by the City and by lot within a maturity at a redemption price equal to the principal amount to be redeemed, together with accrued interest to the date of redemption, without premium.

Mandatory Sinking Fund Redemption of the Bonds

The Bonds maturing December 1, 20__ (the “Term Bonds”) are subject to mandatory sinking fund redemption at a redemption price equal to the principal amount thereof, plus accrued interest to the redemption date, without premium. The Term Bonds will be so redeemed on the following dates and in the following amounts:

<table>
<thead>
<tr>
<th>Redemption Date (December 1)</th>
<th>Principal Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$</td>
</tr>
</tbody>
</table>

* Final maturity.
On or before each November 15 next preceding any mandatory sinking fund redemption date, the Trustee will proceed to select for redemption pro-rata from all Term Bonds subject to mandatory sinking fund redemption at that time, an aggregate principal amount of such Term Bonds equal to the amount for such year as set forth in the table above and will call such Term Bonds or portions thereof for redemption and give notice of such redemption in accordance with the terms of the Trust Agreement. At the option of the City, to be exercised by delivery of a written certificate to the Trustee on or before June 1 next preceding any mandatory sinking fund redemption date, it may: (a) deliver to the Trustee for cancellation Term Bonds or portions thereof (in the amount of an Authorized Denomination) of the stated maturity subject to such redemption; or (b) specify a principal amount of such Term Bonds or portions thereof (in the amount of an Authorized Denomination) which prior to said date have been purchased or redeemed (otherwise than under the mandatory sinking fund redemption provisions of the Indenture) and cancelled by the Trustee at the request of the City and not theretofore applied as a credit against any mandatory sinking fund redemption requirement. Each such Term Bonds or portion thereof so delivered or previously redeemed will be credited by the Trustee at 100% of the principal amount of the Term Bonds so delivered to the Trustee by the City against the obligation of the City on such mandatory sinking fund redemption date.

Notice of Redemption

Notice of redemption will be given by the Trustee, not less than 30 nor more than 60 days prior to the redemption date: (i) in the case of Bonds not registered in the name of a Securities Depository or its nominee, to the respective Holders of the Bonds designated for redemption at their addresses appearing on the registration books of the Trustee; (ii) in the case of Bonds registered in the name of a Securities Depository or its nominee, to such Securities Depository for such Bonds; and (iii) to the Information Services. Notice of redemption to the Holders pursuant to clause (i) above will be given by mail at their addresses appearing on the registration books of the Trustee, or any other method agreed upon by such Holder and the Trustee. Notice of redemption to the Securities Depositories pursuant to clause (ii) above and the Information Services pursuant to clause (iii) above will be given by electronically secure means, or any other method agreed upon by such entities and the Trustee.

Each notice of redemption will state the Bonds or designated portions thereof to be redeemed, the date of redemption, the place of redemption, the redemption price, the CUSIP number (if any) of the Bonds to be redeemed, the distinctive numbers of the Bonds of such maturity to be redeemed, in the case of Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed, the original issue date, the interest rate and the stated maturity date of each Bond to be redeemed in whole or part. Each such notice will also state that on said date there will become due and payable on each of the Bonds to be redeemed the redemption price, and redemption premium, if any, thereof, and that from and after such redemption date interest thereon will cease to accrue.

Failure to give the notices described above or any defect therein will not in any manner affect the redemption of any Bonds. Any notice sent as provided in the Indenture will be conclusively presumed to have been given whether or not actually received by the addressee.

The City has the right to rescind any notice of redemption previously sent pursuant to the Indenture. Any such notice of rescission will be sent in the same manner as the notice of redemption. Neither the City nor the Trustee will incur any liability, to Bond Owners, DTC, or otherwise, as a result of a rescission of a notice of redemption.

SECURITY AND SOURCE OF PAYMENT FOR THE BONDS

Bond Payments

The City will provide for payment of principal or redemption price of and interest on the Bonds from any source of legally available funds of the City. If any Bonds are Outstanding, the City will, no later than
three Business Days preceding each Interest Payment Date, beginning December 1, 2021, deliver funds to the
Trustee for deposit to the Revenue Fund in an aggregate amount equal to the portion of the Annual Debt
Service coming due on such Interest Payment Date (less amounts on deposit in the Revenue Fund).

The obligations of the City under the Bonds, including the obligation to make all payments of
principal, premium, if any, and interest when due, are absolute and unconditional, without any right of set-off
or counterclaim.

The Bonds are obligations of the City payable from any lawfully available funds, are not limited as to
payment to any special source of funds of the City, and is subject to appropriation in accordance with the Trust
Agreement. The Bonds do not constitute an obligation of the City for which the City is obligated to levy or
pledge any form of taxation or for which the City has levied or pledged any form of taxation.

Revenue Fund

There has been created pursuant to the Trust Agreement a Fund to be held by the Trustee designated
“Revenue Fund” (the “Revenue Fund”). There has been created in the Revenue Fund two separate Accounts
designated the “Bond Interest Account” and the “Bond Principal Account.”

All amounts received by the Trustee from the City in respect of interest payments on the Bonds will
be deposited in the Bond Interest Account and will be disbursed to the applicable Bondholders to pay interest
on the Bonds. All amounts held at any time in the Bond Interest Account will be held for the security and
payment of interest on the Bonds pursuant to the Trust Agreement. If at any time funds on deposit in the Bond
Interest Account are insufficient to provide for the payment of such interest, the City will promptly deposit
funds to such Account to cure such deficiency. On June 2 of each year, so long as no Event of Default has
occurred and is continuing, the Trustee will transfer all amounts on deposit in the Bond Interest Account to the
Revenue Fund to be used for any lawful purpose.

All amounts received by the Trustee from the City in respect of principal payments on the Bonds will
be deposited in the Bond Principal Account and all amounts in the Bond Principal Account will be disbursed to
pay principal on the Bonds pursuant to the Trust Agreement. If at any time funds on deposit in the Bond
Principal Account are insufficient to provide for the payment of such principal, the City will promptly deposit
funds to such Account to cure such deficiency.

The moneys in such Fund and Accounts will be held by the Trustee in trust and applied as provided in
the Trust Agreement and, pending such application, will be subject to a lien and charge in favor of the holders
of the Bonds issued and Outstanding under the Trust Agreement and for the further security of such holders
until paid out or transferred as provided in the Trust Agreement.

Limited Obligations

THE BONDS ARE GENERAL OBLIGATIONS OF THE CITY PAYABLE FROM ANY
LAWFULLY AVAILABLE FUNDS OF THE CITY AND ARE NOT LIMITED AS TO PAYMENT TO
ANY SPECIAL SOURCE OF FUNDS OF THE CITY. THE BONDS DO NOT CONSTITUTE AN
OBLIGATION OF THE CITY FOR WHICH THE CITY IS OBLIGATED TO LEVY OR PLEDGE ANY
FORM OF TAXATION OR FOR WHICH THE CITY HAS LEVIED OR PLEDGED ANY FORM OF
TAXATION. NEITHER THE BONDS NOR THE OBLIGATION OF THE CITY TO MAKE PAYMENTS
WITH RESPECT TO THE BONDS CONSTITUTES AN INDEBTEDNESS OF THE CITY, THE STATE
OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL
OR STATUTORY DEBT LIMITATION OR RESTRICTION.
Additional Bonds

From time to time, the City may enter into: (a) one or more other trust agreements or indentures; and/or (b) one or more agreements supplementing and/or amending the Trust Agreement, for the purpose of providing for the issuance of Additional Bonds: (i) to refund the Bonds; or (ii) to refund any Pension Liability under the CalPERS Contract arising subsequent to the issuance of the Bonds or any other obligations due to CalPERS. Such Additional Bonds may be issued solely on a parity with the Bonds.

No Reserve Fund

The City has not funded a reserve fund in connection with the issuance of the Bonds.

CITY PENSION PLANS

Accounting and financial reporting by state and local government employers for defined benefit pension plans is governed by Governmental Accounting Standards Board (“GASB”) Statement No. 68 (“GASB 68”). GASB 68 governs the accounting treatment of defined benefit pension plans, including how expenses and liabilities are calculated and reported by state and local government employers in their financial statements. GASB 68 includes the following components: (i) unfunded pension liabilities are included on the employer’s balance sheet; (ii) pension expense incorporates rapid recognition of actuarial experience and investment returns and is not based on the employer’s actual contribution amounts; (iii) lower actuarial discount rates are required to be used for underfunded plans in certain cases for purposes of the financial statements; (iv) closed amortization periods for unfunded liabilities are required to be used for certain purposes of the financial statements; and (v) the difference between expected and actual investment returns will be recognized over a closed five-year smoothing period. GASB 68 affects the City’s accounting and reporting requirements, but it does not change the City’s pension plan funding obligations.

The City participates in a Miscellaneous Plan and a Safety Plan to fund pension benefits for employees. The City’s pension plans are administered by CalPERS. CalPERS administers an agent multiple-employer public employee defined benefit pension plan for all of the City’s full-time and certain part-time employees. CalPERS provides retirement, disability and death benefits to plan members and beneficiaries and acts as a common investment and administrative agent for participating public entities within the State, including the City. CalPERS plan benefit provisions and all other requirements are established by State statute and the City Council.
City employees are subject to different benefit levels based on their hire date. Current benefit provisions for City employees are set forth below.

City of Arcadia  
CalPERS Pension Plans – Summary of Benefit Provisions

<table>
<thead>
<tr>
<th>Hire date</th>
<th>Tier I</th>
<th>Hybrid</th>
<th>Tier II</th>
<th>Tier III</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Prior to July 1, 2011</td>
<td>Hired between July 1, 2011 – October 8, 2011</td>
<td>On or after October 9, 2011</td>
<td>On or after January 1, 2013</td>
</tr>
<tr>
<td>Benefit formula</td>
<td>2.5% @ 55</td>
<td>2.5% @ 55</td>
<td>2.0% @ 60</td>
<td>2.0% @ 62</td>
</tr>
<tr>
<td>Benefit vesting schedule</td>
<td>5 years service monthly for life</td>
<td>5 years service monthly for life</td>
<td>5 years service monthly for life</td>
<td>5 years service monthly for life</td>
</tr>
<tr>
<td>Retirement age</td>
<td>50-63</td>
<td>50-63</td>
<td>50-63</td>
<td>52 - 67</td>
</tr>
<tr>
<td>Monthly benefits, as a % of eligible compensation</td>
<td>2.0% - 2.5%</td>
<td>2.0% - 2.5%</td>
<td>1.092%-2.418%</td>
<td>1.0% to 2.0%</td>
</tr>
<tr>
<td>Required employee contribution rates</td>
<td>by City (EMPC) (1)</td>
<td>8.00% (2)</td>
<td>7.00% (3)</td>
<td>6.00% (4)</td>
</tr>
<tr>
<td>Required employer contribution rates</td>
<td>Total 30.952%</td>
<td>Employee pays 8% of employer cost through cost-sharing</td>
<td>30.952%</td>
<td>30.952%</td>
</tr>
</tbody>
</table>

Safety Plan

<table>
<thead>
<tr>
<th>Hire date</th>
<th>Tier I</th>
<th>Hybrid</th>
<th>Tier II</th>
<th>Tier III</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Prior to July 1, 2011</td>
<td>Hired between July 1, 2011 – October 8, 2011</td>
<td>On or after October 9, 2011</td>
<td>On or after January 1, 2013</td>
</tr>
<tr>
<td>Benefit formula</td>
<td>3.0% @ 50</td>
<td>3.0% @ 50</td>
<td>3% @ 55</td>
<td>2.7% @ 57</td>
</tr>
<tr>
<td>Benefit vesting schedule</td>
<td>5 years service monthly for life</td>
<td>5 years service monthly for life</td>
<td>5 years service monthly for life</td>
<td>5 years service monthly for life</td>
</tr>
<tr>
<td>Retirement age</td>
<td>50-55</td>
<td>50-55</td>
<td>50-55</td>
<td>52 - 67</td>
</tr>
<tr>
<td>Monthly benefits, as a % of eligible compensation</td>
<td>3.0%</td>
<td>3.0%</td>
<td>2.4%-3.0%</td>
<td>2.0% to 2.7%</td>
</tr>
<tr>
<td>Required employee contribution rates</td>
<td>Total 9%. 9% paid by City (EMPC) (5)</td>
<td>9.00% (6)</td>
<td>9.00% (7)</td>
<td>10.75% (8)</td>
</tr>
<tr>
<td>Required employer contribution rates</td>
<td>Total 54.782%</td>
<td>Employee pays 9% of employer cost through cost-sharing</td>
<td>54.782%</td>
<td>54.782%</td>
</tr>
</tbody>
</table>

(1) The City makes an 87.5% portion of the employee contribution on behalf of Miscellaneous Tier 1 employees.
(2) Miscellaneous Hybrid employees are required to make the full employee contribution.
(3) Miscellaneous Tier 2 employees are required to make the full employee contribution.
(4) Miscellaneous employees who were hired on or after January 1, 2013 who were not previously CalPERS members are required to make the full employee contribution.
(5) The City makes the full employee contribution on behalf of Safety Tier 1 employees.
(6) Safety Hybrid employees are required to make the full employee contribution.
(7) Safety Tier 2 employees are required to make the full employee contribution.
(8) Safety employees who were hired on or after January 1, 2013 who were not previously CalPERS members are required to make the full employee contribution.

Source: City.

City employees who were hired on and after January 1, 2013 and who were not previously CalPERS members receive benefits based on the following formulas: (i) 2.0% at age 62 formula for Miscellaneous employees; and (ii) 2.7% at age 57 for Safety employees. Such employees are required to make the full amount of required employee contributions themselves under the California Public Employees’ Pension Reform Act of 2013 (“AB 340”), which was signed by the State Governor on September 12, 2012. AB 340 established a new pension tier for such employees. Benefits for such participants are calculated on the highest average annual compensation over a consecutive 36-month period. Employees are required to pay at least 50%
of the total normal cost rate. AB 340 also capped pensionable income as noted below. Amounts are set annually, subject to Consumer Price Index increases, and retroactive benefits increases are prohibited, as are contribution holidays and purchases of additional non-qualified service credit.

City of Arcadia
Pensionable Income Caps for Calendar Year 2020 (AB 340 and Non-AB 340 Employees)

<table>
<thead>
<tr>
<th>Employees Hired Before January 1, 2013 (Non-AB 340 Employees)</th>
<th>Employees Hired After January 1, 2013 (AB 340 Employees)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maximum Pensionable Income</td>
<td>$280,000</td>
</tr>
<tr>
<td>Maximum Pensionable Income if also Participating in Social Security</td>
<td>N/A</td>
</tr>
<tr>
<td></td>
<td>$151,549</td>
</tr>
<tr>
<td></td>
<td>$126,291</td>
</tr>
</tbody>
</table>

Source: City.

Additional employee contributions, limits on pensionable compensation and higher retirement ages for new members as a result of the passage of AB 340 are expected to reduce the City’s unfunded pension liability and potentially reduce City contribution levels in the long term.

The City is also required to contribute the actuarially determined remaining amounts necessary to fund benefits for its members. Employer contribution rates for all public employers are determined on an annual basis by the CalPERS actuary and are effective on the July 1 following notice of a change in the rate. Total plan contributions are determined through the CalPERS annual actuarial valuation process. The total minimum required employer contribution is the sum of the plan’s employer normal cost rate (expressed as a percentage of payroll) plus the employer unfunded accrued liability contribution amount (billed monthly). The normal cost rate is the annual cost of service accrual for the upcoming Fiscal Year of active employees.

For Fiscal Years 2019 and 2020, required employer normal cost rates were 9.469% and 10.230% for all Miscellaneous benefit levels, respectively, and 19.213% and 20.425%, respectively, for all Safety benefit levels, and the total required employer payment of the unfunded accrued liability was $8,710,807 and $10,078,308, respectively. Required employer normal cost rates for Fiscal Year 2021 are 10.748% for all Miscellaneous benefit levels, and 21.689% for all Safety benefit levels, respectively. The total required employer payment of the unfunded accrued liability for Fiscal Year 2021 is $11,064,426.

The City’s combined Miscellaneous and Safety plan contributions for Fiscal Years 2018 and 2019 were $11,251,261 and $13,247,324, respectively. The City currently expects its combined annual required contribution for the Miscellaneous and Safety plans in Fiscal Year 2020 to be $14,498,486 (based on unaudited actual Fiscal Year 2020 results). The City notes that contributions in future years may increase as a result of losses in CalPERS’ portfolio resulting from stock market declines in the wake of the COVID-19 outbreak. See the caption “THE CITY—COVID-19 Outbreak.”

The City’s required contributions to CalPERS fluctuate each year and, as noted, include a normal cost component and a component equal to an amortized amount of the unfunded liability. Many assumptions are used to estimate the ultimate liability of pensions and the contributions that will be required to meet those obligations. The CalPERS Board of Administration has adjusted and may in the future further adjust certain assumptions used in the CalPERS actuarial valuations, which adjustments may increase the City’s required contributions to CalPERS in future years. Accordingly, the City cannot provide any assurances that the City’s required contributions to CalPERS in future years will not significantly increase (or otherwise vary) from any past or current projected levels of contributions. CalPERS earnings reports for Fiscal Years 2010 through 2020 report investment gains of approximately 13.3%, 21.7%, 0.1%, 13.2%, 18.4%, 2.4%, 0.6%, 11.2%, 8.6%, 6.7% and 4.7%, respectively. Future earnings performance may increase or decrease future contribution rates for plan participants, including the City. It is possible that CalPERS’ earnings will be reduced in Fiscal Year
2021 as a result of stock market declines in the wake of the COVID-19 outbreak, which could increase future contribution rates for plan participants, including the City. See the caption “THE CITY—COVID-19 Outbreak.”

On December 21, 2016, the CalPERS Board of Administration voted to lower its discount rate from the current rate of 7.50% to 7.00%. Effective with its June 2017 Comprehensive Annual Financial Report, CalPERS reduced its discount rate to 7.15% and its investment rate of return to 7.15%. The discount rate for Fiscal Year 2020 is 7.00%.

For public agencies such as the City, the new discount rate took effect July 1, 2017. Lowering the discount rate means that employers that contract with CalPERS to administer their pension plans will see increases in their normal costs and unfunded actuarial liabilities. Active members hired after January 1, 2013 will also see their contribution rates rise under AB 340. The reduction of the discount rate will result in average employer rate increases of approximately 1% to 3% of normal cost as a percentage of payroll for most retirement plans such as the City’s plans. Additionally, many employers will see a 30% to 40% increase in their current unfunded accrued liability payments (relative to the unfunded accrued liability payments projected in the June 30, 2015 valuation report) for pension plans. These payments are made to amortize unfunded liabilities over 20 years to bring pension funds to a fully funded status over the long-term.

Portions of the above information are primarily derived from information that has been produced by CalPERS, its independent accountants and its actuaries. The City has not independently verified such information and neither makes any representations nor expresses any opinion as to the accuracy of the information that has been provided by CalPERS.

The comprehensive annual financial reports of CalPERS are available on CalPERS’ Internet website at www.calpers.ca.gov. The CalPERS website also contains CalPERS’ most recent actuarial valuation reports and other information that concerns benefits and other matters. The textual reference to such Internet website is provided for convenience only. None of the information on such Internet website is incorporated by reference herein. The City cannot guarantee the accuracy of such information. Actuarial assessments are “forward-looking” statements that reflect the judgment of the fiduciaries of the pension plans, and are based upon a variety of assumptions, one or more of which may not materialize or be changed in the future.

The City’s Miscellaneous plan had a total net pension liability of approximately $51,831,721 for the Fiscal Year ended June 30, 2019, while the City’s Safety plan had a total net pension liability of approximately $104,967,009 for the Fiscal Year ended June 30, 2019. The net pension liability is the difference between the total pension liability and the fair market value of pension assets. The City’s total pension assets include funds that are held by CalPERS, and its net pension asset or liability is based on such amounts. The City notes that its net pension liability could increase in the future as a result of losses in CalPERS’ portfolio resulting from stock market declines in the wake of the COVID-19 outbreak. See the caption “—COVID-19 Outbreak.”

For Fiscal Years 2018, 2019 and 2020, the City incurred Miscellaneous plan pension expenses of $7,686,450, $7,267,317 and $6,947,311 (based on unaudited actual results), respectively, and Safety plan pension expenses of $13,369,811, $12,742,267 and $15,492,020 (based on unaudited actual results), respectively.
A summary of principal assumptions and methods used to determine the total pension liability for Fiscal Year 2019 is shown below.

City of Arcadia

Actuarial Assumptions for CalPERS Pension Plans

<table>
<thead>
<tr>
<th>Miscellaneous</th>
<th>Safety</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valuation Date</td>
<td>June 30, 2018</td>
</tr>
<tr>
<td>Measurement Date</td>
<td>June 30, 2019</td>
</tr>
<tr>
<td>Actuarial Cost Method</td>
<td>Entry Age Normal in Accordance with the Requirements of GASB 68</td>
</tr>
<tr>
<td>Actuarial Assumptions:</td>
<td></td>
</tr>
<tr>
<td>Discount Rate</td>
<td>7.00%</td>
</tr>
<tr>
<td>Inflation</td>
<td>2.50%</td>
</tr>
<tr>
<td>Salary Increases</td>
<td>Varies by Entry Age and Service</td>
</tr>
<tr>
<td>Mortality Rate Table(1)</td>
<td>Derived using CalPERS’ Membership Data for all Funds</td>
</tr>
<tr>
<td>Post Retirement Benefit Increase</td>
<td>Contract COLA up to 2.00% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.50% thereafter</td>
</tr>
</tbody>
</table>

(1) The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using the Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

Source: City.

Changes in the net pension liability for the City’s pension plans in the most recent Fiscal Year for which information is available were as follows:

City of Arcadia

Changes in CalPERS Pension Plans Net Pension Liability

<table>
<thead>
<tr>
<th>Miscellaneous Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Increase (Decrease)</strong></td>
</tr>
<tr>
<td><strong>Balance at June 30, 2018</strong></td>
</tr>
<tr>
<td>Changes during the year:</td>
</tr>
<tr>
<td>Service Cost</td>
</tr>
<tr>
<td>Interest on the Total Pension Liability</td>
</tr>
<tr>
<td>Change of Assumptions</td>
</tr>
<tr>
<td>Differences between Expected and Actual Experience</td>
</tr>
<tr>
<td>Net Plan to Plan Resource Movement</td>
</tr>
<tr>
<td>Contributions - Employees</td>
</tr>
<tr>
<td>Net Investment Income</td>
</tr>
<tr>
<td>Benefit Payments, including Refunds of Employee Contributions</td>
</tr>
<tr>
<td>Administrative Expense</td>
</tr>
<tr>
<td>Other Miscellaneous Income/(Expense)</td>
</tr>
<tr>
<td>Net Changes</td>
</tr>
<tr>
<td><strong>Balance at June 30, 2019</strong></td>
</tr>
</tbody>
</table>

Source: City.
## Public Safety Plan

<table>
<thead>
<tr>
<th>Increase (Decrease)</th>
<th>Total Pension Liability</th>
<th>Plan Fiduciary Net Position</th>
<th>Net Pension Liability (Asset)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Balance at June 30, 2018</strong></td>
<td>$ 258,395,235</td>
<td>$ 150,730,832</td>
<td>$ 99,918,690</td>
</tr>
<tr>
<td>Changes during the year:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Service Cost</td>
<td>$ 4,550,453</td>
<td></td>
<td>$ 4,550,453</td>
</tr>
<tr>
<td>Interest on the Total Pension Liability</td>
<td>18,202,912</td>
<td></td>
<td>18,202,912</td>
</tr>
<tr>
<td>Change of Assumptions</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Differences between Expected and Actual Experience</td>
<td>93,353</td>
<td>-</td>
<td>93,353</td>
</tr>
<tr>
<td>Net Plan to Plan Resource Movement</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Contributions - Employer</td>
<td>-</td>
<td>8,413,611</td>
<td>(8,413,611)</td>
</tr>
<tr>
<td>Contributions - Employees</td>
<td>-</td>
<td>1,465,739</td>
<td>(1,465,739)</td>
</tr>
<tr>
<td>Net Investment Income</td>
<td>-</td>
<td>10,474,946</td>
<td>(10,474,946)</td>
</tr>
<tr>
<td>Benefit Payments, including Refunds of Employee Contributions</td>
<td>(12,355,271)</td>
<td>(12,355,271)</td>
<td>-</td>
</tr>
<tr>
<td>Administrative Expense</td>
<td>-</td>
<td>(113,915)</td>
<td>113,915</td>
</tr>
<tr>
<td>Other Miscellaneous Income/(Expense)</td>
<td>-</td>
<td>372</td>
<td>(372)</td>
</tr>
<tr>
<td>Net Changes</td>
<td>$ 10,491,447</td>
<td>$ 7,885,482</td>
<td>$ 2,605,965</td>
</tr>
<tr>
<td><strong>Balance at June 30, 2019</strong></td>
<td>$ 268,886,682</td>
<td>$ 167,515,483</td>
<td>$ 101,371,199</td>
</tr>
</tbody>
</table>

Source: City.

The table below presents the net pension liability of the City’s pension plans, calculated using the discount rate applicable to Fiscal Year 2019 (7.00%), as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.00%) or 1 percentage point higher (8.00%) than the Fiscal Year 2019 rate:

## City of Arcadia

**Sensitivity of the CalPERS Miscellaneous Pension Plans Net Pension Liability to Changes in the Discount Rate**

<table>
<thead>
<tr>
<th>Miscellaneous</th>
<th>Safety</th>
</tr>
</thead>
<tbody>
<tr>
<td>1% Decrease</td>
<td>6.00%</td>
</tr>
<tr>
<td>Net Pension Liability</td>
<td>$ 73,604,386</td>
</tr>
<tr>
<td>Current Discount Rate</td>
<td>7.00%</td>
</tr>
<tr>
<td>Net Pension Liability</td>
<td>$ 51,831,721</td>
</tr>
<tr>
<td>1% Increase</td>
<td>8.00%</td>
</tr>
<tr>
<td>Net Pension Liability</td>
<td>$ 33,949,258</td>
</tr>
</tbody>
</table>

Source: City.

The City is currently unable to quantify the effect of the COVID-19 outbreak on its pension obligations in the future given how rapidly the outbreak is evolving, and no assurance can be provided that such expenses will not increase as in the future a result of the COVID-19 outbreak or other factors. See the caption “—COVID-19 Outbreak.”
For additional information relating to the City’s pension plans, see Note 8 to the City’s audited financial statements set forth in Appendix A.

**PLAN OF REFINANCING**

On September 18, 2020, the Court entered the Validation Judgment to the effect, among other things, that: (i) the Trust Agreement is a valid, legal and binding obligation of the City and the approval thereof was in conformity with applicable provisions of law; and (ii) the City has the authority under State law to provide for the refunding of its Pension Liability and its normal annual contributions for the current fiscal year by issuing the Bonds and applying the proceeds of the Bonds to the retirement of its Pension Liability and payment of its current year normal annual contributions. On October 18, 2020, the Validation Judgment became binding and conclusive in accordance with State law. See the caption “VALIDATION.”

CalPERS has notified the City as to the amount of the Pension Liability based on the June 30, 2019 actuarial valuation, which is the most recent actuarial valuation performed by CalPERS for the City’s Miscellaneous Plan and Safety Plan.

| City of Arcadia
Unfunded Accrued Liability of CalPERS Pension Plans |
<table>
<thead>
<tr>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Miscellaneous Plan</strong></td>
</tr>
<tr>
<td>Accrued Liability</td>
</tr>
<tr>
<td>Market Value of Assets</td>
</tr>
<tr>
<td>Unfunded Accrued Liability</td>
</tr>
<tr>
<td>Percentage of Accrued Liability Funded</td>
</tr>
</tbody>
</table>

Source: CalPERS Actuarial Valuations as of June 30, 2019.

The Bonds are being issued to finance a portion of the rolled forward Pension Liability as of June 30, 2019 as projected by CalPERS [and to prepay the remaining portion of the Fiscal Year 2021 unfunded actuarial liability]. Upon the issuance of the Bonds, the City will pay $__________ to CalPERS for deposit to the CalPERS Payment Fund. With this deposit, the City will not be required to make any further payments to CalPERS with respect to the portion of the Pension Liability refinanced by the Bonds. It is possible that CalPERS will determine at a future date that an additional Pension Liability exists if actual pension plan experience differs from the current actuarial estimates. The City will continue to make payments towards the remaining Pension Liability. The City may choose to pay such remaining or additional Pension Liability consistent with current procedures, or the City could choose to issue Additional Bonds at some time in the future and apply the proceeds to pay the remaining Pension Liability.
**ESTIMATED SOURCES AND USES OF FUNDS**

The proceeds to be received from the sale of the Bonds are estimated to be applied as set forth below.

<table>
<thead>
<tr>
<th>Sources(^{(1)})</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Principal Amount of Bonds</td>
<td>$</td>
<td></td>
</tr>
<tr>
<td>Plus/Less Net Original Issue Premium/Discount</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td><strong>Total Sources</strong></td>
<td></td>
<td>$</td>
</tr>
</tbody>
</table>

| Uses\(^{(1)}\)                                                                   |          |        |
| Funding of Pension Liability [and Annual Contribution]\(^{(2)}\)                  | $        |        |
| Costs of Issuance\(^{(3)}\)                                                      |          | $      |
| **Total Uses**                                                                   |          | $      |

\(^{(1)}\) Amounts rounded to the nearest dollar. Totals may not add due to rounding.

\(^{(2)}\) Deposit to CalPERS Payment Fund. See the caption “PLAN OF REFINANCING.”

\(^{(3)}\) Includes Underwriter’s discount, fees of rating agencies, Municipal Advisor, Bond Counsel, Disclosure Counsel and Trustee, printing costs and other costs of issuance.
ANNUAL DEBT SERVICE REQUIREMENTS

The following table sets forth scheduled debt service on the Bonds, assuming no optional redemptions prior to maturity.

City of Arcadia
Debt Service Schedule

<table>
<thead>
<tr>
<th>Year Ending June 30*</th>
<th>Principal</th>
<th>Interest</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2021</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>2022</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2023</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2024</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2025</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2026</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2027</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2028</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2029</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2030</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2031</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2032</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2033</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2034</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2035</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2036</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2037</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2038</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2039</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2040</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2041</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2042</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2043</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2044</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2045</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2046</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2047</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
</tbody>
</table>

* Preliminary, subject to change.
Source: Underwriter.

THE CITY

General

The City is located in the County of Los Angeles (the “Count”) approximately 20 miles northeast of the downtown Los Angeles in the San Gabriel Valley and at the base of the San Gabriel Mountains. The City was incorporated in 1903 and became a charter city in 1951. The City encompasses approximately 11.1 square miles and has an estimated 2020 population of 57,212.
The City is home to the Santa Anita Park racetrack and home to the Los Angeles County Arboretum and Botanic Garden. Interstate 210 runs through the City, providing access to employment centers and recreational opportunities throughout southern California.

The City is a charter city, operating under a Council/Manager form of government. The City is governed by a City Council of five members elected by geographical district, who selects the City Manager who is responsible for day-to-day administration of the City under the policy direction of the City Council. The City Council elects from its membership a Mayor to serve as its presiding officer for a one-year term.

The City provides a full range of services, including Police and Fire protection, Administrative Services, Public Works Services, Development Services, Recreation and Community Services, and Library and Museum Services. The City also operates and maintains its own water utility and offers a transit program that provides fixed route and door-to-door transportation services for residents.

Government and Administration

The City had 303 full time equivalent authorized employees as of June 30, 2020. City employees are represented by five employee associations, which represented approximately 291 employees as of June 30, 2020. Relations between the City and the employee bargaining units are governed by memoranda of understanding, all of which expire on June 30, 2021. A total of approximately 54 management and confidential employees are exempt from collective bargaining. Salaries for exempt employees are set by the City Council. The City has never experienced a strike, slowdown or work stoppage.

The City operates under a Council/Manager form of government. The City Council members and the expiration dates of their respective terms are as follows:

<table>
<thead>
<tr>
<th>Name</th>
<th>Office</th>
<th>Term Expires</th>
</tr>
</thead>
<tbody>
<tr>
<td>Roger Chandler</td>
<td>Mayor</td>
<td>November 2022</td>
</tr>
<tr>
<td>Sho Tay</td>
<td>Mayor Pro Tem</td>
<td>November 2022</td>
</tr>
<tr>
<td>Tom Beck</td>
<td>Council Member</td>
<td>November 2022</td>
</tr>
<tr>
<td>Paul P. Cheng</td>
<td>Council Member</td>
<td>November 2024</td>
</tr>
<tr>
<td>April Verlato</td>
<td>Council Member</td>
<td>November 2024</td>
</tr>
</tbody>
</table>

The City Council employs a City Manager to carry out its policies, to serve as executive officer of the City and to supervise the work of other City administrators. The names and backgrounds of the City Manager and some senior administrative staff are set forth below.

Dominic Lazzaretto has served as the City Manager for the City since 2012 and brings over 26 years of experience to the community. Mr. Lazzaretto oversees an annual budget of approximately $120 million and a full-time staff of over 300 employees. Mr. Lazzaretto also served as the City Manager in La Palma, California from 2007-2012. He is focused on employee and organizational development and serves as Vice President of Cal-ICMA. Mr. Lazzaretto has earned a Master of Public Administration from California State University, Long Beach and a Bachelor of Science from the Schreyers Honors College at Pennsylvania State University.

Jason Kruckeberg has served as the Assistant City Manager/Development Services Director since December 2009 and has been with the City since 2006. Mr. Kruckeberg has over 23 years of experience in local government in Oregon and California, having served as Planning Director for the City of Canby, Oregon, Senior Planner for the City of Pasadena, California, and Community Development Administrator for the City prior to his current position. Mr. Kruckeberg has a Bachelor of Arts from the University of California at Santa Cruz and a Master of Community and Regional Planning from the University of Oregon.
Hue Quach has served as the Administrative Services Director and has been with the City since July 2008. Mr. Quach has over 26 years of experience in local government, having served as the Director of Finance for the City of Norwalk and Assistant Finance Director for the City of Bellflower. Mr. Quach has a Bachelor of Science in Finance and a Master of Public Administration, both from California State University, Los Angeles.

Henry Chen has served as the Financial Services Manager since February 2019 and has been with the City since September 2018. Mr. Chen has over 16 years of experience in local government, both as an external auditor and as a Principal Accountant with the City of Pasadena. Mr. Chen has a Bachelor of Arts in Economics from University of California, Los Angeles.

Risk Management

**General Liability.** The City is self-insured for the first $500,000 on each general liability claim against the City. The insurance coverage in excess of the self-insured amount is provided by California Insurance Pool Authority (“CIPA”), a public entity risk pool currently operating as a common risk management and insurance program for 12 California cities. The City pays an annual premium to the pool for its excess general liability insurance coverage. The agreement for formation of the CIPA provides that the pool will be self-sustaining through member premiums.

General liability insurance in excess of the City’s self-insured amount is provided by CIPA. As a member of CIPA, all participating members share any losses in excess of the City’s self-insured amount ($500,000) up to $3,000,000. Costs of covered claims above $3,000,000 to $40,000,000 per occurrence are currently paid by reinsurance acquired by CIPA.

**Worker’s Compensation.** The City has had a self-insured workers’ compensation program for a number of years. For the Fiscal Year 2020, the self-insured retention was $500,000. Insurance in excess of the City’s self-insured amount is provided by CIPA. As a member of CIPA, all participating members share any losses in excess of the City’s self-insured amount ($500,000) up to $2,000,000. The costs of covered claims above $2,000,000 to $25,000,000 per occurrence are currently paid by reinsurance acquired by CIPA.

**Property, Cyber, and Earthquake Coverage.** The City participates in CIPA comprehensive pooled coverages for property, cyber, and earthquake. CIPA pools property insurance with Travelers for an all risk limit of $750,000,000 with a $25,000 deductible. Within the property coverage there is a boiler and machinery limit of $100 million and an earthquake limit of $75,000,000. The City is also covered through the CIPA pooled insurance for cyber liability. CIPA contracts their insurance with Indian Harbor Insurance Co. for a $5,000,000 per occurrence, and $9,000,000 aggregate limit of cyber coverage for information security and privacy, privacy notification, penalties, website media, cyber extortion, and data protection. The City’s self-insured retention is $50,000.

Claims have not exceeded the City’s insurance coverage in any of the last three years.

The Trust Agreement does not require the City to maintain insurance coverage in any particular amount or with respect to any particular risks. No assurance can be given as to the adequacy of the insurance that is maintained now or in the future by the City to fund necessary repairs or replacement of any portion of City facilities. Significant damage to City facilities or liability imposed upon the City could negatively affect City operations. See the caption “RISK FACTORS—Natural Disasters.”

COVID-19 Outbreak

The spread of the novel strain of coronavirus called SARS-CoV-2, which causes the disease known as COVID-19 (“COVID-19”), and local, state and federal actions in response to COVID-19, are having a significant impact on the City’s operations and finances. In response to the increasing number of cases of
COVID-19 infections and fatalities, health officials and experts have recommended, and some governments have mandated, a variety of responses ranging from travel bans and social distancing practices to complete shut-downs of certain services and facilities. The World Health Organization has declared the COVID-19 outbreak to be a pandemic and on March 4, 2020, as part of the State’s response to address the outbreak, the Governor declared a state of emergency. On March 13, 2020, the President declared a national emergency, freeing up funding for federal assistance to state and local governments. Many school districts across the State have temporarily closed some or all school campuses (including Arcadia Unified School District schools within the City) in response to local and State directives or guidance. On March 19, 2020, the Governor issued Executive Order N-33-20, a mandatory Statewide stay-at-home order applicable to all non-essential services. The current stay-at-home directives have been extended indefinitely until certain indicators for modifying the stay-at-home order have been met. The County has also declared a state of emergency in response to the COVID-19 outbreak. Similarly, the City Council passed Resolution No. 7300 on March 17, 2020 to declare a local emergency due to the COVID-19 outbreak.

On March 27, 2020, the President signed the $2.2 trillion Coronavirus Aid, Relief, and Economic Stabilization Act (the “CARES Act”) which provides, among other measures, $150 billion in financial assistance to states, tribal governments and local governments to provide emergency assistance to those most significantly impacted by COVID-19. Under the CARES Act, local governments are eligible for reimbursement of certain costs which are expended to address the impacts of the pandemic, although the City cannot predict what State and/or federal funding or other relief it will ultimately receive. Any funds received by the City under the CARES Act are not available for payment of debt service on the Bonds and cannot be used to backfill City revenue losses related to COVID-19.

The effects of the COVID-19 outbreak and governmental actions responsive to it are altering the behavior of businesses and people in a manner that is having significant negative impacts on global and local economies. In addition, financial markets in the United States and globally have experienced significant volatility attributed to COVID-19 concerns. Volatility in the financial markets has impacted CalPERS’ earnings, which could result in a significant increase in the City’s unfunded pension liability and future pension costs, commencing in Fiscal Year 2023. See the caption “CITY PENSION PLANS.” The outbreak has resulted in increased pressure on State finances, as budgetary resources are directed towards containing the pandemic and tax revenues sharply decline. Identified cases of COVID-19 and deaths attributable to the COVID-19 outbreak are continuing to increase throughout the United States, including the City. The COVID-19 outbreak is expected to result in material declines in major General Fund revenues, including in sales taxes, business license taxes and fees and transient occupancy taxes.

In addition, the Governor extended the deadline to file and pay spring 2020 property taxes for residential and certain commercial property owners, and first quarter 2020 sales and use tax returns by 90 days for all but the very largest taxpayers. As a result of the extended deadline to file sales and use tax returns, it is estimated that up to 361,000 California businesses with less than $5 million in taxable annual sales will be allowed to defer up to $50,000 in sales tax and enter into 12-month payment plans at zero interest. These actions will result in delays in the receipt by the City of its portion of the payments. See the captions “CITY FINANCIAL INFORMATION—Property Taxes” and “CITY FINANCIAL INFORMATION—Sales Taxes.” Other potential impacts to the City associated with the COVID-19 outbreak include, but are not limited to, increasing costs and challenges to the public health system in and around the City, cancellations of public events and disruption of the regional and local economy with corresponding decreases in the City’s revenues, including transient occupancy tax revenue, sales tax revenue and other revenues, and potential declines in property values.

In an effort to limit large gatherings of employees, certain City personnel are telecommuting or working from alternate locations and the City has staggered shifts at critical facilities. In addition, on-site personnel are wearing masks and practicing social distancing while working. As permitted by applicable orders by the Governor regarding COVID-19, City Council meetings are being conducted telephonically
instead of in-person, with full opportunity for the public to participate telephonically. The City does not expect its operations to be materially affected by such actions. However, there can be no assurance that absences of employees or City leadership due to COVID-19 will not adversely impact City operations.

The City has implemented numerous policies and procedures in response to COVID-19. In addition to complying with the Families First Coronavirus Response Act ("FFCRA") and closely monitoring updates from Los Angeles County Department of Public Health Quarantine and Isolation Orders to ensure compliance, the City put into place Standard Operating Procedures ("SOP") to safeguard all employees. As part of the enhanced Citywide measures contained in the SOP, the City put in place protective shields and marked social distancing spacers to prohibit groups from forming at all public counters in City facilities. The City communicated heightened cleaning requirements to its vendors who have primary sanitation responsibilities and made cleaning/sanitizing supplies readily available to all employees for their workspace in City facilities. Additionally, the City provided all employees with face masks and personal use hand sanitizers which are replenished as needed. Each City facility where public presence is prevalent have signs informing residents of the need to wear face masks before entering the building as well as not enter if they are exhibiting symptoms similar to COVID-19. The City has limited the need for in-person meetings unless absolutely essential. All City departments continue to utilize alternate platforms for meetings such as teleconferencing or video conferencing. City policies provide that if an in-person meeting is held, it must take place in a well-ventilated area that allows for sufficient space to appropriately socially distance. Cleaning supplies and hand sanitizer are made available when in-person meetings are held.

The City requires that all employees take necessary steps to protect themselves from the spread of COVID-19. If an employee is feeling ill, or are exhibiting symptoms similar to COVID-19, they must stay home or they will be sent home if they report to work ill. Employees continue to monitor and screen their health and wellness. The City has implemented mandatory temperature checks for police and fire facilities, with voluntary temperature checks at all other City facilities. On the City’s intranet there are resources and comprehensive information on managing stressors, assistance in dealing with finances, and alternate ways to exercise during the COVID-19 pandemic. The City has also made readily available and has sent out Employee Assistance Program information to help employees get assistance.

The COVID-19 outbreak is ongoing, and the duration and severity of the outbreak and the economic and other actions that may be taken by governmental authorities to contain the outbreak or to treat its impact are uncertain. The ultimate long-term impact of COVID-19 on the operations and finances of the City is unknown at this time. The City had projected, as a result of the COVID-19 outbreak, that the General Fund would end the Fiscal Year 2020 with a deficit of $3.2 million due to expected reductions of sales tax and transient occupancy tax revenues during the third and fourth quarters of the fiscal year. However, as the result of better than expected revenues, primarily due to better than expected tax revenues and reduced expenditures for Fiscal Year 2020, the City experienced a General Fund operating surplus of approximately $400,000 (based on unaudited actual results and exclusive of approximately $935,000 of certain discretionary General Fund capital expenditures made in Fiscal Year 2020). See the captions “CITY FINANCIAL INFORMATION—General Economic Condition and Outlook of the City” and “CITY FINANCIAL INFORMATION—Fiscal Year 2020 Budget.”

The City’s Fiscal Year 2021 General Fund budget, which includes consideration of the effect of the COVID-19 outbreak and an anticipated recession, reflects the City’s expectation of a balanced budget, resulting in a projected surplus of approximately $251,700. Such surplus is expected as a result of revenues generated by the Measure A Sales Tax (as such term is defined under the caption “CITY FINANCIAL INFORMATION—General Economic Condition and Outlook of the City”), a 0.75% sales tax measure that was approved by the voters in June 2019. Fiscal Year 2021 is the first year in which the City will receive Measure A Sales Tax revenues for a full Fiscal Year. See the caption “CITY FINANCIAL INFORMATION—Budget Procedure, Current Budget and Historical Budget Information—Fiscal Year 2021 Budget.”
Notwithstanding the foregoing, the City does not currently believe that the COVID-19 outbreak will materially adversely affect its ability to pay debt service on the Bonds. See the caption “CITY FINANCIAL INFORMATION—General Economic Condition and Outlook of the City.”

CITY FINANCIAL INFORMATION

Accounting and Financial Reporting

The basic financial statements of the City are prepared in conformity with accounting principles generally accepted in the United States (“GAAP”) as applied to governmental agencies. GASB is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. City resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The Government-Wide Financial Statements are presented on an economic resources measurement focus and the accrual basis of accounting. Accordingly, all of the City’s assets and liabilities, including capital assets, as well as infrastructure assets, and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. Fiduciary activities of the City are not included in these statements.

Certain types of transactions are reported as program revenues for the City in three categories: (i) charges for services, (ii) operating grants and contributions and (iii) capital grants and contributions.

Certain eliminations have been made in regards to interfund activities, payables, and receivables. All internal balances in the statement of net position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the statement of activities, transactions between governmental and business-type activities have not been eliminated. The following interfund activities have been eliminated: (i) due from/to other funds, and (ii) transfers in/out.

All governmental funds, such as the City’s General Fund (the “General Fund”), are accounted for on a spending or current financial resources measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in fund balances. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. An accompanying schedule is presented to reconcile and explain the differences in fund balances as presented in these statements to the net position presented in the government-wide financial statements. Revenues are recognized as soon as they are both “measurable” and “available”. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For these purposes, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The primary revenue sources, which have been treated as susceptible to accrual by the City, are property taxes, sales taxes, certain grant revenues and other taxes. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

See the caption “—City Financial Statements” for a discussion of the City’s audited financial statements for Fiscal Year 2019.
The General Fund is the general operating fund of the City. It is used to account for all financial resources except those that are required to be accounted for in another fund. The tables below set forth certain historical and current Fiscal Year budget information for the General Fund. Information on the remaining governmental funds of the City as of June 30, 2019, is set forth in Appendix A.

**General Economic Condition and Outlook of the City**

**Fiscal Policies.** The City believes that its ongoing review and control over expenditure growth has been, and will continue to be, a critical factor in maintaining and improving the City’s overall financial health. The City has implemented an emergency reserve policy to maintain its operating fund balance at 20% of the General Fund expenditures, and it is more than fully funded.

To the extent that the issuance of the Bonds results in budget savings in the City’s Pension Liability for Fiscal Years 2021 and 2022, the City expects to apply such savings to increase the City’s reserve funds and to make additional payments to CalPERS in the form of Additional Discretionary Employer Contributions to further reduce the City’s remaining unfunded accrued liability balances for its pension plans. See the caption “PLAN OF REFINANCING.”

In 2019, City voters voted in favor of a 0.75% sales tax measure which became effective January 1, 2020 (the “Measure A Sales Tax”). The Measure A Sales Tax does not sunset. It is estimated that the City will generate approximately $8.6 million in annual revenues from the Measure A Sales Tax, and such revenues will be used to maintain the current level of service offered by the City, to help address the expected increasing pension liabilities, and to allow for the City to balance its yearly budget. The Fiscal Year 2021 budget was adopted as a balanced budget largely as a result of the Measure A Sales Tax. The City is aware that increased sales tax revenues are dependent on the state of the economy.

Under the leadership of the City Council, the City has been diligent at maintaining the City’s long-term viability and, where appropriate, the City Council has made necessary and appropriate policy changes to adjust course to ensure fiscal solvency. The City Council engages with civic leaders and resident volunteers to ensure that the community’s voice is heard on important matters. A Citizens’ Oversight Committee was established to serve in an advisory capacity to the City Council with respect to the Measure A Sales Tax. The Citizen’s Oversight Committee’s duties include: (i) an annual review of the City’s revenue and expenditures from the Measure A Sales Tax; (ii) the scheduling of periodic public meetings to discuss the Measure A Sales Tax, as directed by the City Council (such meetings are currently scheduled to occur four times per year); and (iii) an annual review of audit reports related to the Measure A Sales Tax and the preparation of written reports to the City Council that summarize the committee’s findings and recommendations.

**Summary of General Fund Results and Budgets.** As of June 30, 2020, the General Fund ended the Fiscal Year with an operating surplus (revenues in excess of expenditures) of approximately $400,000 (based on unaudited actual results and exclusive of approximately $935,000 of certain discretionary General Fund capital expenditures made in Fiscal Year 2020), exceeding the anticipated year-end deficit of approximately $3.1 million set forth in the City’s revised Fiscal Year 2020 estimates due to the COVID-19 outbreak. The surplus is largely attributed to better than expected tax revenues and reduced expenditures of approximately $1.8 million. In particular, sales tax revenues, which were originally budgeted at approximately $13.6 million for Fiscal Year 2020 and revised down to approximately $10.7 million due to the COVID-19 outbreak, totaled approximately $12.4 million, and property tax revenues, which were budgeted at approximately $15.9 million for Fiscal Year 2020, totaled approximately $16.4 million.

Due to uncertainty related to the COVID-19 outbreak, the City took a very conservative approach when preparing the Fiscal Year 2021 Budget. The Fiscal Year 2021 budget assumes ongoing State and local restrictions related to the COVID-19 outbreak and the possibility of a full shutdown this winter. Such a scenario would have a significant impact on the City’s operations and ability to generate revenues and the budget takes into account impacts to Sales Tax revenues, Transient Occupancy Tax revenues, Fees for Services
revenues, and other revenues. Additionally, to ensure that the City can respond to significant negative variances, financial updates will be provided to the City Council on a quarterly basis to make adjustments as expeditiously as possible. The projected Measure A Sales Tax revenues, which take into account the COVID-19 outbreak and related economic downturn, allowed the City to adopt a balanced Fiscal Year 2021 General Fund operating budget that does not use reserve funds. The adopted Fiscal Year 2021 Budget does not contain new programs; instead, significant cuts have been made throughout all departments—but most significantly in the Library & Museum and Recreation & Community Services Departments, whose operations are most directly impacted by the ongoing restrictions related to the COVID-19 outbreak.

For Fiscal Year 2021, the adopted General Fund operating budget projects revenues of approximately $68.2 million, which is approximately $835,000 (1.2%) more than total revenues for Fiscal Year 2020 (based on unaudited actual results). In addition, the adopted Fiscal Year 2021 General Fund operating budget projects expenditures of approximately $68.0 million, an increase of approximately $102,000 (0.15%) over Fiscal Year 2020 expenditures (based on unaudited actual results). The adopted Fiscal Year 2021 General Fund operating budget anticipates total operating revenues of $65.6 million and total operating expenses of $63.9 million exclusive of Fund Transfers In & Out.

The Fiscal Year 2021 General Fund Operating Budget, as adopted, reflects a balanced budget and an expected surplus of $251,700. Such surplus would add to the ending Operating Fund Balance which the City currently expects to be approximately $6,842,730, revised up from $3,216,900 due to better than expected tax revenues and reduced expenditures in the third and fourth quarters of Fiscal Year 2020, as discussed below under the caption “—Fiscal Year 2020 Budget.” Based on a recent assessment of the City’s cash flow, the City expects to have the necessary liquidity and capacity to weather the COVID-19 outbreak and anticipated economic downturn. The City continues to meet the need for setting aside an Emergency Reserve Fund, which currently has a balance of approximately $10.1 million. The sum of all reserve balances—the Emergency Reserve Fund plus other Unrestricted Reserve Balances (such as the Workers’ Compensation and Liability Claims Fund, the Capital Improvement Fund, and the Equipment Replacement Fund)—equals approximately $27.9 million.

See the caption “—Budget Procedure, Current Budget and Historical Budget Information” for additional information relating to the adopted budget for Fiscal Year 2021.

Budget Procedure, Current Budget and Historical Budget Information

General. The City’s budgetary process is guided by the City Council’s priorities, with input from residents, neighborhood groups, boards, commissions and businesses following neighborhood meetings and various year-round opportunities for suggestions and comments. Annual budgets are adopted on a basis that is consistent with generally accepted accounting principles for governmental funds, except that encumbrances are shown in the year incurred for budgetary purposes. All annual appropriations lapse at fiscal year-end.

On or before March of each year, all operational units submit requests for appropriations to the City Manager for budget preparation purposes. From March through April of each year, budget requests are scrutinized by the City’s Finance Division and preliminary revenue estimates are projected. Thereafter, the City Manager and Finance Division staff meet with operational unit managers to discuss proposed budget amounts. The City Manager submits a proposed budget to the City Council in mid-May of each year. It is within this timeframe that the City Council holds budget study sessions to discuss the proposed budget, recommendations of new programs, and makes necessary adjustments to reach a balance budget. The proposed budget is presented at a City Council meeting which is held as a public hearing for the final approval no later than June 30. The budget for Fiscal Year 2021 was approved on June 16, 2020.

The appropriated budget is prepared by fund, function and department. The City’s department directors, with approval of the Finance Services Manager and City Manager, may make transfers of
appropriations within a department and between departments within a fund. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the fund level.

Under encumbrance accounting, purchase orders, contracts and other commitments for expenditures are recorded to reserve that portion of the applicable appropriation. Encumbrance accounting is employed as an extension of formal budgetary accounting. Unexpended appropriations lapse at year-end regardless of encumbrances.

**Fiscal Year 2020 Budget.** The City Council adopted the Fiscal Year 2020 budget on June 18, 2019. Budgeted General Fund revenues was approximately $67.4 million and expenditures totaled approximately $67.9 million for Fiscal Year 2020. Although such budget projected a deficit of $482,215, such deficit was expected to be eliminated through the typical vacancy factor experienced by the City. As a result of COVID-19 and uncertainties it caused, both revenues and expenditures were revised accordingly to respond to its effects. Consequently, significant reduction of revenues in sales tax and transient occupancy tax were forecasted. The City’s revised budget for Fiscal Year 2020 projected a deficit of $3.1 million. However, actual expenditures for the General Fund for Fiscal Year 2020 were approximately $65.2 million, which is approximately $1.8 million (2.5%) less than the revised budget for Fiscal Year 2020. In addition, tax revenues were better than expected, and the General Fund ended the fiscal year with an operating surplus (revenues in excess of expenditures) of approximately $400,000 (based on unaudited actual results and exclusive of approximately $935,000 of certain discretionary General Fund capital expenditures made in Fiscal Year 2020).

**Fiscal Year 2021 Budget.** The City Council adopted a budget for Fiscal Year 2021 on June 16, 2020 which takes into account the effects of the COVID-19 outbreak. Budgeted expenditures for the General Fund total approximately $68.0 million for Fiscal Year 2021, an increase of approximately $101,985 (0.15%) above Fiscal Year 2020 budgeted expenditures. Budgeted revenues for the General Fund total approximately $68.2 million for Fiscal Year 2021, an increase of approximately $835,900 (1.24%) above Fiscal Year 2020 budgeted revenues. Such increase is primarily a result of increased property and sales taxes, as Fiscal Year 2021 is the first full year in which the Measure A Sales Tax would be accounted for. The City’s Fiscal Year 2021 General Fund budget, which includes consideration of the effects of the COVID-19 outbreak and an anticipated recession, reflects the City’s expectation of a balanced budget, resulting in a projected surplus of approximately $251,700.

**Budget History.** Set forth in Table 1 below are the General Fund budgets for Fiscal Years 2018 through 2021, the audited General Fund results for Fiscal Years 2018 and 2019 and unaudited actual Fiscal Year 2020 results. During the course of each fiscal year, the budget is amended and revised as necessary by the City Council; budgeted amounts shown below reflect such amendments and revisions in certain fiscal years.
Table 1
City of Arcadia
General Fund Budgets and Results

<table>
<thead>
<tr>
<th></th>
<th>Adopted Fiscal Year 2018 Budget</th>
<th>Audited Fiscal Year 2018 Results</th>
<th>Adopted Fiscal Year 2019 Budget</th>
<th>Audited Fiscal Year 2019 Results</th>
<th>Adopted Fiscal Year 2020 Budget</th>
<th>Actual Fiscal Year 2020 Results(1)</th>
<th>Adopted Fiscal Year 2021 Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Taxes</td>
<td>$38,703,700</td>
<td>$37,797,893</td>
<td>$39,707,200</td>
<td>$39,436,524</td>
<td>$41,868,400</td>
<td>$40,518,563</td>
<td>$44,034,500</td>
</tr>
<tr>
<td>Licenses and Permits</td>
<td>4,210,500</td>
<td>4,636,689</td>
<td>5,292,500</td>
<td>4,647,777</td>
<td>4,392,300</td>
<td>4,510,580</td>
<td>4,556,200</td>
</tr>
<tr>
<td>Fines and Forfeitures</td>
<td>575,500</td>
<td>496,828</td>
<td>583,500</td>
<td>442,858</td>
<td>527,500</td>
<td>440,352</td>
<td>416,300</td>
</tr>
<tr>
<td>Use of Money and Property</td>
<td>1,510,400</td>
<td>1,359,379</td>
<td>1,668,000</td>
<td>2,178,868</td>
<td>1,562,000</td>
<td>2,086,308</td>
<td>1,517,800</td>
</tr>
<tr>
<td>Intergovernmental</td>
<td>7,005,500</td>
<td>7,084,640</td>
<td>7,405,000</td>
<td>7,545,240</td>
<td>7,603,300</td>
<td>7,982,689</td>
<td>8,771,800</td>
</tr>
<tr>
<td>Charges for Services</td>
<td>4,436,000</td>
<td>5,038,450</td>
<td>4,507,400</td>
<td>4,834,282</td>
<td>5,031,900</td>
<td>4,455,089</td>
<td>4,121,300</td>
</tr>
<tr>
<td>Other Revenues</td>
<td>3,117,100</td>
<td>3,152,046</td>
<td>3,188,000</td>
<td>2,866,610</td>
<td>2,296,800</td>
<td>2,547,802</td>
<td>2,209,500</td>
</tr>
<tr>
<td><strong>Total Revenues</strong></td>
<td>$59,558,700</td>
<td>$59,565,925</td>
<td>$62,351,600</td>
<td>$61,952,159</td>
<td>$63,282,200</td>
<td>$62,541,383</td>
<td>$65,627,600</td>
</tr>
</tbody>
</table>

| **Expenditures**             |                                |                                 |                                |                                 |                                |                                  |                                |
| General Government           |                                |                                 |                                |                                 |                                |                                  |                                |
| City Council                 | $233,700                       | $230,385                        | $242,800                       | $230,610                        | $245,900                       | $219,422                         | $218,700                        |
| City Manager                 | 892,300                        | 866,465                         | 912,800                        | 1,017,731                       | 936,400                        | 893,472                          | 907,300                         |
| City Clerk                   | 437,800                        | 411,000                         | 319,500                        | 395,484                         | 604,100                        | 347,188                          | 242,500                         |
| City Attorney                | 649,300                        | 580,618                         | 573,500                        | 516,710                         | 594,800                        | 476,404                          | 663,700                         |
| General City                 | 1,748,200                      | 1,946,674                       | 2,002,900                      | 1,978,800                       | 2,099,200                      | 2,362,452                        | 2,381,700                       |
| Administrative services      | 4,408,300                      | 3,609,092                       | 4,284,600                      | 3,465,001                       | 3,394,700                      | 3,394,698                        | 3,452,800                       |
| Public Safety                |                                |                                 |                                |                                 |                                |                                  |                                |
| Police                       | $22,008,900                    | 20,727,096                      | 22,873,700                     | 22,801,184                      | 23,247,600                     | 22,439,292                       | 23,473,400                      |
| Fire                         | 14,854,400                     | 15,697,715                      | 15,863,000                     | 16,464,591                      | 17,700,400                     | 17,597,640                       | 16,775,300                      |
| Public Works Services        | 3,984,100                      | 3,943,572                       | 4,187,100                      | 4,066,700                       | 4,434,200                      | 4,117,426                        | 4,219,900                       |
| Community Development        | 4,557,900                      | 4,069,124                       | 5,032,400                      | 4,303,013                       | 4,751,915                      | 4,313,168                        | 4,637,200                       |
| Library                      | 3,856,800                      | 3,746,990                       | 3,968,500                      | 3,829,073                       | 3,303,700                      | 4,017,622                        | 2,767,700                       |
| Recreation and Community Services | 3,209,100                  | 3,180,516                       | 3,358,700                      | 3,254,180                       | 4,171,100                      | 2,943,768                        | 4,141,500                       |
| Debt Service:                |                                |                                 |                                |                                 |                                |                                  |                                |
| Principal Retirement         |                                |                                 |                                | 58,028                          | 58,028                          | 58,028                           | 58,028                          |
| **Total Expenditures**       | $60,920,800                    | $59,009,247                     | $63,619,500                    | $62,381,105                     | $65,484,015                     | $63,180,500                      | $63,881,700                     |

| **Excess (Deficiency) of Revenues Over (Under) Expenditures** | $1,362,100                     | $556,678                        | $(1,267,900)                   | $(428,946)                      | $(2,201,815)                     | $(639,197)                       | $1,745,900                      |

| **Other Financing Sources (Uses)** |                                |                                 |                                |                                 |                                |                                  |                                |
| Transfers In                 | $1,626,300                     | $1,500,417                      | $1,675,300                     | $1,580,943                      | $1,426,400                      | $1,790,425                       | $2,616,900                      |
| Transfers Out                | (1,492,400)                    | (2,116,845)                     | (3,159,700)                    | (3,077,204)                     | (2,406,800)                     | (1,642,492)                      | (4,111,100)                     |
| **Total Other Financing Sources (Uses)** | $133,900                      | $(616,428)                      | $(1,484,400)                   | $(1,206,121)                    | $(1,719,600)                    | $147,933                         | $(1,494,200)                     |

| **Net Change in Fund Balances** | $1,228,200                     | $(59,750)                       | $(2,752,300)                   | $(1,635,067)                    | $(482,215)                      | $(549,126)                       | $251,700                        |
| Fund Balances – Beginning    | N/A                            | $31,184,088                     | $31,124,338                    | N/A                             | $29,489,271                     | N/A                              | N/A                             |
| Fund Balances – Ending       | N/A                            | $31,124,338                     | N/A                            | $29,489,271                     | N/A                             | $28,998,007                      | N/A                             |

---

(1) Reflects unaudited actual Fiscal Year 2020 results; subject to change.

(2) See the caption "—Tax Revenues of the City" for a breakdown of tax revenues for the past five Fiscal Years.

(3) See the caption "—Other Indebtedness—Other Long-Term Debt—Capital Lease Obligations.”

Sources: Adopted budgets of the City for Fiscal Years 2018 through 2021; audited financial statements of the City for Fiscal Years 2018 and 2019; City for Fiscal Year 2020 actual results.
Change in Fund Balance of the City General Fund

Set forth in Table 2 below are the City’s audited General Fund statements of revenues, expenditures and changes in fund balance for Fiscal Years 2016 through 2019 and the City’s estimated General Fund statement of revenues, expenditures and changes in fund balance for Fiscal Year 2020 based on available information to date.

### Table 2
City of Arcadia
General Fund Statement of Revenues, Expenditures and Changes in Fund Balances

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Taxes(2)</td>
<td>$36,882,562</td>
<td>$37,491,396</td>
<td>$37,797,893</td>
<td>$39,436,524</td>
<td>$40,518,563</td>
</tr>
<tr>
<td>Licenses and Permits</td>
<td>6,387,403</td>
<td>6,030,346</td>
<td>4,636,689</td>
<td>4,647,777</td>
<td>4,510,580</td>
</tr>
<tr>
<td>Fines and Forfeitures</td>
<td>572,435</td>
<td>434,858</td>
<td>496,828</td>
<td>442,858</td>
<td>440,352</td>
</tr>
<tr>
<td>Use of Money and Property</td>
<td>1,527,839</td>
<td>1,310,176</td>
<td>1,359,379</td>
<td>2,178,868</td>
<td>2,086,308</td>
</tr>
<tr>
<td>Intergovernmental</td>
<td>6,390,849</td>
<td>6,673,424</td>
<td>7,084,640</td>
<td>7,545,240</td>
<td>7,982,689</td>
</tr>
<tr>
<td>Charges for Services</td>
<td>4,548,949</td>
<td>4,276,787</td>
<td>5,038,450</td>
<td>4,834,282</td>
<td>4,455,089</td>
</tr>
<tr>
<td>Other Revenues</td>
<td>3,086,958</td>
<td>2,825,632</td>
<td>3,152,046</td>
<td>2,866,610</td>
<td>2,547,802</td>
</tr>
<tr>
<td><strong>Total Revenues</strong></td>
<td>$59,396,958</td>
<td>$59,042,619</td>
<td>$59,565,925</td>
<td>$61,952,159</td>
<td>$62,541,383</td>
</tr>
<tr>
<td><strong>Expenditures</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General Government</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>City Council</td>
<td>$260,386</td>
<td>$274,724</td>
<td>$230,385</td>
<td>$230,610</td>
<td>$219,422</td>
</tr>
<tr>
<td>City Manager</td>
<td>749,203</td>
<td>804,420</td>
<td>1,017,731</td>
<td>893,472</td>
<td>347,188</td>
</tr>
<tr>
<td>City Clerk</td>
<td>435,526</td>
<td>255,076</td>
<td>411,000</td>
<td>395,484</td>
<td>476,404</td>
</tr>
<tr>
<td>City Attorney</td>
<td>463,340</td>
<td>584,740</td>
<td>580,618</td>
<td>516,710</td>
<td>476,404</td>
</tr>
<tr>
<td>General City</td>
<td>2,610,690</td>
<td>1,855,081</td>
<td>1,946,674</td>
<td>1,978,800</td>
<td>2,362,452</td>
</tr>
<tr>
<td>Administrative services</td>
<td>3,847,140</td>
<td>4,286,662</td>
<td>3,609,092</td>
<td>3,465,001</td>
<td>3,394,698</td>
</tr>
<tr>
<td><strong>Public Safety</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Police</td>
<td>19,057,936</td>
<td>20,245,999</td>
<td>20,727,096</td>
<td>22,801,184</td>
<td>22,439,292</td>
</tr>
<tr>
<td>Fire</td>
<td>14,147,306</td>
<td>14,752,629</td>
<td>15,697,715</td>
<td>16,464,591</td>
<td>17,597,640</td>
</tr>
<tr>
<td>Public Works Services</td>
<td>4,512,667</td>
<td>3,652,048</td>
<td>3,943,572</td>
<td>4,066,700</td>
<td>4,117,426</td>
</tr>
<tr>
<td>Community Development</td>
<td>4,520,057</td>
<td>4,268,614</td>
<td>4,069,124</td>
<td>4,303,013</td>
<td>4,313,168</td>
</tr>
<tr>
<td>Library</td>
<td>3,491,033</td>
<td>3,608,439</td>
<td>3,746,990</td>
<td>3,829,073</td>
<td>4,017,622</td>
</tr>
<tr>
<td>Recreation and Community Services</td>
<td>2,899,418</td>
<td>2,982,607</td>
<td>3,180,516</td>
<td>3,254,180</td>
<td>2,943,768</td>
</tr>
<tr>
<td>Debt Service:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Principal Retirement</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>58,028</td>
<td>58,028</td>
</tr>
<tr>
<td>Interest and Fiscal Charges</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td><strong>Total Expenditures</strong></td>
<td>$56,994,703</td>
<td>$57,571,039</td>
<td>$59,009,247</td>
<td>$62,381,105</td>
<td>$63,180,580</td>
</tr>
<tr>
<td><strong>Excess (Deficiency) of Revenues Over (Under) Expenditures</strong></td>
<td>$2,402,293</td>
<td>$1,471,580</td>
<td>$556,678</td>
<td>$(428,946)</td>
<td>$(639,197)</td>
</tr>
<tr>
<td><strong>Other Financing Sources (Uses)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transfers In</td>
<td>$1,521,376</td>
<td>$1,509,438</td>
<td>$1,500,417</td>
<td>$1,580,943</td>
<td>$1,790,425</td>
</tr>
<tr>
<td>Transfers Out</td>
<td>(8,809,086)</td>
<td>(3,749,574)</td>
<td>(2,116,845)</td>
<td>(3,077,204)</td>
<td>(1,642,492)</td>
</tr>
<tr>
<td>Proceeds from Capital Lease Obligations(3)</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>290,140</td>
<td>--</td>
</tr>
<tr>
<td><strong>Total Other Financing Sources (Uses)</strong></td>
<td>$(7,287,710)</td>
<td>$(2,240,136)</td>
<td>$(616,428)</td>
<td>$(1,206,121)</td>
<td>$147,933</td>
</tr>
<tr>
<td><strong>Net Change in Fund Balances</strong></td>
<td>$(4,885,417)</td>
<td>$(768,556)</td>
<td>$(59,750)</td>
<td>$(1,635,067)</td>
<td>$(491,264)</td>
</tr>
<tr>
<td><strong>Fund Balances – Beginning of Fiscal Year</strong></td>
<td>$36,838,061</td>
<td>$31,952,644</td>
<td>$31,184,088</td>
<td>$31,124,338</td>
<td>$29,489,271</td>
</tr>
<tr>
<td><strong>Fund Balances – End of Fiscal Year</strong></td>
<td>$31,952,644</td>
<td>$31,184,088</td>
<td>$31,124,338</td>
<td>$29,489,271</td>
<td>$28,998,007</td>
</tr>
</tbody>
</table>

(1) Reflects unaudited actual Fiscal Year 2020 results; subject to change.
(2) See the caption “—Tax Revenues of the City” for a breakdown of tax revenues for the past five Fiscal Years.
(3) See the caption “—Other Indebtedness—Other Long-Term Debt—Capital Lease Obligations.”
Source: Audited financial statements of the City for Fiscal Years 2016 through 2019; City for Fiscal Year 2020.
General Fund Balance Sheets of the City

Set forth in Table 3 below are the City’s audited General Fund balance sheets for Fiscal Years for Fiscal Years 2016 through 2019 and the City’s unaudited actual General Fund balance sheet for Fiscal Year 2020.

<table>
<thead>
<tr>
<th>Table 3</th>
<th>City of Arcadia</th>
<th>General Fund Balance Sheet Summary</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Fiscal Year Ended June 30,</strong></td>
<td><strong>2016</strong></td>
<td><strong>2017</strong></td>
</tr>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and Investments</td>
<td>$ 29,143,884</td>
<td>$ 28,552,600</td>
</tr>
<tr>
<td>Accounts Receivable</td>
<td>211,120</td>
<td>199,749</td>
</tr>
<tr>
<td>Interest Receivable</td>
<td>71,548</td>
<td>90,906</td>
</tr>
<tr>
<td>Due from Other Funds</td>
<td>360,323</td>
<td>53,111</td>
</tr>
<tr>
<td>Due from Other Governments</td>
<td>4,823,137</td>
<td>3,845,726</td>
</tr>
<tr>
<td>Prepaid items and deposits</td>
<td>45,424</td>
<td>60,291</td>
</tr>
<tr>
<td>Inventories</td>
<td>751,881</td>
<td>785,222</td>
</tr>
<tr>
<td>Advances to Other Funds</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>$ 35,407,317</td>
<td>$ 33,587,605</td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts Payable</td>
<td>$ 1,242,329</td>
<td>$ 1,539,457</td>
</tr>
<tr>
<td>Accrued Salaries Payable</td>
<td>1,996,467</td>
<td>606,684</td>
</tr>
<tr>
<td>Due to Other Funds</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Unearned Revenue</td>
<td>215,887</td>
<td>257,376</td>
</tr>
<tr>
<td>Deposits</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Retentions Payable</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td>$ 3,454,673</td>
<td>$ 2,403,517</td>
</tr>
<tr>
<td><strong>Fund Balances</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nonspendable(2)</td>
<td>$ 797,305</td>
<td>$ 845,513</td>
</tr>
<tr>
<td>Restricted(3)</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Assigned(4)</td>
<td>24,756,336</td>
<td>23,015,454</td>
</tr>
<tr>
<td>Unassigned</td>
<td>6,399,003</td>
<td>7,323,121</td>
</tr>
<tr>
<td><strong>Total Fund Balances</strong></td>
<td>$ 31,952,644</td>
<td>$ 31,184,088</td>
</tr>
<tr>
<td><strong>Total Liabilities and Fund Balances</strong></td>
<td>$ 35,407,317</td>
<td>$ 33,587,605</td>
</tr>
</tbody>
</table>

(1) Reflects unaudited actual numbers; subject to change.
(2) This classification includes amounts that cannot be spent because they are either not in a spendable form or are legally or contractually required to be maintained intact.
(3) This classification includes amounts that are constrained by external creditors, grantors, contributors or laws or regulations of other governments or by law through constitutional provisions or enabling legislation.
(4) Assigned funds are intended to be used for specific purposes but are not formally constrained by City Council action.

Source: Audited financial statements of the City for Fiscal Years 2016 through 2019; City for Fiscal Year 2020.

Tax Revenues of the City

A summary of taxes and certain fees received by the City in the last five Fiscal Years is set forth in Table 4 below. Certain general taxes currently imposed by the City are affected by various State Constitutional provisions. See the caption “CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS.”
### Table 4
**City of Arcadia**
**General Fund Major Tax Revenues and Fees by Source**

<table>
<thead>
<tr>
<th>Fiscal Year Ended June 30,</th>
<th>% of Total General Fund Revenues(3)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Property Tax</strong>(4)</td>
<td>$21,286,077</td>
</tr>
<tr>
<td><strong>Sales Tax</strong>(5)</td>
<td>11,441,622</td>
</tr>
<tr>
<td><strong>Utility Users Tax</strong></td>
<td>6,816,464</td>
</tr>
<tr>
<td><strong>Transient Occupancy Tax</strong></td>
<td>3,531,944</td>
</tr>
<tr>
<td><strong>Business/Other Taxes/Fees</strong>(6)</td>
<td>3,932,776</td>
</tr>
<tr>
<td><strong>TOTAL</strong>(7)</td>
<td>$47,008,883</td>
</tr>
</tbody>
</table>

(1) Reflects unaudited actual Fiscal Year 2020 results; subject to change.
(2) Reflects budgeted Fiscal Year 2021 amounts.
(3) Reflects percentage of total estimated Fiscal Year 2020 General Fund revenues of $62,541,383. May not foot due to rounding.
(4) Includes vehicle license fees and property taxes in lieu of vehicle license fees. See the captions “—Property Taxes” and “—State of California Motor Vehicle In-Lieu Payments.”
(5) The 0.75% Measure A Sales Tax became effective January 1, 2020.
(6) Includes property transfer tax, amusement tax, franchise fees and business license taxes and fees. Decrease in Fiscal Year 2019 reflects a change in methodology for charging an administrative fee to the City’s enterprise funds.
(7) Differs from amounts shown in the “Taxes” line item in the tables under the caption “—Change in Fund Balance of the City General Fund” because the above amounts include franchise fees, business license taxes and other tax revenues in the “Business/Other Taxes/Fees” line item.

Source: Audited financial statements of the City for Fiscal Years 2016 through 2019; City for Fiscal Years 2020 and 2021.

**Property Taxes**

Fiscal Year 2019 property tax receipts of $25,610,660 provided the largest tax revenue source for the City in Fiscal Year 2019. Property taxes contributed approximately 50.9% of General Fund tax revenues and approximately 41.3% of total General Fund revenues in Fiscal Year 2019. Based on unaudited actual Fiscal Year 2020 results, the City estimates Fiscal Year 2020 property tax receipts to be $26,844,097.

Property in the State which is subject to ad valorem taxes is classified as “secured” or “unsecured.” The secured classification includes property on which any property tax levied by a county becomes a lien on that property. A tax levied on unsecured property may become a lien on certain other property owned by the taxpayer. Every tax which becomes a lien on secured property has priority over all other liens arising pursuant to State law on the secured property, regardless of the time of the creation of other liens.

The exclusive means of compelling the payment of delinquent taxes with respect to secured property is the sale of the property securing the taxes for the amount of taxes that are delinquent. The taxing authority has three methods of collecting unsecured personal property taxes: (1) filing a civil action against the taxpayer; (2) obtaining a judgment lien on certain property of the taxpayer from the county clerk or county recorder; and (3) seizing and selling personal property, improvements or possessory interests belonging or taxable to the assessees.

A 10% penalty is added to delinquent taxes which have been levied with respect to property on the secured roll. In addition, beginning on the July 1 following a delinquency, interest begins accruing at the rate of 1.5% per month on the amount delinquent. If taxes are unpaid for a period of five years or more, the property is deeded to the State and then is subject to sale by the county tax collector. A 10% penalty also applies to the delinquent taxes or property on the unsecured roll, and further, an additional penalty of 1.5% per month accrues with respect to such taxes beginning on the varying dates related to the tax billing date.

In an attempt to mitigate the effects of the COVID-19 pandemic on State property taxpayers, on May 6, 2020, the Governor signed Executive Order N-61-20 (“Order N-61-20”). Under Order N-61-20, certain provisions of the State Revenue and Taxation Code are suspended until May 6, 2021, to the extent that
they require a tax collector to impose penalties, costs or interest for the failure to pay secured or unsecured property taxes, or to pay a supplemental bill, before the date that such taxes become delinquent. Such penalties, costs and interest will be cancelled under the conditions provided for in Order N-61-20, including if the property is residential real property occupied by the taxpayer or the real property qualifies as a small business under certain State laws, the taxes were not delinquent prior to March 4, 2020, the taxpayer files a claim for relief with the tax collector and the taxpayer demonstrates economic hardship or other circumstances that have arisen due to the COVID-19 pandemic or due to a local, state, or federal governmental response thereto. The City did not see a material decrease in property tax receipts due to Order N-61-20. However, no assurance can be given that such order will not affect Fiscal Year 2021 property tax results. See the caption “THE CITY—COVID-19 Outbreak.”

As discussed in the paragraph below Table 5 ("Assessed Valuation History"), the County has not adopted the “Teeter Plan” and the City is therefore exposed to the risk of delinquencies in the payment of property taxes.

State law also provides for the supplemental assignment and taxation of property as of the occurrence of a change in ownership or completion of new construction. Collection of taxes based on supplemental assessments occurs throughout the year. Taxes due are prorated according to the amount of time remaining in the tax year.

See the caption “RISK FACTORS—Split Roll Initiative” for a discussion of an initiative that will appear on the November 2020 Statewide ballot which will amend provisions of State law relating to property taxes, including the provisions that are discussed above.

For a number of years, the State Legislature shifted property taxes from cities, counties and special districts to the Educational Revenue Augmentation Fund ("ERAf"). In Fiscal Years 1993 and 1994, in response to serious budgetary shortfalls, the State Legislature and administration permanently redirected over $3 billion of property taxes from cities, counties, and special districts to schools and community college districts pursuant to ERAF shifts. The Fiscal Year 2005 State Budget included an additional $1.3 billion shift of property taxes from certain local agencies, including the City, in Fiscal Years 2005 and 2006.

On November 2, 2010, State voters approved Proposition 22, which: (i) prohibits the State of California from shifting or delaying the distribution of funds from special districts to schools and community colleges; (ii) eliminates the authority to shift property taxes temporarily during a severe financial hardship of the State; and (iii) restricts the State’s authority to use fuel tax revenues to pay debt service on transportation bonds, to borrow or change the distribution of fuel tax revenues or to use vehicle license fee revenues to reimburse local governments for state-mandated costs.

Despite the passage of Proposition 22, there can be no assurance that 1% ad valorem property tax revenues which the City currently expects to receive will not be temporarily shifted from the City or reduced pursuant to State legislation enacted in the future. If the property tax formula is permanently changed in the future, it could have a material adverse effect on the receipt of its share of 1% property tax revenues by the City.
Set forth in Table 5 below are the secured and unsecured assessed valuations for property in the City for the Fiscal Years 2016 through 2020.

### Table 5

**City of Arcadia**

Assessed Valuation History (Dollars in Thousands)

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Secured Value</th>
<th>Unsecured Value</th>
<th>Total Assessed Value</th>
<th>% Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>$14,468,019,735</td>
<td>$205,509,909</td>
<td>$14,673,529,644</td>
<td>N/A%</td>
</tr>
<tr>
<td>2018</td>
<td>15,476,508,029</td>
<td>199,963,533</td>
<td>15,676,471,562</td>
<td>6.8</td>
</tr>
<tr>
<td>2019</td>
<td>16,392,536,722</td>
<td>209,538,965</td>
<td>16,602,075,687</td>
<td>5.9</td>
</tr>
<tr>
<td>2020</td>
<td>17,394,201,586</td>
<td>222,430,476</td>
<td>17,616,632,062</td>
<td>6.1</td>
</tr>
<tr>
<td>2021</td>
<td>18,165,436,683</td>
<td>219,267,889</td>
<td>18,384,704,572</td>
<td>4.4</td>
</tr>
</tbody>
</table>

Source: City.

Set forth in Table 6 below are property tax collections (including amounts that do not constitute General Fund money) and delinquencies in the City as of June 30 for Fiscal Years 2016 through 2020. The County has not adopted the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (known as the “Teeter Plan”), as provided for in Section 4701 et seq. of the Revenue and Taxation Code of the State (under which the County would pay the City 100% of property taxes due to the City regardless of actual collections). The City is therefore exposed to the risk of delinquencies in the payment of property taxes. However, the City does receive penalties and interest when property taxes are paid late. The City also receives supplemental taxes throughout the year.

### Table 6

**City of Arcadia**

Property Tax Levies and Collections

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Total Tax Levy</th>
<th>Collections within the Fiscal Year of Levy</th>
<th>Percent of Levy Collected within the Fiscal Year of Levy</th>
<th>Collections in Subsequent Years</th>
<th>Percent of Levy Collected to Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>$ 916,767</td>
<td>$ 957,245</td>
<td>104.42%</td>
<td>$22,813</td>
<td>106.90%</td>
</tr>
<tr>
<td>2017</td>
<td>986,300</td>
<td>1,020,512</td>
<td>103.47</td>
<td>25,356</td>
<td>106.04</td>
</tr>
<tr>
<td>2018</td>
<td>967,300</td>
<td>964,452</td>
<td>99.71</td>
<td>32,920</td>
<td>103.11</td>
</tr>
<tr>
<td>2019</td>
<td>990,300</td>
<td>948,177</td>
<td>95.75</td>
<td>25,303</td>
<td>98.30</td>
</tr>
<tr>
<td>2020(1)</td>
<td>1,001,500</td>
<td>992,051</td>
<td>99.06</td>
<td>13,148</td>
<td>100.37</td>
</tr>
</tbody>
</table>

(1) Reflects unaudited actual Fiscal Year 2020 results; subject to change.

Source: City.
The 10 largest secured and unsecured taxpayers in the City as shown on the Fiscal Year 2020 tax roll, the assessed valuation and the percentage of the City’s total property tax revenues attributable to each are set forth in Table 7 below.

Table 7
City of Arcadia
10 Largest Secured and Unsecured Taxpayers

<table>
<thead>
<tr>
<th>Rank</th>
<th>Property Owner</th>
<th>Type of Business</th>
<th>Fiscal Year 2021 Assessed Valuation</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Santa Anita Borrower LLC</td>
<td>Commercial</td>
<td>$415,954,188</td>
<td>2.36%</td>
</tr>
<tr>
<td>2.</td>
<td>Methodist Hospital of So. California</td>
<td>Healthcare</td>
<td>219,450,550</td>
<td>1.24%</td>
</tr>
<tr>
<td>3.</td>
<td>Santa Anita Land Holdings LLC</td>
<td>Entertainment</td>
<td>218,125,219</td>
<td>1.24%</td>
</tr>
<tr>
<td>4.</td>
<td>Scannell Properties 255 LLC LSEE</td>
<td>Industrial</td>
<td>124,974,616</td>
<td>0.71%</td>
</tr>
<tr>
<td>5.</td>
<td>Baldwin Arcadia Center LP</td>
<td>Commercial</td>
<td>84,185,263</td>
<td>0.48%</td>
</tr>
<tr>
<td>6.</td>
<td>JLJ Properties Arcadia I LLC</td>
<td>Commercial</td>
<td>64,577,626</td>
<td>0.37%</td>
</tr>
<tr>
<td>7.</td>
<td>SAICP Hotel LLC</td>
<td>Hospitality</td>
<td>49,490,400</td>
<td>0.28%</td>
</tr>
<tr>
<td>8.</td>
<td>Chang Chih International Investment LLC</td>
<td>Commercial</td>
<td>40,940,872</td>
<td>0.23%</td>
</tr>
<tr>
<td>9.</td>
<td>VG Property Investments LLC</td>
<td>Commercial</td>
<td>38,108,776</td>
<td>0.22%</td>
</tr>
<tr>
<td>10.</td>
<td>PI Properties No 42 LLC</td>
<td>Commercial</td>
<td>35,976,045</td>
<td>0.20%</td>
</tr>
<tr>
<td></td>
<td>TOTAL</td>
<td></td>
<td>$1,291,783,555</td>
<td>7.33%</td>
</tr>
</tbody>
</table>

(1) Fiscal Year 2020 Taxable Assessed Value: $17,616,632,062.
Sources: Los Angeles County Assessor.

The City is currently projecting an increase of approximately 4.9% in property tax revenues in Fiscal Year 2021 above the Fiscal Year 2020 budgeted amount. However, an extended recession caused by the COVID-19 outbreak could impact assessed values with the City and result in decreased property tax revenues. See the caption “THE CITY—COVID-19 Outbreak.”

Sales Taxes

Fiscal Year 2019 sales tax receipts of $11,399,632 provided the second largest tax revenue source for the City in Fiscal Year 2019. Sales taxes contributed approximately 18% of General Fund tax revenues and approximately 29% of total General Fund revenues in Fiscal Year 2019. Based on unaudited actual Fiscal Year 2020 results, the City estimates Fiscal Year 2020 sales tax receipts to be $12,430,661.

A sales tax is imposed on retail sales or consumption of personal property and collected and distributed by the State Board of Equalization (the “SBE”). The basic sales tax rate is established by the State Legislature, and local overrides may be approved by voters. The current sales tax rate in the City is 10.25%, which includes the 0.75% Measure A Sales Tax that was approved by City voters in April 2019 and does not sunset. See the caption “—General Economic Condition and Outlook of the City—Fiscal Policies.” The City estimates that the Measure A Sales Tax will result in approximately $8.6 million per year in increased sales tax revenues for each year that the measure is in effect.

Additional information relating to sales tax receipts by the City is set forth in Appendix B.

As discussed under the caption “THE CITY—COVID-19 Outbreak,” the Governor extended the deadline to file and pay first quarter sales and use tax returns by 90 days for all but the very largest taxpayers, and up to 361,000 California businesses with less than $5 million in taxable annual sales will be allowed to defer up to $50,000 in sales tax and enter into 12-month payment plans at zero interest. The extension will result in a delay in the receipt by the City of its portion of sales tax payments.
As a result of such extension, as well as an anticipated general economic slowdown and the closure of business in the wake of the COVID-19 outbreak, the City’s Fiscal Year 2021 budget reflects the receipt of approximately $16.5 million in sales tax revenues in Fiscal Year 2021, an increase of approximately $5 million (44%) from the Fiscal Year 2020 budgeted amount. However, in a normal economic period, such sales tax projection would have been approximately $20.2 million for Fiscal Year 2021, because the Measure A Sales Tax would have been projected to generate approximately $8.6 million and Fiscal Year 2021 would have been the first full year in which Measure A Sales Tax revenues would have been recognized.

Utility Users Taxes

Fiscal Year 2019 utility users tax receipts of $6,591,834 provided the third largest tax revenue source for the City in Fiscal Year 2019. Utility users taxes contributed approximately 16.7% of General Fund tax revenues and approximately 10.6% of total General Fund revenues in Fiscal Year 2019. Based on unaudited actual Fiscal Year 2020 results, the City estimates Fiscal Year 2020 utility users tax receipts to be $6,779,875.

The utility users tax is imposed within the City limits on all users of natural gas, electricity, water at the rate of 7% and telecommunication services at the rate of 5%.

Water conservation efforts that were imposed by the State and electricity credits issued by SoCal Edison contributed to lower utility users tax revenues in Fiscal Year 2016. The electricity credits were issued to eligible commercial and residential customers and applied prior to the calculation of the City’s utility users tax, thereby negatively impacting the utility users tax collected from SoCal Edison. Other factors contributing to lower utility users revenues have been the reduction of telephone lines in homes, lower cost mobile telephone plans and increased solar power usage for homes. Since 2016, the City has collected a utility users tax on prepaid mobile telephones.

Proceeds of the utility users tax are used to fund activities funded by the General Fund. The utility users tax does not have a sunset provision.

The City’s Fiscal Year 2021 budget reflects the receipt of approximately $6.6 million in utility users tax revenues in Fiscal Year 2021, a decrease of approximately $145,000 (2%) from the Fiscal Year 2020 budgeted amount.

Other Taxes and Other Revenues

Fiscal Year 2019 revenues from transient occupancy taxes, property transfer taxes, franchise fees, business license taxes and fees and certain other taxes and fees collectively totaled $6,663,962. Such amount collectively provided approximately 16.8% of General Fund tax revenues and 10.7% of total General Fund revenues during Fiscal Year 2019. Based on unaudited actual Fiscal Year 2020 results, the City estimates Fiscal Year 2020 receipts from such other taxes to be $5,868,278.

Transient occupancy taxes, which are levied on users of hotels in the City, are currently imposed at the rate of 10%.

As a result of an anticipated general economic slowdown and the closure of business in the wake of the COVID-19 outbreak, the City’s Fiscal Year 2021 budget reflects the receipt of approximately $5.9 million in other tax revenues in Fiscal Year 2021, a decrease of approximately $2.05 million (25.8%) from the Fiscal Year 2020 budgeted amount.

Historically, parimutual revenues received from Santa Anita Race Track provided adequate funding for yearly capital improvement projects. However, this revenue source has been decreasing over the past several years due to less horse racing interest and the changing format for wagering. The current annual
The parimutual revenue level has not kept up with the demands and cost of capital improvements. The City has budgeted to receive $225,000 in parimutual revenues from the Santa Anita Race Track for Fiscal Year 2021.

**State of California Motor Vehicle In-Lieu Payments**

The State imposes a Vehicle License Fee (the “VLF”), which is the portion of the fees paid in lieu of personal property taxes on a vehicle. The VLF is based on vehicle value and declines as the vehicle ages. Prior to the adoption of the Fiscal Year 2005 State Budget, the VLF was 2% of the value of a vehicle. Through legislation in prior Fiscal Years, the State enacted VLF reductions under which the State was required to “backfill” local governments for their revenue losses resulting from the lowered fee.

The Fiscal Year 2005 State Budget permanently reduced the VLF from 2% to 0.65% of the value of a vehicle and deleted the requirement for backfill payments, providing instead that the amount of the backfill requirement will be met by an increase in the property tax allocation to cities and counties. See the caption “STATE OF CALIFORNIA BUDGET INFORMATION.”

VLF revenues for the last five Fiscal Years, all of which were distributed from property tax receipts, are shown in the below table.

**Table 8**

City of Arcadia

**State of California Motor Vehicle In-Lieu Payments**

<table>
<thead>
<tr>
<th>Source</th>
<th>Fiscal Year Ended June 30,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2016</td>
</tr>
<tr>
<td>Motor Vehicle In-Lieu Payments</td>
<td>$6,136,909</td>
</tr>
</tbody>
</table>

*(1)* Reflects unaudited actual Fiscal Year 2020 results; subject to change.

Source: City.

**Other Indebtedness**

**General Fund-Supported Obligations.** The obligations set forth in Table 9 below are payable from general revenues of the City as are the Bonds. The City may issue other obligations payable from its general revenues at any time. See the caption “RISK FACTORS—City Obligations.”

**Table 9**

City of Arcadia

**Summary of General Fund-Supported Obligations**

<table>
<thead>
<tr>
<th>Obligation</th>
<th>Outstanding Amount*(1)</th>
<th>Year of Maturity</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011 General Obligation Bonds</td>
<td>$5,245,000</td>
<td>2031</td>
</tr>
<tr>
<td>2012 General Obligation Bonds</td>
<td>$4,045,000</td>
<td>2031</td>
</tr>
<tr>
<td>Capital Lease Obligations</td>
<td>$116,057</td>
<td>2023</td>
</tr>
<tr>
<td>TOTAL</td>
<td>$9,406,057</td>
<td></td>
</tr>
</tbody>
</table>

*(1)* As of October 1, 2020.

Source: City.

Each of the obligations that are summarized in the above table is described in further detail below.
2011 Bonds. In 2011, the City issued its General Obligation Bonds, Election of 2006 (Bond Measure A), Series 2011 (Bank Qualified) (the “2011 Bonds”), which mature in 2031. Net proceeds of the 2011 Bonds were used to finance the costs of constructing, installing, acquiring and improving of a grade separation at the intersection of Santa Anita Avenue and the proposed Foothill Extension of the Metropolitan Transit Authority Gold Line. The 2011 Bonds bear interest at rates ranging from 2.00% to 5.00%. As of October 1, 2020, the 2011 Bonds were outstanding in the aggregate principal amount of $5,245,000.

2012 Bonds. In 2012, the City issued its General Obligation Refunding Bonds, Series 2012 (Police Station Project) (Bank Qualified) (the “2012 Bonds”), which mature in 2031. Net proceeds of the 2012 Bonds were used to refund the City’s Series A of 2001 General Obligation Bonds of Arcadia (Police Station Project). The 2012 Bonds bear interest at rates ranging from 2.00% to 5.00%. As of October 1, 2020, the 2012 Bonds were outstanding in the aggregate principal amount of $4,045,000.

Capital Lease Obligations. The City has entered into a capital lease with options to purchase for paramedic equipment. The lease is payable through 2023 and bears interest at the rate of 0% per annum. As of October 1, 2020, the lease was outstanding in the aggregate principal amount of $116,057.

See Note 5 to the City’s audited financial statements set forth in Appendix A for further information with respect to General Fund-supported obligations.

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

City Investment Policy

General. The City invests its funds in accordance with the City’s investment policy (the “Investment Policy”), which was adopted on June 16, 2020. In accordance with Section 53600 et seq. of the California Government Code, idle cash management and investment transactions are the responsibility of the City Treasurer. The City’s Financial Services Manager serves as the City Treasurer, and is appointed and supervised by the Administrative Services Director. The City’s Investment Policy sets forth the policies and procedures applicable to the investment of City funds and designates eligible investments. The Investment Policy sets forth the following stated objectives, which are listed in priority order: (i) preservation of capital and protection of investment principal, (ii) maintenance of sufficient liquidity to meet anticipated cash flows, (iii) attainment of a market rate of return, and (iv) diversification to avoid incurring unreasonable market risks. Eligible investments include United States Treasury bills and notes, obligations issued by United States Government-sponsored agencies, repurchase agreement collateralized by United States Treasury bills and notes or obligations issued by United States Government-sponsored agencies, repurchase agreement collateralized by United States Treasury bills and notes or obligations issued by United States Government-sponsored agencies, certain supranational obligations not exceeding 30% of the City’s portfolio, prime commercial paper not exceeding 25% of the City’s portfolio, eligible bankers acceptances not exceeding 15% of the City’s portfolio, medium term notes of certain corporations or depository institutions not exceeding 30% of the City’s portfolio, certain asset-backed securities not exceeding 20% of the City’s portfolio, negotiable certificates of deposit not exceeding 30% of the City’s portfolio, non-negotiable certificates of deposit not exceeding 20% of the City’s portfolio, placement service deposits not exceeding 20% of the City’s portfolio, the State of California’s Local Agency Investment Fund, money market mutual funds not exceeding 20% of the City’s portfolio, local government investment pools, and municipal and state obligations. Most investments have a maximum maturity of five years.

The Treasurer provides a monthly investment report to the Administrative Services Director, the City Manager and the City Council. For each investment, the report includes the following information: (i) investment type, issuer, date of maturity, par value, and dollar amount invested in all securities, investments, and monies held by the City, (ii) a description of the funds, investments, and programs, (iii) a monthly report of investment transactions, (iv) a market value as of the date of the report (or the most recent valuation as to assets, (v) a statement of compliance with the investment policy or an explanation for noncompliance, and (vi) a statement of the ability to meet expenditure requirements for six months, and an explanation of why money will not be available if that is the case not valued monthly) and the source of the
valuation. The City only transacts business with banks, savings and loan institutions and registered investment securities dealers.

Collateralization is required for repurchase agreements, with a collateral level of at least 102% of the dollar amount of the funds borrowed.

The City may not invest any funds in inverse floaters, range notes, or interest-only strips that are derived from a pool of mortgages. The City may hold previously permitted but currently prohibited investments until their maturity dates.

**Summary of Investments.** A summary of the City’s investments as of August 31, 2020, is set forth in the below table. General Fund cash and investments (based on market values) were equal to approximately $74.4 million (90.7%) of the total cash and investment portfolio as of August 31, 2020.

<table>
<thead>
<tr>
<th>Table 10</th>
<th>City of Arcadia</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Summary of Investments and Cash as of August 31, 2020</strong>(1)</td>
<td></td>
</tr>
<tr>
<td>Investments</td>
<td></td>
</tr>
<tr>
<td>Local Agency Investment Fund</td>
<td>$10,534,050</td>
</tr>
<tr>
<td>California Asset Management Program</td>
<td>2,955,892</td>
</tr>
<tr>
<td>Certificates of Deposit</td>
<td>2,499,493</td>
</tr>
<tr>
<td>U.S. Treasury Notes</td>
<td>19,306,988</td>
</tr>
<tr>
<td>Federal Home Loan Bank</td>
<td>5,569,434</td>
</tr>
<tr>
<td>Federal Home Loan Mortgage Corporation</td>
<td>6,769,469</td>
</tr>
<tr>
<td>Federal National Mortgage Association</td>
<td>8,067,722</td>
</tr>
<tr>
<td>Supra-National Bonds</td>
<td>377,531</td>
</tr>
<tr>
<td>Municipal Bonds</td>
<td>795,526</td>
</tr>
<tr>
<td>Asset Backed Securities</td>
<td>6,445,650</td>
</tr>
<tr>
<td>Bank Notes</td>
<td>269,999</td>
</tr>
<tr>
<td>Corporate Bonds</td>
<td>10,817,171</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$74,408,925</strong></td>
</tr>
</tbody>
</table>

| Investments with Fiscal Agent |  |
| Money Market Funds | $4,426,280 |
| Local Agency Investment Fund | 1,632,529 |
| **Total** | **$6,058,809** |

| Total Investments | **$80,467,734** |

| Cash |  |
| Petty Cash and Change Funds | $18,955 |
| Demand Deposits | 1,001,835 |
| Restricted Cash Held by City | 532,948 |
| **Total** | **$1,553,738** |

| Total Investments and Cash | **$82,021,472** |

(1) Reflects market values. Totals may not add due to rounding.
Source: City.

See Note 2 in Appendix A for further information with respect to City investments.
Other Post-Employment Benefits

**OPEB Benefit Plan.** In addition to the pension benefits that are described under the caption “CITY PENSION PLANS,” the City provides certain post-employment healthcare benefits (the “OPEB Benefits”) for retired employees and eligible dependents. The City Council has the authority to establish and amend the benefits offered by the single-employer plan. The City Council approved contracts with employees capping the maximum monthly retiree health benefit contribution made by the City for existing employees who retire on or after July 1, 2011; reducing retiree health insurance benefits for employees hired on or after July 1, 2011, to the mandatory minimum contribution established by California Government Code Section 22892(b). An eligible retiree is an employee who retires on a service retirement and has 125 days of accumulated sick leave at the date of retirement. Such payment shall cease by the employee’s sixty-fifth (65) birthday. If the retired employee has other group medical coverage available to them, then this other group insurance shall be primary and the City’s health insurance plan shall function as a secondary coinsurance. An employee who has fewer than 125 days of accumulated sick leave at the date of retirement may become eligible for coverage by paying the City an amount equal to the employee’s daily pay rate at the time of retirement times the number of days needed to meet the 125 days of accumulated sick leave requirement with restrictions. The requirement varies slightly among different employee groups.

Employees of the City are eligible for retiree health benefits if they are between 50-55 years of age as of the last day of work prior to retirement and are a vested member of CalPERS. Membership in the plan consisted of the following at June 30, 2019, the date of the latest actuarial valuation:

<table>
<thead>
<tr>
<th>Description</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Active plan members</td>
<td>312</td>
</tr>
<tr>
<td>Inactive employees or beneficiaries currently receiving benefit payments</td>
<td>147</td>
</tr>
<tr>
<td>Inactive employees entitled to but not yet receiving benefit payments</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>459</td>
</tr>
</tbody>
</table>

OPEB Benefit expenses of approximately $1,793,967 and $1,793,967, respectively, were recognized for Fiscal Years 2018 and 2019.

The City’s net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2019. The total OPEB liability in the June 30, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

<table>
<thead>
<tr>
<th>Assumption</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Funding method</td>
<td>Entry Age Normal Cost, level percent of pay</td>
</tr>
<tr>
<td>Discount Rate</td>
<td>7.00% as of June 30, 2018 and 6.85% as of June 30, 2019</td>
</tr>
<tr>
<td>Inflation</td>
<td>2.50%</td>
</tr>
<tr>
<td>Aggregate payroll Increases</td>
<td>3.00%</td>
</tr>
<tr>
<td>Expected Long-Term Investment Rate of Return</td>
<td>7.00% as of June 30, 2018 and 6.75% as of June 30, 2019</td>
</tr>
<tr>
<td>Mortality Improvement Scale</td>
<td>MacLeod Watts Scale 2018 applied generationally from 2015</td>
</tr>
<tr>
<td>PPACA High Cost Plan Excise Tax</td>
<td>Excluded due to 2019 repeal of this provision of the Affordable Care Act</td>
</tr>
<tr>
<td>Healthcare Tread Rate</td>
<td>An annual healthcare cost trend rate of 6.50% initially reduced</td>
</tr>
<tr>
<td></td>
<td>by decrements to an ultimate of 4.00% therefore.</td>
</tr>
</tbody>
</table>

Source: City.
Changes in the net liability for the City’s OPEB Benefit plan for calendar year 2018, the latest period for which such information is available, were as follows.

### Table 12
City of Arcadia
Changes in OPEB Benefit Plan Liability

<table>
<thead>
<tr>
<th>Increase (Decrease)</th>
<th>Total OPEB Liability (a)</th>
<th>Plan Fiduciary Net Position (b)</th>
<th>Net OPEB Liability/ (Asset) (c) = (a) - (b)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at June 30, 2018</td>
<td>$ 21,042,152</td>
<td>$ 3,040,261</td>
<td>$ 18,001,891</td>
</tr>
<tr>
<td>Changes Recognized for the Measurement Period:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Service Cost</td>
<td>$ 624,092</td>
<td>-</td>
<td>$ 624,092</td>
</tr>
<tr>
<td>Interest on the total OPEB liability</td>
<td>1,473,509</td>
<td>-</td>
<td>1,473,509</td>
</tr>
<tr>
<td>Changes of benefit terms</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Differences between expected and actual experience</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Contributions from the employer</td>
<td>-</td>
<td>2,143,818</td>
<td>(2,143,818)</td>
</tr>
<tr>
<td>Assumption Changes</td>
<td>926,042</td>
<td>-</td>
<td>926,042</td>
</tr>
<tr>
<td>Plan experience</td>
<td>(4,103,434)</td>
<td>-</td>
<td>(4,103,434)</td>
</tr>
<tr>
<td>Net investment income</td>
<td>-</td>
<td>229,602</td>
<td>(229,602)</td>
</tr>
<tr>
<td>Administrative expenses</td>
<td>-</td>
<td>(826)</td>
<td>826</td>
</tr>
<tr>
<td>Other expenses</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Benefit payments</td>
<td>(1,232,218)</td>
<td>(1,232,218)</td>
<td>-</td>
</tr>
<tr>
<td>Net Changes during July 1, 2018 to June 30, 2019</td>
<td>$ (2,312,009)</td>
<td>$ 1,140,376</td>
<td>$ (3,452,385)</td>
</tr>
<tr>
<td>Balance at June 30, 2019 (Measurement Date)</td>
<td>$ 18,730,143</td>
<td>$ 4,180,637</td>
<td>$ 14,549,506</td>
</tr>
</tbody>
</table>

Source: City.

Table 13 below presents the net liability of the City’s OPEB Benefit plan, calculated using the discount rate applicable to calendar year 2019 (6.85%), as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.85 percent) or 1-percentage-point higher (7.85 percent) than the current discount rate:

### Table 13
City of Arcadia
Sensitivity of the OPEB Benefit Plan Net Liability to Changes in the Discount Rate

<table>
<thead>
<tr>
<th>Current Discount Rate</th>
<th>Current Discount Rate</th>
<th>Current Discount Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>- 1% (5.85%)</td>
<td>(6.85%)</td>
<td>+ 1% (7.85%)</td>
</tr>
<tr>
<td>$16,470,140</td>
<td>$14,549,506</td>
<td>$12,904,033</td>
</tr>
</tbody>
</table>

Source: City.

The City established an IRS Section 115 trust account for OBEF stabilization. The market value of the trust was $3.0 million as of June 30, 2018 and $3.0 million as of June 30, 2019. This trust fund is not included in the calculation of the City’s net OPEB liability, as the assets are not in the custody of the plan administrator, CalPERS.

Future changes in funding policies and assumptions, including those related to assumed rates of investment return and healthcare cost inflation, could trigger increases in the City’s annual required OPEB Benefit plan contributions, and such increases could be material to the finances of the City. No assurance can be provided that such expenses will not increase significantly in the future. The City does not expect that any
increased funding of OPEB Benefits will have a material adverse effect on the ability of the City to pay the Bonds.

For additional information relating to the City’s OPEB Benefit plan, see Note 9 to the City’s audited financial statements set forth in Appendix A.

City Financial Statements

A copy of the most recent audited financial statements of the City (the “Financial Statements”) for the Fiscal Year ended June 30, 2019, prepared by Moss, Levy & Hartzheim, LLP, Culver City, California (the “Auditor”), are included as Appendix A to this Official Statement. The Auditor’s letter dated January 28, 2020 is set forth therein. The Financial Statements are public documents and are included within this Official Statement without the prior approval of the Auditor. Accordingly, the Auditor has not performed any post-audit analysis of the financial condition of the City, nor has the Auditor reviewed or audited this Official Statement.

Certain financial information that is set forth in this Official Statement is derived from the Financial Statements and the City’s audited financial statements for prior years (excluding certain non-cash items and after certain other adjustments) and is qualified in its entirety by reference to such statements, including the notes thereto. The Auditor has not reviewed or audited such financial information or any other portion of this Official Statement.

In the Financial Statements, data relating to governmental funds such as the General Fund focus on current financial resources. Under the current financial resources measurement focus, only current assets and current liabilities are generally included on the City’s balance sheets. The Statement of Revenues, Expenditures and Changes in Fund Balances (which is set forth under the caption “—Change in Fund Balance of the City General Fund”), presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in fund balances. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period.

Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For these purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The primary revenue sources, which have been treated as susceptible to accrual by the City, are property taxes, sales taxes, certain grant revenues and other taxes. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

STATE OF CALIFORNIA BUDGET INFORMATION

General

Information about the State budget is regularly available at various State-maintained websites. Text of proposed and adopted budgets may be found at the website of the State Department of Finance (the “DOF”), http://www.dof.ca.gov, under the heading “California Budget.” An impartial analysis of the budget is posted by the Legislative Analyst’s Office (the “LAO”) at http://www.lao.ca.gov. In addition, various State official statements, many of which contain a summary of the current and past State budgets and the impact of those budgets on cities in the State, may be found at the website of the State Treasurer, http://www.treasurer.ca.gov. The information referred to is prepared by the respective State agency maintaining each website and not by the City, and the City takes no responsibility for the continued accuracy of these Internet addresses or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated herein by these references.
Budget for State Fiscal Year 2019-20

On June 27, 2019, the Governor signed into law the State budget for State Fiscal Year 2019-20 (the “2019-20 Budget”). The following information is drawn from summaries of the 2019-20 Budget prepared by the DOF and the LAO.

For State Fiscal Year 2018-19, the 2019-20 Budget projected total State General Fund revenues and transfers of approximately $138 billion and total expenditures of $142.7 billion. The State was projected to end the State Fiscal Year 2018-19 with total available State General Fund reserves of approximately $20.7 billion, including approximately $5.4 billion in the traditional State General Fund reserve, $14.4 billion in the Budget Stabilization Account (the “BSA”) and $900 million in the Safety Net Reserve Fund for the CalWORKs and Medi-Cal programs. For State Fiscal Year 2019-20, the 2019-20 Budget projected total State General Fund revenues and transfers of approximately $143.8 billion and authorized expenditures of approximately $147.8 billion. The State was projected to end Fiscal Year 2019-20 with total available State General Fund reserves of approximately $18.8 billion, including $1.4 billion in the traditional State General Fund reserve, $16.5 billion in the BSA and $900 million in the Safety Net Reserve Fund.

For State Fiscal Year 2019-20, the 2019-20 Budget set the minimum school funding guarantee at $81.1 billion. Other significant features of the 2019-20 Budget include a $3.15 billion payment to the California State Teachers Retirement System and CalPERS to reduce long-term liabilities for K-14 school districts. Of this amount, the remaining $2.3 billion would be paid towards employers’ long-term unfunded liability.

For additional information regarding the 2019-20 Budget, see the DOF and LAO websites. The information presented on such websites is not incorporated herein by reference.

Budget for State Fiscal Year 2020-21

On January 10, 2020, prior to the COVID-19 outbreak, the Governor released his proposed State budget for State Fiscal Year 2020-21. On May 14, 2020, the Governor released the May Revision to the Proposed 2020-21 State Budget (the “May Revision”). The May Revision noted that the COVID-19 pandemic and resulting recession has changed the State’s fiscal landscape dramatically. Unemployment claims have surged, with increased unemployment claims of 4.4 million from mid-March to May 9, 2020. Job losses have occurred in nearly every sector of the economy and personal income is projected to decline by 9% in 2020.

Following record economic expansion, the United States economy entered into a recession in March 2020, causing an immediate negative impact on State revenues, with all three of the State’s major revenue sources showing significant declines relative to the Governor’s original budget forecast. From Fiscal Years 2018-19 through 2020-21, the May Revision baseline revenue estimate decreased by over $43 billion, before accounting for transfers. The changes in the three largest State tax sources are:

- Personal income tax revenues, which were revised downward by $32.6 billion (including $6.9 billion less in State Fiscal Year 2019-20 and $26.3 billion less in State Fiscal Year 2020-21) due to a decline in all income sources, but particularly wages, proprietorship income and capital gains;

- Sales and use tax receipts, which were revised downward by almost $10 billion ($2.2 billion less in State Fiscal Year 2019-20 and $7.7 billion less in State Fiscal Year 2020-21) due mainly to lower consumption and investment by business; and

- Corporate tax revenues, which were revised downward by over $5 billion based on a significant drop in corporate profits.
On June 29, 2020, the Governor signed into law the State budget for State Fiscal Year 2020-21 (the “2020-21 Budget”). The following information is drawn from summaries of the 2020-21 Budget prepared by the DOF and the LAO.

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

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

- **Drawdown of Reserves** – The 2020-21 Budget draws down $8.8 billion in total State reserves, including $7.8 billion from the BSA, $450 million from the Safety Net Reserve and all money in the Public School System Stabilization Account.

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

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

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

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

- **Cancelled Expansions, Updated Assumptions and Other Measures** – The 2020-21 Budget includes an additional $10.6 billion of measures, including cancelling multiple programmatic expansions, anticipated governmental efficiencies, higher ongoing revenues above the forecast included in the May Revision and lower health and human services caseload costs than assumed by the May Revision.
For State Fiscal Year 2019-20, the 2020-21 Budget projects total State General Fund revenues and transfers of $137.6 billion and authorizes expenditures of $146.9 billion. The State is projected to end State Fiscal Year 2019-20 with total available State General Fund reserves of $17 billion, including $16.1 billion in the BSA and $900 million in the Safety Net Reserve Fund.

For State Fiscal Year 2020-21, the 2020-21 Budget projects total State General Fund revenues and transfers of $137.7 billion and authorizes expenditures of $133.9 billion. The State is projected to end State Fiscal Year 2020-21 with total available State General Fund reserves of $11.4 billion, including $2.6 billion in the traditional State General Fund reserve (of which $716 million is earmarked for COVID-19-related responses), $8.3 billion in the BSA and $450 million in the Safety Net Reserve Fund.

As a result of the projected reduction of State revenues occasioned by the COVID-19 pandemic, the 2020-21 Budget estimates that the Proposition 98 minimum funding guarantee for Fiscal Year 2020-21 is $70.1 billion, approximately $10 billion below the revised prior-year funding level. For K-12 school districts, this results in per-pupil spending in Fiscal Year 2020-21 of $10,654, a reduction of $1,339 from the prior year.

The 2020-21 Budget proposes several measures intended to ameliorate the immediate impact of State revenue declines, and avoid a permanent decline in education funding:

- **Local Control Funding Formula** – The 2020-21 Budget provides for $1.9 billion in Local Control Funding Formula apportionment deferrals for State Fiscal Year 2019-20. The deferrals increase to $11 billion in State Fiscal Year 2020-21, which results in Local Control Funding Formula funding remaining at 2019-20 levels in both years. The 2020-21 Budget also suspends the statutory cost of living adjustment in State Fiscal Year 2020-21. Of the total deferrals, $5.8 billion will be cancelled in State Fiscal Year 2020-21 if sufficient federal funding for this purpose is received.

- **CalSTRS/CalPERS** – The 2020-21 Budget redirects $2.3 billion in funds that were previously appropriated for prefunding California State Teachers Retirement System (“CalSTRS”) and CalPERS liabilities, instead applying them to further reduce local educational agency contribution rates for such programs in State Fiscal Years 2020-21 and 2021-22. This reduces CalSTRS employer rates to 16.15% in Fiscal Year 2020-21 and 16.02% in Fiscal Year 2021-22. CalPERS employer rates are reduced to 20.7% in Fiscal Year 2020-21 and 22.84% in Fiscal Year 2021-22.

- **Federal Funds** – In addition to the CARES Act funding previously discussed, the 2020-21 Budget appropriates $1.6 billion in federal Elementary and Secondary School Emergency Relief funds recently awarded to the State. Of this amount, approximately $1.5 billion will be allocated to local educational agencies in proportion to the amount of federal Title I-A funding such agencies receive, to be used for COVID-19 related costs. The remaining amount will be allocated to state-level activities.

- **Temporary Revenue Increases** – As discussed above, as part of closing the State’s projected deficit, the 2020-21 Budget provides for a temporary revenue increase of approximately $4.3 billion in Fiscal Year 2020-21, of which approximately $1.6 billion counts towards the Proposition 98 funding guarantee.

For additional information regarding the 2020-21 Budget, see the DOF and LAO websites. The information presented on such websites is not incorporated herein by reference.

None of the websites or webpages that are referenced above is in any way incorporated into this Official Statement. They are cited for informational purposes only. The City makes no representation whatsoever as to the accuracy or completeness of any of the information on such websites.
There can be no assurance that additional legislation will not be enacted in the future to implement provisions relating to the State budget, address the COVID-19 outbreak or otherwise that may affect the City or its General Fund revenues.

Potential Impact of State Financial Condition on the City

The State has experienced significant financial stress in recent years, with budget shortfalls in the several billions of dollars. Currently, the COVID-19 pandemic is materially adversely impacting the financial condition of the State and the waning of the infection crisis is expected to be followed by the onset of a recession and significant increases in unfunded liabilities of the two main retirement systems managed by State entities, CalPERS and the California State Teachers’ Retirement System. The State also has a significant unfunded liability with respect to other post-employment benefits.

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

Future State Budgets

No prediction can be made by the City as to whether the State will continue to encounter budgetary problems in future years, and if it were to do so, it is not clear what measures would be taken by the State to balance its budget, as required by law. In addition, the City cannot predict the final outcome of future State budget negotiations, the impact that such budgets will have on City finances and operations or what actions will be taken in the future by the State Legislature and the Governor to deal with changing State revenues and expenditures. There can be no assurance that actions taken by the State to address its financial condition will not materially adversely affect the financial condition of the City. Current and future State budgets will be affected by national and State economic conditions and other factors, including the current COVID-19 pandemic and associated economic downturn, over which the City has no control.

RISK FACTORS

Prospective purchasers of the Bonds should carefully consider all possible factors that may affect the ability of the City to pay principal of and interest on the Bonds. The Bonds may not be a suitable investment for all prospective purchasers.

The following factors, along with the other information in this Official Statement, should be considered by potential investors in evaluating the purchase of the Bonds. However, the following does not purport to be an exhaustive listing of risks and other considerations which may be relevant to an investment in the Bonds and there can be no assurance that other risk factors will not become material in the future. In addition, the order in which the following factors are presented is not intended to reflect the relative importance of any such risks.

City Obligations

The City has other obligations payable from its General Fund and other lawfully available funds of the City, including but not limited to debt obligations, lease obligations and certain other liabilities. The Trust Agreement does not prohibit the County from incurring additional debt, lease or other obligations payable
from the City’s General Fund and other lawfully available funds in the future (including Additional Bonds to finance Pension Liability), which may reduce City moneys available to pay the Bonds.

In addition, although the Bonds are payable from all lawfully available funds of the City, the City has no obligation to levy taxes in order to raise sufficient revenues to pay the Bonds. See the caption “CITY FINANCIAL INFORMATION—Other Indebtedness” for a description of the City’s current obligations.

Certain Risks Associated with Sales Tax and Other Local Tax Revenues

For the past several Fiscal Years, sales tax revenues have been the second largest source of General Fund revenues to the City.

Sales and use tax revenues are based upon the gross receipts of retail sales of tangible goods and products by retailers with taxable transactions in the City, which could be impacted by a variety of factors. For example, in times of economic recession, the gross receipts of retailers often decline, and such a decline would cause the sales tax revenues received by the City to decline. An economic recession would also be expected to affect hotel occupancy within the City, and consequently, the City’s receipt of transient occupancy taxes. See the caption “THE CITY—COVID-19 Outbreak,” “CITY FINANCIAL INFORMATION—Sales Taxes” and “CITY FINANCIAL INFORMATION—Other Taxes.”

In addition, changes or amendments in the laws applicable to the City’s receipt of sales tax revenues or other local taxes, whether implemented by State legislative action or voter initiative, including any initiative by City voters under Article XIIIC of the California Constitution to repeal the Measure A Sales Tax, could have an adverse effect on sales tax revenues received by the City. See the caption “CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS.”

Finally, many categories of transactions are exempt from the Statewide sales tax, and additional categories could be added in the future. Currently, most sales of food products for human consumption are exempt; this exemption, however, does not apply to liquor or to restaurant meals. The rate of sales tax levied on taxable transactions in the City or the fee charged by the State Board of Equalization for administering the City’s sales tax could also be changed.

Assessed Value of Taxable Property

Property taxes are the largest source of the City’s General Fund revenues. Natural and economic forces can affect the assessed value of taxable property within the City. The City is located in a seismically active region, and damage from an earthquake in or near the area could cause extensive damage to taxable property. Other natural or manmade disasters, such as flood, fire, wildfire, ongoing drought, toxic dumping, erosion or acts of terrorism, could cause a reduction in the assessed value of taxable property within the City. See the captions “—Natural Disasters” and “—Hazardous Substances.”

In addition, economic and market forces, such as a downturn in the regional economy, could affect assessed values, particularly as these forces might reverberate in the residential housing and commercial property markets as has been experienced in the past. In addition, the total assessed value can be reduced through the reclassification of taxable property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by State and local agencies and property used for qualified educational, hospital, charitable or religious purposes).

Reductions in the market values of taxable property may cause property owners to appeal assessed values and may also be associated with an increase in delinquency rates for property taxes. Section 2(b) of Article XIII of the State Constitution and Section 51 of the State Revenue and Taxation Code, which were adopted pursuant to Proposition 8, which was adopted in 1978, require the County assessor to annually enroll either a property’s adjusted base year value (the “Proposition 13 Value”) or its current market value,
whichever is less. When the current market value replaces the higher Proposition 13 Value on the assessor’s roll, such lower value is referred to as the “Proposition 8 Value.”

Although the annual increase for a Proposition 13 Value is limited to no more than 2%, the same restriction does not apply to a Proposition 8 Value. The Proposition 8 Value of a property is reviewed annually as of January 1; the current market value must be enrolled as long as the Proposition 8 Value falls below the Proposition 13 Value. Thus, any subsequent increase or decrease in market value is enrolled regardless of any percentage increase or decrease. Only when a current Proposition 8 Value exceeds the Proposition 13 Value attributable to a piece of property (adjusted for inflation) does a county assessor reinstate the Proposition 13 Value.

Decreases in the assessed value of taxable property within the City resulting from a natural disaster or other calamity, economic recession, reclassification by ownership or use or as a result of the implementation of Proposition 8 all may have an adverse impact on property tax collections by the City, and consequently, the General Fund revenues that are available to make debt service payments on the Bonds.

**Increasing Retirement-Related Costs**

The City is required to make contributions to CalPERS and to the OPEB Benefit plan for City employees and retirees. Such obligations are a significant financial obligation of the City and could increase in the future. Actual contribution rates will depend on a variety of factors, including but not limited to actual investment returns and future changes to benefits or actuarial assumptions. The City notes that pension contributions in future years may increase as a result of losses in CalPERS’ portfolio resulting from stock market declines in the wake of the COVID-19 outbreak. See the caption “THE CITY—COVID-19 Outbreak.” There can be no assurances that actual increases in required contributions will not be higher than the amounts which are currently projected by the City. See the captions “CITY PENSION PLANS” and “CITY FINANCIAL INFORMATION—Other Post-Employment Benefits.”

**Dependence on State for Certain Revenues**

A number of the City’s revenues are collected and dispersed by the State (such as sales taxes and the VLF) or allocated in accordance with State law (most importantly, property taxes). Therefore, State budget decisions can have an impact on City finances. In the event of a material economic downturn in the State, including as a result of the COVID-19 outbreak that is discussed under the caption “THE CITY—COVID-19 Outbreak,” there can be no assurance that any resulting revenue shortfalls to the State will not reduce revenues to local governments (including the City) or shift financial responsibility for programs to local governments as part of the State’s efforts to address any such related State financial difficulties. See the caption “STATE OF CALIFORNIA BUDGET INFORMATION.”

**No Reserve Fund**

The City has not funded a reserve fund in connection with the issuance of the Bonds.

**Litigation**

The City may be or become a party to litigation that has an impact on the General Fund. Although the City maintains certain insurance policies that provide liability coverage under certain circumstances and with respect to certain types of incidents (as discussed under the caption “THE CITY—Risk Management”), the City cannot predict what types of liabilities may arise in the future. See the caption “LITIGATION.”
Natural Disasters

The occurrence of any natural disaster in the City, including, without limitation, earthquake, wildfire, drought, high winds, landslide or flood, which results in significant damage within the City or otherwise significantly impacts the economy of the City could materially adversely affect the financial condition of the City. See the caption “THE CITY—Risk Management.”

Earthquakes are considered a threat to the City due to the City’s highly active seismic region and the proximity of fault zones, including the San Andreas, Sierra Madre and Whittier-Elsinore fault zones. These and other fault zones could influence the entire coastal portion of the State. In addition, there are several local faults located within the City that are considered potentially active, such as the San Jose, Indian Hill, Chino and Central Avenue faults, and there are likely to be unmapped faults in or near the City. Portions of the City lie within Seismic Hazard Zones for soil liquefaction and earthquake-induced landslides. Seismically induced ground shaking has affected the City in the past and is expected to affect the City in the future. The City currently maintains limited earthquake insurance for certain City facilities, but it is not required to do so in the future.

An earthquake along one of the faults in the vicinity of the City, either known or unknown, could cause a number of casualties and extensive property damage, particularly to residential buildings, older wooden or unreinforced masonry buildings and mobile homes. The effects of such an earthquake could be aggravated by aftershocks and secondary effects such as fires, landslides, dam failure, liquefaction, floods and other threats to public health, safety and welfare. The potential direct and indirect consequences of a major earthquake could easily exceed the resources of the City and would require a high level of self-help, coordination and cooperation.

The State, including the City, is periodically subject to wildfires. The last major wildfire in the vicinity of the City was the Bobcat Fire in September 2020. In response to the Bobcat Fire one foothill neighborhood of the City was evacuated for a short period of time. Although the Bobcat Fire encroached into the City limits, no residential or commercial real property or other personal property was damaged.

When wildfires scorch land, they destroy all vegetation on mountains and hillsides. As a result, when heavy rain falls in the winter, there is nothing to stop the rain from penetrating directly into the soil. In addition, waxy compounds in plants and soil that are released during fires create a natural barrier in the soil that prevents rain water from seeping deep into the ground. The result is erosion, mudslides, and excess water running off the hillsides often causing flash flooding.

The occurrence of natural disasters in the City could result in substantial damage to the City which, in turn, could substantially affect the City’s economy and reduce General Fund revenues, which could affect the payment of the principal of and interest on the Bonds. In particular, if a natural disaster were to result in reduced assessed valuations of property within the City, the amount of property tax revenues (which constitute the City’s largest source of General Fund revenues) could be reduced. See the caption “CITY FINANCIAL INFORMATION—Property Taxes.”

The City maintains liability insurance and property casualty insurance (including limited earthquake coverage) for City infrastructure. See the caption “THE CITY—Risk Management.” However, there can be no assurance that specific losses will be covered by insurance or, if covered, that claims will be paid in full by the applicable insurers.

Climate Change

The State has historically been susceptible to wildfires and hydrologic variability. As greenhouse gas emissions continue to accumulate in the atmosphere as a result of economic activity, climate change is expected to intensify, increasing the frequency, severity and timing of extreme weather events such as coastal
storm surges, drought, wildfires, floods and heat waves, and raising sea levels. The future fiscal impact of climate change on the City is difficult to predict, but it could be significant and it could have a material adverse effect on the General Fund by requiring greater expenditures to counteract the effects of climate change or by changing the operations and activities of City residents and business establishments.

**Hazardous Substances**

The discovery of any hazardous substance that would limit the beneficial use of a property within the City could result in a reduction in the assessed value of affected parcels. In general, the owners and operators of a property may be required by law to remedy conditions of the property relating to releases or threatened releases of hazardous substances. The Federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as “CERCLA” or the “Superfund Act,” is the most well-known and widely applicable of these laws, but California laws with regard to hazardous substances are also stringent and similar. Under many of these laws, the owner (or operator) is obligated to remedy a hazardous substance condition of property whether or not the owner or operator had anything to do with creating or handling the hazardous substance. The effect, therefore, should any substantial amount of property within the City be affected by a hazardous substance, would be to reduce the marketability and value of the property by the costs of, and any liability incurred by, remediating the condition, since a purchaser, upon becoming an owner, will become obligated to remedy the condition just as is the seller. Such reduction could adversely impact the property tax revenues received by the City, which could significantly and adversely affect the operations and finances of the City and the City’s ability to pay the Bonds. See the caption “—Assessed Valued of Taxable Property.”

The City has not independently verified, but is not aware of, the presence of any hazardous substances in the City except in connection with everyday business activities such as gas stations and dry cleaning establishments. Hazardous substance liabilities may arise in the future with respect to any of the property in the City resulting from the existence, currently, of a substance presently classified as hazardous but which has not been released or the release of which is not presently threatened, or may arise in the future resulting from the existence, currently, on the parcel of a substance not presently classified as hazardous but which may in the future be so classified. Additionally, such liabilities may arise from the method of handling such substance. These possibilities could significantly affect the value of a parcel.

**Cybersecurity**

Municipal agencies, like other business entities, face significant risks relating to the use and application of computer software and hardware. Recently, there have been significant cybersecurity incidents affecting municipal agencies, including a freeze affecting computer systems of the City of Atlanta, an attack on the City of Baltimore’s 911 system, an attack on the Colorado Department of Transportation’s computers and an attack that resulted in the temporary closure of the Port of Los Angeles’ largest terminal.

The City employs a multi-level cyber protection scheme that includes network firewalls, server- and personal computer- level anti-virus software, anti-spam/malware software, Barracuda Email Security Gateway for email protection as well as intrusion protection and domain name system filtering software. In 2020, the City underwent a full cybersecurity audit and thereafter implemented all of the resulting recommendations. To date, the City has not experienced an attack on its computer operating systems. However, there can be no assurance that a future attack or attempted attack would not result in disruption of City operations, particularly given that employee access of City computer systems from home in light of the COVID-19 pandemic may increase the risks of intrusion by third parties. The City employs high-level intrusions protection and expects that any such disruptions would be temporary in nature.
Limitation on Sources of Revenues

Although the Bonds are payable from all lawfully available funds of the City, the City has no obligation to levy taxes, assessments, fees or charges in order to raise sufficient revenues to pay the Bonds. In the event that the City were to choose to do so, the State Constitution contains significant limitations and imposes significant procedural requirements which affect the City’s ability to increase City revenues. See the caption “CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS.”

In addition, under the State Constitution, voters of the State have the ability to initiate legislation and require a public vote on legislation passed by the State Legislature through the powers of initiative and referendum, respectively. The City is unable to predict whether any such initiatives or referenda might be submitted to or approved by the voters, the nature of such initiatives or referenda or their potential impact on the City and its operations.

Economy of City and State

A deterioration in the level of economic activity in the City, the State or the United States, including as a result of the COVID-19 outbreak that is discussed under the caption “THE CITY—COVID-19 Outbreak,” could have a material adverse effect on the City’s general revenues and on the ability of the City to pay principal of and interest on the Bonds. But for the passage of the Measure A Sales Tax, the City expects that it would experience significant reductions in sales tax revenues in the fourth quarter of Fiscal Year 2020 and in Fiscal Year 2021. See the caption “STATE OF CALIFORNIA BUDGET INFORMATION” for information about the State’s economy and State budget.

Limitation on Remedies; Bankruptcy

General. The enforcement of any remedies that are provided for in the Trust Agreement could prove both expensive and time consuming. The rights and remedies that are provided in the Trust Agreement may be limited by and are subject to: (i) the limitations on legal remedies against cities in the State, including State Constitutional limits on expenditures and limitations on the enforcement of judgments against funds that are needed to serve the public welfare and interest; (ii) federal bankruptcy laws, as now or later enacted, as discussed in detail under the caption “—Bankruptcy” below; (iii) applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors’ rights generally, now or later in effect; (iv) equity principles which may limit the specific enforcement under State law of certain remedies; (v) the exercise by the United States of America of the powers delegated to it by the Constitution; and (vi) the reasonable and necessary exercise, in certain exceptional situations, of the police powers that are 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 Bonds 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.

The legal opinions that will be delivered concurrently with the delivery of the Bonds will be qualified, as to the enforceability of the Bonds, the Trust Agreement and other related documents, by bankruptcy, insolvency, reorganization, moratorium, arrangement, fraudulent conveyance and other laws relating to or affecting creditors’ rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases, and to the limitations on legal remedies against cities in the State.

Failure by the City to pay principal of or interest on the Bonds or failure to observe and perform any other terms, covenants or conditions of the Trust Agreement for a period of 60 days after written notice of such failure and request that it be remedied has been given to the City by the Trustee, constitute events of default under the Trust Agreement and permit the Trustee to pursue the remedies that are described in the Trust
Agreement. In the event of a default, there is no right under any circumstances to accelerate payment of the Bonds or otherwise declare any Bonds that are not then in default to be immediately due and payable.

Any suit for money damages against the City would be subject to limitations on legal remedies against cities in the State, including a limitation on enforcement of judgments against funds needed to serve the public welfare and interest.

**Bankruptcy.** Enforceability of the rights and remedies of the Owners of the Bonds, and the obligations incurred by the City, may become subject to the provisions of Title 11 of the United States Code (the “Bankruptcy Code”) and applicable bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting the enforcement of creditors’ rights generally, now or later 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 federal Constitution, the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose and the limitations on remedies against cities in the State. Bankruptcy proceedings, or the exercise of powers by the federal or State government, if initiated, could subject the Owners of the Bonds 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. Under Chapter 9 of the Bankruptcy Code, which governs the bankruptcy proceedings for public agencies such as the City, involuntary petitions are not permitted. If the City were to file a petition under Chapter 9 of the Bankruptcy Code, the Owners of the Bonds and the Trustee could be prohibited from taking any steps to enforce their rights under the Trust Agreement or from taking any steps to collect amounts due from the City on the Bonds.

In particular, if the City were to become a debtor under the Bankruptcy Code, the City would be entitled to all of the protective provisions of the Bankruptcy Code as applicable in a Chapter 9 case. Among the adverse effects of such a bankruptcy might be: (i) the application of the automatic stay provisions of the Bankruptcy Code, which, until relief is granted, would prevent collection of payments from the City or the commencement of any judicial or other action for the purpose of recovering or collecting a claim against the City, and which could prevent the Trustee from making payments from funds in its possession; (ii) the avoidance of preferential transfers occurring during the relevant period prior to the filing of a bankruptcy petition; (iii) the existence of unsecured or secured debt which may have a priority of payment that is superior to that of Owners of the Bonds; and (iv) the possibility of the adoption of a plan (an “Adjustment Plan”) for the adjustment of the City’s various obligations over the objections of the Trustee or all of the Owners of the Bonds and without their consent, which Adjustment Plan may restructure, delay, compromise or reduce the amount of any claim of the Owners if the Bankruptcy Court finds that such Adjustment Plan is “fair and equitable” and in the best interests of creditors.

The Bonds are not secured by any property other than the funds that the City has actually deposited with the Trustee. If the City is in bankruptcy, it may not be obligated to make any further deposits with the Trustee, it may not be obligated to make any further allocations to the Bonds and it may not be obligated to turn over to the Trustee any moneys that have been allocated to the Bonds in the City treasury. As a result, the Bonds would likely be treated as unsecured obligations of the City in the bankruptcy case. Under such circumstances, the Owners of the Bonds could suffer substantial losses.

The Adjustment Plans approved by the bankruptcy courts in connection with the bankruptcies of the Cities of Stockton and San Bernardino, among others, resulted in significant reductions in the amounts payable by such city under pension obligation bonds that were substantially identical or similar to the Bonds. Specifically, in the Stockton bankruptcy, the court held that CalPERS was an unsecured creditor of the city with a claim on parity with those of other unsecured creditors. Additionally, in the San Bernardino bankruptcy, the court held that in the event of a municipal bankruptcy, payments on pension obligation bonds, such as the Bonds, were unsecured obligations and not entitled to the same priority of payments made to

46

168
The City can provide no assurances about the outcome of the bankruptcy cases of other municipalities or the nature of any Adjustment Plan if it were to file for bankruptcy.

The City may be able, without the consent and over the objection of the Trustee or the Owners of the Bonds, to alter the priority, interest rate, payment terms, maturity dates, payment sources, covenants and other terms or provisions of the Trust Agreement and the Bonds, as long as the bankruptcy court determines that the alterations are fair and equitable.

There may be delays in payments on the Bonds while the court considers any of these issues. There may be other possible effects of a bankruptcy of the City that could result in delays or reductions in payments on the Bonds, or result in losses to the Owners of the Bonds. Regardless of any specific adverse determinations in a City bankruptcy proceeding, the fact that a City bankruptcy proceeding has occurred could have an adverse effect on the liquidity and value of the Bonds.

Limitation on Trustee’s Obligations

The Trustee has no obligation to advance its own funds to pursue any remedies. As a consequence, the Trustee’s willingness and ability to pursue any of the remedies provided in the Trust Agreement may be dependent upon the availability of funds from an interested party. There can be no assurance that the Trustee will be willing and able to perform its duties under the Trust Agreement.

Limited Secondary Market

Investment in the Bonds poses certain economic risks which may not be appropriate for certain investors, and only persons with substantial financial resources who understand the risks of investment in the Bonds should consider such investment. There can be no guarantee that there will be a secondary market for purchase or sale of the Bonds or, if a secondary market exists, that the Bonds can or could be sold for any particular price.

Occasionally, because of general market conditions or because of adverse history or economic prospects connected with a particular issue, secondary marketing in connection with a particular issue is suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon the then prevailing circumstances. Such prices could be substantially different from the original purchase price.

In addition, the City will enter into a continuing disclosure undertaking pursuant to Rule 15c2-12 in connection with the issuance of the Bonds. Any material failure to comply with such undertaking and Rule 15c2-12 in the future may adversely affect the liquidity of the affected Bonds and their market price in the secondary market. See the caption “CONTINUING DISCLOSURE.”

Changes in Law

There can be no assurance that the electorate of the State will not adopt additional initiatives or that the State Legislature will not enact legislation that will amend the laws or the Constitution of the State in a manner that results in a reduction of General Fund revenues of the City and consequently, has an adverse effect on the security for the Bonds.

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS

Article XIII A of the State Constitution

On June 6, 1978, State voters approved an amendment (commonly known as both Proposition 13 and the Jarvis-Gann Initiative) to the State Constitution. The amendment, which added Article XIII A to the State
Constitution, among other things affects the valuation of real property for the purpose of taxation in that it defines the full cash property value to mean “the county assessor’s valuation of real property as shown on the 1975/76 tax bill under ‘full cash value’, or thereafter, the appraised value of real property newly constructed, or when a change in ownership has occurred after the 1975 assessment.” The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or a reduction in the consumer price index or comparable local data at a rate not to exceed 2% per year, or reduced in the event of declining property value caused by damage, destruction or other factors including a general economic downturn. The amendment further limits the amount of any ad valorem tax on real property to 1% of the full cash value, except that additional taxes may be levied to pay debt service on indebtedness approved by the voters prior to December 1, 1978 and bonded indebtedness for the acquisition or improvement of real property approved on or after December 1, 1978 by two-thirds of the votes cast by the voters voting on the proposition (55% in the case of certain school facilities). Property taxes that are subject to Proposition 13 are a significant source of the City’s General Fund revenues. See the caption “CITY FINANCIAL INFORMATION—Property Taxes.”

Legislation enacted by the State Legislature to implement Article XIII A provides that all taxable property is shown at full assessed value as described above. Tax rates for voter approved bonded indebtedness are also applied to 100% of assessed value.

Future assessed valuation growth allowed under Article XIII A (for new construction, change of ownership or 2% annual value growth) is allocated on the basis of “situs” among the jurisdictions that serve the tax rate area within which the growth occurs. Local agencies and school districts share the growth of “base” revenue from the tax rate area. Each year’s growth allocation becomes part of each agency’s allocation the following year. Article XIII A effectively prohibits the levying of any other ad valorem property tax above the 1% limit except for taxes to support indebtedness approved by the voters as described above.

Article XIII A has subsequently been amended to permit reduction of the “full cash value” base in the event of declining property values caused by damage, destruction or other factors, and to provide that there would be no increase in the “full cash value” base in the event of reconstruction of property damaged or destroyed in a disaster and in certain other limited circumstances.

See the caption “—Property Tax Ballot Measures” below for a discussion of an initiative that has qualified for the November 2020 Statewide ballot. If adopted, the Split Roll Initiative would amend provisions of Article XIII A for large commercial properties.

**Property Tax Ballot Measures**

On May 29, 2020, a proposed voter initiated ballot initiative became eligible and subsequently qualified for the November 2020 Statewide ballot (the “Proposition 15”). If approved by a majority of voters casting a ballot at the November 2020 Statewide election, Proposition 15 would amend Article XIII A such that the “full cash value” of commercial and industrial real property, for each lien date, would be equal to the fair market value of that property. If approved, Proposition 15 would not affect the “full cash value” of residential property, real property used for commercial agricultural production, or commercial and industrial real property with combined value of $3 million or less, which would continue to be subject to annual increases not to exceed 2%. In addition, Proposition 15 would eliminate the business tangible personal property tax on equipment and fixtures for small businesses and provide a $500,000 per year exemption for all other businesses. After compensating the State General Fund for resulting reductions in State personal income tax and corporate tax revenues, and compensating cities, counties and special districts for the cost of implementing Proposition 15, approximately 40% of the remaining additional tax revenues generated as a result of Proposition 15 would be deposited into a fund created pursuant to Proposition 15 called the Local School and Community College Property Tax Fund, with such funds being used to supplement, and not replace, existing funding school districts and community college districts receive under the State’s constitutional minimum funding requirement. With respect to the tax revenues deposited into the Local School and Community College Property Tax Fund, 11% would be allocated by the Board of Governors of the California Community
Colleges to community college districts and 89% of such tax revenues would be allocated by the Superintendent of Public Instruction to school districts, charter schools and county offices of education.

On July 1, 2020, a legislatively referred constitutional amendment was filed with the Secretary of State and subsequently qualified for the November 2020 Statewide ballot (“Proposition 19”). If approved by a majority of voters casting a ballot at the November 2020 Statewide election, Proposition 19 would amend Article XIII A to: (i) expand special rules that give property tax savings to homeowners that are over the age of 55, severely disabled, or whose property has been impacted by wildfire or natural disaster, when they buy a different home; (ii) narrow existing special rules for inherited properties; and (iii) dedicate most of the potential new State revenue generated from Proposition 19 toward fire protection.

The City cannot predict whether Proposition 15 or Proposition 19 will be approved by a majority of voters casting a ballot. Moreover, if either Proposition 15 or Proposition 19 is adopted, the City is unable to predict how they would affect the relationship of the assessed value between land use types (i.e. residential versus commercial) in the City or what other impacts Proposition 15 or Proposition 19 might have on the local economy or the City’s financial condition.

Article XIIIIB of the State Constitution

On November 6, 1979, State voters approved an initiative entitled “Limitation on Government Appropriations,” which added Article XIIIIB to the State Constitution. Under Article XIIIIB, State and local government entities have an annual “appropriations limit” which limits the ability to spend certain moneys which are called “appropriations subject to limitation” (consisting of tax revenues and investment proceeds thereof, certain State subventions and regulatory license fees, user charges and user fees to the extent that the proceeds thereof exceed the costs of providing such services, together called “proceeds of taxes,” and certain other funds) in an amount higher than the “appropriations limit.” Article XIIIIB does not affect the appropriation of moneys which are excluded from the definition of “appropriations limit,” including debt service on indebtedness existing or authorized as of October 1, 1979 or bonded indebtedness subsequently approved by the voters. In general terms, the “appropriations limit” is to be based on certain 1978-79 expenditures and is to be adjusted annually to reflect changes in the consumer price index, population and services provided by these entities. Among other provisions of Article XIIIIB, if those entities’ revenues in any year exceed the amounts permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two years. Increases in appropriations by a governmental entity are permitted: (i) if financial responsibility for providing services is transferred to a governmental entity; or (ii) for emergencies so long as the appropriations limits for the three years following the emergency are reduced accordingly to prevent any aggregate increase above the Constitutional limit. Decreases are required where responsibility for providing services is transferred from the government entity.

Article XIIIIB permits any government entity to change the appropriations limit by vote of the electorate in conformity with statutory and Constitutional voting requirements, but any such voter-approved change can only be effective for a maximum of four years.

The City’s appropriations have never exceeded the limitation on appropriations under Article XIIIIB of the State Constitution.

Proposition 62

On November 4, 1986, State voters approved an initiative (“Proposition 62”) which: (a) requires that any tax for general governmental purposes imposed by local governmental entities be approved by resolution or ordinance adopted by two-thirds vote of the governmental agency’s legislative body and by a majority of the electorate of the governmental entity; (b) requires that any special tax (defined as taxes levied for other than general governmental purposes) imposed by a local governmental entity be approved by a two-thirds vote of the voters within the jurisdiction; (c) restricts the use of revenues from a special tax to the purposes or for the
service for which the special tax is imposed; (d) prohibits the imposition of \textit{ad valorem} taxes on real property by local governmental entities except as permitted by Article XIIIA; (e) prohibits the imposition of transaction taxes and sales taxes on the sale of real property by local governmental entities; and (f) requires that any tax that is imposed by a local governmental entity on or after August 1, 1985 be ratified by a majority vote of the electorate within two years of the adoption of the initiative or be terminated by November 15, 1988. The requirements imposed by Proposition 62 were upheld by the State Supreme Court in \textit{Santa Clara County Local Transportation Authority v. Guardino}, 11 Cal.4th 220 (1995).

Following the \textit{Guardino} decision upholding Proposition 62, several actions were filed challenging taxes imposed by public agencies since the adoption of Proposition 62. In 2001, the State Supreme Court released its decision in one of these cases, \textit{Howard Jarvis Taxpayers Association v. City of La Habra, et al.}, 25 Cal.4th 809 (2001). In \textit{La Habra}, the court held that a public agency’s continued imposition and collection of a tax is an ongoing violation upon which the statute of limitations period begins anew with each collection. The court also held that, unless another statute or constitutional rule provided differently, the statute of limitations for challenges to taxes subject to Proposition 62 is three years. Accordingly, a challenge to a tax subject to Proposition 62 may only be made for those taxes received within three years of the date the action is brought.

The City believes that all of the taxes that the City currently collects comply with the requirements of Proposition 62. However, the requirements of Proposition 62 are largely subsumed by the requirements of Proposition 218 for the imposition of any taxes or the effecting of any tax increases after November 5, 1996. See the caption “—Proposition 218” below.

\textbf{Proposition 218}

On November 5, 1996, State voters approved Proposition 218, an initiative measure entitled the “Right to Vote on Taxes Act.” Proposition 218 added Articles XIIIC and XIIID to the State Constitution, imposing certain vote requirements and other limitations on the imposition of new or increased taxes, assessments (meaning any levy or charge upon real property for a special benefit conferred upon the real property) and property-related fees and charges. Proposition 218 states that all taxes which are imposed by local governments are deemed to be either general taxes or special taxes. Special purpose districts, including school districts, have no power to levy general taxes. No local government may impose, extend or increase any general tax unless and until such tax is submitted to the electorate and approved by a majority vote. No local government may impose, extend or increase any special tax unless and until such tax is submitted to the electorate and approved by a two-thirds vote.

Proposition 218 also provides that no tax, assessment, fee or charge may be assessed by any agency upon any parcel of property or upon any person as an incident of property ownership except: (a) the \textit{ad valorem} property tax imposed pursuant to Articles XIII and XIIIIA of the State Constitution; (b) any special tax receiving a two-thirds vote pursuant to the State Constitution; and (c) assessments, fees and charges for property-related services as provided in Proposition 218. Proposition 218 then goes on to add voter requirements for assessments and fees and charges imposed as an incident of property ownership, other than fees and charges for sewer, water, and refuse collection services. In addition, all assessments and fees and charges imposed as an incident of property ownership, including sewer, water and refuse collection services, are subjected to various additional procedures, such as hearings and stricter and more individualized benefit requirements and findings. The effect of such provisions is to increase the difficulty a local agency will have in imposing, increasing or extending such assessments, fees and charges.

In the case of assessments, fees and charges, in most instances, in the event that the City is unable to collect revenues relating to specific programs as a consequence of Proposition 218, the City will curtail such services rather than use amounts in the General Fund to finance such programs. However, no assurance can be given that the City may or will be able to reduce or eliminate such services to avoid new costs for the City.
General Fund in the event that the assessments, fees or charges which presently finance them are reduced or repealed.

Proposition 218 also extends the initiative power to reducing or repealing any local taxes, assessments, fees and charges. This extension of the initiative power is not limited to taxes imposed on or after November 6, 1996, the effective date of Proposition 218, and is not limited to property-related taxes or other charges, and could result in retroactive repeal or reduction in any existing taxes, assessments, fees and charges, subject to overriding federal constitutional principles relating to the impairments of contracts. Legislation implementing Proposition 218 provides that the initiative power provided for in Proposition 218 “shall not be construed to mean that any owner or beneficial owner of a municipal security, purchased before or after (the effective date of Proposition 218) assumes the risk of, or in any way consents to, any action by initiative measure that constitutes an impairment of contractual rights” protected by the United States Constitution. However, no assurance can be given that the voters of the City will not, in the future, approve an initiative which reduces or repeals local taxes, assessments, fees or charges that currently are deposited into the City’s General Fund.

Although a portion of the City’s General Fund revenues are derived from general taxes purported to be governed by Proposition 218, as discussed under the caption “CITY FINANCIAL INFORMATION,” the City believes that all of such taxes were imposed in accordance with the requirements of Proposition 218.

Unitary Property

Some amount of property tax revenue of the City is derived from utility property which is considered part of a utility system with components located in many taxing jurisdictions (“unitary property”). Under the State Constitution, such property is assessed by the SBE as part of a “going concern” rather than as individual pieces of real or personal property. State-assessed unitary and certain other property is allocated to the counties by the SBE, taxed at special county-wide rates, and the tax revenues distributed to taxing jurisdictions (including the City) according to a statutory formula that is generally based on the distribution of taxes in the prior year.

Proposition 1A

As part of former Governor Schwarzenegger’s agreement with local jurisdictions, Senate Constitutional Amendment No. 4 was enacted by the State Legislature and subsequently approved by the voters as Proposition 1A (“Proposition 1A”) at the November 2, 2004 general election. Proposition 1A amended the State Constitution to, among other things, reduce the State Legislature’s authority over local government revenue sources by placing restrictions on the State’s access to local governments’ property, sales, and VLF revenues as of November 3, 2004. Beginning with Fiscal Year 2009, the State was entitled to borrow up to 8% of local property tax revenues, but only if the Governor proclaimed that such action was necessary due to a severe State fiscal hardship and two-thirds of both houses of the State Legislature approved the borrowing. The amount borrowed was required to be paid back within three years with interest. The State also was not able to borrow from local property tax revenues for more than two Fiscal Years within a period of ten Fiscal Years. In addition, the State could not reduce the local sales tax rate or restrict the authority of local governments to impose or change the distribution of the Statewide local sales tax.

The Fiscal Year 2010 State budget included a Proposition 1A diversion of $1.935 billion in local property tax revenues from cities, counties, and special districts to the State to offset State General Fund spending. Such diverted revenues were required to be repaid, with interest, by no later than June 30, 2013. Many provisions of Proposition 1A were superseded by Proposition 22. See the caption “—Proposition 22.”
Proposition 22

On November 2, 2010, State voters approved Proposition 22, which eliminates the State’s ability to borrow or shift local revenues and certain State revenues that fund transportation programs. It restricts the State’s authority over a broad range of tax revenues, including property taxes allocated to cities (including the City), counties and special districts, the VLF, State excise taxes on gasoline and diesel fuel, the State sales tax on diesel fuel and the former State sales tax on gasoline. It also makes a number of significant other changes, including restricting the State’s ability to use motor vehicle fuel tax revenues to pay debt service on voter-approved transportation bonds. Proposition 22 superseded certain provisions of Proposition 1A. See the captions “—Proposition 1A” and “CITY FINANCIAL INFORMATION—Property Taxes.”

Proposition 26

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

Future Initiatives

Articles XIIIa and XIIIb and Propositions 62, 218, 1A, 22 and 26 were each adopted as measures that qualified for the ballot pursuant to the State’s initiative process. The limitations imposed upon the City by these provisions hinder the City’s ability to raise revenues through taxes or otherwise and may therefore prevent the City from meeting increased expenditure requirements. From time to time other initiative measures could be adopted, further affecting the City’s current revenues or its ability to raise and expend revenues. Any such future initiatives could have a material adverse effect on the City’s financial condition.

TAX MATTERS

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California (“Bond Counsel”), under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest on the Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), but is exempt from State of California personal income tax.

With certain exceptions, the difference between the issue price of a Bond (the first price at which a substantial amount of the Bonds of the same maturity is to be sold to the public) and the stated redemption
price at maturity with respect to such Bond (to the extent the redemption price at maturity is greater than the issue price) constitutes original issue discount. Original issue discount accrues under a constant yield method. The amount of original issue discount deemed received by the Beneficial Owner of a Bond will increase the Beneficial Owner’s basis in the Bond. Beneficial Owners of the Bonds should consult their own tax advisors with respect to taking into account any original issue discount on the Bonds.

The amount by which a Bond Beneficial Owner’s original basis for determining loss on sale or exchange in the applicable Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable bond premium, which the Beneficial Owner of a Bond may elect to amortize under Section 171 of the Code; such amortizable bond premium reduces the Bond Beneficial Owner’s basis in the applicable Bond (and the amount of taxable interest received with respect to the Bonds), and is deductible for federal income tax purposes. The basis reduction as a result of the amortization of bond premium may result in a Bond Beneficial Owner realizing a taxable gain when a Bond is sold by the Beneficial Owner for an amount equal to or less (under certain circumstances) than the original cost of the Bond to the Beneficial Owner. The Beneficial Owners of the Bonds that have a basis in the Bonds that is greater than the principal amount of the Bonds should consult their own tax advisors with respect to whether or not they should elect such premium under Section 171 of the Code.

In the event of a legal defeasance of the Bonds, such Bonds might be treated as retired and “reissued” for federal tax purposes as of the date of the defeasance, potentially resulting in recognition of taxable gain or loss to the applicable Beneficial Owner generally equal to the difference between the amount deemed realized from the deemed prepayment and reissuance and the Beneficial Owner’s adjusted tax basis in such Bond.

The tax discussion set forth above is included for general information only and may not be applicable depending upon a Bond Owner’s particular situation. The ownership and disposal of the Bonds and the accrual or receipt of interest on the Bonds may otherwise affect the tax liability of certain persons. Bond Counsel expresses no opinion regarding any such tax consequences. BEFORE PURCHASING ANY OF THE BONDS, ALL POTENTIAL PURCHASERS SHOULD CONSULT THEIR INDEPENDENT TAX ADVISORS WITH RESPECT TO THE TAX CONSEQUENCES RELATING TO THE BONDS AND THE TAXPAYER’S PARTICULAR CIRCUMSTANCES.

A copy of the proposed form of opinion of Bond Counsel with respect to the Bonds is set forth in Appendix D.

VALIDATION

On March 23, 2020, the City, acting pursuant to the provisions of Section 860 et seq. of the California Code of Civil Procedure, filed the Validation Petition in the Court seeking judicial validation of the transactions relating to the CalPERS Contract and the Bonds and certain other matters. On September 18, 2020, the court entered the Validation Judgment to the effect, among other things that: (i) the Trust Agreement will be a valid, legal and binding obligation of the City and the approval thereof was in conformity with applicable provisions of law; and (ii) the City has the authority under State law to provide for the refunding of its Pension Liability by issuing the Bonds and applying the proceeds of the Bonds to the retirement of its Pension Liability. Pursuant to Section 870 of the California Code of Civil Procedure, the last day to timely file a notice of appeal to the Validation Judgment was October 18, 2020. On October 18, 2020, the judgment became binding and conclusive in accordance with State law. The City is unaware of any threatened challenge to the Validation Judgment. In issuing its approving opinion, Bond Counsel will rely, among other things, upon the Validation Judgment.

CERTAIN LEGAL MATTERS

The validity of the Bonds and certain other legal matters are subject to the approving opinion of Bond Counsel. A complete copy of the proposed form of Bond Counsel opinion is set forth in Appendix D. Certain
additional matters will be passed upon by Stradling Yocca Carlson & Rauth, a Professional Corporation, as Disclosure Counsel to the City. Certain legal matters will be passed upon for the City by Best Best & Krieger, LLP (the “City Attorney”), for the Underwriter by its counsel, Kutak Rock LLP, and for the Trustee by its counsel. Bond Counsel has not undertaken any responsibility to the owners of the Bonds for the accuracy, completeness or fairness of this Official Statement or other offering materials relating to the Bonds, and expresses no opinion relating thereto.

Bond Counsel and Disclosure Counsel will receive compensation from the City contingent upon the sale and delivery of the Bonds. From time to time, Bond Counsel represents the Underwriter on matters unrelated to the Bonds. Counsel to the Underwriter will receive compensation contingent upon the issuance of the Bonds.

LITIGATION

To the best knowledge of the City there is no action, suit or proceeding known to be pending or threatened, restraining or enjoining the execution and delivery or the issuance of the Bonds or the execution and delivery of the Trust Agreement, or in any way contesting or affecting the validity of any of the foregoing or any proceedings of the City taken with respect to any of the foregoing.

There are a number of lawsuits and claims pending against the City. In the opinion of the City Attorney, such other lawsuits and claims which are presently pending will not have a material adverse effect on the ability of the City to pay the principal of and interest on the Bonds.

RATINGS

The City expects that S&P Global Ratings, a Standard & Poor’s Financial Services LLC business (“S&P”) will assign the Bonds the rating of “___ (__________ outlook).”

A rating is not a recommendation to buy, sell or hold securities. Future events, including the impacts of the COVID-19 pandemic that is described under the caption “THE CITY—COVID-19 Outbreak,” could have an adverse impact on the rating of the Bonds, and there is no assurance that any credit rating that is given to the Bonds will be maintained for any period of time or that a rating may not be qualified, downgraded, lowered or withdrawn entirely by S&P if, in the judgment of S&P, circumstances so warrant, nor can there be any assurance that the criteria required to achieve the rating on the Bonds will not change during the period that the Bonds remain outstanding.

Any qualification, downward revision, lowering or withdrawal of the ratings on the Bonds may have an adverse effect on the market price of the Bonds. Such ratings reflect only the current views of S&P (which could change at any time), and an explanation of the significance of such ratings may be obtained from S&P. Generally, S&P bases its ratings on information and materials furnished to them (which may include information and material from the City that is not included in this Official Statement) and on investigations, studies and assumptions by S&P.

The City has covenanted in the Continuing Disclosure Certificate to file notices of any rating changes on the Bonds with the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access System. See the caption “CONTINUING DISCLOSURE” and Appendix E. Notwithstanding such covenant, information relating to rating changes on the Bonds may be publicly available from S&P prior to such information being provided to the City and prior to the date by which the City is obligated to file a notice of rating change. Purchasers of the Bonds are directed to S&P and its website and official media outlets for the most current ratings with respect to the Bonds after the initial issuance of the Bonds.
CONTINUING DISCLOSURE

The City has covenanted in a Continuing Disclosure Certificate, dated the date of issuance of the Bonds (the “Continuing Disclosure Certificate”), for the benefit of the Owners and Beneficial Owners of the Bonds to provide certain financial information and operating data relating to the City by not later than each April 1 following the end of the City’s Fiscal Year (currently its Fiscal Year ends on June 30) (the “Annual Report”), and to provide notices of the occurrence of certain enumerated events. The Annual Report and the notices of enumerated events will be filed by the City with the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access System. The specific nature of the information to be contained in the Annual Report and the notice of enumerated events is set forth in Appendix E. These covenants have been made in order to assist the Underwriter in complying with Section (b)(5) of Rule 15c2-12.

Within the last five years, the City and its related entities have not failed to comply with the terms of its prior continuing disclosure undertakings in any material respect in the last five years.

In order to assure compliance with its continuing disclosure obligations going forward, the City has adopted a Debt Management Policy which includes continuing disclosure procedures and retained Urban Futures, Inc. to assist in the preparation and filing of continuing disclosure reports.

UNDERWRITING

The Bonds are being purchased by Stifel, Nicolaus & Company, Incorporated (the “Underwriter”), pursuant to a purchase agreement, dated the date hereof, by and between the City and the Underwriter. The Underwriter will purchase the Bonds from the City at an aggregate purchase price of $____________, representing the principal amount of the Bonds, plus/less $____________ of net original issue premium/discount and less $____________ of Underwriter’s discount.

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

MUNICIPAL ADVISOR

The City has retained Urban Futures, Inc., Tustin, California (the “Municipal Advisor”) as its municipal advisor in connection with the sale of the Bonds. The Municipal Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume any responsibility for the accuracy, completeness or fairness of the information contained herein.

The Municipal Advisor is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal or other public securities.

MISCELLANEOUS

The foregoing and subsequent summaries or descriptions of provisions of the Bonds and the Trust Agreement and all references to other materials not purporting to be quoted in full are only brief outlines of some of the provisions thereof. Reference is made to said documents for full and complete statements of the provisions of such documents. The appendices attached hereto are a part of this Official Statement. Copies of the Trust Agreement, in reasonable quantities, may be obtained during the offering period from the Underwriter and thereafter upon request to the principal corporate trust office of the Trustee. Any statements made in this Official Statement involving matters of opinion or estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized.
The execution and delivery of this Official Statement has been duly authorized by the City. This Official Statement is not to be construed as a contract or an agreement between the City and the purchasers or owners of any of the Bonds.

CITY OF ARCADIA

By: ________________________________
            City Manager
APPENDIX B

ECONOMIC AND DEMOGRAPHIC INFORMATION REGARDING THE CITY OF ARCADIA

This Appendix sets forth general information about the City of Arcadia (the “City”) including
information with respect to its finances. The following information concerning the, the County of Los Angeles
(the “County”) and the State of California (the “State”) is included only for general background purposes. It
is not intended to suggest that the Bonds are payable from any source other than the moneys that are
described herein.

General Information

The City is located in the County of Los Angeles, approximately 20 miles northeast of downtown Los
Angeles, in the San Gabriel Valley and at the base of the San Gabriel Mountains. The City was incorporated
in 1903 and became a charter city in 1951. The City encompasses approximately 11.1 square miles and had an
estimated 2020 population of 57,212.

The City is home to the Santa Anita Park racetrack and home to the Los Angeles County Arboretum
and Botanic Garden. Interstate 210 runs through the City, providing access to employment centers and
recreational opportunities throughout southern California.

The City is a charter city, operating under a Council/Manager form of government. Councilmembers
are elected by geographical district for overlapping four-year terms and a mayor is elected at large for a
one-year term. The City Council appoints the City Manager, who is responsible for day-to-day administration
of the City under the policy direction of the City Council.

The City provides a wide range of municipal services, including public safety (police), sewer
maintenance, street sweeping, park maintenance, building inspection, library, water and sanitation services.

Population

The City has an estimated current population of 57,212. The table below sets forth recent total
population information for the City, the County of Los Angeles (the “County”) and the State of California (the
“State”).

Table B-1
City of Arcadia, County of Los Angeles and State of California
Population

<table>
<thead>
<tr>
<th>January 1</th>
<th>City of Arcadia</th>
<th>County of Los Angeles</th>
<th>State of California</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>57,105</td>
<td>10,126,423</td>
<td>38,870,150</td>
</tr>
<tr>
<td>2016</td>
<td>57,370</td>
<td>10,158,196</td>
<td>39,131,307</td>
</tr>
<tr>
<td>2017</td>
<td>57,249</td>
<td>10,193,753</td>
<td>39,398,702</td>
</tr>
<tr>
<td>2018</td>
<td>57,287</td>
<td>10,209,676</td>
<td>39,586,646</td>
</tr>
<tr>
<td>2019</td>
<td>57,262</td>
<td>10,184,378</td>
<td>39,695,376</td>
</tr>
<tr>
<td>2020</td>
<td>57,212</td>
<td>10,172,951</td>
<td>39,782,870</td>
</tr>
</tbody>
</table>

2010 Census Counts.
Employment and Industry

The table below summarizes recent civilian labor force, civilian employment and civilian unemployment figures in the City, the County, the State and the United States.

**Table B-2**  
City of Arcadia, County of Los Angeles, State of California and United States  
Labor Force, Employment and Unemployment Yearly Average

<table>
<thead>
<tr>
<th>Year and Area</th>
<th>Civilian Labor Force</th>
<th>Civilian Employment(1)</th>
<th>Civilian Unemployment(2)</th>
<th>Civilian Unemployment Rate(3)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Arcadia</td>
<td>28,300</td>
<td>27,300</td>
<td>1,100</td>
<td>3.8%</td>
</tr>
<tr>
<td>Los Angeles County</td>
<td>5,011,700</td>
<td>4,674,800</td>
<td>336,900</td>
<td>6.7</td>
</tr>
<tr>
<td>California</td>
<td>18,981,800</td>
<td>17,798,600</td>
<td>1,183,200</td>
<td>6.2</td>
</tr>
<tr>
<td>United States</td>
<td>157,130,000</td>
<td>148,834,000</td>
<td>8,296,000</td>
<td>5.3</td>
</tr>
<tr>
<td>2016</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Arcadia</td>
<td>29,200</td>
<td>28,100</td>
<td>1,100</td>
<td>3.9%</td>
</tr>
<tr>
<td>Los Angeles County</td>
<td>5,030,500</td>
<td>4,765,900</td>
<td>264,600</td>
<td>5.3</td>
</tr>
<tr>
<td>California</td>
<td>19,044,500</td>
<td>18,002,800</td>
<td>1,041,700</td>
<td>5.5</td>
</tr>
<tr>
<td>United States</td>
<td>159,187,000</td>
<td>151,436,000</td>
<td>7,751,000</td>
<td>4.9</td>
</tr>
<tr>
<td>2017</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Arcadia</td>
<td>29,700</td>
<td>28,600</td>
<td>1,100</td>
<td>3.6%</td>
</tr>
<tr>
<td>Los Angeles County</td>
<td>5,084,000</td>
<td>4,841,900</td>
<td>242,200</td>
<td>4.8</td>
</tr>
<tr>
<td>California</td>
<td>19,205,300</td>
<td>18,285,500</td>
<td>919,800</td>
<td>4.8</td>
</tr>
<tr>
<td>United States</td>
<td>160,381,000</td>
<td>153,861,000</td>
<td>6,520,000</td>
<td>4.1</td>
</tr>
<tr>
<td>2018</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Arcadia</td>
<td>29,800</td>
<td>28,800</td>
<td>1,000</td>
<td>3.5%</td>
</tr>
<tr>
<td>Los Angeles County</td>
<td>5,095,500</td>
<td>4,860,300</td>
<td>235,200</td>
<td>4.6</td>
</tr>
<tr>
<td>California</td>
<td>19,398,200</td>
<td>18,582,800</td>
<td>815,400</td>
<td>4.2</td>
</tr>
<tr>
<td>United States</td>
<td>162,075,000</td>
<td>155,761,000</td>
<td>6,314,000</td>
<td>3.9</td>
</tr>
<tr>
<td>2019</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Arcadia</td>
<td>30,000</td>
<td>29,000</td>
<td>1,000</td>
<td>3.4%</td>
</tr>
<tr>
<td>Los Angeles County</td>
<td>5,121,600</td>
<td>4,894,300</td>
<td>227,300</td>
<td>4.4</td>
</tr>
<tr>
<td>California</td>
<td>19,411,600</td>
<td>18,627,400</td>
<td>784,200</td>
<td>4.0</td>
</tr>
<tr>
<td>United States</td>
<td>163,539,000</td>
<td>157,538,000</td>
<td>6,001,000</td>
<td>3.7</td>
</tr>
</tbody>
</table>

(1) Includes persons involved in labor-management trade disputes.
(2) Includes all persons without jobs who are actively seeking work.
(3) The unemployment rate is computed from unrounded data; therefore, it may differ from rates computed from rounded figures in this table.

The table below sets forth recent industry employment and labor force for the Los Angeles-Long Beach-Glendale MSA Metropolitan Statistical Area (the “MSA”). Annual industry employment information is not compiled by sector for the City.

Table B-3  
Los Angeles-Long Beach-Glendale MSA  
Industry Employment and Labor Force  
Annual Average

<table>
<thead>
<tr>
<th>Type of Employment</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Farm</td>
<td>5,000</td>
<td>5,300</td>
<td>5,700</td>
<td>4,600</td>
<td>4,500</td>
</tr>
<tr>
<td>Total Nonfarm</td>
<td>4,274,200</td>
<td>4,397,700</td>
<td>4,451,000</td>
<td>4,518,100</td>
<td>4,566,900</td>
</tr>
<tr>
<td>Total Private</td>
<td>3,707,800</td>
<td>3,821,000</td>
<td>3,864,900</td>
<td>3,927,500</td>
<td>3,972,700</td>
</tr>
<tr>
<td>Goods Producing</td>
<td>490,800</td>
<td>497,300</td>
<td>489,800</td>
<td>489,400</td>
<td>490,500</td>
</tr>
<tr>
<td>Mining and Logging</td>
<td>3,900</td>
<td>2,400</td>
<td>2,000</td>
<td>1,900</td>
<td>1,900</td>
</tr>
<tr>
<td>Construction</td>
<td>126,100</td>
<td>134,000</td>
<td>138,700</td>
<td>146,300</td>
<td>149,300</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>360,800</td>
<td>360,800</td>
<td>349,000</td>
<td>341,200</td>
<td>339,200</td>
</tr>
<tr>
<td>Durable Goods</td>
<td>202,400</td>
<td>203,400</td>
<td>201,300</td>
<td>199,800</td>
<td>201,400</td>
</tr>
<tr>
<td>Nondurable Goods</td>
<td>158,400</td>
<td>157,400</td>
<td>147,700</td>
<td>141,300</td>
<td>137,800</td>
</tr>
<tr>
<td>Service Providing</td>
<td>3,783,400</td>
<td>3,900,400</td>
<td>3,961,200</td>
<td>4,028,700</td>
<td>4,076,500</td>
</tr>
<tr>
<td>Private Service Producing</td>
<td>3,217,000</td>
<td>3,323,800</td>
<td>3,375,100</td>
<td>3,438,100</td>
<td>3,482,200</td>
</tr>
<tr>
<td>Trade, Transportation and Utilities</td>
<td>817,800</td>
<td>835,600</td>
<td>845,700</td>
<td>851,600</td>
<td>851,500</td>
</tr>
<tr>
<td>Wholesale Trade</td>
<td>227,000</td>
<td>222,100</td>
<td>221,500</td>
<td>223,200</td>
<td>220,500</td>
</tr>
<tr>
<td>Retail Trade</td>
<td>420,500</td>
<td>424,600</td>
<td>426,100</td>
<td>424,800</td>
<td>417,300</td>
</tr>
<tr>
<td>Transportation, Warehousing and Utilities</td>
<td>170,400</td>
<td>188,900</td>
<td>198,200</td>
<td>203,600</td>
<td>213,800</td>
</tr>
<tr>
<td>Information</td>
<td>202,700</td>
<td>229,400</td>
<td>214,900</td>
<td>216,400</td>
<td>217,300</td>
</tr>
<tr>
<td>Financial Activities</td>
<td>214,200</td>
<td>219,800</td>
<td>221,600</td>
<td>223,200</td>
<td>223,900</td>
</tr>
<tr>
<td>Professional and Business Services</td>
<td>604,300</td>
<td>603,000</td>
<td>612,100</td>
<td>630,400</td>
<td>642,800</td>
</tr>
<tr>
<td>Educational and Health Services</td>
<td>742,200</td>
<td>772,700</td>
<td>800,600</td>
<td>821,300</td>
<td>843,600</td>
</tr>
<tr>
<td>Leisure and Hospitality</td>
<td>488,100</td>
<td>510,000</td>
<td>524,600</td>
<td>536,500</td>
<td>544,700</td>
</tr>
<tr>
<td>Other Services</td>
<td>151,700</td>
<td>153,300</td>
<td>155,700</td>
<td>158,800</td>
<td>158,400</td>
</tr>
<tr>
<td>Government</td>
<td>566,400</td>
<td>576,700</td>
<td>586,100</td>
<td>590,600</td>
<td>594,200</td>
</tr>
<tr>
<td>Total, All Industries</td>
<td>4,279,200</td>
<td>4,403,000</td>
<td>4,456,700</td>
<td>4,522,700</td>
<td>4,571,400</td>
</tr>
</tbody>
</table>

Note: The “Total All Industries” data is not directly comparable to the employment data found herein.
Major Employers

The table below sets forth the principal employers in the City as of June 30, 2019.

Table B-4
City of Arcadia
Principal Employers

<table>
<thead>
<tr>
<th>Employer</th>
<th>Number of Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nordstrom Inc.</td>
<td>420</td>
</tr>
<tr>
<td>Macy’s West</td>
<td>341</td>
</tr>
<tr>
<td>FedEx Ground Package System, Inc. #910</td>
<td>216</td>
</tr>
<tr>
<td>Healthcare Partners Affiliates Medical</td>
<td>206</td>
</tr>
<tr>
<td>Dave &amp; Buster’s</td>
<td>181</td>
</tr>
<tr>
<td>JC Penney Corp. Inc.</td>
<td>178</td>
</tr>
<tr>
<td>The Cheesecake Factory Restaurants, Inc.</td>
<td>177</td>
</tr>
<tr>
<td>Forever 21, Retail, Inc.</td>
<td>141</td>
</tr>
<tr>
<td>99 Ranch Market 7</td>
<td>139</td>
</tr>
<tr>
<td>Arcadia Health Care Center</td>
<td>139</td>
</tr>
</tbody>
</table>


Commercial Activity

The table below presents taxable sales for the years 2015 through 2019 for the City.

Table B-5
City of Arcadia
Total Taxable Transactions and Number of Sales Permits(1)

<table>
<thead>
<tr>
<th>Year</th>
<th>Retail and Food Permits</th>
<th>Retail and Food Taxable Transactions</th>
<th>Total Permits</th>
<th>Total Outlets Taxable Transactions</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>1,605</td>
<td>$830,892,651</td>
<td>2,432</td>
<td>$931,655,703</td>
</tr>
<tr>
<td>2016</td>
<td>1,587</td>
<td>856,473,318</td>
<td>2,427</td>
<td>973,420,791</td>
</tr>
<tr>
<td>2017</td>
<td>1,630</td>
<td>868,294,509</td>
<td>2,492</td>
<td>981,408,991</td>
</tr>
<tr>
<td>2018</td>
<td>1,626</td>
<td>867,254,238</td>
<td>2,586</td>
<td>984,601,476</td>
</tr>
<tr>
<td>2019</td>
<td>1,638</td>
<td>856,424,115</td>
<td>2,679</td>
<td>974,006,907</td>
</tr>
</tbody>
</table>

(1) Reflects latest information available.
Source: Taxable Sales in California, California Department of Tax and Fee Administration for 2015-2019.
Table B-6
City of Arcadia
Taxable Retail Sales(1)

<table>
<thead>
<tr>
<th>Type of Business</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Motor Vehicle &amp; Parts Dealers</td>
<td>$71,329,191</td>
<td>$85,766,243</td>
<td>$87,040,867</td>
<td>$77,344,196</td>
<td>$74,831,940</td>
</tr>
<tr>
<td>Home Furnishings &amp; Appliance Stores</td>
<td>16,031,702</td>
<td>13,808,895</td>
<td>14,797,037</td>
<td>15,153,566</td>
<td>12,808,246</td>
</tr>
<tr>
<td>Building Materials &amp; Garden</td>
<td>8,561,056</td>
<td>9,927,690</td>
<td>9,741,006</td>
<td>8,789,354</td>
<td>10,040,866</td>
</tr>
<tr>
<td>Equipment &amp; Supplies</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Food &amp; Beverage Stores</td>
<td>38,370,384</td>
<td>36,654,310</td>
<td>36,532,431</td>
<td>40,247,691</td>
<td>38,925,792</td>
</tr>
<tr>
<td>Gasoline Stations</td>
<td>75,880,850</td>
<td>62,581,472</td>
<td>64,776,478</td>
<td>71,630,087</td>
<td>72,007,938</td>
</tr>
<tr>
<td>Clothing &amp; Clothing Accessories</td>
<td>223,226,970</td>
<td>241,003,051</td>
<td>233,026,306</td>
<td>233,252,511</td>
<td>216,843,680</td>
</tr>
<tr>
<td>Stores</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General Merchandise Stores</td>
<td>85,089,519</td>
<td>83,208,224</td>
<td>83,380,091</td>
<td>80,413,282</td>
<td>75,797,803</td>
</tr>
<tr>
<td>Food Services &amp; Drinking Places</td>
<td>180,792,115</td>
<td>193,413,050</td>
<td>212,655,641</td>
<td>213,704,400</td>
<td>221,774,449</td>
</tr>
<tr>
<td>Other Retail Group</td>
<td>131,610,864</td>
<td>130,110,383</td>
<td>126,344,652</td>
<td>126,719,151</td>
<td>133,393,401</td>
</tr>
<tr>
<td>Retail Stores Totals</td>
<td>$830,892,651</td>
<td>$856,473,318</td>
<td>$868,294,509</td>
<td>$867,254,238</td>
<td>$856,424,115</td>
</tr>
<tr>
<td>All Other Outlets</td>
<td>100,763,052</td>
<td>116,947,473</td>
<td>113,114,482</td>
<td>117,347,238</td>
<td>117,582,792</td>
</tr>
<tr>
<td>Total All Outlets</td>
<td>$931,655,703</td>
<td>$973,420,791</td>
<td>$981,408,991</td>
<td>$984,601,476</td>
<td>$974,006,907</td>
</tr>
</tbody>
</table>

(1) Reflects latest information available.
(2) Dollar amounts are in thousands.
Source: California State Board of Equalization.

Building Activity

The table below summarizes recent building activity in the City, reflecting the latest available information.

Table B-7
City of Arcadia
Building Permit Valuations (in thousands of dollars)

<table>
<thead>
<tr>
<th>Type</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valuation ($000’s)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Residential:</td>
<td>$134,629,801</td>
<td>$114,520,046</td>
<td>$107,640,363</td>
<td>$50,698,226</td>
<td>$55,015,689</td>
</tr>
<tr>
<td>Non-Residential:</td>
<td>17,700,488</td>
<td>48,429,981</td>
<td>46,130,066</td>
<td>14,288,673</td>
<td>47,385,671</td>
</tr>
<tr>
<td>Total Valuation:</td>
<td>$152,330,289</td>
<td>$162,950,027</td>
<td>$153,770,429</td>
<td>$64,986,899</td>
<td>$102,401,360</td>
</tr>
</tbody>
</table>

New Housing Units:

<table>
<thead>
<tr>
<th>Type</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single Family</td>
<td>141</td>
<td>112</td>
<td>138</td>
<td>51</td>
<td>66</td>
</tr>
<tr>
<td>Multi Family</td>
<td>13</td>
<td>21</td>
<td>107</td>
<td>21</td>
<td>27</td>
</tr>
<tr>
<td>Total Units:</td>
<td>154</td>
<td>133</td>
<td>245</td>
<td>72</td>
<td>93</td>
</tr>
</tbody>
</table>

Note: Totals may not add to sums because of independent rounding.
Source: Construction Industry Research Board.
APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE TRUST AGREEMENT

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

DEFINITIONS; INTERPRETATION

Certain Defined Terms. The terms defined in the Indenture will, for all purposes of the Trust Agreement, have the meanings specified below unless the context clearly requires otherwise.

“Account” means any account established pursuant to the Trust Agreement.

“Additional Bonds” means bonds issued in accordance with the Trust Agreement.

“Annual Debt Service” means, for any Bond Year, the sum of the aggregate amount of principal required to be paid on Bonds during such Bond Year either at maturity or pursuant to a mandatory sinking fund payment and the interest due on the Bonds on each Interest Payment Date during such Bond Year.

“Authorized City Representative” means the City Manager, the Director of Administrative Services, or any officer authorized to act on their respective behalves.

“Authorized Denominations” means $5,000 and any integral multiple thereof (except that while Bonds are registered in book-entry form, they may be held in amounts other than an integral multiple so long as the amount exceeds $5,000).

“Beneficial Owner” means, whenever used with respect to a Bond, the person in whose name such Bond is recorded as the beneficial owner of such Bond by a Participant on the records of such Participant or such person’s subrogee.

“Bond” or “Bonds” means the bonds issued under the Trust Agreement and designated as “City of Arcadia 2020 Taxable Pension Obligation Bonds.”

“Bond Counsel” means: (a) Stradling Yocca Carlson & Rauth, a Professional Corporation; or (b) a firm of attorneys nationally recognized as experts in the area of municipal finance who are familiar with the transactions contemplated under the Trust Agreement and acceptable to the City.

“Bond Interest Account” means the Account of that name established within the Revenue Fund pursuant to the Trust Agreement.

“Bond Principal Account” means the Account of that name established within the Revenue Fund pursuant to the Trust Agreement.

“Bond Year” means the twelve-month period commencing on each July 2 and ending on the next succeeding December 1, except that the first Bond Year will commence on the Closing Date and end on December 1, 2021.

“Book-Entry Bonds” means the Bonds held by DTC (or its nominee) as the registered owner thereof pursuant to the terms and provisions of the Trust Agreement.
“Business Day” means a day: (a) other than a day on which banks located in the City of New York, New York or the cities in which the respective principal offices of the Trustee or any Paying Agent are located, are required or authorized by law or executive order to close; and (b) on which the New York Stock Exchange is open.

“Closing Date” means November __, 2020.

“Consultant” means the accountant, attorney, consultant, municipal finance consultant or investment banker, or firm thereof, retained by the City to perform acts and carry out the duties provided for such Consultant in the Trust Agreement. Such accountant, attorney, consultant, municipal finance consultant or investment banker, or firm thereof, must be nationally recognized within its profession for work of the character required.

“Continuing Disclosure Certificate” means that certain Continuing Disclosure Certificate d executed and delivered by the City and acknowledged and accepted by the dissemination agent listed therein, dated November __, 2020, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

“Defeasance Securities” means any of the following: (a) non-callable direct obligations of the United States of America (“Treasuries”); (b) evidence of ownership of proportionate interests in future interest and principal payments on Treasuries held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying Treasuries are not available to any person claiming through the custodian or to whom the custodian may be obligated; and (c) pre-refunded municipal obligations rated “AAA” and “Aaa” by S&P and Moody’s, respectively (or any combination thereof), which are authorized to be used to effect defeasance of the Bonds.

“DTC” means The Depository Trust Company, a limited-purpose trust company organized under the laws of the State of New York, and its successors and assigns.

“Event of Default” means any occurrence or event specified as such in the Trust Agreement.

“Fiduciary or Fiduciaries” means the Trustee, any Paying Agent, or any or all of them, as may be appropriate.

“Fiscal Year” means the period of time beginning on July 1 of each given year and ending on June 30 of the immediately subsequent year, or such other period as the City designates as its fiscal year.

“Fund” means any fund established pursuant to the Trust Agreement.

“Holder,” or “Bondholder,” “owner” or “registered owner” means the registered owner of any Bonds, including DTC or its nominee as the sole registered owner of Book-Entry Bonds.

“Information Services” means any one or more of the national information services that Trustee determines are in the business of disseminating notices of redemption of obligations such as the Bonds.

“Interest Payment Date” means June 1 and December 1 of each year commencing December 1, 2021.

“Mail” means by first-class United States mail, postage prepaid.

“Moody’s” means Moody’s Investors Service, Inc., New York, New York, and its successors, and, if such corporation for any reason no longer performs the functions of a securities rating agency, “Moody’s” will be deemed to refer to any other nationally recognized rating agency designated by the City.

“Opinion of Bond Counsel” means a written opinion of Bond Counsel.

“Outstanding,” with respect to the Bonds, means all Bonds which have been authenticated and delivered under the Trust Agreement, except: (a) Bonds cancelled or purchased by the Trustee for cancellation or delivered to or acquired by the Trustee for cancellation and, in all cases, with the intent to extinguish the debt represented
thereby; (b) Bonds deemed to be paid in accordance with the Trust Agreement; (c) Bonds in lieu of which other Bonds have been authenticated under the Indenture; (d) Bonds that have become due (at maturity, on redemption, or otherwise) and for the payment of which sufficient moneys, including interest accreted or accrued to the due date, are held by the Trustee or a Paying Agent; and (e) For purposes of any consent or other action to be taken by the Holders of a specified percentage of Bonds Outstanding under the Trust Agreement, Bonds held by or for the account of the City or by any person controlling, controlled by or under common control with the City, unless such Bonds are pledged to secure a debt to an unrelated party, in which case such Bonds will, for purposes of consents and other Bondholder action, be deemed to be Outstanding and owned by the party to which such Bonds are pledged. Nothing in the Trust Agreement will be deemed to prevent the City from purchasing Bonds from any party out of any funds available to the City.

“Participant” means the participants of DTC which include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations.

“Paying Agent” means any paying agent for the Bonds, or successor thereto, appointed by the City pursuant to the Trust Agreement, and any successor appointed pursuant thereto.

“Permitted Investments” means the following: (1) Direct obligations of the United States of America and securities fully and unconditionally guaranteed as to the timely payment of principal and interest by the United States of America (“U.S. Government Securities”); (2) Direct obligations of the following federal agencies which are fully guaranteed by the full faith and credit of the United States of America: a. Export-Import Bank of the United States – Direct obligations and fully guaranteed certificates of beneficial interest; b. Federal Housing Administration – debentures; c. General Services Administration – participation certificates; d. Government National Mortgage Association (“GNMA”) – guaranteed mortgage-backed securities and guaranteed participation certificates; e. Small Business Administration – guaranteed participation certificates and guaranteed pool certificates; f. U.S. Department of Housing & Urban Development – local authority bonds; g. U.S. Maritime Administration – guaranteed Title XI financings; and h. Washington Metropolitan Area Transit Authority – guaranteed transit bonds; (3) Direct obligations of the following federal agencies which are not fully guaranteed by the faith and credit of the United States of America: a. Federal National Mortgage Association (“FNMA”) – senior debt obligations rated Aaa by Moody’s and AAA by S&P; b. Federal Home Loan Mortgage Corporation (“FHLMC”) – participation certificates and senior debt obligations rated Aaa by Moody’s and AAA by S&P; c. Federal Home Loan Banks – consolidated debt obligations; d. Student Loan Marketing Association – debt obligations; and e. Resolution Funding Corporation – debt obligations; (4) Direct, general obligations of any state of the United States of America or any subdivision or agency thereof whose uninsured and unguaranteed general obligation debt is rated, at the time of purchase, A2 or better by Moody’s and A or better by S&P, or any obligation fully and unconditionally guaranteed by any state, subdivision or agency whose uninsured and unguaranteed general obligation debt is rated, at the time of purchase, A2 or better by Moody’s and A or better by S&P; (5) Commercial paper (having original maturities of not more than 270 days) rated, at the time of purchase, P-1 by Moody’s and A-1 or better by S&P; (6) Certificates of deposit, savings accounts, deposit accounts or money market deposits in amounts that are continuously and fully insured by the Federal Deposit Insurance Corporation (the “FDIC”), including the Bank Insurance Fund and the Savings Association Insurance Fund, and including funds for which the Trustee or its affiliates provide investment advisory or other management services; (7) Certificates of deposit, deposit accounts, federal funds or bankers’ acceptance accounts (in each case having maturities of not more than 365 days following the date of purchase) of any domestic commercial bank or United States branch office of a foreign bank, provided that such bank’s short-term certificates of deposit are rated P-1 by Moody’s and A-1 or better by S&P (not considering holding company ratings); (8) Investments in money-market funds rated AAAm or AAAm-G by S&P, including funds for which the Trustee and its affiliates provide investment advisory or other management services; (9) Repurchase agreements that meet the following criteria: a. A master repurchase agreement or specific written repurchase agreement, substantially similar in form and substance to the Public Securities Association or Bond Market Association master repurchase agreement, governs the transaction; b. Acceptable providers consist of: (i) registered broker/dealers subject to Securities Investors’ Protection Corporation (“SIPC”) jurisdiction or commercial banks insured by the FDIC, if such

1 The following are explicitly excluded from the securities enumerated in clauses 2 and 3: (i) All derivative obligations, including without limitation inverse floaters, residuals, interest-only, principal-only and range notes; (ii) Obligations that have a possibility of returning a zero or negative yield if held to maturity; (iii) Obligations that do not have a fixed par value or those whose terms do not promise a fixed dollar amount at maturity or call date; and (iv) Collateralized Mortgage-Backed Obligations.
of the Permitted Collateral not less than weekly and notify the investment agreement provider on the valuation day of principal and accrued interest. g. The investment agreement will require the Trustee to determine the market value of the securities in relation to the amount of the repurchase obligation, including principal and accrued interest, is equal to a collateral level of at least 104% for U.S. Government Securities and 105% for GNMAa, FNMAa or FHLMC.

The repurchase agreement will require: (i) the Trustee or the Agent to value the collateral securities no less frequently than weekly; (ii) the delivery of additional securities if the fair market value of the securities is below the required level on any valuation date; and (iii) liquidation of the repurchase securities if any deficiency in the required percentage is not restored within two business days of such valuation; e. The repurchase securities will be delivered free and clear of any lien to the Trustee or to an independent third party acting solely as agent (“Agent”) for the Trustee, and such Agent is: (i) a Federal Reserve Bank; or (ii) a bank which is a member of the FDIC and which has combined capital, surplus and undivided profits or, if appropriate, a net worth, of not less than $50 million, and the Trustee has received written confirmation from such third party that such third party holds such securities, free and clear of any lien, as agent for the Trustee; f. A perfected first security interest in the repurchase securities will be created for the benefit of the Trustee, and the issuer and the Trustee will receive an opinion of counsel as to the perfection of the security interest in such repurchase securities and any proceeds thereof. g. The repurchase agreement will have a term of one year or less, or will be due on demand. h. The repurchase agreement must establish the following as events of default, the occurrence of any of which requires the immediate liquidation of the repurchase securities: (i) insolvency of the broker/dealer or commercial bank serving as the counterparty under the repurchase agreement; (ii) failure by the counterparty to remedy any deficiency in the required collateral level or to satisfy the margin maintenance call under clause 9(d) above; (iii) failure by the counterparty to repurchase the repurchase securities on the specified date for repurchase; (10) Investment agreements, collateralized at 102%, (also referred to as guaranteed investment contracts) that meet the following criteria: a. A master agreement or specific investment agreement governs the transaction. b. Acceptable providers of uncollateralized investment agreements consist of: (i) domestic FDIC-insured commercial banks, or U.S. branches of foreign banks, rated at least Aa2 by Moody’s and AA by S&P; (ii) domestic insurance companies rated Aaa by Moody’s and AAA by S&P; and (iii) domestic structured investment agreements consist of: (i) registered broker/dealers subject to SIPC jurisdiction, if such broker/dealer has an uninsured, unsecured and unguaranteed rating of A1 or better by Moody’s and A+ or better by S&P; (ii) domestic FDIC-insured commercial banks, or U.S. branches of foreign banks, rated at least A1 by Moody’s and A+ by S&P; (iii) domestic insurance companies rated at least A1 by Moody’s and A+ by S&P; and (iv) domestic structured investment agreements rated Aaa by Moody’s and AAA by S&P. Required collateral levels will be as set forth in clause 10(f) below; d. The investment agreement will provide that if the provider’s ratings fall below Aa3 by Moody’s or Aa2 by the provider will within ten days either: (i) repay the principal amount plus any accrued and interest on the investment; or (ii) deliver Permitted Collateral as provided below; e. The investment agreement must provide for termination thereof if the provider’s ratings are suspended, withdrawn or fall below A3 from Moody’s or A- from S&P. Within ten days, the provider will repay the principal amount plus any accrued interest on the agreement, without penalty to the City. f. The investment agreement will provide for the delivery of collateral described in clauses (i) or (ii) below (“Permitted Collateral”) which will be maintained at the following collateralization levels at each valuation date: (i) U.S. Government Securities at 104% of principal plus accrued interest; or (ii) Obligations of GNMA, FNMA or FHLMC (described in clauses 2(d), 3(a) and 3(b) above) at 105% of principal and accrued interest. g. The investment agreement will require the Trustee to determine the market value of the Permitted Collateral not less than weekly and notify the investment agreement provider on the valuation day of any deficiency. Permitted Collateral may be released by the Trustee to the provider only to the extent that there are excess amounts over the required levels. Market value, with respect to collateral, may be determined by any of the following methods: (i) the last quoted “bid” price as shown in Bloomberg, Interactive Data Systems, Inc., The Wall Street Journal or Reuters; (ii) valuation as performed by a nationally recognized pricing service, whereby the valuation method is based on a composite average of various bid prices; or (iii) the lower of two bid prices by nationally recognized dealers. Such dealers or their parent holding companies will be rated investment grade and be market makers in the securities being valued. h. Securities held as Permitted Collateral will be free and clear of all liens and claims of third parties, held in a separate custodial account and registered in the name of the Trustee or the Agent. i. The provider will grant the Trustee a perfected first security interest in any collateral delivered under an
investment agreement. For investment agreements collateralized initially and in connection with the delivery of Permitted Collateral under clause 10(f) above, the Trustee will receive an opinion of counsel as to the perfection of the security interest in the collateral; j. The investment agreement will provide that moneys invested under the agreement must be payable and putable at par to the Trustee without condition, breakage fee or other penalty, upon not more than two business days’ notice, or immediately on demand for any reason for which the funds invested may be withdrawn from the applicable fund or account established under the authorizing document, as well as the following: (i) In the event of a deficiency in the debt service account; (ii) Upon acceleration after an event of default; (iii) Upon refunding of the Bonds in whole or in part; (iv) Reduction of any debt service reserve requirement for the Bonds; or (v) If a determination is later made by a nationally recognized bond counsel that investments must be yield-restricted. Notwithstanding the foregoing, the agreement may provide for a breakage fee or other penalty that is payable in arrears and not as a condition of a draw by the Trustee if the City’s obligation to pay such fee or penalty is subordinate to its obligation to pay debt service on the Bonds and to make deposits to any debt service reserve fund established for the Bonds. (k) The investment agreement must establish the following as events of default, the occurrence of which require the immediate liquidation of the investment securities: (i) Failure of the provider or the guarantor (if any) to make a payment when due or to deliver Permitted Collateral of the character, at the times or in the amounts described above; (ii) Insolvency of the provider or the guarantor (if any) under the investment agreement; (iii) Failure by the provider to remedy any deficiency with respect to required Permitted Collateral; (iv) Failure by the provider to make a payment or observe any covenant under the agreement; (v) The guaranty (if any) is terminated, repudiated or challenged; or (vi) Any representation of warranty furnished to the Trustee or the issuer in connection with the agreement is false or misleading. (l) The investment agreement must incorporate the following general criteria: (i) “Cure periods” for payment default may not exceed two business days; (ii) The agreement must provide that the provider will remain liable for any deficiency after application of the proceeds of the sale of any collateral, including costs and expenses incurred by the Trustee; (iii) Neither the agreement or guaranty agreement, if applicable, may be assigned (except to a provider that would otherwise be acceptable under these guidelines); (iv) If the investment agreement is for a debt service reserve fund, reinvestments of funds will be required to bear interest at a rate at least equal to the original contract rate; (v) The provider is required to immediately notify the Trustee of any event of default or any suspension, withdrawal or downgrade of the provider’s ratings; and (vi) The agreement will be unconditional and will expressly disclaim any right of set-off or counterclaim. (11) Forward delivery agreements in which the securities delivered mature on or before each interest payment date (for debt service or debt service reserve funds) or draw down date (construction funds) that meet the following criteria: (a) A specific written investment agreement governs the transaction. (b) Acceptable providers are limited to (i) any registered broker/dealer subject to SIPC jurisdiction, if such broker/dealer or bank has an uninsured, unsecured and unguaranteed obligation rated A3/P-1 or better by Moody’s and A /A -1 or better by S&P; (ii) any commercial bank insured by the FDIC, if such bank has an uninsured, unsecured and unguaranteed obligation rated A3/P-1 or better by Moody’s and A /A -1 or better by S&P; and (iii) domestic structured investment companies rated Aaa by Moody’s and AAA by S&P; (c) The forward delivery agreement provides for termination or assignment (to a qualified provider under the Trust Agreement) of the agreement if the provider’s ratings are suspended, withdrawn or fall below A3 or P-1 from Moody’s or A or A-1 from S&P. Within ten days, the provider will fulfill any obligations it may have with respect to shortfalls in market value. There will be no breakage fee payable to the provider in such event; (d) Permitted securities will include the investments listed in 1, 2 and 3 above; (e) The forward delivery agreement includes the following provisions: (i) The permitted securities must mature at least one business day before a debt service payment date or scheduled draw. The maturity amount of the permitted securities must equal or exceed the amount required to be in the applicable fund on the applicable valuation date; (ii) The agreement will include market standard termination provisions, including the right to terminate for the provider’s failure to deliver qualifying securities or otherwise to perform under the agreement. There may be no breakage fee or penalty payable to the provider in such event; (iii) Any breakage fees will be payable only on debt service payment dates and will be subordinated to the payment of debt service and debt service reserve fund replenishments; (iv) The provider must submit at closing a bankruptcy opinion to the effect that upon any bankruptcy, insolvency or receivership of the provider, the securities will not be considered to be a part of the provider’s estate; (v) The agreement may not be assigned (except to a provider that would otherwise be acceptable under these guidelines); (12) Forward delivery agreements in which the securities delivered mature after the funds may be required but provide for the right of the City or the Trustee to put the securities back to the provider under a put, guaranty or other hedging arrangement; (13) Maturity of investments will be governed by the following: a. Investments of monies (other than reserve funds) will be in securities and obligations maturing not later than the dates on which such monies will be needed to make payments; b. Investments will be considered as maturing on the first date on which they are redeemable without penalty at the option of the holder or the date on which the Trustee
may require their repurchase pursuant to repurchase agreements; c. Investments of monies in reserve funds not payable upon demand will be restricted to maturities of five years or less; (14) Any other investment which the City is permitted by law to make, including without limitation investment in the Local Agency Investment Fund of the State of California, provided that any investment of the type authorized pursuant to paragraphs (d), (f), (h) and (i) of Section 53601 of the California Government Code are additionally restricted as provided in the appropriate paragraph or paragraphs above applicable to such type of investment and provided further that investments authorized pursuant to paragraphs (k) and (m) of Section 53601 are not permitted. To the extent that any of the requirements concerning Permitted Investments embodies a legal conclusion, the Trustee is entitled to conclusively rely upon a certificate from the appropriate party or an opinion from counsel to such party that such requirement has been met.

“PERS” means the California Public Employees’ Retirement System.

“PERS Contract” means the contract between the Board of Administration of PERS and the City Council of the City, effective July 1, 1948.

“Principal Office of the Trustee” means the office of the Trustee at the address set forth in the Trust Agreement, provided for transfer, exchange, registration, surrender and payment of Bonds means care of the corporate trust office of The Bank of New York Mellon Trust Company, N.A. in ______, _____ or such other office designated by the Trustee.

“Rating Agencies” means Moody’s and S&P.

“Rating Category” means: (a) with respect to any long-term rating category, all ratings designated by a particular letter or combination of letters, without regard to any numerical modifier, plus or minus sign or other modifier; and (b) with respect to any short-term or commercial paper rating category, all ratings designated by a particular letter or combination of letters and taking into account any numerical modifier, but not any plus or minus sign or other modifier.

“Record Date” means the fifteenth day of each calendar month preceding any Interest Payment Date, regardless of whether such day is a Business Day.

“Redemption Fund” means the Fund of that name established pursuant to the Trust Agreement.

“Refunding Law” means Articles 10 and 11 (commencing with Section 53570) of Chapter 3 of Division 2 of Title 5 of the California Government Code.

“Registrar” means, for purposes of the Trust Agreement, the Trustee or its successor or assignee.

“Representation Letter” means the Letter of Representations from the City to DTC with respect to the Bonds.

“Requisition” or “Written Requisition” means a Requisition or Written Requisition, substantially in the form attached to the Trust Agreement.

“Responsible Officer” means an officer of the Trustee assigned by the Trustee to administer the Trust Agreement.

“Retirement Law” means Public Employees’ Retirement Law, constituting Part 3 of Division 5 of Title 2 of the California Government Code.

“Revenue Fund” means the Fund of that name established pursuant to the Trust Agreement.
“S&P” means S&P Global Ratings, LLC, a Standard & Poor’s Financial Services LLC business, and its successors, and, if such company for any reason no longer performs the functions of a securities rating agency, “S&P” will be deemed to refer to any other nationally recognized rating agency designated by the City.

“Securities Depositories” means any of The Depository Trust Company or, in accordance with then-current guidelines of the Securities and Exchange Commission, such other securities depositories, or if no such depositories, as the City may indicate in a certificate of the City delivered to the Trustee.

“State” means the State of California.

“Total Bond Obligation” means, as of any date of calculation, the aggregate principal amount of the Bonds then Outstanding.

“Trust Agreement” means the Trust Agreement dated as of November 1, 2020 between the City and the Trustee, as it may be amended, supplemented or otherwise modified from time to time.

“Trustee” means The Bank of New York Mellon Trust Company, N.A., a national banking association organized and existing under the laws of the United States of America, until a successor replaces it, and thereafter means such successor.

“Unfunded Liability” means City’s unamortized, unfunded accrued actuarial liability with respect to pension benefits under the Retirement Law.

EXECUTION, AUTHENTICATION AND EXCHANGE OF BONDS; BOOK ENTRY BONDS

Transfer or Exchange of Bonds. Subject to the Trust Agreement:

(a) All Bonds will be issued in fully registered form. Upon surrender for transfer of any Bond at the Principal Office of the Trustee, the Trustee will deliver in the name of the transferee or transferees a new fully authenticated and registered Bond or Bonds of Authorized Denominations of the same maturity for the aggregate principal amount which the Bondholder is entitled to receive.

(b) All Bonds presented for transfer, redemption or payment will be accompanied by a written instrument or instruments of transfer or authorization for exchange, in form and with guaranty of signature satisfactory to the City, duly executed by the Bondholder or by his duly authorized attorney. The Trustee also may require payment from the Bondholder of a sum sufficient to cover any tax, or other governmental fee or charge that may be imposed in relation thereto. Such taxes, fees and charges will be paid before any such new Bond is delivered.

(c) Bonds delivered upon any transfer as provided in the Trust Agreement, are valid obligations of the City, evidencing the same debt as the Bond surrendered, are secured by the Trust Agreement and are entitled to all of the security and benefits thereof to the same extent as the Bond surrendered.

(d) The City, the Trustee and the Paying Agent will treat the Bondholder, as shown on the registration books kept by the Trustee, as the person exclusively entitled to payment of principal, premium, if any, and interest with respect to such Bond and to the exercise of all other rights and powers of the Bondholder, except that all interest payments will be made to the party who, as of the Record Date, is the Bondholder.

Book-Entry Bonds. (a) Except as provided in paragraph (c) below, the registered owner of all of the Bonds is DTC and the Bonds will be registered in the name of Cede & Co., as nominee for DTC. Except as provided in paragraph (d) below, payment of principal, interest and premium, if any, for any Bonds registered in the name of Cede & Co. will be made as provided in the Representation Letter.

(b) The Bonds will be initially issued in the form of a separate single authenticated fully registered Bond for each separate stated maturity of the Bonds. The Trustee, the Registrar and the City may treat DTC (or its
nominee) as the sole and exclusive owner of the Bonds registered in its name for the purposes of payment of the
principal or redemption price of, or interest on, the Bonds, selecting the Bonds or portions thereof to be redeemed,
giving any notice permitted or required to be given to Bondholders under the Trust Agreement, registering the
transfer of Bonds, obtaining any consent or other action to be taken by Bondholders and for all other purposes
whatsoever, and neither the Trustee, the Registrar nor the City will be affected by any notice to the contrary.
Neither the Trustee, the Registrar nor the City have any responsibility or obligation to any Participant, any person
claiming a beneficial ownership interest in the Bonds under or through DTC or any Participant or any other person
which is not shown on the registration books as being a Bondholder, with respect to: (i) the accuracy of any records
maintained by DTC or any Participant; (ii) the payment by DTC or any Participant of any amount in respect of the
principal or redemption price of or interest on the Bonds; (iii) any notice which is permitted or required to be given
to Bondholders under the Trust Agreement; (iv) the selection by DTC or any Participant of any person to receive
payment in the event of a partial redemption of the Bonds; or (v) any consent given or other action taken by DTC as
a Bondholder. The Trustee will pay, from funds held under the terms of the Trust Agreement or otherwise provided
by the City, all principal or redemption price of and interest on the Bonds only to DTC as provided in the
Representation Letter and all such payments will be valid and effective to satisfy and discharge fully the City’s
obligations with respect to the principal or redemption price of and interest on the Bonds to the extent of the sum or
sums so paid. No person other than DTC will receive authenticated Bonds evidencing the obligation of the City, to
make payments of principal or redemption price and interest pursuant to the Trust Agreement. Upon delivery by
DTC to the Trustee of written notice to the effect that DTC has determined to substitute a new nominee in place of
Cede & Co., and subject to the provisions in the Trust Agreement with respect to Record Dates, the name “Cede &
Co.” in the Trust Agreement will refer to such new nominee of DTC.

(c) In the event the City determines that it is in the best interest of the Beneficial Owners that they be
able to obtain Bond certificates and notifies DTC, the Trustee and the Registrar of such determination, then DTC
will notify the Participants of the availability through DTC of Bond certificates. In such event, the Trustee will
authenticate and the Registrar will transfer and exchange Bond certificates as requested by DTC and any other
Bondholders in appropriate amounts. DTC may determine to discontinue providing its services with respect to the
Bonds at any time by giving notice to the City and the Trustee and discharging its responsibilities with respect
thereto under applicable law. Under such circumstances (if there is no successor securities depository), the City and
the Trustee are obligated to deliver Bond certificates as described in the Trust Agreement. In the event Bond
certificates are issued, the provisions of the Trust Agreement will apply to, among other things, the transfer and
exchange of such certificates and the method of payment of principal of and interest on such certificates. Whenever
DTC requests the City and the Trustee to do so, the Trustee and the City will cooperate with DTC in taking
appropriate action after reasonable notice: (i) to make available one or more separate certificates evidencing the
Bonds to any Participant having Bonds credited to its DTC account; or (ii) to arrange for another securities
depository to maintain custody of certificates evidencing the Bonds.

(d) Notwithstanding any other provision of the Trust Agreement to the contrary, so long as any Bond
is registered in the name of Cede & Co., as nominee of DTC, all payments with respect to the principal or
redemption price of and interest on such Bonds and all notices with respect to such Bonds will be made and given,
respectively, to DTC as provided in the Representation Letter.

(e) In connection with any notice or other communication to be provided to Bondholders pursuant to
the Trust Agreement by the City or the Trustee with respect to any consent or other action to be taken by
Bondholders, the City or the Trustee, as the case may be, will establish a record date for such consent or other action
and give DTC notice of such record date not less than 15 calendar days in advance of such record date to the extent
possible. Notice to DTC will be given only when DTC is the sole Bondholder.

(f) If the City purchases, or causes the Trustee to purchase, any of the Bonds, such purchase of Bonds
will be deemed to have occurred upon the purchase of beneficial ownership interests in the Bonds from a
Participant. Upon receipt by DTC of notice from the City and a Participant that a purchase of beneficial ownership
interests in the Bonds has been made by the City from such Participant, DTC will surrender to the Trustee the Bonds
referred to in such notice and, if the principal amount referenced in said notice is less than the principal amount of
the Bonds so surrendered, the Trustee will authenticate and deliver to DTC, in exchange for the Bonds so
surrendered, a new Bond or Bonds, as the case may be, in Authorized Denominations and in a principal amount
equal to the difference between: (i) the principal amount of the Bonds so surrendered; and (ii) the principal amount referenced in said notice.

(g) Notwithstanding any provision in the Indenture to the contrary, the City and the Trustee may agree to allow DTC, or its nominee, Cede & Co., to make a notation on any Bond redeemed in part to reflect, for informational purposes only, the principal amount and date of any such redemption.

(h) In the event that DTC notifies the City that it is discontinuing the book-entry system for the Bonds, the City may either appoint another entity to hold the Bonds in book-entry form or deliver Bond certificates to the beneficial owners or Participants, as directed by DTC.

Mutilated, Lost, Stolen or Destroyed Bonds. (a) In the event any Bond is mutilated or defaced but identifiable by number and description, the City will execute and the Trustee will authenticate and deliver a new Bond of like date, maturity and denomination as such Bond, upon surrender thereof to the Trustee; provided that there will first be furnished to the City and the Trustee proof satisfactory to the Trustee that the Bond is mutilated or defaced. The Bondholder will accompany the above with a deposit of money required by the City for the cost of preparing the substitute Bond and all other expenses connected with the issuance of such substitute. The City will then cause proper record to be made of the cancellation of the original, and thereafter the substitute will have the validity of the original.

(b) In the event any Bond is lost, stolen or destroyed, the City may execute and the Trustee may authenticate and deliver a new Bond of like date, maturity and denomination as that Bond lost, stolen or destroyed; provided that there is first furnished to the Trustee evidence of such loss, theft or destruction satisfactory to the Trustee, together with indemnity satisfactory to it.

(c) The City and the Trustee will charge the Holder of such Bond all transfer taxes, if any, and their reasonable fees and expenses in such connection. All substitute Bonds issued and authenticated pursuant to the Trust Agreement will be issued as a substitute and numbered, if numbering is provided for by the Trustee, as determined by the Trustee. In the event any such Bond has matured or has been called for redemption, instead of issuing a substitute Bond, the Trustee may pay the same without surrender thereof upon receipt of indemnity satisfactory to the Trustee.

Destruction of Bonds. Whenever any Outstanding Bonds are delivered to the Trustee for cancellation pursuant to the Trust Agreement, upon payment of the principal amount and interest represented thereby or for replacement or transfer pursuant to the Trust Agreement, such Bond will be cancelled and destroyed by the Trustee and counterparts of a certificate of destruction evidencing such destruction will, upon the City’s request, be furnished by the Trustee to the City.

Temporary Bonds. (a) Pending preparation of definitive Bonds, the City may execute and the Trustee will authenticate and deliver, in lieu of definitive Bonds and subject to the same limitation and conditions, interim receipts, certificates or temporary bonds which will be exchanged for the Bonds.

(b) If temporary Bonds are issued, the City will cause the definitive Bonds to be prepared and to be executed and delivered to the Trustee, and the Trustee, upon presentation to it of any temporary Bond, will cancel the same and deliver in exchange thereof at the place designated by the Bondholder, without charge to the Bondholder thereof, definitive Bonds of an equal aggregate principal amount, of the same series, maturity and bearing interest at the same rate or rates as the temporary Bonds surrendered. Until so exchanged, the temporary Bonds will in all respects be entitled to the same benefit and security of the Trust Agreement as the definitive Bonds to be issued and authenticated thereunder.

REDEMPTION OF BONDS

Payment of Bonds Called for Redemption; Effect of Redemption Call. (a) Upon surrender to the Trustee or the Trustee’s agent, Bonds called for redemption will be paid at the redemption price stated in the notice, plus interest accrued to the redemption date.
(b) On the date so designated for redemption, notice having been given in the manner and under the conditions provided in the Trust Agreement relating to such Bonds as are to be redeemed and moneys for payment of the redemption price being held in trust to pay the redemption price, the Bonds so called for redemption will become and be due and payable on the redemption date, interest on such Bonds will cease to accrue, such Bonds will cease to be entitled to any lien, benefit or security under the Trust Agreement and the owners of such Bonds will have no rights in respect thereof except to receive payment of the redemption price and accrued interest to the redemption date.

(c) Bonds which have been duly called for redemption under the provisions of the Trust Agreement and for the payment of the redemption price of which moneys are deposited in the Redemption Fund or otherwise held in trust for the Holders of the Bonds to be redeemed, all as provided in the Trust Agreement, will not be deemed to be Outstanding under the provisions of the Trust Agreement.

Bonds Redeemed in Part. Bonds are subject to redemption pro rata within a maturity. Upon surrender of a Bond to be redeemed in part, the Trustee will authenticate for the registered owner a new Bond or Bonds of the same maturity and tenor equal in principal amount to the unredeemed portion of the Bond surrendered.

CREATION OF CERTAIN FUNDS AND ACCOUNTS

Creation of Redemption Fund. A Fund to be held by the Trustee has been created and designated the “City of Arcadia 2020 Taxable Pension Obligation Bonds Redemption Fund” (the “Redemption Fund”). All moneys deposited by the City with the Trustee for the purpose of redeeming Bonds will be deposited in the Redemption Fund. All amounts deposited in the Redemption Fund will be used and withdrawn by the Trustee solely for the purpose of redeeming Bonds (including the payment of accrued interest on Bonds to be redeemed) in the manner, at the times and upon the terms and conditions specified in the Trust Agreement; provided that, at any time prior to giving such notice of redemption, the Trustee will, upon receipt of written instructions from an Authorized City Representative, apply such amounts to the purchase of Bonds at public or private sale, as and when and at such prices (including brokerage and other charges) as directed by the City.

Moneys Held in Redemption Fund. All moneys which have been withdrawn from the Revenue Fund and deposited in the Redemption Fund for the purpose of paying any of the Bonds secured by the Trust Agreement, either at the maturity thereof or upon call for redemption, will be held in trust for the respective Holders of such Bonds.

Unclaimed Moneys. Any moneys which are set aside or deposited in the Redemption Fund, the Bond Principal Account, the Bond Interest Account or any other Fund or Account for the benefit of Holders of Bonds and which remain unclaimed by the Holders of such Bonds for a period of one year after the date on which such Bonds have become due and payable (or such longer period as required by State law) will be paid to the City, and thereafter the Holders of such Bonds will look only to the City for payment and the City will be obligated to make such payment, but only to the extent of the amounts so received without any interest thereon, and the Trustee and any Paying Agent have no responsibility with respect to any of such moneys.

CONCERNING PAYING AGENT

Paying Agent; Appointment and Acceptance of Duties. The City has appointed the Trustee as the Paying Agent for the Bonds.

Paying Agent - General Responsibilities. (a) The City may at any time or from time to time appoint a different Paying Agent or Paying Agents for the Bonds, and each Paying Agent, if other than the Trustee, must be a commercial bank with trust powers and designate to the City and the Trustee its principal office and signify its acceptance of the duties and obligations imposed upon it under the Trust Agreement by a written instrument of acceptance delivered to the City under which each such Paying Agent will agree, particularly: (i) to hold all sums held by it for the payment of the principal of, and premium or interest on, Bonds in trust for the benefit of the Bondholders until such sums are paid to such Bondholders or otherwise disposed of as provided in the Trust Agreement; (ii) to keep such books and records as are consistent with prudent industry practice, to make such books
and records available for inspection by the City and the Trustee at all reasonable times upon reasonable prior notice; and (iii) upon the request of the Trustee, to forthwith deliver to the Trustee all sums so held in trust by such Paying Agent.

(b) The Paying Agent will perform the duties and obligations set forth in the Trust Agreement, and in particular will hold all sums delivered to it by the Trustee for the payment of principal or premium of and interest on the Bonds for the benefit of the Bondholders until such sums are paid to such Bondholders or otherwise disposed of as provided in the Trust Agreement.

(c) In performing its duties under the Trust Agreement, the Paying Agent is entitled to all of the rights, protections and immunities accorded to the Trustee under the terms of the Trust Agreement.

Certain Permitted Acts. Any Fiduciary may become the owner of any Bonds, with the same rights it would have if it were not a Fiduciary. To the extent permitted by law, any Fiduciary may act as depositary for, and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Bondholders or to effect or aid in any reorganization growing out of the enforcement of the Bonds or the Trust Agreement, whether or not any such committee represents the owners of a majority in Total Bond Obligation of the Bonds then Outstanding.

Resignation or Removal of Paying Agent and Appointment of Successor. (a) Any Paying Agent may at any time resign and be discharged of the duties and obligations created by the Trust Agreement in accordance with the provisions set forth in the Trust Agreement for the removal of the Trustee by giving at least 60 days' written notice to the City and the other Fiduciaries. Any Paying Agent may be removed at any time upon 30 days prior written notice by an instrument filed with such Paying Agent and the Trustee and signed by an Authorized City Representative. Any successor Paying Agent will be appointed by the City with the approval of the Trustee and must be a commercial bank with trust powers or trust company organized under the laws of any state of the United States, having capital stock and surplus aggregating at least $100,000,000, and willing and able to accept the office on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by the Trust Agreement.

(b) In the event of the resignation or removal of any Paying Agent, such Paying Agent will assign and deliver any moneys and Bonds, including authenticated Bonds, held by it to its successor, or if there be no successor, to the Trustee. In the event that for any reason there is a vacancy in the office of any Paying Agent, the Trustee will act as such Paying Agent.

COVENANTS OF THE CITY

Payment of Principal and Interest. The City has covenanted and agreed that it will duly and punctually pay or cause to be paid the principal, premium, if any, and interest on every Bond at the place and on the dates and in the manner specified in the Trust Agreement and in the Bonds, according to the true intent and meaning thereof, and that it will faithfully do and perform all covenants and agreements contained therein and in the Bonds and the City has agreed that time is of the essence in the Trust Agreement. The obligations of the City under the Bonds, including the obligation to make all payments of principal, premium, if any, and interest when due, are absolute and unconditional, without any right of set-off or counter claim.

The City will in each Fiscal Year include in its budget a provision to provide funds in an amount sufficient to pay the principal, premium, if any, and interest on the Bonds coming due in such Fiscal Year, but only to the extent that such amounts exceed the amount of available funds then on deposit in the Revenue Fund, and will make annual appropriations for all such amounts. If such principal, premium, if any, and interest on the Bonds coming due in any Fiscal Year exceeds the sum of amounts budgeted in respect thereof together with amounts then on deposit in the Revenue Fund, then the City will amend or supplement the budget to provide for such excess amounts. The covenants contained in the Trust Agreement are deemed to be and will be duties imposed by law and it is the duty of each and every public official of the City to take such action and do such things as are required by law in the performance of the official duty of such officials to enable the City to carry out and perform the covenants and agreements in the Trust Agreement agreed to be carried out and performed by the City.
Performance of Covenants by City; Authority; Due Execution. The City has covenanted that it will faithfully perform at all times any and all covenants, undertakings, stipulations and provisions contained in the Trust Agreement, in any and every Bond executed, authenticated and delivered thereunder and in all of its proceedings pertaining thereto. The City has covenanted that it is duly authorized under the Constitution and laws of the State to issue the Bonds.

Instruments of Further Assurance. The City has covenanted that it will do, execute, acknowledge and deliver, or cause to be done, executed, acknowledged and delivered such further acts, instruments and transfers as the Trustee may reasonably request for the better assuring and confirming to the Trustee all the rights and obligations of the City under and pursuant to the Trust Agreement. The City will, upon the reasonable request of the Trustee, from time to time execute and deliver such further instructions and take such further action as may be reasonable and as may be required to effectuate the purposes of the Trust Agreement or any provisions thereof; provided, however, that no such instruments or actions will pledge the full faith and credit or the taxing powers of the State.

No Inconsistent Action. The City has covenanted that no contract or contracts will be entered into or any action taken by the City which is inconsistent with the provisions of the Trust Agreement.

No Adverse Action. The City has covenanted that it will not take any action which will have a material adverse effect upon the rights of the Holders of the Bonds.

Maintenance of Powers. The City has covenanted that it will at all times use its best efforts to maintain the powers, functions, duties and obligations now reposed in it pursuant to applicable law and will not at any time voluntarily do, suffer or permit any act or thing the effect of which would be to hinder, delay or imperil either the payment of the indebtedness evidenced by any of the Bonds or the performance or observance of any of the covenants contained in the Trust Agreement.

Covenants of City Binding on Successors. All covenants, stipulations, obligations and agreements of the City contained in the Trust Agreement will be deemed to be covenants, stipulations, obligations and agreements of the City to the full extent authorized or permitted by law. If the powers or duties of the City are later transferred by amendment of any provision of the Constitution or any other law of the State or in any other manner there is a successor to the City, and if such transfer relates to any matter or thing permitted or required to be done under the Trust Agreement by the City, then the entity that succeeds to such powers or duties of the City will act and be obligated in the place and stead of the City as provided in the Trust Agreement, and all such covenants, stipulations, obligations and agreements therein will be binding upon such successor or successors thereof from time to time and upon any officer, board, body, district, authority or commission to whom or to which any power or duty affecting such covenants, stipulations, obligations and agreements will be transferred by or in accordance with law.

Except as otherwise provided in the Trust Agreement, all rights, powers and privileges conferred and duties and liabilities imposed upon the City by the provisions of the Trust Agreement will be exercised or performed by the City or by such officers, board, body, district, authority or commission as may be required by law to exercise such powers or to perform such duties.

Trust Agreement to Constitute a Contract. The Trust Agreement is executed by the City for the benefit of the Bondholders and constitutes a contract with the Bondholders.

City to Perform Pursuant to Continuing Disclosure Certificate. The City has covenanted and agreed that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of the Trust Agreement, failure of the City to comply with the Continuing Disclosure Certificate will not be considered an Event of Default under the Trust Agreement; provided, however, the obligations of the City to comply with the provisions of the Continuing Disclosure Certificate will be enforceable by any Participating Underwriter or any Holder of Outstanding Bonds, or by the Trustee on behalf of the Holders of Outstanding Bonds; provided, further, that the Trustee is not required to take any enforcement action whatsoever except at the written direction of the Holders of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding who have provided the Trustee with security and indemnity to its satisfaction, including without limitation, attorney’s fees and expenses. The Participating Underwriters’, Holders’ and Trustee’s rights to enforce
the provisions of the Continuing Disclosure Certificate are limited solely to a right, by action in mandamus or for specific performance, to compel performance of the City’s obligations under the Continuing Disclosure Certificate. Notwithstanding the foregoing, the City is entitled to amend or rescind the Continuing Disclosure Certificate to the extent permitted by law.

INVESTMENTS

Investments Authorized. Money held by the Trustee in any fund or account under the Trust Agreement will be invested by the Trustee in Permitted Investments pending application as provided therein solely at the prior written direction of an Authorized City Representative, will be registered in the name of the Trustee where applicable, as Trustee and will be held by the Trustee. The City will direct the Trustee prior to 12:00 p.m. Pacific time on the last Business Day before the date on which a Permitted Investment matures or is redeemed as to the reinvestment of the proceeds thereof. In the absence of such direction, the Trustee will invest in investments authorized under clause (8) contained in the definition of “Permitted Investments.” The Trustee may rely on the City’s certification in such investment instructions that such investments are permitted by law and by any policy guidelines promulgated by the City. Money held in any fund or account under the Trust Agreement may be commingled for purposes of investment only.

The Trustee may, with the prior written approval of an Authorized City Representative, purchase from or sell to itself or any affiliate, as principal or agent, investments authorized by the Trust Agreement. Any investments and reinvestments will be made after giving full consideration to the time at which funds are required to be available under the Trust Agreement and to the highest yield practicably obtainable giving due regard to the safety of such funds and the date upon which such funds will be required for the uses and purposes required by the Trust Agreement. The Trustee or any of its affiliates may act as agent in the making or disposing of any investment and may act as sponsor or advisor with respect to any Permitted Investment. For investment purposes, the Trustee may commingle the funds and accounts established under the Trust Agreement, but will account for each separately.

Reports. The Trustee will furnish monthly to the City a report of all investments made by the Trustee and of all amounts on deposit in each fund and account maintained under the Trust Agreement.

Valuation and Disposition of Investments. For the purpose of determining the amount in any fund or account under the Trust Agreement, all Permitted Investments will be valued at the market value thereof not later than July 1 of each year. With the prior written approval of an Authorized City Representative, the Trustee may sell at the best price obtainable, or present for redemption, any Permitted Investment so purchased by the Trustee whenever it is necessary in order to provide money to meet any required payment, transfer, withdrawal or disbursement from any fund or account under the Trust Agreement, and the Trustee is liable or responsible for any loss resulting from such investment or sale, except any loss resulting from its own negligence or willful misconduct.

Application of Investment Earnings. Investments in any Fund or Account will be deemed at all times to be a part of such Fund or Account, and any profit realized from such investment will be credited to such Fund or Account and any loss resulting from such investment will be charged to such Fund or Account. Interest earnings on investments in any Fund or Account will be deposited in the Bond Interest Account of the Revenue Fund.

DEFEASANCE

Discharge of Bonds; Release of Trust Agreement. Bonds or portions thereof (such portions to be in an Authorized Denomination) which have been paid in full or which are deemed to have been paid in full will no longer be entitled to the benefits of the Trust Agreement except for the purposes of payment from moneys and Defeasance Securities. When all Bonds which have been issued under the Trust Agreement have been paid in full or are deemed to have been paid in full, and all other sums payable thereunder by the City, including all necessary and proper fees, compensation and expenses of the Trustee and any Paying Agents, have been paid or are duly provided for, then the Trustee will cancel, discharge and release the Trust Agreement, execute, acknowledge and deliver to the City such instruments of satisfaction and discharge or release as requisite to evidence such release and such satisfaction and discharge and assign and deliver to the City any amounts at the time subject to the Trust Agreement which may then be in the Trustee’s possession, except funds or securities in which such funds are invested and held by the Trustee or the Paying Agents for the payment of the principal, premium, if any, and interest on the Bonds.
Bonds Deemed Paid. (a) A Bond will be deemed to be paid within the meaning of the Trust Agreement and for all purposes thereof when: (i) payment with respect thereto of the principal, interest and premium, if any, either: (1) has been made or caused to be made in accordance with the terms of the Bonds and the Trust Agreement; or (2) has been provided for, as certified to the Trustee by a Consultant who is a certified public accountant, by irrevocably depositing with the Trustee in trust and irrevocably setting aside exclusively for such payment: (x) moneys sufficient to make such payment; and/or (y) Defeasance Securities maturing as to principal and interest in such amounts and at such times as will insure the availability of sufficient moneys to make such payment; and (ii) all necessary and proper fees, compensation and expenses of the Trustee and any Paying Agents pertaining to the Bonds with respect to which such deposit is made have been paid or provision made for the payment thereof. At such times as Bonds will be deemed to be paid under the Trust Agreement, such Bonds will no longer be secured by or entitled to the benefits of the Trust Agreement, except for the purposes of payment from such moneys and Defeasance Securities.

(b) Notwithstanding the foregoing paragraph, no deposit under clause (i)(2) of the immediately preceding paragraph will be deemed a payment of such Bonds until: (i) proper notice of redemption of such Bonds has been given in accordance with the Trust Agreement; or in the event such Bonds are not to be redeemed within the next succeeding 60 days, until the City has given the Trustee irrevocable instructions to notify, as soon as practicable, the holders of the Bonds in accordance with the Trust Agreement, that the deposit required by clause (i)(2) above has been made with the Trustee and that such Bonds are deemed to have been paid in accordance with the Trust Agreement and stating the maturity or redemption date upon which moneys are to be available for the payment of the principal of, premium, if any, and unpaid interest on such Bonds; or (ii) the maturity of such Bonds.

DEFAULTS AND REMEDIES

Events of Default. Each of the following events constitute and is referred to in the Trust Agreement as an “Event of Default”: (a) a failure to pay the principal or premium, if any, on any of the Bonds when the same become due and payable at maturity or upon redemption; (b) a failure to pay any installment of interest on any of the Bonds when such interest become due and payable; (c) a failure by the City to observe and perform any covenant, condition, agreement or provision (other than as specified in clauses (a) and (b) above) contained in the Bonds or in the Trust Agreement on the part of the City to be observed or performed, which failure continues for a period of 60 days after written notice, specifying such failure and requesting that it be remedied, has been given to the City by the Trustee; provided, however, that the Trustee will be deemed to have agreed to an extension of such period if corrective action is initiated by the City within such period and is being diligently pursued; or (d) if the City files a petition in voluntary bankruptcy, for the composition of its affairs or for its corporate reorganization under any state or federal bankruptcy or insolvency law, or makes an assignment for the benefit of creditors, or admits in writing to its insolvency or inability to pay debts as they mature, or consents in writing to the appointment of a trustee or receiver for itself. Upon its actual knowledge of the occurrence of any Event of Default, the Trustee will immediately give written notice thereof to the City.

Remedies. Upon the occurrence and continuance of any Event of Default, the Trustee in its discretion may, and will upon the written direction of the holders of a majority of the Total Bond Obligation of the Bonds then Outstanding and, in each case, receipt of indemnity to its satisfaction, in its own name and as the Trustee of an express trust: (1) by mandamus, or other suit, action or proceeding at law or in equity, enforce all rights of the Bondholders under the Trust Agreement, as the case may be, and require the City to carry out any agreements with or for the benefit of the Bondholders and to perform its or their duties under the Refunding Law or any other law to which it is subject and the Trust Agreement; provided that any such remedy may be taken only to the extent permitted under the applicable provisions of the Trust Agreement; (2) bring suit upon the defaulted Bonds; (3) commence an action or suit in equity to require the City to account as if it were the trustee of an express trust for the Bondholders; or (4) by action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of the Bondholders under the Trust Agreement. The Trustee will be under no obligation to take any action with respect to any Event of Default unless the Trustee has actual knowledge of the occurrence of such Event of Default.

Restoration to Former Position. In the event that any proceeding taken by the Trustee to enforce any right under the Trust Agreement has been discontinued or abandoned for any reason, or has been determined adversely to the Trustee, then the City, the Trustee and the Bondholders will be restored to their former positions and rights
thereunder, respectively, and all rights, remedies and powers of the Trustee will continue as though no such proceeding had been taken.

**Bondholders’ Right to Direct Proceedings on their Behalf.** Anything in the Trust Agreement to the contrary notwithstanding, Holders of a majority in Total Bond Obligation have the right, at any time, by an instrument in writing executed and delivered to the Trustee, to direct the time, method and place of conducting all remedial proceedings on their behalf available to the Trustee under the Trust Agreement to be taken in connection with the enforcement of the terms of the Trust Agreement or exercising any trust or power conferred on the Trustee by the Trust Agreement; provided that such direction may not be otherwise than in accordance with the provisions of the law and the Trust Agreement and that there is provided to the Trustee security and indemnity satisfactory to the Trustee against the costs, expenses and liabilities to be incurred as a result thereof by the Trustee; provided further that the Trustee has the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Bondholders not parties to such direction.

**Limitation on Bondholders’ Rights to Institute Proceedings.** No owner of any Bond has the right to institute any suit, action or proceeding at law in equity, for the protection or enforcement of any right or remedy under the Trust Agreement, or applicable law with respect to such Bond, unless: (a) such owner has given to the Trustee written notice of the occurrence of an Event of Default; (b) the owners of not less than a majority in Total Bond Obligation have made written request upon the Trustee to exercise the powers granted in the Trust Agreement or to institute such suit, action or proceeding in its own name; (c) such owner or said owners have tendered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; (d) the Trustee has refused or failed to comply with such request for a period of 60 days after such written request has been received by and said tender of indemnity has been made to, the Trustee; and (e) the Trustee has not received contrary directions from the owners of a majority in aggregate principal amount of the Total Bonds Obligation.

**No Impairment of Right to Enforce Payment.** Notwithstanding any other provision in the Trust Agreement, the right of any Bondholder to receive payment of the principal of and interest on such Holder’s Bond, on or after the respective due dates expressed therein, or to institute suit for the enforcement of any such payment on or after such respective date, will not be impaired or affected without the consent of such Bondholder.

**Proceedings by Trustee Without Possession of Bonds.** All rights of action under the Trust Agreement or under any of the Bonds secured thereby which are enforceable by the Trustee may be enforced by it without the possession of any of the Bonds, or the production thereof at the trial or other proceedings relative thereto, and any such suit, action or proceeding instituted by the Trustee will be brought in its name for the equal and ratable benefit of the Bondholders, as the case may be, subject to the provisions of the Trust Agreement.

**No Remedy Exclusive.** No remedy conferred upon or reserved to the Trustee or to Bondholders is intended to be exclusive of any other remedy or remedies, and each and every such remedy will be cumulative, and in addition to every other remedy given under the Trust Agreement, or now or later existing at law or in equity or by statute; provided, however, that any conditions set forth in the Trust Agreement to the taking of any remedy to enforce the provisions of the Trust Agreement or the Bonds will also be conditions to seeking any remedies under any of the foregoing pursuant to the Trust Agreement.

**No Waiver of Remedies.** No delay or omission of the Trustee or of any Bondholder to exercise any right or power accruing upon any default will impair any such right or power or be construed to be a waiver of any such default, or an acquiescence therein and every power and remedy given by the Trust Agreement to the Trustee and to the Bondholders, respectively, may be exercised from time to time and as often as may be deemed expedient.

**Application of Moneys.** (a) Any moneys received by the Trustee for the benefit of Bondholders, by any receiver or by any Bondholder pursuant to any right given or action taken under the provisions of the Trust Agreement, after payment of the costs and expenses of the proceedings resulting in the collection of such moneys and of the fees, expenses, liabilities and advances incurred or made by the Trustee (including without limitation reasonable fees and reasonable expenses of its attorneys), will be deposited in the Revenue Fund and all moneys so deposited in the Revenue Fund during the continuance of an Event of Default will be applied: (i) first, to the payment to the persons entitled thereto of all installments of interest then due on the Bonds, with interest on overdue

C-15

199
installments, if lawful, at the rate per annum borne by the Bonds, as the case may be, in the order of maturity of the installments of such interest (if the amount available for such interest installments is not sufficient to pay in full any particular installment of interest, then to the payment ratably, according to the amounts due on such installment), and if the amount available for such interest is not sufficient to make payment thereof, then to the payment thereof ratably according to the respective aggregate amounts due; and (ii) second, to the payment to the persons entitled thereto of the unpaid principal, as applicable, of any of the Bonds which have become due with interest on such Bonds at their respective rate from the respective dates upon which they became due (if the amount available for such unpaid principal and interest is not sufficient to make full payment thereof, then to the payment thereof ratably according to the respective aggregate amounts due.

(b) Whenever moneys are to be applied pursuant to the provisions of the Trust Agreement, such moneys will be applied at such times, and from time to time, as the Trustee determines, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Trustee applies such funds, it will fix the date (which must be an Interest Payment Date unless it deems another date more suitable) upon which such application is to be made and upon such date interest on the amounts to be paid on such date will cease to accrue. The Trustee will give notice of the deposit with it of any such moneys and of the fixing of any such date by Mail to all Bondholders and is not required to make payment to any Bondholder until such Bonds are presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

Severability of Remedies. It is the purpose and intention of the Trust Agreement to provide rights and remedies to the Trustee and the Bondholders which may be lawfully granted under the provisions of applicable law, but should any right or remedy therein granted be held to be unlawful, the Trustee and the Bondholders are entitled, as above set forth, to every other right and remedy provided in the Trust Agreement and by applicable law.

Additional Events of Default and Remedies. So long as any Bonds are Outstanding, the Events of Default and remedies as set forth in the Trust Agreement may be supplemented with additional Events of Default and remedies as set forth from time to time in a supplemental agreement.

TRUSTEE; REGISTRAR

Acceptance of Trusts. The Trustee has accepted and agreed to execute the trusts specifically imposed upon it by the Trust Agreement, but only upon the additional terms set forth therein, to all of which the City has agreed and the respective Bondholders agree by their acceptance of delivery of any of the Bonds.

Duties of Trustee. (a) If an Event of Default has occurred and is continuing, the Trustee will exercise its rights and powers and use the same degree of care and skill in their exercise as a prudent person would exercise or use under the circumstances in the conduct of such person’s own affairs.

(b) Except during the continuance of an Event of Default: (i) the Trustee need perform only those duties that are specifically set forth in the Trust Agreement and no others; and (ii) in the absence of negligence on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed, upon certificates or opinions furnished to the Trustee and conforming to the requirements of the Trust Agreement. However, the Trustee will examine the certificates and opinions to determine whether they conform to the requirements of the Trust Agreement.

(c) The Trustee may not be relieved from liability for its own negligent action, its own negligent failure to act or its own willful misconduct, except that: (i) the foregoing does not limit the effect of clause (b) above; (ii) the Trustee will not be liable for any error of judgment made in good faith by a Responsible Officer unless the Trustee was negligent in ascertaining the pertinent facts; (iii) the Trustee will not be liable with respect to any action it takes or fails to take in good faith in accordance with a direction received by it from Bondholders or the City in the manner provided in the Trust Agreement; and (iv) no provision of the Trust Agreement requires the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its
duties thereunder or in the exercise of any of its rights or powers if repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

(d) Every provision of the Trust Agreement that in any way relates to the Trustee is subject to all the paragraphs of the Trust Agreement.

(e) The Trustee may refuse to perform any duty or exercise any right or power unless it receives indemnity reasonably satisfactory to it against any loss, liability or expense.

(f) The Trustee is not liable for interest on any cash held by it except as the Trustee may agree with the City.

Rights of Trustee. (a) The recitals of facts contained in the Trust Agreement and in the Bonds will be taken as statements of the City, and the Trustee assumes no responsibility for the correctness of the same (other than the certificate of authentication of the Trustee on each Bond), and makes no representations as to the validity or sufficiency of the Trust Agreement or of the Bonds or of any Permitted Investment and will not incur any responsibility in respect of any such matter, other than in connection with the duties or obligations expressly assigned to or imposed upon it in the Trust Agreement or in the Bonds. The Trustee is, however, responsible for its representations contained in its certificate of authentication on the Bonds. The Trustee is not liable in connection with the performance of its duties under the Trust Agreement, except for its own negligence, willful misconduct or breach of the express terms and conditions thereof. The Trustee and its directors, officers, employees or agents may in good faith buy, sell, own, hold and deal in any of the Bonds and may join in any action which any Holder of a Bond may be entitled to take, with like effect as if the Trustee was not the Trustee under the Trust Agreement.

(b) The Trustee may execute any of the trusts or powers of the Trust Agreement and perform the duties required of it thereunder by or through attorneys, agents or receivers, and is entitled to advice of counsel concerning all matters of trust and its duty thereunder, and the opinion of such counsel will be authorization for any action taken or not taken in reliance on such opinion, but the Trustee is answerable for the negligence or misconduct of any such attorney, agent or receiver selected by it.

(c) No permissive power, right or remedy conferred upon the Trustee under the Trust Agreement will be construed to impose a duty to exercise such power, right or remedy.

(d) The Trustee is not bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, coupon or other paper or document but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Trustee determines to make such further inquiry or investigation, it is entitled to examine the books, records and premises of the City, personally or by agent or attorney.

(e) The Trustee is not responsible for the application or handling by the City of any moneys transferred to or pursuant to any requisition or request of the City in accordance with the terms and conditions of the Trust Agreement.

(f) Whether or not therein expressly so provided, every provision of the Trust Agreement relating to the conduct or affecting the liability of or affording protection to the Trustee is subject to all provisions of the Trust Agreement.

(g) The Trustee will be protected in acting upon any notice, resolution, request, consent, order, certificate, report, facsimile transmission, electronic mail, opinion, note or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties.

(h) The Trustee will not be considered in breach of or in default in its obligations under the Trust Agreement or progress in respect thereto in the event of delay in the performance of such obligations due to unforeseeable causes beyond its control and without its fault or negligence, including, but not limited to, Acts of
God or of the public enemy or terrorists, acts of a government, acts of the other party, fires, floods, epidemics, quarantine restrictions, strikes, freight embargoes, earthquakes, explosion, mob violence, riot, inability to procure or general sabotage or rationing of labor, equipment, facilities, sources of energy, material or supplies in the open market, litigation or arbitration involving a party or others relating to zoning or other governmental action or inaction pertaining to the project, malicious mischief, condemnation, and unusually severe weather or delays of suppliers or subcontractors due to such causes or any similar event and/or occurrences beyond the control of the Trustee.

(i) The Trustee has agreed to accept and act upon facsimile transmission of written instructions and/or directions pursuant to the Trust Agreement provided, however, that: (x) subsequent to such facsimile transmission of written instructions and/or directions the Trustee forthwith receives the originally executed instructions and/or directions; (y) such originally executed instructions and/or directions must be signed by a person as may be designated and authorized to sign for the party signing such instructions and/or directions; and (z) the Trustee has received a current incumbency certificate containing the specimen signature of such designated person.

Individual Rights of Trustee. The Trustee in its individual or any other capacity may become the owner or pledgee of Bonds and may otherwise deal with the City with the same rights it would have if it were not Trustee. Any Paying Agent or other agent may do the same with like rights.

Trustee’s Disclaimer. The Trustee makes no representations as to the validity or adequacy of the Trust Agreement or the Bonds, it is not accountable for the City’s use of the proceeds from the Bonds paid to the City and it is not responsible for any statement in any official statement or other disclosure document or in the Bonds other than its certificate of authentication.

Notice of Defaults. If an event occurs which with the giving of notice or lapse of time or both would be an Event of Default, and if the event is continuing and if it is actually known to the Trustee, the Trustee will mail to each Bondholder notice of the event within 90 days after it occurs. Except in the case of a default in payment or purchase on any Bonds, the Trustee may without the notice to Bondholders if and so long as a committee of its Responsible Officers in good faith determines that withholding the notice is in the interests of the Bondholders.

Compensation of Trustee. The City will from time to time, but only in accordance with a written agreement in effect with the Trustee, pay to the Trustee reasonable compensation for its services and reimburse the Trustee for all its reasonable advances and expenditures, including but not limited to advances to and fees and expenses of independent appraisers, accountants, consultants, counsel, agents and attorneys-at-law or other experts employed by it in the exercise and performance of its powers and duties under the Trust Agreement. The Trustee will not otherwise have any claims or lien for payment of compensation for its services against any other moneys held by it in the funds or accounts established under the Trust Agreement, except as provided therein, but may take whatever legal actions are lawfully available to it directly against the City. To the extent permitted by applicable law, the City has agreed to indemnify and save the Trustee, its officers, employees, directors and agents, harmless against any costs, expenses, claims or liabilities whatsoever, including, without limitation, fees and expenses of its attorneys, that it may incur in the exercise and performance of its powers and duties under the Trust Agreement which are not due to its negligence or willful misconduct. The foregoing agreement will survive the payment of the Bonds, the discharge of the Trust Agreement and the appointment of a successor trustee.

Eligibility of Trustee. The Trust Agreement will always have a Trustee that is a trust company, a bank or association having trust powers and is organized and doing business under the laws of the United States or any state or the District of Columbia, is subject to supervision or examination by United States, state or District of Columbia authority and has a combined capital and surplus of at least $100,000,000 as set forth in its most recent published annual report of condition.

Replacement of Trustee. (a) The Trustee may resign as trustee under the Trust Agreement by notifying the City in writing prior to the proposed effective date of the resignation. The Holders of a majority in Total Bond Obligation of the Bonds may remove the Trustee by notifying the removed Trustee and may appoint a successor Trustee with the City’s consent. The City may remove the Trustee, by notice in writing delivered to the Trustee 30 days prior to the proposed removal date; provided, however, that the City has no right to remove the Trustee during any time when an Event of Default has occurred and is continuing unless: (i) the Trustee fails to comply with the
Trust Agreement; (ii) the Trustee is adjudged a bankrupt or an insolvent; (iii) the Trustee otherwise becomes incapable of acting; or (iv) the City determines that the Trustee’s services are no longer satisfactory to the City. No resignation or removal of the Trustee under the Trust Agreement will be effective until a new Trustee has taken office. If the Trustee resigns or is removed or for any reason is unable or unwilling to perform its duties under the Trust Agreement, the City will promptly appoint a successor Trustee.

(b) A successor Trustee will deliver a written acceptance of its appointment to the retiring Trustee and to the City. Immediately thereafter, the retiring Trustee will transfer all property held by it as Trustee to the successor Trustee, the resignation or removal of the retiring Trustee will then (but only then) become effective and the successor Trustee will have all the rights, powers and duties of the Trustee under the Trust Agreement. If a Trustee is not performing its duties under the Trust Agreement and a successor Trustee does not take office within 60 days after the retiring Trustee delivers notice of resignation or the City delivers notice of removal, the retiring Trustee, the City or the Holders of a majority in Total Bond Obligation of the Bonds may petition any court of competent jurisdiction for the appointment of a successor Trustee.

Successor Trustee or Agent by Merger. If the Trustee, any Paying Agent or Registrar consolidates with, merges or converts into, or transfers all or substantially all its assets (or, in the case of a bank or trust company, its corporate trust business) to, another corporation, the resulting, surviving or transferee corporation without any further act will be the successor Trustee, Paying Agent or Registrar.

Registrar. The City will appoint the Registrar for the Bonds and may from time to time remove a Registrar and name a replacement upon notice to the Trustee. The City has appointed the Trustee as Registrar. Each Registrar, if other than the Trustee, will designate to the Trustee, the Paying Agent, and the City its principal office and signify its acceptance of the duties imposed upon it under the Trust Agreement by a written instrument of acceptance delivered to the City and the Trustee under which such Registrar will agree, particularly, to keep such books and records as are consistent with prudent industry practice and to make such books and records available for inspection by the City, the Trustee, and the Paying Agent at all reasonable times.

Other Agents. The City or the Trustee may from time to time appoint other agents to perform duties and obligations under the Trust Agreement which agents may include, but not be limited to, authenticating agents all as provided by resolution of the City.

Several Capacities. Anything in the Trust Agreement to the contrary notwithstanding, the same entity may serve under the Trust Agreement as the Trustee, Registrar and any other agent as appointed to perform duties or obligations under the Trust Agreement or an escrow agreement, or in any combination of such capacities, to the extent permitted by law.

Accounting Records and Reports of Trustee. (a) The Trustee will at all times keep, or cause to be kept, proper books of record and account in which complete and accurate entries are made of all transactions made by it relating to the proceeds of the Bonds and all Funds and Accounts established pursuant to the Trust Agreement and held by the Trustee. Such books of record and account must be available for inspection by the City and any Bondholder, or his agent or representative duly authorized in writing, at reasonable hours and under reasonable circumstances.

(b) The Trustee will file and furnish to the City and to each Bondholder who has filed his name and address with the Trustee for such purpose (at such Bondholder’s cost), on an annual basis (or, with respect to the City, such other interval that the City may request), a complete financial statement (which may be its regular account statements and which need not be audited) covering receipts, disbursements, allocation and application of moneys in any of the funds and accounts established pursuant to the Trust Agreement for the preceding year.

No Remedy Exclusive. No remedy conferred upon or reserved to the City is intended to be exclusive of any other remedy or remedies, and each and every such remedy will be cumulative, and in addition to every other remedy given under the Trust Agreement, or now or later existing at law or in equity or by statute.

MODIFICATION OF THE TRUST AGREEMENT
Limitations. The Trust Agreement may not be modified or amended in any respect subsequent to the first delivery of fully executed and authenticated Bonds except as provided in and in accordance with and subject to the provisions of the Trust Agreement.

Supplemental Agreements Not Requiring Consent of Bondholders. (a) The City may, from time to time and at any time, without the consent of or notice to the Bondholders, execute and deliver supplemental agreements supplementing and/or amending the Trust Agreement as follows: (i) to cure any defect, omission, inconsistency or ambiguity in the Trust Agreement; (ii) to add to the covenants and agreements of the City in the Trust Agreement other covenants and agreements, or to surrender any right or power reserved or conferred upon the City, and which do not adversely affect the interests of the Bondholders; (iii) to confirm, as further assurance, any interest of the Trustee in and to the Funds and Accounts held by the Trustee or in and to any other moneys, securities or funds of the City provided pursuant to the Trust Agreement or to otherwise add security for the Bondholders; (iv) to comply with the requirements of the Trust Indenture Act of 1939, as from time to time amended; (v) to modify, alter, amend or supplement the Trust Agreement in any other respect which, in the judgment of the City, is not materially adverse to the Bondholders; (vi) to qualify the Bonds for a rating or ratings by any Rating Agency; and (vii) to authorize the issuance of Additional Bonds in accordance with the Trust Agreement.

(b) Before the City, pursuant to the Trust Agreement, executes any supplemental agreement there must be delivered to the City an Opinion of Bond Counsel to the effect that such supplemental agreement: (i) is authorized or permitted by the Trust Agreement and the Refunding Law; and (ii) will, upon the execution and delivery thereof, be valid and binding upon the City in accordance with its terms, subject to the typical exceptions.

Supplemental Agreement Requiring Consent of Bondholders. (a) Except for any supplemental agreement entered into pursuant to the Trust Agreement, the Holders of not less than a majority in Total Bond Obligation have the right from time to time to consent to and approve the execution by the City of any supplemental agreement deemed necessary or desirable by the City for the purposes of modifying, altering, amending, supplementing or rescinding, in any particular, any of the terms or provisions contained in the Trust Agreement or in a supplemental agreement; provided, however, that, unless approved in writing by the Holders of all the Bonds then Outstanding, nothing contained in the Trust Agreement permits or will be construed as permitting: (i) a change in the times, amounts or currency of payment of the principal of or interest on any Outstanding Bonds; or (ii) a reduction in the principal amount or redemption price of any Outstanding Bonds or the rate of interest thereon; and provided that nothing contained in the Trust Agreement, will, unless approved in writing by the Holders of all the Bonds then Outstanding, permit or be construed as permitting: (1) a preference or priority of any Bond or Bonds over any other Bond or Bonds; or (2) a reduction in the aggregate principal amount of Bonds the consent of the Holders of which is required for any such supplemental agreement. Nothing contained in the Trust Agreement, however, will be construed as making necessary the approval by Holders of the execution of any supplemental agreement as authorized in the Trust Agreement.

(b) If at any time the City desires to enter into any supplemental agreement for any of the purposes of the Trust Agreement, the City will cause notice of the proposed execution of the supplemental agreement to be given by Mail to all Holders. Such notice will briefly set forth the nature of the proposed supplemental agreement and state that a copy thereof is on file at the office of the City for inspection by all Holders.

(c) Within two weeks after the date of the first mailing of such notice, the City may execute and deliver such supplemental agreement in substantially the form described in such notice, but only if there has first been delivered to the City: (i) the required consents, in writing, of Holders; and (ii) an opinion of Bond Counsel stating that such supplemental agreement is authorized or permitted by the Trust Agreement and other applicable law, complies with their respective terms and, upon the execution and delivery thereof, will be valid and binding upon the City in accordance with its terms.

(d) If Holders of not less than the percentage of Bonds required by the Trust Agreement have consented to and approved the execution and delivery thereof as therein provided, no Holders will have any right to object to the adoption of such supplemental agreement, or to object to any of the terms and provisions contained therein or the operation thereof, or in any manner to question the propriety of the execution and delivery thereof, or to enjoin or restrain the City from executing the same or from taking any action pursuant to the provisions thereof.
Effect of Supplemental Agreements. Upon execution and delivery of any supplemental agreement pursuant to the provisions of the Trust Agreement, the Trust Agreement and all supplemental agreements will be, and will be deemed to be, modified and amended in accordance therewith, and the respective rights, duties and obligations under the Trust Agreement and all supplemental agreements of the City, the Trustee, the Registrar, any Paying Agent and all Holders will thereafter be determined, exercised and enforced under the Trust Agreement and all supplemental agreements, subject in all respects to such modifications and amendments.

Supplemental Agreements to be Part of the Trust Agreement. Any supplemental agreement adopted in accordance with the provisions of the Trust Agreement will thereafter form a part of the Trust Agreement or the supplemental agreement which they supplement or amend, and all of the terms and conditions contained in any such supplemental agreement as to any provision authorized to be contained therein will be and will be deemed to be part of the terms and conditions of the Trust Agreement which they supplement or amend for any and all purposes.

MISCELLANEOUS PROVISIONS

Parties in Interest. Except as otherwise specifically provided in the Trust Agreement, nothing in the Trust Agreement expressed or implied is intended or will be construed to confer upon any person, firm or corporation other than the City, the Paying Agent, the Trustee, and the Bondholders any right, remedy or claim under or by reason of the Trust Agreement, the Trust Agreement being intended to be for the sole and exclusive benefit of the City, the Paying Agent, the Trustee and the Bondholders.

Severability. In case any one or more of the provisions of the Trust Agreement, or of any Bonds issued thereunder will, for any reason, be held to be illegal or invalid, such illegality or invalidity will not affect any other provisions of the Trust Agreement or of Bonds, and the Trust Agreement and any Bonds issued thereunder will be construed and enforced as if such illegal or invalid provisions had not been contained therein.

No Personal Liability of City Officials; Limited Liability of City to Bondholders. (a) No covenant or agreement contained in the Bonds or in the Trust Agreement will be deemed to be the covenant or agreement of any present or future official, officer, agent or employee of the City in his individual capacity, and neither the members of the City Council of the City nor any person executing the Bonds will be liable personally on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof.

(b) Except for the payment when due of the payments and the observance and performance of the other agreements, conditions, covenants and terms required to be performed by it contained in the Trust Agreement, the City will not have any obligation or liability to the Bondholders with respect to the Trust Agreement or the preparation, execution, delivery, transfer, exchange or cancellation of the Bonds or the receipt, deposit or disbursement of the payments by the Trustee, or with respect to the performance by the Trustee of any obligation required to be performed by it contained in the Trust Agreement.

Execution of Instruments; Proof of Ownership. (a) Any request, direction, consent or other instrument in writing required or permitted by the Trust Agreement to be signed or executed by Bondholders or on their behalf by an attorney-in-fact may be in any number of concurrent instruments of similar tenor and may be signed or executed by such Bondholders in person or by an agent or attorney-in-fact appointed by an instrument in writing or as provided in the Bonds. Proof of the execution of any such instrument and of the ownership of Bonds is sufficient for any purpose of the Trust Agreement and will be conclusive in favor of the Trustee with regard to any action taken by it under such instrument if made in the following manner: (i) the fact and date of the execution by any person of any such instrument may be proved by the certificate of any officer in any jurisdiction who, by the laws thereof, has power to take acknowledgments within such jurisdiction, to the effect that the person signing such instrument acknowledged before him the execution thereof, or by an affidavit of a witness to such execution; and (ii) the ownership of Bonds will be proved by the registration books kept under the provisions of the Trust Agreement;

(b) Nothing contained in the Trust Agreement will be construed as limiting the Trustee to such proof. The Trustee may accept any other evidence of matters therein stated which it may deem sufficient. Any request, consent of, or assignment by any Bondholder will bind every future Bondholder of the same Bonds or any Bonds issued in lieu thereof in respect of anything done by the Trustee or the City in pursuance of such request or consent.
**Governing Law; Venue.** The Trust Agreement is made in the State under the Constitution and laws of the State and is to be so construed. If any party to the Trust Agreement initiates any legal or equitable action to enforce the terms of the Trust Agreement, to declare the rights of the parties under the Trust Agreement or which relates to the Trust Agreement in any manner, each such party has agreed that the place of making and for performance of the Trust Agreement will be the City of Arcadia, State of California, and the proper venue for any such action is the Superior Court of the State of California, in and for the City of Arcadia.

**Notices.** The Trustee will give written notice to the Rating Agencies if at any time: (i) a successor Trustee is appointed under the Trust Agreement; (ii) there is any amendment to the Trust Agreement; (ii) Bonds are to be redeemed pursuant to the Trust Agreement; (iv) notice of any defeasance of the Bonds; or (v) if the Bonds are no longer Book-Entry Bonds. Notice in the case of an event referred to in clause (ii) above will include a copy of any such amendment.

**Holidays.** If the date for making any payment or the last date for performance of any act or the exercising of any right, as provided in the Trust Agreement, is not a Business Day, such payment may, unless otherwise provided in the Trust Agreement be made or act performed or right exercised on the next succeeding Business Day with the same force and effect as if done on the nominal date provided in the Trust Agreement, and no interest will accrue for the period from and after such nominal date.
APPENDIX D

FORM OF BOND COUNSEL OPINION

[Closing Date]

City Council
City of Arcadia
Arcadia, California

Re: $__________ City of Arcadia 2020 Taxable Pension Obligation Bonds

Ladies and Gentlemen:

We have examined certified copies of proceedings of the City of Arcadia (the “City”) relative to the issuance and sale by the City of its 2020 Taxable Pension Obligation Bonds in the aggregate principal amount of $__________ (the “Bonds”), and such other information and documents as we consider necessary to render this opinion.

The Bonds have been issued pursuant to the authority contained in Articles 10 and 11 of Chapter 3 of Division 2 of Title 5 of the Government Code of the State of California, as now in effect and as it may from time to time hereafter be amended or supplemented, and the Trust Agreement, dated as of November 1, 2020 (the “Trust Agreement”), by and between the City and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”).

The Bonds have been issued for the purpose of refunding the City’s obligations to the California Public Employees Retirement System (“CalPERS”) evidenced by the contract between the Board of Administration of CalPERS and the City Council of the City, effective July 1, 1948, as such contract has been amended from time to time, to pay unamortized, unfunded accrued liability with respect to pension benefits under the Public Employees’ Retirement Law, constituting Part 3 of Division 5 of Title 2 of the California Government Code.

In such connection, we have reviewed the Trust Agreement, certificates of the City, the Trustee, and others, opinions of City Attorney and counsel to the Trustee, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein. In rendering this opinion, we have relied upon certain representations of fact and certifications made by the City, the initial purchasers of the Bonds and others. We have not undertaken to verify through independent investigation the accuracy of the representations and certifications relied upon by us.

The opinions expressed herein are based upon our analysis and interpretation of existing statutes, regulations, rulings and judicial decisions, including the default judgment entered on September 18, 2020 by the Superior Court of the County of Los Angeles in the action entitled City of Arcadia v. All Persons Interested et al., Case No. 20STCV11639, and cover certain matters that are not directly addressed by such authorities. The opinions that are expressed herein may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. Our engagement as to the Bonds terminates as of the date of issuance of the Bonds.

The Bonds are dated the date hereof, and mature on the dates and bear interest at the rates per annum set forth in the Trust Agreement. The Bonds are registered bonds in the forms set forth in the Trust
Agreement, redeemable in the amounts, at the times and in the manner provided for in the Trust Agreement. All terms which are not defined herein have the meanings ascribed to those terms in the Trust Agreement.

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

1. The Trust Agreement has been duly authorized, executed and delivered by the City and, assuming due authorization, execution and delivery by the Trustee, constitutes the valid and binding obligation of the City enforceable in accordance with its terms.

2. The Bonds have been duly authorized and issued by the City and are valid and binding obligations of the City enforceable in accordance with their terms. The Bonds do not constitute a debt of the City, the State of California or any political subdivision thereof within the meaning of any constitutional or statutory debt limit or restriction, and do not constitute an obligation for which the City, the State of California or any political subdivision thereof is obligated to levy or pledge any form of taxation or for which the City, the State of California or any political subdivision thereof has levied or pledged any form of taxation.

3. Upon issuance and authentication of the Bonds in accordance with the Trust Agreement, the Bonds will be entitled to the benefits of the Trust Agreement.

4. Interest on the Bonds is exempt from State of California personal income tax.

The opinions that are expressed herein may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. Our engagement with respect to the Bonds terminates on the date of their issuance. The Trust Agreement permits certain actions to be taken or to be omitted if a favorable opinion of Bond Counsel is provided with respect thereto. Other than expressly stated herein, we express no other opinion regarding tax consequences with respect to the Bonds.

Our opinion is limited to matters governed by the laws of the State of California. We assume no responsibility with respect to the applicability or the effect of the laws of any other jurisdiction.

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

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

Respectfully submitted,
APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

Upon issuance of the Bonds, the City proposes to enter into a Continuing Disclosure Certificate in substantially the following form:

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the City of Arcadia (the “City”) in connection with the issuance by the City of its $____ 2020 Taxable Pension Obligation Bonds (the “Bonds”). The Bonds are being issued pursuant to a Trust Agreement, dated as of November 1, 2020 (the “Indenture”), by and between the City and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”). The City covenants and agrees as follows:

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

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

   Annual Report. The term “Annual Report” means any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

   Beneficial Owner. The term “Beneficial Owner” means any person which: (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositaries or other intermediaries); or (b) is treated as the owner of any Bonds for federal income tax purposes.

   EMMA. The term “EMMA” means the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access System for municipal securities disclosures, maintained on the Internet at http://emma.msrb.org/.

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

   Fiscal Year. The term “Fiscal Year” means the one-year period ending on the last day of June of each year.

   Holder. The term “Holder” means a registered owner of the Bonds.

   Listed Events. The term “Listed Events” means any of the events listed in Sections 5(a) and (b) of this Disclosure Certificate.


   Participating Underwriter. The term “Participating Underwriter” means any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

   Rule. The term “Rule” means Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.
3. **Provision of Annual Reports.**

   (a) The City shall provide not later than each April 1 following the end of its Fiscal Year (commencing April 1, 2021 with the Fiscal Year 2020 Annual Report) to EMMA an Annual Report relating to the immediately preceding Fiscal Year which is consistent with the requirements of Section 4 of this Disclosure Certificate, which Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate.

   (b) If the City is unable to provide to EMMA an Annual Report by the date required in subsection (a), the City shall send in a timely manner to EMMA a notice in the manner prescribed by the Municipal Securities Rulemaking Board.

4. **Content of Annual Reports.** The Annual Report shall contain or incorporate by reference the following:

   (a) Audited financial statements of the City for the prior Fiscal Year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the City’s audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they come available.

   (b) To the extent not included in the audited financial statements provided pursuant to the foregoing Section 4(a), the Annual Report shall contain the following information:

      (i) The principal amount of the Bonds outstanding;

      (ii) The City’s adopted general fund budget for the Fiscal Year then ended;

      (iii) Total property assessed values within the City, which may be in the form of Table 5 set forth under the caption “CITY FINANCIAL INFORMATION—Property Taxes” in the Official Statement;

      (iv) Property tax charges and delinquencies, which may be in the form of Table 6 set forth under the caption “CITY FINANCIAL INFORMATION—Property Taxes” in the Official Statement; and

      (v) Top twenty secured taxpayers within the City, which may be in the form of Table 7 set forth under the caption “CITY FINANCIAL INFORMATION—Property Taxes” in the Official Statement.

   The items described above may be included by specific reference to other documents, including official statements of debt issues of the City or related public entities, which have been submitted to EMMA; provided, that if any document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board; and provided further, that the City shall clearly identify each such document so included by reference.

5. **Reporting of Significant Events.**

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

      1. principal and interest payment delinquencies;

      2. unscheduled draws on debt service reserves reflecting financial difficulties;
3. unscheduled draws on credit enhancements reflecting financial difficulties;

4. substitution of credit or liquidity providers, or their failure to perform;

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

6. tender offers;

7. defeasances;

8. ratings changes;

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

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

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

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

2. modifications to the rights of Bond holders;

3. optional, unscheduled or contingent Bond redemptions;

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

5. non-payment related defaults;

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

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

8. incurrence of a Financial Obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the City, any of which affect security holders, if material.
If the City determines that knowledge of the occurrence of a Listed Event under Section 5(b) would be material under applicable federal securities laws, the City shall file a notice of such occurrence with EMMA in a timely manner not more than ten (10) Business Days after the event.

6. Customarily Prepared and Public Information. Upon request, the City shall provide to any person financial information and operating data regarding the City which is customarily prepared by the City and is publicly available.

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

8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the City may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that, in the opinion of nationally recognized bond counsel, such amendment or waiver is permitted by the Rule.

9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any 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 not thereby have any obligation under this Disclosure Certificate to update such information or include it in any future notice of occurrence of a Listed Event.

10. Default. In the event of a failure of the City to comply with any provision of this Disclosure Certificate, any Holders or Beneficial Owners of at least 50% aggregate principal amount of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture or the Lease Agreement, and the sole remedy under this Disclosure Certificate in the event of any failure of the City to comply with this Disclosure Certificate shall be an action to compel performance.

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

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

Dated: ___________, 2020

CITY OF ARCADIA

By: ____________________________

Its: City Manager
The information in this section concerning DTC and DTC’s book-entry only system has been obtained from sources that the City and the Underwriter believe to be reliable, but none of the City or the Underwriter takes any responsibility for the completeness or accuracy thereof. The following description of the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal, premium, if any, accreted value, if any, and interest on the Bonds to DTC Participants or Beneficial Owners, confirmation and transfers of beneficial ownership interests in the Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC.

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Bonds. The Bonds 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 bond will be issued for each annual maturity of the Bonds, each in the aggregate principal amount of such annual maturity, and will be deposited with DTC.

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

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“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 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC’s MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City 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 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

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

THE TRUSTEE, AS LONG AS A BOOK-ENTRY ONLY SYSTEM IS USED FOR THE BONDS, WILL SEND ANY NOTICE OF REDEMPTION OR OTHER NOTICES TO OWNERS ONLY TO DTC. ANY FAILURE OF DTC TO ADVISE ANY DTC PARTICIPANT, OR OF ANY DTC PARTICIPANT TO NOTIFY ANY BENEFICIAL OWNER, OF ANY NOTICE AND ITS CONTENT OR EFFECT WILL NOT AFFECT THE VALIDITY OF SUFFICIENCY OF THE PROCEEDINGS RELATING TO THE REDEMPTION OF THE BONDS CALLED FOR REDEMPTION OR OF ANY OTHER ACTION PREMISED ON SUCH NOTICE.
CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the City of Arcadia (the “City”) in connection with the issuance by the City of its $__________ 2020 Taxable Pension Obligation Bonds (the “Bonds”). The Bonds are being issued pursuant to a Trust Agreement, dated as of November 1, 2020 (the “Indenture”), by and between the City and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”). The City covenants and agrees as follows:

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

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

   - **Annual Report.** The term “Annual Report” means any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

   - **Beneficial Owner.** The term “Beneficial Owner” means any person which: (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositaries or other intermediaries); or (b) is treated as the owner of any Bonds for federal income tax purposes.

   - **EMMA.** The term “EMMA” means the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access System for municipal securities disclosures, maintained on the Internet at http://emma.msrb.org/.

   - **Financial Obligation.** The term “Financial Obligation” means a: (A) debt obligation; (B) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (C) guarantee of (A) or (B). The term “Financial Obligation” does not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule.

   - **Fiscal Year.** The term “Fiscal Year” means the one-year period ending on the last day of June of each year.

   - **Holder.** The term “Holder” means a registered owner of the Bonds.

   - **Listed Events.** The term “Listed Events” means any of the events listed in Sections 5(a) and (b) of this Disclosure Certificate.


   - **Participating Underwriter.** The term “Participating Underwriter” means any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

   - **Rule.** The term “Rule” means Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

3. Provision of Annual Reports.

   (a) The City shall provide not later than each April 1 following the end of its Fiscal Year (commencing April 1, 2021 with the Fiscal Year 2020 Annual Report) to EMMA an Annual Report relating to the immediately preceding Fiscal Year which is consistent with the requirements of Section 4 of this Disclosure Certificate.
Certificate, which Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate.

(b) If the City is unable to provide to EMMA an Annual Report by the date required in subsection (a), the City shall send in a timely manner to EMMA a notice in the manner prescribed by the Municipal Securities Rulemaking Board.

4. **Content of Annual Reports.** The Annual Report shall contain or incorporate by reference the following:

   (a) Audited financial statements of the City for the prior Fiscal Year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the City’s audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they come available.

   (b) To the extent not included in the audited financial statements provided pursuant to the foregoing Section 4(a), the Annual Report shall contain the following information:

      (i) The principal amount of the Bonds outstanding;

      (ii) The City’s adopted general fund budget for the Fiscal Year then ended;

      (iii) Total property assessed values within the City, which may be in the form of Table 5 set forth under the caption “CITY FINANCIAL INFORMATION—Property Taxes” in the Official Statement;

      (iv) Property tax charges and delinquencies, which may be in the form of Table 6 set forth under the caption “CITY FINANCIAL INFORMATION—Property Taxes” in the Official Statement; and

      (v) Top twenty secured taxpayers within the City, which may be in the form of Table 7 set forth under the caption “CITY FINANCIAL INFORMATION—Property Taxes” in the Official Statement.

   The items described above may be included by specific reference to other documents, including official statements of debt issues of the City or related public entities, which have been submitted to EMMA; provided, that if any document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board; and provided further, that the City shall clearly identify each such document so included by reference.

5. **Reporting of Significant Events.**

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

      1. principal and interest payment delinquencies;

      2. unscheduled draws on debt service reserves reflecting financial difficulties;

      3. unscheduled draws on credit enhancements reflecting financial difficulties;

      4. substitution of credit or liquidity providers, or their failure to perform;
5. adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability or Notices of Proposed Issue (IRS Form 5701 TEB);

6. tender offers;

7. defeasances;

8. ratings changes;

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

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

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

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

2. modifications to the rights of Bond holders;

3. optional, unscheduled or contingent Bond redemptions;

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

5. non-payment related defaults;

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

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

8. incurrence of a Financial Obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the City, any of which affect security holders, if material.

(c) If the City determines that knowledge of the occurrence of a Listed Event under Section 5(b) would be material under applicable federal securities laws, the City shall file a notice of such occurrence with EMMA in a timely manner not more than ten (10) Business Days after the event.
6. **Customarily Prepared and Public Information.** Upon request, the City shall provide to any person financial information and operating data regarding the City which is customarily prepared by the City and is publicly available.

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

8. **Amendment; Waiver.** Notwithstanding any other provision of this Disclosure Certificate, the City may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that, in the opinion of nationally recognized bond counsel, such amendment or waiver is permitted by the Rule.

9. **Additional Information.** Nothing in this Disclosure Certificate shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any 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 not thereby have any obligation under this Disclosure Certificate to update such information or include it in any future notice of occurrence of a Listed Event.

10. **Default.** In the event of a failure of the City to comply with any provision of this Disclosure Certificate, any Holders or Beneficial Owners of at least 50% aggregate principal amount of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture or the Lease Agreement, and the sole remedy under this Disclosure Certificate in the event of any failure of the City to comply with this Disclosure Certificate shall be an action to compel performance.

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

11. **Beneficiaries.** This Disclosure Certificate shall inure solely to the benefit of the City, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Dated: __________, 2020

CITY OF ARCADIA

By: ________________________________

Its: City Manager