

PRELIMINARY OFFICIAL STATEMENT DATED OCTOBER 16, 2020

NEW ISSUE—BOOK-ENTRY ONLY

**RATINGS: S&P: “AAA”
(See “RATINGS” herein)**

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.”



\$89,930,000*
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 \$89,930,000* 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 City has not funded a reserve fund in connection with the issuance of the Bonds.

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.

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

MATURITY SCHEDULE

\$89,930,000*

CITY OF ARCADIA

2020 TAXABLE PENSION OBLIGATION BONDS

BASE CUSIP[†]: _____

<i>Maturity (December 1)</i>	<i>Principal Amount</i>	<i>Interest Rate</i>	<i>Yield</i>	<i>Price</i>	<i>CUSIP[†]</i>
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\$

%

%

\$ _____ % 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.

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\$89,930,000*
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 \$89,930,000*. 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. In the event of an optional redemption of the Bonds, the City will provide the Trustee with a revised sinking fund schedule giving effect to the optional redemption so completed.

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:

<i>Redemption Date (December 1)</i>	<i>Principal Amount</i>
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\$

*

* 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 November 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 Trust Agreement) 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

In the case of any redemption at the election of the City of Outstanding Bonds or any portion of the Bonds, the City will at least 45 days prior to the date fixed for redemption (unless a shorter notice is satisfactory to the Trustee, in the sole discretion of the Trustee), notify the Trustee of such redemption date, and the principal amount of the Bonds to be redeemed. 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 Trust Agreement 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 Trust Agreement. 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 as the "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 December 2 of each year beginning in 2021, 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

The following information is primarily derived from the City's most recent CalPERS Annual Valuation Reports as of June 30, 2019, dated July 2020, which have been produced by CalPERS, its staff, independent accountants, and actuaries. 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. Neither the City nor the Underwriter has 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.

General

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**

<i>Miscellaneous Plan</i>				
	<i>Classic</i>	<i>Hybrid</i>	<i>Tier II</i>	<i>PEPRA</i>
Benefit formula	2.5% @ 55	2.5% @ 55	2.0% @ 60	2.0% @ 62
Hire date	Prior to July 1, 2011	Hired between July 1, 2011 – October 8, 2011	On or after October 9, 2011	On or after January 1, 2013
Retirement age	50-63	50-63	50-63	52 - 67
Normal Costs	Total 30.952%. Employee pays 8% of employer cost through cost-sharing			
Employee Paid Matching Contribution	Total 8%. 7% paid by City (EMPC) ⁽¹⁾	30.952% 8.00% ⁽²⁾	30.952% 7.00% ⁽³⁾	30.952% 6.00% ⁽⁴⁾
<i>Safety Plan</i>				
	<i>Classic</i>	<i>Hybrid</i>	<i>Tier II</i>	<i>PEPRA</i>
Benefit formula	3.0% @ 50	3.0% @ 50	3% @ 55	2.7% @ 57
Hire date	Prior to July 1, 2011	Hired between July 1, 2011 – October 8, 2011	On or after October 9, 2011	On or after January 1, 2013
Retirement age	50-55	50-55	50-55	52 - 67
Normal Costs	Total 54.782%. Employee pays 9% of employer cost through cost-sharing			
Employee Paid Matching Contribution	Total 9%. 9% paid by City (EMPC) ⁽⁵⁾	54.782% 9.00% ⁽⁶⁾	54.782% 9.00% ⁽⁷⁾	54.782% 10.75% ⁽⁸⁾

- (1) The City makes an 87.5% portion of the employee contribution on behalf of Miscellaneous Classic 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 Classic 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.

California Public Employees’ Pension Reform Act of 2013 (PEPRA)

California Public Employees’ Pension Reform Act of 2013 (“PEPRA”), which was signed by the State Governor on September 12, 2012, establishes a new pension benefits for employees who were hired on and after January 1, 2013, who were not previously CalPERS members or have left employment with a CalPERS agency for more than 6 months. Employees hired prior to January 1, 2013 and have remained under continuous employment with a CalPERS agency are considered “Classic” employees.

PEPRA adjusted the benefit formulas, required employee contribution, calculation of benefits and maximum pay, as well as other benefits. PEPRA employees receive the following benefit formulas: (i) 2.0% at age 62 formula for Miscellaneous employees; and (ii) 2.7% at age 57 for Safety employees. Employees are required to pay at least 50% of the total (annual) normal cost rate, and are required to make the full amount of

required employee contributions themselves under Benefits for such employees are calculated on the highest average annual compensation over a consecutive 36-month period. Retroactive benefits increases are also prohibited, as are contribution holidays, and purchases of additional non-qualified service credit.

PEPRA also capped pensionable income as noted below. Maximum amounts are set annually, subject to adjustment in accord with the Consumer Price Index.

**City of Arcadia
CalPERS Pension Compensation Limits for
Calendar Year 2020 (Classic and PEPRA members)**

	<i>Classic</i>	<i>PEPRA</i>
Maximum Pensionable Income	\$280,000	\$151,549

The Maximum Pensionable income for PEPRA members employed at agencies that participate in Social Security is \$126,291. Source: CalPERS Payroll Circular Letter dated January 6, 2020.

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

Annual CalPERS Contributions

The City is required to contribute the actuarially determined 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 required employer contribution is comprised of a Normal Cost component and a component equal to an amortized amount of the unfunded liability or Annual Unfunded Accrued Liability (“UAL”) Payment. The Normal Cost is the annual cost of service earned by active employees for the upcoming Fiscal Year, which is expressed as a percentage of payroll. The Annual UAL Payment is the amortized dollar amount needed to fund past service credit earned (or accrued) for members who are currently receiving benefits, active members, and for members entitled to deferred benefits, as of the valuation date. The UAL is a fixed dollar annual payment, billed monthly. The City’s pension cost contributions to CalPERS fluctuate each year. Many assumptions are used to estimate the ultimate liability and the contributions that will be required to meet those obligations

Normal Costs

The employer normal cost contributions are based on a percentage of payroll. Actual Normal Cost Contributions are based on the Employer Contribution Rate for each Benefit Plan and the actual payroll for employees covered under each respective plan. The City’s Normal Cost Contribution may also include Employer Paid Member Contributions (“EPMC”). The City makes EMPC payments on behalf of its Classic employees: 87.5% of the Employee Contribution for its Miscellaneous Classic (Tier 1) employees, and 100% of the Employee Contribution for its Safety Classic (Tier 1) employees. The Normal Cost Contribution for Fiscal Year 2020-21 is summarized in the chart below, which are based on projected payroll estimated by CalPERS. This amount does not include EPMC paid by the City.

City of Arcadia
Normal Cost Contribution as a Percentage of Payroll

<i>Fiscal Year 2020-21</i>	<i>Miscellaneous Plan</i>	<i>Safety Plan</i>
Total Normal Cost Rate ⁽¹⁾	18.128%	30.970%
Employee Contribution Rate	7.380%	9.281%
Employer Contribution Rate	10.748%	21.689%
Projected Payroll	\$14,910,787	\$16,087,363
Employer Required Contribution	\$ 1,602,613	\$ 3,489,187

⁽¹⁾ The Employer Normal Cost is a blended rate for all benefit groups in the plan. A breakout of normal cost by benefit group, see “Normal Cost by Benefit Group” in the “Liabilities and Contributions” section of each respective actuarial report.
Source: CalPERS Annual Valuation Reports as of June 30, 2019, dated July 2020.

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%. The reduction of the discount rate resulted in an increase of approximately 1% to 3% to the normal cost rate as a percentage of payroll for most retirement plans over the past few years. The projected normal cost rates in the future are projected to decline over time as new employees are hired into PEPRA or other lower cost benefit tiers.

The table below provides the projected employer contribution rates for the next six (6) fiscal years. The projection assumes that all actuarial assumptions will be realized and that no further changes to assumptions, contributions, benefits, or funding will occur during the projection period.

City of Arcadia
Projected Employer Contributions

	<i>2021-22</i>	<i>2022-23</i>	<i>2023-24</i>	<i>2024-25</i>	<i>2025-26</i>	<i>2026-27</i>
Miscellaneous	10.4%	10.2%	10.0%	9.7%	9.5%	9.3%
Safety	21.21	21.0	20.7	20.5	20.2	20.0

Source: CalPERS Annual Valuation Reports as of June 30, 2019, dated July 2020.

Unfunded Accrued Liability Payments

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. The actuarial report for the Miscellaneous Plan incorporates the Classic, Tier II and PEPRA plan for Miscellaneous employees. The actuarial report for the Safety Plan incorporates the Classic, Tier II and PEPRA plan for Fire and Police Sworn Officers.

City of Arcadia
Unfunded Accrued Liability of CalPERS Pension Plans

	<i>Miscellaneous Plan</i>	<i>Safety Plan</i>	<i>Combined</i>
Entry Age Normal Accrued Liability	\$ 156,969,394	\$ 272,532,843	\$ 429,502,237
Market Value of Assets (MVA)	<u>106,518,485</u>	<u>167,565,834</u>	<u>274,084,319</u>
Unfunded Accrued Liability (UAL)	\$ 50,450,909	\$ 104,967,009	\$ 155,417,918
Percentage of Accrued Liability Funded	67.86%	61.48%	63.81%

Source: CalPERS Annual Valuation Reports as of June 30, 2019, dated July 2020.

There is a two-year lag between the valuation date and the start of the contribution fiscal year. The unfunded accrued liability (“UAL”) was determined in the June 30, 2019 actuarial valuation, but the corresponding UAL Payments commence two years after the valuation date in Fiscal Year 2021-22. This two-year lag is necessary due to the amount of time needed to extract and test the membership and financial data, and the need to provide public agencies with their required employer contribution well in advance of the start of the fiscal year.

The projected UAL for Fiscal Year 2021-22 for the Miscellaneous Plan is equal to \$51,395,339 and \$105,906,301 for the Safety Plan, resulting in a combined total of \$157,301,640, as of June 30, 2021.

The UAL is comprised of a series of amortization bases. The Miscellaneous Plan has 24 amortization bases and the Safety Plan has 22 amortization bases. Each amortization base has as stated balance/(credit), amortization period, and discount and escalation rate, which results in an individual amortization schedule.

The amortization schedule below shows the minimum annual UAL payment contributions required according to CalPERS’s current amortization policy as of June 30, 2018 based on information provided to the City by CalPERS in July 2020 and does not reflect the issuance of the Bonds.

	<i>Miscellaneous</i>	<i>Safety</i>	<i>Combined</i>
2022	\$ 4,404,803	\$ 7,711,329	\$ 12,116,132
2023	4,760,920	8,320,678	13,081,598
2024	4,991,788	8,727,171	13,718,959
2025	5,249,821	9,157,831	14,407,652
2026	4,836,615	9,431,996	14,268,611
2027	5,011,639	9,692,814	14,704,453
2028	5,146,712	9,960,811	15,107,523
2029	5,007,736	10,236,171	15,243,907
2030	5,142,704	10,519,112	15,661,816
2031	5,281,377	10,809,824	16,091,201
2032	4,893,172	10,679,449	15,572,621
2033	4,786,560	10,612,040	15,398,600
2034	4,392,891	10,070,034	14,462,925
2035	4,227,001	9,871,732	14,098,733
2036	3,976,331	9,481,796	13,458,127
2037	3,528,251	8,740,620	12,268,871
2038	3,280,834	8,329,437	11,610,271
2039	3,017,221	7,888,995	10,906,216
2040	2,820,932	7,564,859	10,385,791
2041	2,694,569	8,171,002	10,865,571
2042	1,781,891	6,678,636	8,460,527
2043	1,597,180	6,380,901	7,978,081
2044	<u>920,605</u>	<u>3,886,687</u>	<u>4,807,292</u>
	\$ 91,751,553	\$ 202,923,925	\$ 294,675,478
UAL	\$ 51,395,339	\$ 105,906,301	\$ 157,301,640

Source: CalPERS Annual Valuation Reports as of June 30, 2019, dated July 2020.

Potential Impacts on Future Required Contributions

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.

Change in Assumptions / Discount Rate. 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% over a three-year period. The change was reflected in the June 30, 2016 actuarial report, which lowered the discount rate from 7.50% to 7.375%; in the June 30, 2017 actuarial report, which lowered the discount rate from 7.375% to 7.25%; and in the June 30, 2017 actuarial report, which lowered the discount rate from 7.25% to 7.00%. CalPERS has not announced any plans to reduce the discount further at this time.

Investment Performance. 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.

COVID-19. 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 captions "THE CITY—COVID-19 Outbreak" and "RISK FACTORS—Impacts and Potential Impacts of COVID-19 on the City."

The CalPERS website contains the most recent actuarial valuation reports for the City's Miscellaneous Plan and Safety Plan and other information that concerns benefits and other matters. The comprehensive annual financial reports of CalPERS are also available on CalPERS' Internet website at www.calpers.ca.gov. 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. Neither the City nor the Underwriter guarantees the accuracy of such information.

The following information has been derived primarily from the City's Comprehensive Annual Financial Report for the Fiscal Year ended June 30, 2019 (the "CAFR"). This information has been produced by CalPERS, its independent accountants and its actuaries, for the purposes of GASB 68 (as such term is defined below) reporting. The financial figures reported in the CAFR are different from the CalPERS actuarial reports. No attempt has been made to reconcile the difference between the pension figures used for GASB 68 reporting requirements and the information provided in the most recent June 30, 2019 CalPERS actuarial report.

GASB 68 Pension Information Providing in the Audited Financial Statements

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’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 captions “THE CITY—COVID-19 Outbreak” and “RISK FACTORS—Impacts and Potential Impacts of COVID-19 on the City.”

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**

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

⁽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

Miscellaneous Plan

	<i>Increase (Decrease)</i>		
	<i>Total Pension Liability</i>	<i>Plan Fiduciary Net Position</i>	<i>Net Pension Liability (Asset)</i>
Balance at June 30, 2018	\$ 152,890,594	\$ 106,432,727	\$ 46,457,867
Changes during the year:			
Service Cost	\$ 2,471,582	\$ -	\$ 2,471,582
Interest on the Total Pension Liability	10,829,020	-	10,829,020
Change of Assumptions	-	-	-
Differences between Expected and Actual Experience	1,256,812	-	1,256,812
Net Plan to Plan Resource Movement	-	-	-
Contributions - Employer	-	4,372,487	(4,372,487)
Contributions - Employees	-	1,058,595	(1,058,595)
Net Investment Income	-	6,963,383	(6,963,383)
Benefit Payments, including Refunds of Employee Contributions	(7,856,734)	(1,856,734)	-
Administrative Expense	-	(75,953)	75,953
Other Miscellaneous Income/(Expense)	-	248	(248)
Net Changes	<u>6,700,680</u>	<u>4,462,026</u>	<u>2,238,654</u>
Balance at June 30, 2019	\$ 159,591,274	\$ 110,894,753	\$ 48,696,521

Source: City.

City of Arcadia
Changes in CalPERS Pension Plans Net Pension Liability

Public Safety Plan

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

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 (7.15%), as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.15%) or 1 percentage point higher (8.15%) than the Fiscal Year 2019 rate:

City of Arcadia
Sensitivity of the CalPERS Pension Plans Net Pension Liability to
Changes in the Discount Rate

	<i>Miscellaneous</i>	<i>Safety</i>
1% Decrease Net Pension Liability	6.15% \$ 69,937,388	6.15% \$139,040,826
Current Discount Rate Net Pension Liability	7.15% \$ 48,696,521	7.15% \$101,371,199
1% Increase Net Pension Liability	8.15% \$ 31,245,931	8.15% \$ 70,601,529

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 captions “THE CITY—COVID-19 Outbreak” and “RISK FACTORS—Impacts and Potential Impacts of COVID-19 on the City.”

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 and CalPERS’ Internet website at www.calpers.ca.gov for CalPERS’ most recent actuarial valuation reports and other information that concerns benefits and other matters.

Policies for Addressing Unfunded Retirement Costs

On February 18, 2020, the City Council adopted Policies for Addressing Unfunded Retirement Costs (the “**Policy**”) to establish a methodology for funding benefits obligations accruing under the City’s unfunded retirement costs. In the development of the Policy, the City strives to reduce its unfunded CalPERS and other post-employment benefits liabilities by CalPERS, in the most cost-efficient manner possible. The City’s overall objective is to attain a funding level of 85% or greater, where current assets plus future assets from employer contributions, employee contributions, and investment earnings should be sufficient to fund benefits. The Policy provided guidance with respect to the issuance of the Bonds. The terms of the Policy and savings allocations considered in accordance therewith will be reviewed each year during the budgetary process to ensure proper funding of the City’s pension plan.

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.”

The Bonds are being issued to finance a portion of the rolled forward Pension Liability as of June 30, 2019 as projected by CalPERS. Upon the issuance of the Bonds, the City will pay \$89,398,333* 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.

Sources⁽¹⁾	
Principal Amount of Bonds	\$ _____
Total Sources	\$ _____
Uses⁽¹⁾	
Funding of Pension Liability ⁽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.

* Preliminary, subject to change.

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**

<i>Year Ending December 1*</i>	<i>Principal*</i>	<i>Interest</i>	<i>Total</i>
2021	\$	\$	\$
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
Total	\$ _____	\$ _____	\$ _____

* Preliminary, subject to change.
Source: Underwriter.

THE CITY

General

The City is located in the County of Los Angeles (the “County”) 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 select 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:

<i>Name</i>	<i>Office</i>	<i>Term Expires</i>
Roger Chandler	Mayor	November 2022
Sho Tay	Mayor Pro Tem	November 2022
Tom Beck	Council Member	November 2022
Paul P. Cheng	Council Member	November 2024
April Verlato	Council Member	November 2024

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 and finances. 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 to 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 fund transfers and approximately \$935,000 of certain discretionary General Fund capital expenditures made in Fiscal Year 2020). See the caption "CITY FINANCIAL INFORMATION—General Economic Condition and Outlook of the City."

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.

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 captions "CITY FINANCIAL INFORMATION—General Economic Condition and Outlook of the City" and "RISK FACTORS—Impacts and Potential Impacts of COVID-19 on 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, which is budgeted to produce revenues of approximately \$7,071,900 in Fiscal Year 2021. 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 fund transfers and 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 of \$7,071,900 for Fiscal Year 2021, 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 (exclusive of fund transfers), 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 (exclusive of fund transfers), 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 General 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 “—Budget for State Fiscal Year 2019-20.” 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.

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**

	<i>Adopted Fiscal Year 2018 Budget</i>	<i>Audited Fiscal Year 2018 Results</i>	<i>Adopted Fiscal Year 2019 Budget</i>	<i>Audited Fiscal Year 2019 Results</i>	<i>Adopted Fiscal Year 2020 Budget</i>	<i>Actual Fiscal Year 2020 Results⁽¹⁾</i>	<i>Adopted Fiscal Year 2021 Budget</i>
Revenues							
Taxes ⁽²⁾	\$ 38,703,700	\$ 37,797,893	\$ 39,707,200	\$ 39,436,524	\$ 41,868,400	\$ 40,518,563	\$ 44,034,500
Licenses and Permits	4,210,500	4,636,689	5,292,500	4,647,777	4,392,300	4,510,580	4,556,200
Fines and Forfeitures	575,500	496,828	583,500	442,858	527,500	440,352	416,500
Use of Money and Property	1,510,400	1,359,379	1,668,000	2,178,868	1,562,000	2,086,308	1,517,800
Intergovernmental	7,005,500	7,084,640	7,405,000	7,545,240	7,603,300	7,982,689	8,771,800
Charges for Services	4,436,000	5,038,450	4,507,400	4,834,282	5,031,900	4,455,089	4,121,300
Other Revenues	3,117,100	3,152,046	3,188,000	2,866,610	2,296,800	2,547,802	2,209,500
Total Revenues	\$ 59,558,700	\$ 59,565,925	\$ 62,351,600	\$ 61,952,159	\$ 63,282,200	\$ 62,541,383	\$ 65,627,600
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	3,289,100	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	
Total Expenditures	\$ 60,920,800	\$ 59,009,247	\$ 63,619,500	\$ 62,381,105	\$ 65,484,015	\$ 63,180,580	\$ 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	\$ 4,126,400	\$ 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)
Proceeds from Capital Lease Obligations ⁽³⁾				290,140			
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)	\$ (\$491,264)	\$ 251,700
Fund Balances – Beginning	N/A	\$ 31,184,088	N/A	\$ 31,124,338	N/A	\$ 29,489,271	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—General Fund-Supported Obligations—Capital Lease Obligations.”
Sources: Adopted budgets of the City for Fiscal Years 2018 and 2019; 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

	<i>Fiscal Year Ended June 30,</i>				
	<i>2016</i>	<i>2017</i>	<i>2018</i>	<i>2019</i>	<i>2020⁽¹⁾</i>
Revenues					
Taxes ⁽²⁾	\$ 36,882,562	\$ 37,491,396	\$ 37,797,893	\$ 39,436,524	\$ 40,518,563
Licenses and Permits	6,387,403	6,030,346	4,636,689	4,647,777	4,510,580
Fines and Forfeitures	572,435	434,858	496,828	442,858	440,352
Use of Money and Property	1,527,839	1,310,176	1,359,379	2,178,868	2,086,308
Intergovernmental	6,390,849	6,673,424	7,084,640	7,545,240	7,982,689
Charges for Services	4,548,949	4,276,787	5,038,450	4,834,282	4,455,089
Other Revenues	<u>3,086,958</u>	<u>2,825,632</u>	<u>3,152,046</u>	<u>2,866,610</u>	<u>2,547,802</u>
Total Revenues	\$ 59,396,958	\$ 59,042,619	\$ 59,565,925	\$ 61,952,159	\$ 62,541,383
Expenditures					
General Government					
City Council	\$ 260,386	\$ 274,724	\$ 230,385	\$ 230,610	\$ 219,422
City Manager	749,203	804,420	866,465	1,017,731	893,472
City Clerk	435,526	255,076	411,000	395,484	347,188
City Attorney	463,340	584,740	580,618	516,710	476,404
General City	2,610,690	1,855,081	1,946,674	1,978,800	2,362,452
Administrative services	3,847,140	4,286,662	3,609,092	3,465,001	3,394,698
Public Safety					
Police	19,057,936	20,245,999	20,727,096	22,801,184	22,439,292
Fire	14,147,306	14,752,629	15,697,715	16,464,591	17,597,640
Public Works Services	4,512,667	3,652,048	3,943,572	4,066,700	4,117,426
Community Development	4,520,057	4,268,614	4,069,124	4,303,013	4,313,168
Library	3,491,033	3,608,439	3,746,990	3,829,073	4,017,622
Recreation and Community Services	2,899,418	2,982,607	3,180,516	3,254,180	2,943,768
Debt Service:					
Principal Retirement	--	--	--	58,028	58,028
Interest and Fiscal Charges	--	--	--	--	--
Total Expenditures	\$ 56,994,703	\$ 57,571,039	\$ 59,009,247	\$ 62,381,105	\$ 63,180,580
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 2,402,293	\$ 1,471,580	\$ 556,678	\$ (428,946)	\$ (639,197)
Other Financing Sources (Uses)					
Transfers In	\$ 1,521,376	\$ 1,509,438	\$ 1,500,417	\$ 1,580,943	\$ 1,790,425
Transfers Out	(8,809,086)	(3,749,574)	(2,116,845)	(3,077,204)	(1,642,492)
Proceeds from Capital Lease Obligations ⁽³⁾	--	--	--	290,140	--
Total Other Financing Sources (Uses)	\$ (7,287,710)	\$ (2,240,136)	\$ (616,428)	\$ (1,206,121)	\$ 147,933
Net Change in Fund Balances	\$ (4,885,417)	\$ (768,556)	\$ (59,750)	\$ (1,635,067)	\$ (\$491,264)
Fund Balances – Beginning of Fiscal Year	\$ 36,838,061	\$ 31,952,644	\$ 31,184,088	\$ 31,124,338	\$ 29,489,271
Fund Balances – End of Fiscal Year	\$ 31,952,644	\$ 31,184,088	\$ 31,124,338	\$ 29,489,271	\$ 28,998,007

⁽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—General Fund-Supported Obligations—*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 3
City of Arcadia
General Fund Balance Sheet Summary

	<i>Fiscal Year Ended June 30,</i>				
	<i>2016</i>	<i>2017</i>	<i>2018</i>	<i>2019</i>	<i>2020⁽¹⁾</i>
Assets					
Cash and Investments	\$ 29,143,884	\$ 28,552,600	\$ 27,775,761	\$ 26,224,774	\$ 25,544,473
Accounts Receivable	211,120	199,749	192,823	288,236	310,764
Interest Receivable	71,548	90,906	113,943	141,825	123,034
Due from Other Funds	360,323	53,111	44,089	117,576	419,680
Due from Other Governments	4,823,137	3,845,726	4,058,502	3,870,182	3,905,637
Prepaid items and deposits	45,424	60,291	83,465	59,173	37,022
Inventories	751,881	785,222	985,511	852,060	761,707
Advances to Other Funds	--	--	--	201,614	201,614
Total Assets	<u>\$ 35,407,317</u>	<u>\$ 33,587,605</u>	<u>\$ 33,254,094</u>	<u>\$ 31,755,430</u>	<u>\$ 31,303,931</u>
Liabilities					
Accounts Payable	\$ 1,242,329	\$ 1,539,457	\$ 1,195,696	\$ 1,180,687	\$ 1,271,886
Accrued Salaries Payable	1,996,467	606,684	641,120	781,838	945,221
Due to Other Funds	--	--	--	--	--
Unearned Revenue	215,887	257,376	287,004	297,998	80,731
Deposits	--	--	1,950	1,650	4,100
Retentions Payable	--	--	3,986	3,986	3,986
Total Liabilities	<u>\$ 3,454,673</u>	<u>\$ 2,403,517</u>	<u>\$ 2,129,756</u>	<u>\$ 2,266,159</u>	<u>\$ 2,305,924</u>
Fund Balances					
Nonspendable ⁽²⁾	\$ 797,305	\$ 845,513	\$ 1,068,976	\$ 1,112,837	\$ 1,000,343
Restricted ⁽³⁾	--	--	--	--	--
Assigned ⁽⁴⁾	24,756,336	23,015,454	22,829,444	23,295,469	23,296,691
Unassigned	6,399,003	7,323,121	7,225,918	5,080,965	4,700,973
Total Fund Balances	<u>\$ 31,952,644</u>	<u>\$ 31,184,088</u>	<u>\$ 31,124,338</u>	<u>\$ 29,489,271</u>	<u>\$ 28,998,007</u>
Total Liabilities and Fund Balances	<u>\$ 35,407,317</u>	<u>\$ 33,587,605</u>	<u>\$ 33,254,094</u>	<u>\$ 31,755,430</u>	<u>\$ 31,303,931</u>

⁽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

	<i>Fiscal Year Ended June 30,</i>					
	<i>2016</i>	<i>2017</i>	<i>2018</i>	<i>2019</i>	<i>2020⁽¹⁾</i>	<i>2021⁽²⁾</i>
Property Tax ⁽³⁾	\$ 21,286,077	\$ 22,612,125	\$ 23,871,206	\$ 25,610,660	\$ 26,844,097	\$ 27,409,800
Sales Tax ⁽⁴⁾	11,441,622	10,766,558	11,115,292	11,399,632	12,430,661	16,506,400
Utility Users Tax	6,816,464	6,773,169	6,856,067	6,591,834	6,779,875	6,638,100
Transient Occupancy Tax	3,531,944	3,543,908	3,320,953	3,447,186	2,748,642	2,035,600
Business/Other Taxes/Fees ⁽⁵⁾	<u>3,932,776</u>	<u>3,918,320</u>	<u>3,852,578</u>	<u>3,216,776</u>	<u>3,119,636</u>	<u>3,848,000</u>
TOTAL ⁽⁶⁾	\$ 47,008,883	\$ 47,614,080	\$ 49,016,096	\$ 50,266,088	\$ 51,922,911	\$ 56,437,900

⁽¹⁾ Reflects unaudited actual Fiscal Year 2020 results; subject to change.

⁽²⁾ Reflects budgeted Fiscal Year 2021 amounts.

⁽³⁾ 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.”

⁽⁴⁾ The 0.75% Measure A Sales Tax became effective January 1, 2020.

⁽⁵⁾ 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.

⁽⁶⁾ 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 assessee.

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 captions “THE CITY—COVID-19 Outbreak” and “RISK FACTORS—Impacts and Potential Impacts of COVID-19 on the City.”

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 “CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS—Property Tax Ballot Measures” for a discussion of certain initiatives that will appear on the November 2020 Statewide ballot which, if adopted, 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 2017 through 2021.

Table 5
City of Arcadia
Assessed Valuation History (Dollars in Thousands)

<i>Fiscal Year</i>	<i>Secured Value</i>	<i>Unsecured Value</i>	<i>Total Assessed Value</i>	<i>% Increase</i>
2017	\$14,468,019,735	\$205,509,909	\$14,673,529,644	N/A%
2018	15,476,508,029	199,963,533	15,676,471,562	6.8
2019	16,392,536,722	209,538,965	16,602,075,687	5.9
2020	17,394,201,586	222,430,476	17,616,632,062	6.1
2021	18,165,436,683	219,267,889	18,384,704,572	4.4

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

<i>Fiscal Year</i>	<i>Total Tax Levy</i>	<i>Collections within the Fiscal Year of Levy</i>	<i>Percent of Levy Collected within the Fiscal Year of Levy</i>	<i>Collections in Subsequent Years</i>	<i>Percent of Levy Collected to Date</i>
2016	\$ 916,767	\$ 957,245	104.42%	\$22,813	106.90%
2017	986,300	1,020,512	103.47	25,356	106.04
2018	967,300	964,452	99.71	32,920	103.11
2019	990,300	948,177	95.75	25,303	98.30
2020 ⁽¹⁾	1,001,500	992,051	99.06	13,148	100.37

⁽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

<i>Rank</i>	<i>Property Owner</i>	<i>Type of Business</i>	<i>Fiscal Year 2020 Assessed Valuation</i>	<i>% of Total⁽¹⁾</i>
1.	Santa Anita Borrower LLC	Commercial	\$ 415,954,188	2.36%
2.	Methodist Hospital of So. California	Healthcare	219,450,550	1.24
3.	Santa Anita Land Holdings LLC	Entertainment	218,125,219	1.24
4.	Scannell Properties 255 LLC LSEE	Industrial	124,974,616	0.71
5.	Baldwin Arcadia Center LP	Commercial	84,185,263	0.48
6.	JLJ Properties Arcadia I LLC	Commercial	64,577,626	0.37
7.	SAICP Hotel LLC	Hospitality	49,490,400	0.28
8.	Chang Chih International Investment LLC	Commercial	40,940,872	0.23
9.	VG Property Investments LLC	Commercial	38,108,776	0.22
10.	PI Properties No 42 LLC	Commercial	<u>35,976,045</u>	0.20
TOTAL			\$ 1,291,783,555	7.33%

⁽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 captions “THE CITY—COVID-19 Outbreak” and “RISK FACTORS—Impacts and Potential Impacts of COVID-19 on the City.”

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’s Fiscal Year 2021 Budget estimates that the Measure A Sales Tax will produce approximately \$7,071,900 in revenues, taking into account the COVID-19 outbreak and related economic downturn. However, 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 under normal economic conditions.

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 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

<i>Source</i>	<i>Fiscal Year Ended June 30,</i>				
	<i>2016</i>	<i>2017</i>	<i>2018</i>	<i>2019</i>	<i>2020⁽¹⁾</i>
Motor Vehicle In-Lieu Payments	\$6,136,909	\$6,461,508	\$6,906,050	\$7,309,525	\$7,773,430

⁽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 solely from an *ad valorem* tax levied for such purpose and deposited into a debt service fund, 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

<i>Obligation</i>	<i>Outstanding Amount⁽¹⁾</i>	<i>Year of Maturity</i>
2011 General Obligation Bonds	\$ 5,245,000	2031
2012 General Obligation Bonds	4,045,000	2031
Capital Lease Obligations	<u>116,057</u>	2023
TOTAL	\$ 9,406,057	

⁽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, 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 10
City of Arcadia
Summary of Investments and Cash as of August 31, 2020⁽¹⁾

Investments	
Local Agency Investment Fund	\$ 10,534,050
California Asset Management Program	2,955,892
Certificates of Deposit	2,499,493
U.S. Treasury Notes	19,306,988
Federal Home Loan Bank	5,569,434
Federal Home Loan Mortgage Corporation	6,769,469
Federal National Mortgage Association	8,067,722
Supra-National Bonds	377,531
Municipal Bonds	795,526
Asset Backed Securities	6,445,650
Bank Notes	269,999
Corporate Bonds	<u>10,817,171</u>
Total	\$ 74,408,925
Investments with Fiscal Agent	
Money Market Funds	\$ 4,426,280
Local Agency Investment Fund	<u>1,632,529</u>
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	<u>532,948</u>
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:

Active plan members	312
Inactive employees or beneficiaries currently receiving benefit payments	147
Inactive employees entitled to but not yet receiving benefit payments	—
Total	<u>459</u>

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 11
City of Arcadia
Actuarial Assumptions for OPEB Benefit Plan

Funding Method	Entry Age Normal Cost, level percent of pay
Discount Rate	7.00% as of June 30, 2018 and 6.85% as of June 30, 2019
Inflation	2.50%
Aggregate Payroll Increases	3.00%
Expected Long-Term Investment Rate of Return	7.00% as of June 30, 2018 and 6.75% as of June 30, 2019
Mortality Improvement Scale	MacLeod Watts Scale 2018 applied generationally from 2015
PPACA High Cost Plan Excise Tax	Excluded due to 2019 repeal of this provision of the Affordable Care Act
Healthcare Tread Rate	An annual healthcare cost trend rate of 6.50% initially reduced by decrements to an ultimate of 4.00% therefore.

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

	<i>Increase (Decrease)</i>		
	<i>Total OPEB Liability (a)</i>	<i>Plan Fiduciary Net Position (b)</i>	<i>Net OPEB Liability/ (Asset) (c) = (a) - (b)</i>
Balance at June 30, 2018	\$ 21,042,152	\$ 3,040,261	\$ 18,001,891
Changes Recognized for the Measurement Period:			
Service Cost	\$ 624,092	\$ -	\$ 624,092
Interest on the total OPEB liability	1,473,509	-	1,473,509
Changes of benefit terms	-	-	-
Differences between expected and actual experience	-	-	-
Contributions from the employer	-	2,143,818	(2,143,818)
Assumption Changes	926,042	-	926,042
Plan experience	(4,103,434)	-	(4,103,434)
Net investment income	-	229,602	(229,602)
Administrative expenses	-	(826)	826
Other expenses	-	-	-
Benefit payments	<u>(1,232,218)</u>	<u>(1,232,218)</u>	<u>-</u>
Net Changes during July 1, 2018 to June 30, 2019	\$ (2,312,009)	\$ 1,140,376	\$ (3,452,385)
Balance at June 30, 2019 (Measurement Date)	\$ 18,730,143	\$ 4,180,637	\$ 14,549,506

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

<i>Current Discount Rate - 1% (5.85%)</i>	<i>Current Discount Rate (6.85%)</i>	<i>Current Discount Rate + 1% (7.85%)</i>
\$16,470,140	\$14,549,506	\$12,904,033

Source: City.

The City established an IRS Section 115 trust account for OPEB 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 and Other Revenues."

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 XIII C 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 A 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.

See the caption "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS—Property Tax Ballot Measures" for a discussion of certain initiatives that will appear on the November 2020 Statewide ballot which, if adopted, will amend provisions of State law relating to property taxes, including the provisions that are discussed above.

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 captions "THE CITY—COVID-19 Outbreak" and "RISK FACTORS—Impacts and Potential Impacts of COVID-19 on the City." 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 captions "THE CITY—COVID-19 Outbreak" and "RISK FACTORS—Impacts and Potential Impacts of COVID-19 on the City," 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, remedying 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.

Impacts and Potential Impacts of COVID-19 on the City

An outbreak of disease or similar public health threat, such as the COVID-19 outbreak, or fear of such an event, could have an adverse impact on the City's financial condition and operating results. The outbreak of COVID-19 has had an adverse effect on, among other things, the world economy, global supply chain, international travel and a number of travel-related industries. The outbreak has also negatively affected travel, commerce, asset values and financial markets globally, and is widely expected to continue to negatively affect economic output worldwide and within the State and the City. Unemployment in the United States has dramatically increased as a result of the outbreak. Federal and state governments (including California) have enacted legislation and have taken executive actions designed to mitigate the negative public health and economic impacts of the outbreak.

The outbreak has resulted in temporary closing of businesses, universities, and schools throughout California. The County issued a "stay-at-home" emergency order on March 19, 2020 which required closures of certain businesses including restaurants, bars, and gyms across the County. The State has implemented a four stage reopening plan for cities and counties depending on certain metrics related to COVID-19. Similarly, the City Council passed Resolution No. 7300 on March 17, 2020 to declare a local emergency due to the COVID-19 outbreak.

On May 4, 2020, the Governor issued Executive Order N-60-20 to allow reopening of lower-risk businesses and spaces as part of Stage Two of a four-state reopening plan (the "California Resilience Roadmap"), and then to allow the reopening of high-risk businesses and spaces as part of Stage Three of such plan. As a result of the regression of COVID-19 indicators, on July 13, 2020, the Governor issued another order requiring all counties within the State to close indoor operations in certain sectors, including dine-in restaurants, wineries and tasting rooms, movie theatres, family entertainment centers, zoos and museums and cardrooms. The Governor's July 13, 2020 order also required certain counties (including the County) to shut down additional industries and activities, including gyms and fitness centers, places of worship and cultural ceremonies (such as weddings and funerals), offices for non-critical infrastructure sectors, personal care services (such as nail salons, body waxing and tattoo parlors) and shopping malls. On August 28, 2020, the State released further guidance regarding re-opening certain types of businesses based on a county-by-county approach where each county is assigned a tier based on COVID-19 case rates within each County. Based on the initial assessment from the State, Los Angeles County is in the "Widespread" tier as of September 1, 2020.

For counties in the “Widespread” tier, certain non-essential indoor businesses are required to remain closed and certain businesses may open with modifications, such as limitations on capacity.

The spread of COVID-19 and the collateral effects on the local economy has resulted in reduced revenues to the City’s General Fund in the fourth quarter of fiscal year 2019-20 and the City expects such declines to continue into fiscal year 2020-21. See the caption “THE CITY—COVID-19 Outbreak.”

There are many variables that will continue to contribute to the economic impact of the COVID-19 outbreak and the recovery therefrom, including the length of time social distancing measures are in place, the effectiveness of State and Federal governments’ relief programs and the timing for the containment and treatment of COVID-19.

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.”

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

CalPERS. 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 Proposition 15 and Proposition 19 which have qualified for the November 2020 Statewide ballot. If adopted, Proposition 15 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 XIII B of the State Constitution

On November 6, 1979, State voters approved an initiative entitled “Limitation on Government Appropriations,” which added Article XIII B to the State Constitution. Under Article XIII B, 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 XIII B 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 XIII B, 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 XIII B 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 XIII B 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 *ad valorem* taxes on real property by local governmental entities except as permitted by Article XIII A; (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 *Santa Clara County Local Transportation Authority v. Guardino*, 11 Cal.4th 220 (1995).

Following the *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, *Howard Jarvis Taxpayers Association v. City of La Habra, et al.*, 25 Cal.4th 809 (2001). In *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.

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 XIII C and XIII D 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 *ad valorem* property tax imposed pursuant to Articles XIII and XIII A 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 XIII C 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 XIII D. 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 XIII A and XIII B 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 “AAA (stable 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.

On October 14, 2020, the City filed notice of a 2016 rating upgrade with respect to the 2011 Bonds and 2012 Bonds. Based on such filing, the City believes that it is currently in compliance in all material respects with the terms of its prior continuing disclosure undertakings.

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 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

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APPENDIX A

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

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**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**



CITY OF ARCADIA, CALIFORNIA

FISCAL YEAR ENDED

JUNE 30, 2019



**CITY OF ARCADIA
ARCADIA, CALIFORNIA**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Prepared by:

ADMINISTRATIVE SERVICES DEPARTMENT

Hue Quach, Director

240 West Huntington Drive
P.O. Box 60021
Arcadia, CA 91007

City of Arcadia
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2019

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January 29, 2020

To the Honorable Mayor, Members of the Governing Council and Citizens of the City of Arcadia:

The Comprehensive Annual Financial Report (CAFR) of the City of Arcadia for the fiscal year ended June 30, 2019, is hereby submitted as mandated by applicable statutes. These statutes require that the City of Arcadia annually issue a report on its financial position and activity, and that an independent firm of certified public accountants audit this report. Responsibilities for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City's management. The information in this report is intended to present the reader with a comprehensive view of the City's financial position and the results of its operations for the fiscal year ending June 30, 2019, along with additional disclosures and financial information designed to enable the reader to gain an understanding of the City's financial activities.

Moss, Levy & Hartzheim LLP, Certified Public Accountants, have issued an unmodified opinion on the City of Arcadia financial statements for the fiscal year ended June 30, 2019. The independent auditor concluded, based upon the audit that the City of Arcadia's financial statements for the fiscal year ended June 30, 2019 are fairly presented in conformity with accounting principles generally accepted in the United States of America. The auditor's report is presented as the first component of the financial section of this report. Generally Accepted Accounting Principles (GAAP) in the United States of America also require that management provide a narrative introduction, overview, and analysis of the basic financial statements in the form of Management's discussion and analysis (MD&A). This information can be found following the independent auditor's report.

PROFILE OF THE GOVERNMENT

The City of Arcadia, incorporated in 1903, is located approximately 20 miles northeast of downtown Los Angeles in the San Gabriel Valley, at the base of the San Gabriel Mountains. It is the site of the Santa Anita Park Racetrack and home to the Los Angeles County Arboretum and Botanic Garden. Arcadia is known as the "Community of Homes" with over 58,890 residents. The City is a charter city with council/manager form of government. The City is governed by a City Council of five members elected at-large, who selects the City Manager. The City provides a full range of services, including Police and Fire protection, Administrative Services, Public Works, 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.

LOCAL ECONOMY

The City of Arcadia has a thriving and successful regional shopping center in Westfield Santa Anita, and a diverse local economy with a mix of commercial, retail, office, service, and industrial uses. There is also the world-famous Santa Anita Park Racetrack, a growing medical office sector in close proximity to Methodist Hospital, and a Gold Line Light Rail that goes eastbound as far as the City of Azusa and west to Downtown Los Angeles, where other light rail lines and subway connections can be caught to traverse throughout Metropolitan Los Angeles. The varying micro economies provide a balance to the City's revenue base which consists of property tax, sales tax, hotel tax, utility user tax, and various user fees that have placed the City in a proper position to continue its high service levels throughout the fiscal year. This diversified base has also created a well-balanced labor pool to support the retail, health care, hospitality, and service based industries located within the community.

In 2018, Arcadia was one of the two cities, with a population under 68,000 that received the Eddy Awards for the Most Business-Friendly City by the Los Angeles County Economic Development Corporation (LAEDC). The award encapsulates the “See Arcadia. Above & Beyond” business friendly mission. A marketing campaign to brand the City’s nimble and dedicated staff, a vibrant local economy, and a business friendly approach committed to going above and beyond one’s expectations. City highlights include Santa Anita Park, Westfield Santa Anita mall, a resurgent historic downtown district, and world-renowned Asian cuisine. Arcadia’s high quality of life, great schools, and cultural amenities continue to attract new residents, visitors, as well as new businesses due to the friendly zoning code that was adopted in 2106. Since then, the City continues its focus on finding creative solutions for new businesses, providing resources and assistance to existing businesses, and fostering a business-friendly environment throughout the City.

Arcadia continues to benefit from the steady economic improvements taking place statewide. A combination of steady growth in the labor market, a relatively low interest rates environment, and controlled inflation have stimulated household spending and encouraged business investment. The combinations of these market forces have continued to improve the City’s overall tax base. Although the activities of the City’s residential construction has slowed down, the commercial and mixed-used developments continued to be strong. The following projects currently under development are expected to enhance the City’s tax revenue base:

- Le Meridien / Seabiscuit Development: A \$300 million development on a 6.5-acre site at 130 W. Huntington Drive. Phase 1 of the project is a 155,000 square-foot, 233 room Le Meridien by Marriott hotel. Although construction of Phase I was to start in late 2018, due to unforeseen delays, construction began 2Q 2019. Phase 2 of the project will consist of a 175,000 square-foot mixed-use commercial-residential project with 96 residential units.
- 57 Wheeler Mixed-Use Project: The City’s first transit-oriented mixed-use development at 57 Wheeler Ave completed construction and opened 4Q 2019. Project consists of 38 residential units over 16,000 square-feet of commercial space all located less than 500 feet from the Arcadia Metro Gold Line Station.
- Pacific Plaza Arcadia: Mixed-use development with 37 residential units over 19,000 sf of ground floor commercial space at 56 E. Duarte Road completed construction and opened 3Q 2019.
- Baldwin Plaza Shopping Center Expansion and Remodel: In 2019, the shopping center at 1130 S. Baldwin Ave & 657 W. Duarte Rd finished an extensive remodel and 3,900 square-foot addition.
- Olson Company Project: Construction has commenced to redevelop a 4-acre site consisting of a now closed shopping center at 17 Las Tunas Drive into 80 townhomes and 8,500 square-feet of new commercial space.
- 288 N. Santa Anita Ave: New 32,000sf 4-story commercial and office building approved 1Q 2019 and is currently under construction.
- 35 W. Huntington Drive: Project entitlements were approved in 4Q 2019 for an adaptive reuse project to convert 7,500 square feet of an existing 1950’s self-storage building into a multitenant food hall.
- Inheritor Cell Technologies: Biotech research firm opened 1Q 2019 occupying a 35,000 square-foot R&D building at 400 E. Live Oak Avenue.
- Arcadia Logistics Center: The final tenants for the 1,050,000 sf Arcadia Logistics Center at 12321 Lower Azusa Rd opened for business in 2019. All buildings are now fully occupied and operating.
- New businesses of note opened in 2019: Blaze Pizza at 815 W. Naomi Ave, 85C Bakery Café opening December 2019 at 56 E. Duarte Road, Shabu Lin restaurant at 101 S. First in Downtown Arcadia, Bowlero 32-lane bowling alley & Lounge at Westfield Santa Anita Mall, Keck Medicine of USC at 125 W. Huntington Drive.

Revenues based on the City's property value, including property tax and motor vehicle license fees, continues to grow, with the collection of Sales Tax and Utility User Tax increasing slightly after several years of continued upward growth. The continuing water conservation efforts and decrease of electricity and telecommunication rates have caused the reduction in Utility User Tax. A shift in consumer behavior to on-line purchases seemingly caused a reduction of sales tax revenue. On-line purchases are grouped into the "County Pool" for redistribution to cities in the "pool". Unfortunately, Arcadia only receives .74% as oppose to the full 1% of sales tax that would normally come the City for purchases made in the City.

FISCAL YEAR 2018-19 ACTUALS

For the fiscal year ending June 30, 2019, the General Fund Group, including the internal service funds, resulted in an operating deficit of \$1.6 million. Total revenues was at \$61.9 million, which increased by \$2.4 million, or 4.0%, in comparison to the prior fiscal year. However, when comparing actuals to budget, total actuals came in slightly lower than the adopted budget with a variance of (\$399,441), or (0.64%). Among major tax categories, Property Tax came in at projection with a nominal difference of (\$51,068), Sales Tax revenue was higher at \$87,902, Franchise Tax lowered by \$52,850, Transient Occupancy Tax higher by \$256,386, and Utility User Tax decreased by \$406,966. All the other revenue categories had increases: intergovernmental revenue increased by \$140,240 mainly from Motor Vehicle License Fees. The higher than budget of \$326,882 on Charges for services was mainly due to the additional strike team reimbursement from the State for mutual-aid assistance with wildfires and other natural disaster incidents.

General Fund Group expenditures total was \$62.4 million. It is \$3.4 million or 5.7% more compared to the prior fiscal year, but \$3.2 million lower in comparison to the year's adopted budget. The increase over the prior year was primarily due to higher personnel costs resulted from expected increases as agreed to by the employment agreements and higher employer rate contributions required by CalPERS, the City's retirement system administrator. The favorable budget variance could be attributed to the underspending in these three categories: \$0.8 million in personnel costs, \$1.4 million for operating expenses, and \$1.7 million in the equipment replacement budget. Personnel savings was due to higher than expected employee vacancies. Key operating budget savings came from contracts services, plan check fees and legal fees. As for savings in the equipment replacement budget, most of that budget resulted from unfinished projects, which will be carried over to the following fiscal year. For the departmental budget comparisons, most City departments ended the fiscal year with a positive budget variance except for Fire Department and General City Services. Fire Department's overspending was mainly due to additional overtime cost relating to mutual-aid in response to wildfires and other natural disasters. Other area of note were the unexpected property damage cost and more than estimated vacation pay-out to those who retired from the City during the fiscal year.

More details on the financials of General Fund and other City Funds are available in the Management's Discussion and Analysis (MD&A).

FISCAL YEAR 2019-20 BUDGET

The adopted Fiscal Year 2019-20 General Fund Operating Budget includes total revenue of \$67.4 million and total expenditures of \$67.9 million, inclusive of transfers to capital funds. As adopted, the forecast for the ending fiscal year is a net deficit of \$0.5 million. During the budget process, the City also saw a different scenario wherein the budget was projected to end the year with a potential \$5.3 million deficit. This enormous deficit was driven primarily by the increase of CalPERS employer pension contributions, completing the final year of a 3 year labor agreement, and full funding transfers level to the Capital and Equipment Replacement Funds. It was fortunate that prior to the formal budget adoption, the City received 63% voter approval on a sales tax measure, Measure A. A yes vote meant a vote in favor of authorizing the City to levy a 0.75% (three-quarter cent) sales tax to fund general municipal services. A full year's amount on the .75% increase was projected to bring \$8.6 million annually to the General Fund. Had the City not passed Measure A, a cut of 13% from the General Fund would have to be found from every city department yearly. Several community enterprises, such as the Recreation and Community Services Department, the Gilb Museum of Arcadia Heritage and the City Library would have eventually closed in order to protect public safety services for the community.

Though the City has a practice of adopting a balanced budget, this year’s projected deficit of \$0.5 million, is expected to be eliminated through careful spending and general year end savings that comes from unfilled vacant positions during the recruitment process. However, unlike the prior year’s budget where a full funding level transfer to Capital and Equipment Funds are completed, this year’s funding level have been reduced to transferring only \$1.5 million, \$750,000 to each of those funds, versus the total of \$4.2 million in the prior year. It is important to note that our financial forecast model shows that a steady level of \$4.2 million is needed to ensure a healthy fund balance for future acquisitions and projects. Over the years, these capital fund balances have been slowly reduced as their revenue source has dropped and in the case of the Equipment Replacement Fund, there isn’t a revenue source other than the General Fund.

Total revenues are expected to increase 7.3% compared to FY 2018-19 year ending estimates. This is accounting for an additional sales tax revenue of \$2.4 million generated from the passage of Measure A. Due to timing of when the additional .75% sale tax is in effect, the City would receive only a quarter of the revenue as oppose to the full year. When adjusting for the extraordinary sales tax amount, the fiscal year to year comparison would show an increase of 3.82%. The largest revenue source to the City’s General Fund is from Taxes. The key revenues under this group are: Property Tax, Sales Tax, Transient Occupancy Tax, Utility Users’ Tax, and Motor Vehicle License Fees. Their projected receipts are shown in the table below.

Description	FY2018-19 YE Estimates	FY2019-20 Budget	Difference	% Change
Property Tax	\$ 15,400,000	\$ 15,862,000	\$ 462,000	3.0%
Sales Tax	\$ 11,250,000	\$ 13,626,500	\$ 2,376,500	21.1%
Transient Occupancy Tax	\$ 3,398,000	\$ 3,466,000	\$ 68,000	2.0%
Utility Users’ Tax	\$ 6,650,000	\$ 6,783,000	\$ 133,000	2.0%
Motor Vehicle License Fees	\$ 7,310,000	\$ 7,492,800	\$ 182,800	2.5%

- Property Tax:** The City expects to continue to benefit from rising real estate prices and a redevelopment trend in both residential and commercial properties. Although home sales and housing activities may have leveled off in comparison to recent years, higher price points are expected to continue to grow with various online real estate sites forecasting growth in the Los Angeles County area to range from 2.5% to 3.0%. Arcadia is expected to be within or greater than the forecasted range based on the City’s historical valuation trend when compared to Los Angeles. The City expects to see a continued growth in property tax receipts in the range of 3.0%, or nearly \$462,000, for FY 2019-20.
- Sales Tax:** Sales tax revenue is expected to see a 21.1% increase over the prior year. This is largely due to the expected receipts of \$2.2 million (1Qtr) from the passage of Measure A. Voters approved the measure by 63%, a vote in favor of authorizing the City to levy a 0.75% (three-quarter cent) sales tax to fund general municipal services. A full year’s amount on the .75% increase was projected to bring \$8.6 million annually to the General Fund. Categorically, the auto and transportation industry is expected to be flat as demands have receded after many years of purchases after the Great Recession. Other industry groups are projected for growth between 2.0% to 3.8%. The strongest area is the Restaurants industry, as low unemployment and higher wages have allowed consumers to spend with more confidence. Of interest is the projected 8.1% growth in the State and County Pools category. These are sales tax revenues on purchases made out of the State or online at outlets such as Amazon or major telecom sites. Although seen as a positive growth, this shift to online purchasing is a concern because the share of sales taxes received through the pool is significantly smaller than the full 1% rate that the City receives if purchases were made in the City.
- Transient Occupancy Tax (TOT):** This tax category is expected to increase \$68,000, or 2.0%, in comparison to the prior year. While business and vacation travels are expected to be up regionally, Arcadia is not seeing parallel growth. Rather, an increase is expected to be related to Santa Anita Racetrack hosting the Breeder’s Cup in November 2019. The well-known event draws horse racing enthusiast from all parts of the world, with

estimates of 50,000 plus attendees over the period of three racing days. Additionally, there are other projects in the works that caused adjustments to the overall TOT collection. Notably, the Santa Anita Inn is no longer operating as it has been sold for a new hotel/commercial/residential development. The Le Meridien Seabiscuit Development is a \$300 million development on a 6.5-acre site at 130 W. Huntington Drive. Phase 1 of the project is a 155,000 square-foot, 233 room Le Meridien by Marriott hotel. Although construction of Phase I was to start in late 2018, due to unforeseen delays, construction began 2Q 2019. Phase 2 of the project will consist of a 175,000 square-foot mixed-use commercial-residential project with 96 residential units.

- Utility Users' Tax: Utility Users' Tax (UUT) is projected to have a slight increase of \$133,000, or 2.0%, when compared to the FY 2018-19 Year Ending Estimate. While water conservation is expected to continue, water rates will increase as a result of imported water costs rising and the need to add treatment to City wells. In addition, rates for statewide electricity & gas utilities are also projected to grow by approximately 2.0%. A continued reduction in the telephone UUT has been predicted as landline telephone use continues to drop and cellular companies provide lower cost options for consumers.
- Motor Vehicle License Fees (VLF): This tax is projected to increase by 5.0%, to \$7.5 million. Revenues from this line item are largely tied to annual property assessed valuation. Because of this, the City has benefitted from many years of generous growth and will continue to do so in the next fiscal year.

Other major revenue categories such as Franchise Tax and Licenses and Permits are projected to have little change compared to FY 2018-19. Building and Plan Check fees are expected to decrease as home sales and remodeling activities have slowed after many years of enormous growth. Their projected revenues coming back towards their "normal" levels at around \$800,000 annually. All other revenue categories for the General Fund are expected to have modest growth for the coming fiscal year.

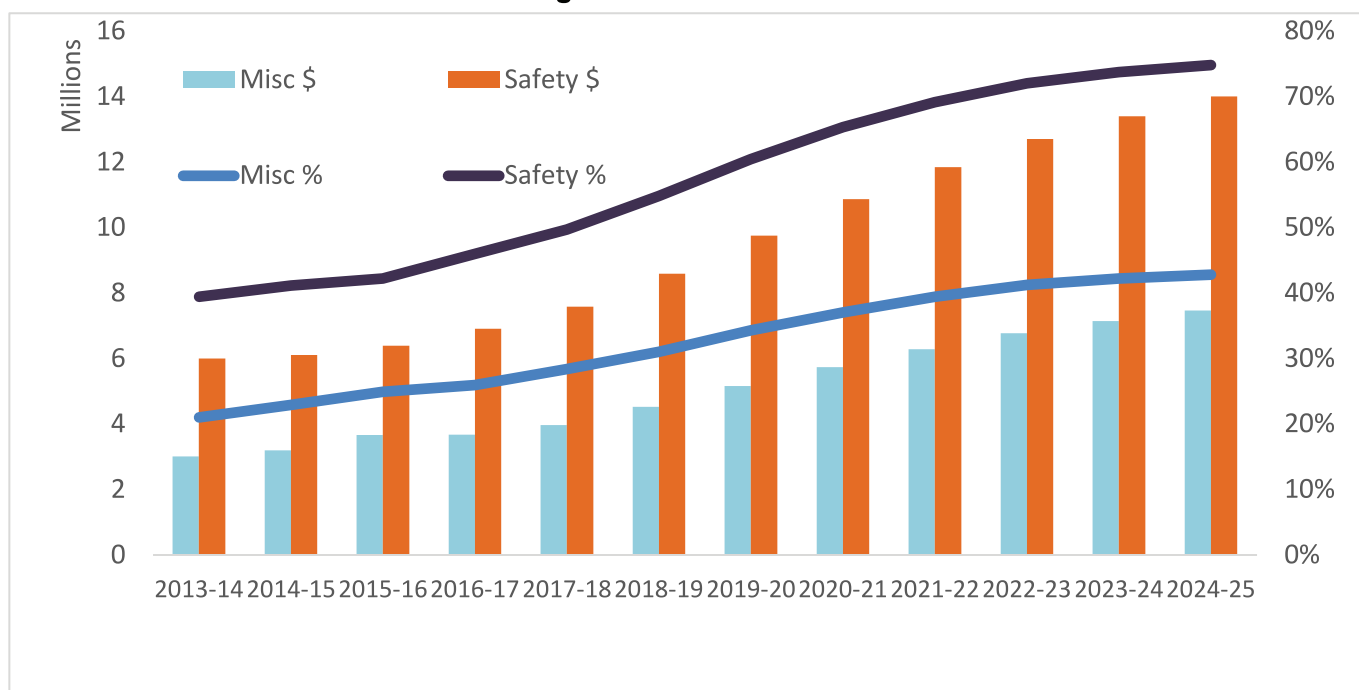
Total operating expenditures are expected to grow 1.4%. The Operating Expenditure budget continues to maintain the same high level of services with no material increases. While it is customary to introduce new programs yearly, seeing there was a potential for a significant deficit to cope with, this year's direction was to not add controllable expenditures that would further grow this side of the ledger but to be kept to a modest level so as to find ways to balance a budget. Without voter approval of the sales tax measure, the General Fund would have had to find cuts equivalent to \$5.3 million. Fortunately, the additional sales tax, resulting from the approved Measure, will allow for the continuation of services that residents are accustomed to. As a result, inclusive in the adopted expenditure budget are increases relating to the labor agreement contracts (salaries & medical benefits) and the continuing increase of pension costs resulting from CalPERS changing policies effecting discount rates and payment of unfunded actuarial accrual liabilities. While high service levels are budgeted to meet community demands and some natural inflationary increases have been included – such as increases in labor cost and rising healthcare costs for private businesses that contract with the City – the majority of the other areas of increases are negligible and have no material effects to the overall operating expenditures.

More details on the City's budget are available on the City's website.

Beyond FY 2019-20

While the City's 5-Year Financial Forecast indicates that most revenues and expenditures will continue to grow modestly, the Forecast also anticipates sharply rising pension costs – especially those related to public safety services. Despite major reforms put in place by the City in 2011 and the State in 2013, recent policy changes by the CalPERS Board of Administration add an additional layer of challenges to the budget.

Escalating Retirement Costs



These increases created an approximate \$8 million annual deficit in the General Fund Budget over the next 15-25 years. Through the passage of Measure A, this deficit should be accounted for. However, there are two key factors to ensuring that this remains true: (1) that the PERS Board does not make any further adjustments to the actuarial assumptions; and (2) the City is able to control its labor costs over time by not adding benefits or other costs that would impact pension costs negatively.

In order to reduce total costs over the long-term, the City should find ways to pre-pay pension obligations as early as possible so that the growth of investments can be fully realized. Over the coming fiscal year, staff will be working with a City Council appointed Citizens Financial Advisory Committee and consultant(s) to fully explore all available options in both of these areas to ensure the long-term health of the organization. The City has already begun work with the Citizens Financial Advisory Committee, to look into ways to reduce the CalPERS Unfunded Accrued Liability. As of this writing, staff has already obtained a proposal from a Financial Advisory Firm that calls for an in-depth analysis of the City's CalPERS Unfunded Accrued Liabilities, comprehensive review of the unique pension variables, as well as current and future financial challenges in order to determine sound alternatives and develop a sustainable plan for the City. The evaluation will also involve an extensive cost/benefit analysis containing considerations of opportunity costs and align the City's options and resources to provide potential financial solutions.

DEBT ADMINISTRATION

As of June 30, 2019, the City has outstanding balance of \$6,235,707 for the Series 2011 General Obligation Bonds and \$4,875,112 for the Series 2012 General Obligation Bonds. Those 2011 Bond proceeds were used to finance the costs of constructing a grade separation at the intersection of Santa Anita Avenue and the proposed Foothill extension of the Metropolitan Transit Authority Gold Line. The 2012 issuance was to refinance the 2001 General Obligation Bonds; which proceeds were used to fund the construction of the Police Station.

The City's General Obligation Bonds are rated as "AAA" while affirming the stable outlook by Standard and Poor's since 2016, which is the highest credit rating only given to organizations with outstanding economic outlook.

INTERNAL CONTROL

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. The internal control structure is designed to protect the City's assets from loss, theft, or misuse and to ensure that adequate accounting data is compiled for the preparation of financial statements in conformity with Generally Accepted Accounting Principles. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

BUDGETARY CONTROL

The City's ordinance requires the adoption of a budget for the following fiscal year before July 1st every year. The City's Management presents a two-year operating budget and five-year Capital Improvement and Equipment Plan annually.

The objective of budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council. The City's budgetary control is maintained at the individual departmental level and any change in the adopted appropriations, by department, requires approval from the City Manager and/or City Council. The City maintains an encumbrance accounting system. Encumbrances and appropriation for unfinished capital projects are generally re-appropriated as part of the following year's budget.

MAJOR ACCOMPLISHMENTS

Substantial progress was made during the past fiscal year toward responding to priorities previously identified by the City Council and staff. Accomplishments by departments include:

General Government

- Preparation and adoption of the City's General Budget and Capital Improvement and Equipment Plan for the following fiscal year.
- Executed new monitoring guidelines to insure that proper controls and safeguards are in place with respect to departmental spending.
- Completed all financial reporting in a proper and timely manner including the City's audited financial statements and various reports and schedules as mandated by County, State, and Federal agencies.
- Modified the City's investment practices, including the monitoring of contracted investment management services. Endeavor to meet or exceed targeted rates of return on investments.
- Implemented various enhanced functions in the City's newly upgraded financial system, eFinancePLUS V5.0 and CommunityPLUS V9.0, including functions related to document and workflow management that will allow staff to further automate accounting processes and eliminate certain paper filing, and make the information access easier.
- Assisted departments in the implementation of various computer related applications including efforts to upgrade systems with web-based modules that facilitate processing and payment by the general public.
- Assist with development of citywide GIS system; decommission of Mapguide GIS once all modules are migrated.
- Plan/Implement backup connection for critical data communications for Fire105/106 via DSL/Cable internet connection.
- Research, develop and implement a new "Universal Check Form Request" to combine LPO, Check request and PO stamps approval into one form for AP to process payment. This form will reduce the processing time to remit a payment request to AP as well as reduce cost of pre-printed forms.
- Provide mandatory and compliant training within established timeframes.
- Continue to enhance the City's Wellness Program to promote workplace wellness and help employees adopt healthy behaviors.

Police Services

- Recruit and train all sworn and non-sworn staff within the confines of the FY 2018-19 Budget.
- Explore the potential for collaborative, regionalized police services for the future.
- Continue the development of our regional mental health evaluation team with neighboring jurisdictions and collaboration with the LA County Department of Mental Health for the purpose of further developing protocols and resources for dealing with persons with mental health issues.
- Participation in the West San Gabriel Valley Mental Evaluation Team (WSGMET) and collaboration with the Los Angeles County Department of Mental Health to address and combat mental health incidents, and provide mental health assistance and resources to homeless persons in Arcadia.
- Further expand homelessness outreach efforts through the activities of the APD's Homeless Education & Liaison Program (HELP Team), which aims to improve the quality of life in Arcadia by reaching out to the homeless community and providing information, resources, and motivation with the ultimate goal of finding an alternative to life on the streets.
- Implemented bi-annual ADA Telecommunication training to comply with Section 504 of the Rehabilitation Act.
- Created Community Affairs Office to help increase safety awareness and enlist the active participation of business owners in cooperation with law enforcement to reduce crime in their communities.
- Implemented a Special Enforcement Team (SET) in order to support crime prevention and criminal apprehension along with establishing special task force connections with local and regional groups related to burglaries, gangs, drugs, and organized retail crime.

Fire Services

- Continued enhancement of paramedic service delivery model by upgrading a Firefighting position to a Paramedic position;
- Procured an additional hybrid electric vehicle for the Fire Prevention Bureau;
- Updated the Paramedic Membership Program (PMP) brochure for residents;
- Increased the PMP outreach through community events and informational forums;
- Recipient of "*First Responder Hero Award*" from the American Red Cross' 15th Annual Hometown Heroes Luncheon in recognition of the Arcadia Department's extraordinary efforts in saving homes during Woolsey Fire in Malibu in November 2018;
- Recipient of the "*2019 Mission Lifeline, Silver Plus*" award from the American Heart Association in May 2019 for AFD's vital role in providing timely treatment for cardiac patients and successful collaboration with other pre-hospital providers;
- Expanded the capability of the department's emergency mass notification system services by implementing the "Alert Arcadia" emergency notification system for public and departmental use;
- Acquired 25 new portable Motorola radios to improve its interoperability communications use for day-to-day and large scale incidents;
- Replaced 12 Mobile Data Computers (MDCs) in all apparatus to meet Verdugo Dispatch regional communication requirements;
- Placed into service nine (9) new cardiac monitors/defibrillators with 12-lead EKG capabilities to all the Arcadia Fire Department's frontline apparatus for definitive diagnosis and treatment of 9-1-1 cardiac patients;
- Initiated additional training and equipment to all department personnel or capability for tactical medicine to better prepare for responses to violent or hostile events;
- In collaboration with the City Manager's Office, initiated a feasibility study for potential provision of fire services to the City of Sierra Madre;
- Initiated "Community Connect" Program, a free and secure web-based program for Arcadians to provide essential information to first responders regarding their residence/business that are critical during an emergency response; and
- Adopted a resolution for membership to the Los Angeles Area Regional Training Group ("RTG") Authority enabling the City to continually participate in regional training even if federal grant dollars becomes

unavailable, and benefit from a multi-agency resource sharing in an event of a widespread emergency response.

Public Work Services

- Annual Slurry Seal Program that includes repairing sections of damaged streets, sidewalks, curbs, and gutters.
- Inspect City sewer lines through Closed-Circuit TV (CCTV) inspections to identify and repair damaged sections of sewer lines and improve maintenance operations.
- Replace “first generation” LED signal lamps with new technology based LED lamps for twenty signalized intersections.
- Renovation of center medians on Huntington Drive and Santa Anita Avenue north of Foothill Boulevard. The new landscaped medians will include a combination of ground cover, drought tolerant plants, mulch, decomposed granite, and lined river rock dry-bed that will be used to infiltrate storm water runoff.
- As part of the Water Main Replacement Program, the 8" cast iron water main on Camino Real Avenue, between Fourth Avenue and Sixth Avenue, were replaced with a new 10" ductile iron water main. This will alleviate frequent main breaks and hydraulic inefficiencies.
- As Part of the Sewer Master Plan, the sewer line on Duarte Road between Baldwin Avenue and Holly Avenue was replaced with a larger diameter pipe. The construction of this larger pipe will improve pipe capacity and will significantly reduce the potential of a sewer backup.
- As part of the Pavement Rehabilitation Program, various streets throughout the City was reconstructed with rubberized asphalt pavement. Adding rubber to asphalt pavement improves the strength of the pavement and is environmentally beneficial.
- Resurface the tennis courts at Hugo Reid and Tierra Verde parks.
- Updated the Sewer Master Plan and re-evaluate the City’s sewer system hydraulic model and analyze future system growth projections. The update included the development of Capital Improvement Projects and evaluate Operation and Maintenance strategies.

Development Services

- Continued enhancement of paramedic service delivery model by upgrading a Firefighting position to a Paramedic position;
- Procured an additional hybrid electric vehicle for the Fire Prevention Bureau;
- Updated the Paramedic Membership Program (PMP) brochure for residents;
- Increased the PMP outreach through community events and informational forums;
- Recipient of “First Responder Hero Award” from the American Red Cross’ 15th Annual Hometown Heroes Luncheon in recognition of the Arcadia Department’s extraordinary efforts in saving homes during Woolsey Fire in Malibu in November 2018;
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- Placed into service nine (9) new cardiac monitors/defibrillators with 12-lead EKG capabilities to all the Arcadia Fire Department's frontline apparatus for definitive diagnosis and treatment of 9-1-1 cardiac patients;
- Initiated additional training and equipment to all department personnel or capability for tactical medicine to better prepare for responses to violent or hostile events;
- In collaboration with the City Manager's Office, initiated a feasibility study for potential provision of fire services to the City of Sierra Madre;

- Initiated "Community Connect" Program, a free and secure web-based program for Arcadians to provide essential information to first responders regarding their residence/business that are critical during an emergency response; and
- Adopted a resolution for membership to the Los Angeles Area Regional Training Group ("RTG") Authority enabling the City to continually participate in regional training even if federal grant dollars becomes unavailable, and benefit from a multi-agency resource sharing in an event of a widespread emergency response.

Recreation and Community Services

- Complete the City's Homelessness Plan. Work with the Community to educate the community about the problems and work with the County of Los Angeles on potential strategies to address the problem. Developed a group of community stakeholders who meet on a regular basis to develop a community response to homelessness.
- Received Homelessness Plan Implementation Grant in the amount of \$163,200. The Grant will be for case management, motel vouchers and the rapid rehousing program.
- Partnered with the County of Los Angeles to conduct the Point in Time Count in which volunteers count the number of individuals experiencing homelessness in Arcadia.
- Complete the ADA parking lot project at the Community Center. Increase the number of ADA parking spaces and ramped areas.
- Began work on Phase III of the Community Center Landscaping Project to replace the materials with drought tolerant materials.
- The department won the California Park and Recreation Society's 2018 Award of Excellence for the Creating Community and Aging Well Category for the Senior Cultural Day Camp program.
- Partnered with the Arcadia Unified School District for the replacement of the 5-12 year old playground equipment at Hugo Reid Primary School which is used by the school district and the City, the cost of the equipment was split 50/50/.
- Began the first major project from the Parks and Recreation Master Plan, which is the Eisenhower Memorial Park Project.

Library and Museum Services

- Replaced the antiquated building electronic lighting time clock for the Library.
- Roof restoration project for the existing Library roof.
- Replaced large outside book drop.
- Implemented a public virtual reality station.
- Fully implemented the Passport Service to realize full cost recovery of the service.
- Fully digitized and inventoried Deed of Gifts at the Museum.
- Installed a door to make the Museum collections area secure.
- Trellis replacement (ongoing).

FUTURE INITIATIVES

The following program Goals have been established for the immediate future to respond to community and organizational needs, which will ensure that Arcadia remains a highly effective and efficient organization for many years.

General Government

- Plan/implement backup connection for critical data communications for Fire105/106 via DSL/Cable internet connection.
- Evaluate/implement digital time keeping software to replace paper timesheets. Proposed software will link directly with financial software to reduce staff time due to manual entry and reduce data entry errors.
- Review and update the City's current bid/quote thresholds limits, revise the Purchasing Manual and Municipal Code accordingly and provide training to city employees on the new limits and procedures.

- Review and establish a procedural manual for solicitation of Request for Proposals/Bids and provide training to all City departments.
- Research and evaluate various electronic bid solicitation software and services to expand the City's vendor pool.
- Research and evaluate the replacement of City copiers that have exceeded their recommended life cycle. Citywide there are 9 copiers due for replacement.
- Enhance efficiencies within the Human Resources Division's Records Retention plan utilizing document imaging computer systems to improve record keeping and information retrieval with respect to various personnel and workers compensation records.
- Continue to collaborate with departments on strategic outreach measures that recruit and retain a diverse and qualified workforce.
- Complete an informal request for proposals for industrial clinic services including pre-employment physicals and medical services for injured workers.
- Partner with departments to provide comprehensive training to increase use of technology, link training to core competencies, and mitigate risk exposure.
- Work with each Department and bargaining group on updating and simplifying language in the City's Personnel Rules and Regulations.

Police Services

- Recruit and train all sworn and non-sworn staff within the confines of the FY 2019-20 Budget.
- Continue to develop highly trained, highly educated men and women throughout the organization through the Department's Career Development Program.
- Continue assessment of staffing protocols to ensure appropriate staffing levels at the field level in order to further combat property crimes in Arcadia.
- Monitor compliance of massage therapy related businesses.
- Continue active participation in the Los Angeles Interagency Metropolitan Police Apprehension Crime Task Force (L.A. IMPACT), a multijurisdictional taskforce, to increase proficiency in investigating major crimes related to drug trafficking, gang enforcement, property crimes, and covert operation information development amongst others.
- Continue to implement new Operations objectives in the Patrol Division that will increase efficiency and provide better service patrol for the Community.
- Explore the potential for collaborative, regionalized police services for the future.
- Continue participation in the West San Gabriel Valley Mental Evaluation Team (WSGMET) and collaboration with the Los Angeles County Department of Mental Health to address and combat mental health incidents, and provide mental health assistance and resources to homeless persons in Arcadia.
- Further expand homelessness outreach efforts through the activities of the APD's Homeless Education & Liaison Program (HELP Team), which aims to improve the quality of life in Arcadia by reaching out to the homeless community and providing information, resources, and motivation with the ultimate goal of finding an alternative to life on the streets.
- Continue to grow and develop traffic education, engineering, and enforcement efforts. Continue to enhance D.U.I. enforcement through grant funding for checkpoints and special operations.
- Continue administration of the false alarm program and expand the program through the City's Alarm Permit Subsidy Program.
- Develop and implement bi-annual ADA Telecommunication training to comply with Section 504 of the Rehabilitation Act.
- Continue the growth and development of the Crime Analysis Unit in order to provide additional crime analysis resources and research support to the Department.
- Continue the growth of the Business Watch Program out of the Community Affairs Office to help increase safety awareness and enlist the active participation of business owners in cooperation with law enforcement to reduce crime in their communities.
- Further develop the activities of the Community Relations Liaison for the purpose of expanding the growth and development of the Neighborhood Watch Program and maintain open avenues of discourse between

the community and the Department in an ongoing effort to keep abreast of, and sensitive to, contemporary issues in law enforcement and police community problems.

- Continue the expansion of our Automated License Plate Readers (ALPRs) program via a strategic build-out plan to combat criminal activity, enhance productivity, and improve officer safety through an increased collection of vehicle license plate information.
- Expand the Department's GPS Tracking Device Program to increase misdemeanor and felony arrests of suspects committing criminal activities in various regions of the City.
- Finalize the upgrade of the Police Dispatch Center's Customer Premise Equipment (CPE) in order keep abreast with the ever evolving public safety communication system now called New Generation 911 (NG911), which will transform the outdated system into a digital network that is faster, more efficient, more cost-effective, and safer for the public and law enforcement agencies.
- With the continued support of the Arcadia Police Foundation, further expand the K-9 Program to support daily law enforcement operations and enhance the effectiveness of patrol duties such as handler protection, searching techniques, article searches, and narcotics detection; ultimately increasing officer safety, apprehension of suspects, and safety for the community.
- Continue to support the mission and objectives of the Arcadia Police Foundation to address the complexities of policing in the 21st century. The foundation will continue to promote partnerships between APD and the public, mobilize community support, and enhance community understanding of law enforcement initiatives.
- Continue the implementation of the Special Enforcement Team (SET) in order to support crime prevention and criminal apprehension along with establishing special task force connections with local and regional groups related to burglaries, gangs, drugs, and organized retail crime.

Fire Services

- Continued enhancement of paramedic service delivery model by upgrading a Firefighting position to a Paramedic position;
- Procured an additional hybrid electric vehicle for the Fire Prevention Bureau;
- Updated the Paramedic Membership Program (PMP) brochure for residents;
- Increased the PMP outreach through community events and informational forums;
- Recipient of "First Responder Hero Award" from the American Red Cross' 15th Annual Hometown Heroes Luncheon in recognition of the Arcadia Department's extraordinary efforts in saving homes during Woolsey Fire in Malibu in November 2018;
- Recipient of the "2019 Mission Lifeline, Silver Plus" award from the American Heart Association in May 2019 for AFD's vital role in providing timely treatment for cardiac patients and successful collaboration with other pre-hospital providers;
- Expanded the capability of the department's emergency mass notification system services by implementing the "Alert Arcadia" emergency notification system for public and departmental use;
- Acquired 25 new portable Motorola radios to improve its interoperability communications use for day-to-day and large scale incidents;
- Replaced 12 Mobile Data Computers (MDCs) in all apparatus to meet Verdugo Dispatch regional communication requirements;
- Placed into service nine (9) new cardiac monitors/defibrillators with 12-lead EKG capabilities to all the Arcadia Fire Department's frontline apparatus for definitive diagnosis and treatment of 9-1-1 cardiac patients;
- Initiated additional training and equipment to all department personnel or capability for tactical medicine to better prepare for responses to violent or hostile events;
- In collaboration with the City Manager's Office, initiated a feasibility study for potential provision of fire services to the City of Sierra Madre;
- Initiated "Community Connect" Program, a free and secure web-based program for Arcadians to provide essential information to first responders regarding their residence/business that are critical during an emergency response; and
- Adopted a resolution for membership to the Los Angeles Area Regional Training Group ("RTG") Authority enabling the City to continually participate in regional training even if federal grant dollars becomes

unavailable, and benefit from a multi-agency resource sharing in an event of a widespread emergency response.

Public Works Services

- Annual Slurry Seal Program that includes repairing sections of damaged streets, sidewalks, curbs, and gutters.
- Inspect City sewer lines through Closed-Circuit TV (CCTV) inspections and identify and repair damaged sections of sewer lines to improve maintenance operations.
- Replace “first generation” LED signal lamps with new technology based LED lamps for twenty signalized intersections.
- Determine suitable locations for a new municipal water well.
- Install a new 30” butterfly valve on Santa Anita Avenue between Duarte Road and Orange Grove Avenue. Valves are critical in a water systems to isolate sections of the system in order to perform maintenance and make repairs.
- Rehabilitate of Live Oak Well. The municipal well preventative maintenance program protects against unplanned mechanical disruption causing the well to be taken out of service.
- As part of the Water Main Replacement Program, the 6" cast iron water main on Camino Real Avenue, between 6th Avenue and 8th Avenue will be replaced with two new 10” ductile iron water mains. This will alleviate frequent main breaks and hydraulic inefficiencies.
- As Part of the Sewer Master Plan, the existing sewer line on Baldwin Avenue between Fairview Avenue and Duarte Road will be replaced with a larger diameter pipe. The construction of this larger pipe will improve pipe capacity.
- As part of the Pavement Rehabilitation Program, various streets throughout the City will be reconstructed with rubberized asphalt pavement. Adding rubber to asphalt pavement improves the strength of the pavement and is environmentally beneficial.

Development Services

- Complete dissolution of Redevelopment Area by selling off former Redevelopment Agency properties (one property remaining) - Project approved by City Council;
- Complete improvement projects for downtown parking modifications. Several projects are ongoing to improve and enhance parking in the downtown core;
- Work with selected applicant on the scope and development of three major mixed-use development projects in Downtown Arcadia;
- Work with the Racetrack on a major new stables project to ensure vitality of horse racing in the State;
- Continue to evolve Arcadia Transit system with new Service Provider-First Transit;
- Continue close work with Downtown Arcadia Improvement Association on downtown developments/beautification and special events;
- Complete two new hotel projects in Downtown core and break ground on mixed use project associated with hotel;
- Complete major mixed-use development in South Arcadia (Olson Project);
- Continue to process multi-family projects throughout City.

Recreation and Community Services

- Continue to complete goals and objectives from the City's Homelessness Plan. Work with the Police Department's HELP Team and the Case Manager to connect individuals experiencing homelessness to services.
- Work with the Public Works Services Department to complete the Eisenhower Park Project.
- Complete the Community Center Landscaping Project.
- Continue to work with Los Angeles County on implementing homelessness services as well as the grant for case management, hotel vouchers and the rapid rehousing program.

- Work with the Arcadia Unified School District to refurbish the three basketball courts at Camino Grove Elementary School and make available for public use.

Library and Museum Services Development Services

- Implement new technologies for the public; new credit card payment option for self-check machines, online payment of fines and fees through the website.
- New Student Card initiative for middle school students.
- Complete a Marketing and Publicity Strategic Plan.
- Maintain and refresh the facility, grounds, and furnishings to ensure an attractive and inviting environment, specifically implement a drought tolerant demonstration garden in front of the Library.
- Collaborate with the Friends of the Museum and encourage them to hold a first ever fundraiser.
- Decommission the Arcadia History Server and host all data off-site on the Cloud.
- Review and update the Core Documents Verification program to provide confirmation that the Museum has policies and procedures in place that reflect standard practices of professional museums.
- Work to update the Museum's Long Range Plan.
- Add in a digital touchscreen for additional photos and information on Ross Field Arcadia World War I Balloon School artifacts.
- Digitize the Arcadia Veteran's Registry.
- Begin Arcadia immigrant experience project.
- Explore and potentially implement RFID over the next two years.
- Create fun, creative, open-ended exploration and educational programming that ignites curiosity, encourages discovery, and develops a lifelong learning and love for local history that benefit all cultures and age groups of Arcadia's community. Create formal and informal learning environments at the Museum.
- Build a strong volunteer base and unpaid internship program at the Museum to work with collections and assist with programs. Apply for a Getty Intern for the spring of 2020.
- Engage in the American Association of State and Local History's SEPS (Standards and Excellence Program for History Organizations) program; working toward the Museum's accreditation with the American Alliance of Museums.
- LED Signage and Safety walkway lighting at the Museum.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Arcadia for its comprehensive annual financial report for the fiscal year ended June 30, 2018. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The City's Comprehensive Annual Financial Report was prepared through the combined efforts of City staff. Special recognition is due to the Financial Services Division staff for their effort to ensure timely and accurate reporting. We would also like to thank the City Council for their continued support and interest in planning and conducting their financial operations of the City in a responsible and progressive manner.

Respectfully submitted,



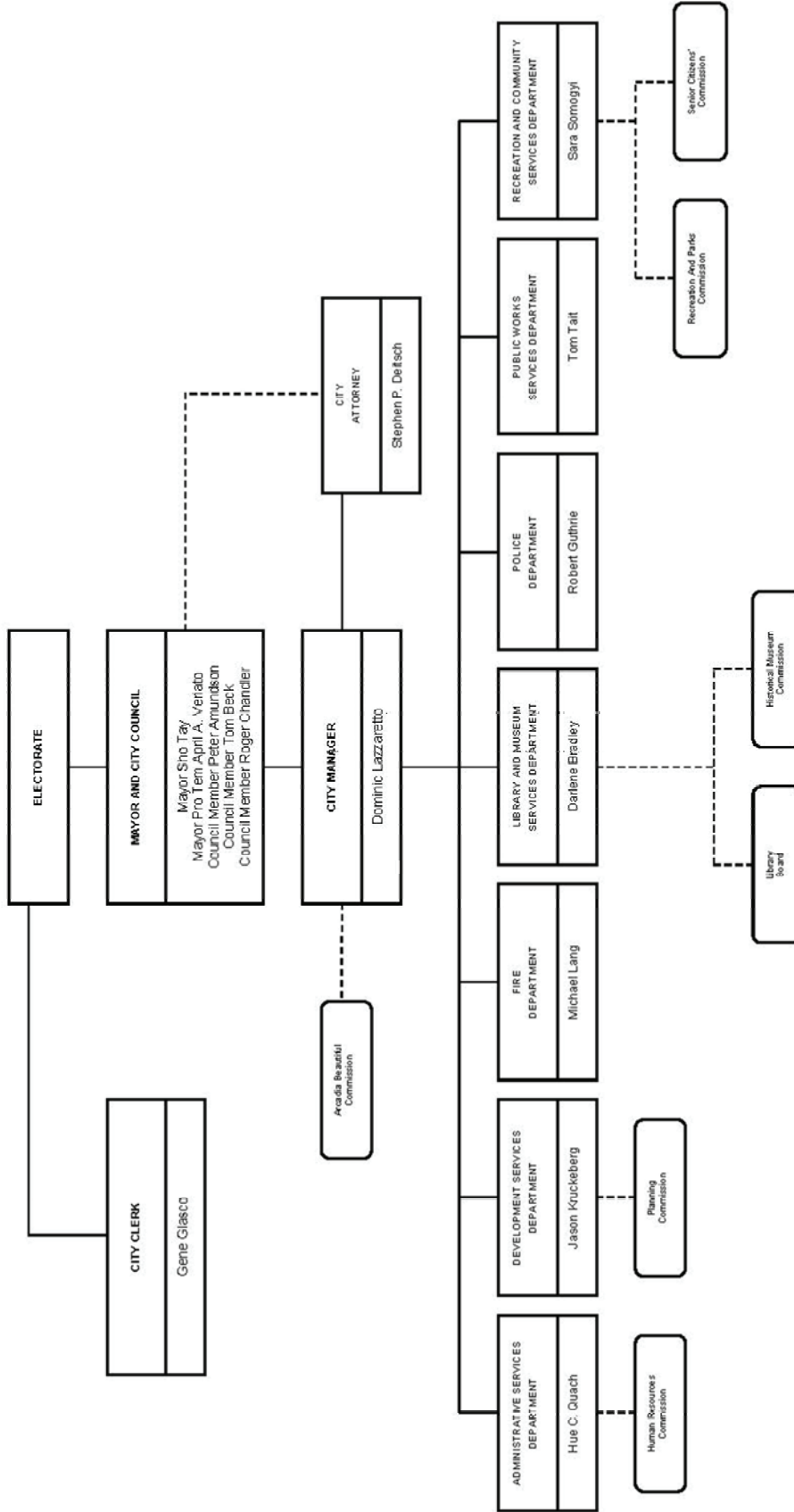
Hue C. Quach
Administrative Services Director



Henry Chen
Financial Services Manager/City Treasurer

City of Arcadia

Organization Chart





CITY OF ARCADIA

Elected Positions and Administration Personnel

June 30, 2019

CITY COUNCIL MEMBERS

		<u>Term Expires</u>
April A Verlato	Mayor	2020
Roger Chandler	Mayor Pro-Tempore	2022
Peter Amundson	Council Member	2020
Tom Beck	Council Member	2022
Sho Tay	Council Member	2022

CITY CLERK

	<u>Term Expires</u>
Gene Glasco	2020

ADMINISTRATIVE PERSONNEL CITY OFFICIALS

Dominic Lazzaretto	City Manager
Stephen Deitsch	City Attorney
Jason Kruckeberg	Assistant City Manager/Development Services Director
Darlene Bradley	Library and Museum Services Director
Robert Guthrie	Police Chief
Michael Lang	Fire Chief
Hue C. Quach	Administrative Services Director
Sara Somogyi	Recreation and Community Services Director
Tom Tait	Public Works Services Director



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Arcadia
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2018

Christopher P. Morill

Executive Director/CEO



MOSS, LEVY & HARTZHEIM LLP

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

RONALD A LEVY, CPA
CRAIG A HARTZHEIM, CPA
HADLEY Y HUI, CPA
ALEXANDER C HOM, CPA
ADAM V GUISE, CPA
TRAVIS J HOLE, CPA

COMMERCIAL ACCOUNTING & TAX SERVICES

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BEVERLY HILLS, CA 90210
TEL: 310.273.2745
FAX: 310.670.1689
www.mlhcpas.com

GOVERNMENTAL AUDIT SERVICES

5800 HANNUM, SUITE E
CULVER CITY, CA 90230
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FAX: 310.670.1689
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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of the City Council
of the City of Arcadia
Arcadia, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information for the City of Arcadia, California (the "City") as of and for the fiscal year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2019, and the respective changes in financial position, and where applicable, cash flows thereof, for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, Budgetary Comparison Schedules of the General and Major Special Revenue Funds, Schedule of Changes in the Net Pension Liability and Related Ratios, Schedule of Pension Contributions, Schedule of Changes in Net OPEB Liability and Related Ratios, and Schedule of OPEB Contributions on pages 5 through 26 and 93 through 103 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Introductory Section, Combining and Individual Nonmajor Fund Financial Statements and Budgetary Comparison Schedules, and Statistical Section listed in the table of contents, are presented for purposes of additional analysis and are not required parts of the basic financial statements.

The Combining and Individual Nonmajor Fund Financial Statements and Budgetary Comparison Schedules, listed in the table of contents, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The Introductory and Statistical Section, as listed in the table of contents, have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 28, 2020, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Moss, Levy & Hartzheim

Moss, Levy & Hartzheim, LLP
Culver City, California
January 28, 2020

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City of Arcadia
Management's Discussion and Analysis
June 30, 2019

As management of the City of Arcadia (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2019. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements, which are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City's assets, liabilities, and deferred outflow and inflow of resources, with the net difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned, but unused vacation leave).

The *government-wide financial statements* distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general fund, debt service, capital projects, and special revenue funds. The City's business-type activities include water utility, sewer maintenance, and transit operations.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds. *Governmental Funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains four major governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for

City of Arcadia
Management's Discussion and Analysis
June 30, 2019

the General Fund, Measure M, Parks and Recreation Fund and Capital Outlay Fund. Data from the twenty-three other governmental funds are combined into one single, aggregated presentation. Individual fund data for each of these *non-major* governmental funds is provided in the form of *combining statements* later in this report.

The City adopts an annual appropriated budget for each of its governmental funds. A budgetary comparison statement has been provided for each governmental fund to demonstrate compliance with this budget.

Proprietary Funds. The City maintains only one category of a *proprietary fund*, the enterprise funds. As indicated earlier, these funds include the water utility, sewer maintenance, and transit system funds.

Fiduciary Funds. The City maintains an Agency fund to account for assets held by the City as agent for individuals, private organizations, or other governmental units, and/or other funds, in addition to the successor agency private-purpose trust fund created on February 1, 2012 to account for the transferred assets and liabilities from the former Arcadia Redevelopment Agency.

Notes to the basic financial statements. The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found beginning on page 52 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's budgetary comparison schedules for the General Fund and each major special revenue fund and schedules of progress in funding its obligation to provide pensions and other postemployment benefits to its employees. Required supplementary information can be found starting on page 93 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information. The combining statements and schedules can be found beginning on page 110 of this report. The following analysis of the Government-Wide financial statements includes a comparison between current and prior fiscal years' year-end balances and operations.

Governmental Activities

The Statement of Net Position may serve, over time, as a useful indicator of a government's financial position. Total Net Position of the City's Governmental Activities shows a deficit of (\$28.0) million for the fiscal year ending June 30, 2019, a decrease of (\$4.9) million due to the recognition of expenses related to unfunded accrued liability reporting for pensions and postemployment benefits. During the fiscal year, the City recognized \$6.2 million in pension expenses,

More information on the pension obligation and postemployment benefits liability are available in Notes 8 and 9 of Notes to the Basic Financial Statements.

City of Arcadia
Management's Discussion and Analysis
June 30, 2019

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Governmental Activities (Continued)

The largest portion of the net position is the net investment in capital assets (e.g. land, infrastructure, buildings and equipment, net of accumulated depreciation and related debt) of \$48.8 million. The restricted net position of \$25.8 million represents resources that are subject to external restrictions on how they may be used. The unrestricted fund balance shows a negative (\$102.6) million.

City of Arcadia Statement of Net Position
Governmental Activities

Governmental Activities	June 30, 2019	June 30, 2018	\$ Change	% Change
Current and other assets	\$ 72,558,558	\$ 71,442,036	\$ 1,116,522	1.56%
Capital assets (net of accumulated depreciation)	60,174,422	59,493,339	681,083	1.14%
Total assets	132,732,980	130,935,375	1,797,605	1.37%
Deferred outflow of resources	22,319,169	30,195,081	(7,875,912)	-26.08%
Current liabilities	9,114,359	7,789,862	1,324,497	17.00%
Noncurrent liabilities	170,603,248	173,094,896	(2,491,648)	-1.44%
Total liabilities	179,717,607	180,884,758	(1,167,151)	-0.65%
Deferred inflow of resources	3,326,098	3,319,897	6,201	0.19%
Net investment in capital assets	48,831,491	47,725,910	1,105,581	2.32%
Restricted	25,790,560	25,040,600	749,960	2.99%
Unrestricted	(102,613,607)	(95,840,709)	(6,772,898)	7.07%
Total net position	\$ (27,991,556)	\$ (23,074,199)	\$ (4,917,357)	21.31%

City of Arcadia
Management's Discussion and Analysis
June 30, 2019

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Governmental Activities (Continued)

City of Arcadia Statement of Activities
Governmental Activities

Governmental Activities	June 30, 2019	June 30, 2018	\$ Change	% Change
Program revenues:				
Charges for services	\$ 9,414,190	\$ 9,755,176	\$ (340,986)	-3.50%
Operating contributions and grants	6,441,413	5,542,417	898,996	16.22%
Capital contributions and grants	526,077	45,850	480,227	1047.39%
General revenues:				
Property taxes	18,301,135	16,965,156	1,335,979	7.87%
Sales taxes	11,399,632	11,115,292	284,340	2.56%
Franchise fees	931,750	982,756	(51,006)	-5.19%
Utilities user taxes	6,591,834	6,856,067	(264,233)	-3.85%
Transient occupancy taxes	3,447,186	3,320,953	126,233	3.80%
Motor vehicle license taxes	7,309,525	6,906,050	403,475	5.84%
Non-regulatory business license taxes	1,227,480	1,248,106	(20,626)	-1.65%
Other taxes	1,057,546	1,621,716	(564,170)	-34.79%
Investment earnings	3,432,169	1,529,734	1,902,435	124.36%
Miscellaneous	3,447,105	3,535,442	(88,337)	-2.50%
Total revenues	73,527,042	69,424,715	4,102,327	5.91%
Expenses:				
General government	13,584,059	17,454,570	(3,870,511)	-22.17%
Public safety	40,360,568	37,298,318	3,062,250	8.21%
Public works services	7,519,824	9,224,613	(1,704,789)	-18.48%
Community development	7,790,989	7,527,613	263,376	3.50%
Library	4,168,410	3,982,384	186,026	4.67%
Recreation and community services	3,691,627	3,600,354	91,273	2.54%
Interest on long-term debt	343,846	373,622	(29,776)	-7.97%
Total expenses	77,459,323	79,461,474	(2,002,151)	-2.52%
Increase (Decrease) in Net Position before Transfers	(3,932,281)	(10,036,759)	6,104,478	
Transfers	(985,076)	(1,006,826)	21,750	-2.16%
Increase (Decrease) in net position	(4,917,357)	(11,043,585)	6,126,228	
Net position – Beginning of fiscal year	(23,074,199)	1,274,897		
Prior period adjustment *	-	(13,305,511)		
Net position – End of fiscal year	\$ (27,991,556)	\$ (23,074,199)		

* Prior period adjustment is required due to the implementation of GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits other than Pensions.

City of Arcadia
Management's Discussion and Analysis
June 30, 2019

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Governmental Activities (Continued)

Revenue of Governmental Activities was \$73.5 million for the fiscal year ended June 30, 2019, an increase of \$4.1 million in comparison to the prior year. Further analysis on each revenue category is as follows:

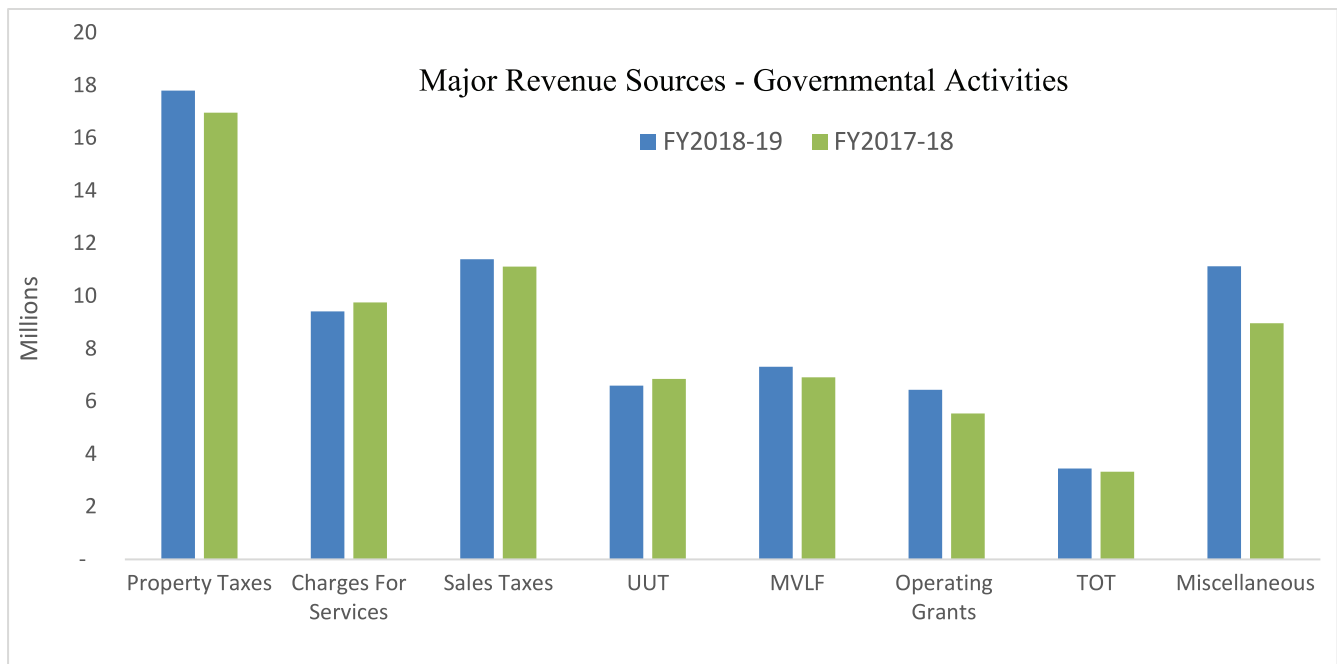
- Charges for Services decreased \$0.3 million or 3.5%, compared to the prior year. The decrease is primarily due to reductions in reimbursements for fire strike teams (\$0.3 million) and dwelling fees (\$0.3 million). The reimbursements decreased due to less deployment of Arcadia Fire Department personnel to combat wild fires throughout the State. The dwelling fees are charged on new residential developments which have been on a decline in recent years. These decreases were partially offset by increase in fees for recreation classes (\$0.2 million) and passport processing fees (\$0.1 million) at the library.
- Operating Contributions and Grants increased by \$0.9 million or 16.22%, due to increased funding of Road Maintenance and Rehabilitation Act (RMRA) and Measure M. The City's portion of RMRA and Measure M funding increase by \$0.6 million and \$0.2 million, respectively, in the fiscal year. Funding from Prop A and Measure R were also slightly higher due to the continued economic growth.
- Capital Contribution and Grants increased by \$0.5 million, primarily due to a new capital grants received from Los Angeles County Metropolitan Transportation Authority (MTA) for transit and pedestrian mobility enhancement. There were additional project funding for sidewalk and other transportation improvements.
- Property Tax revenue increased by \$1.3 million or 7.87%, due to the continued growth in property value assessment. Although home sale activities have reduced in comparison to the previous years, property tax revenue growth is attributed to sales and renovations of homes that were no longer assessed under Proposition 13 and reassessed to market value.
- Sales Tax increased by \$0.3 million, or 2.56% on an adjusted basis. The increase is slightly above budget forecast, despite continued economic uncertainty. Due to timing differences of when the City receives the sales tax revenue, an accounting accrual entry reduction of \$0.2 million was recorded in the Statement of Activities. This net entry was a combination of the differences for the prior and current fiscal years' sales tax revenue not received within the 60 days availability period.
- Franchise fees decreased by 5.1%, due to continuing decline of cable franchise fees remitted to the City. Over the years, technology has evolved and changed the market for users to subscribe to various media and entertainment. Options such as streaming or on demand models allow users to pick and choose programs, thereby paying less versus the old cable model of "a package" subscription.
- Utility User Tax (UUT) decreased by 3.85%. This decrease can be attributed to decreases in electric, water and telecom UUT. UUT from electric and water decreased by 3% and telecom decreased by 8%. Electric UUT has been very volatile in recent years and the decrease in water usage is due to a very wet winter. The decrease in telecom continues as customers cut landlines and lower wireless package pricing due to strong competition.

City of Arcadia
Management’s Discussion and Analysis
June 30, 2019

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Governmental Activities (Continued)

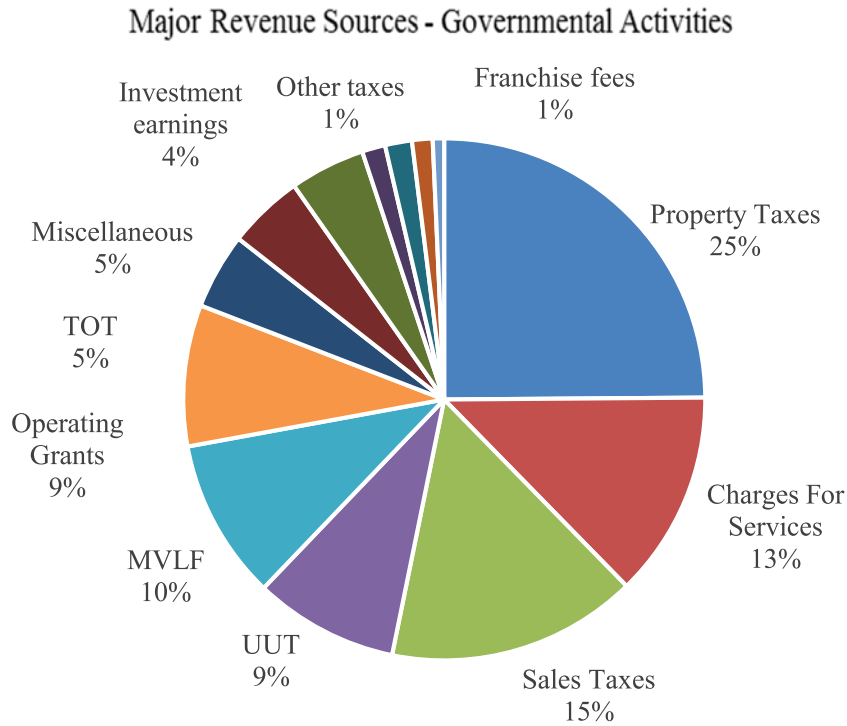
- Transient Occupancy Tax (TOT) increased by \$0.1 million or 3.8%. As most of the hotels/motels in the City caters to business travels, it is suggested that more business travels took place in comparison to the prior year. One can correlate the increase in business travel with the overall low unemployment rate of 3.7% for the calendar year 2019.
- Motor Vehicle License Fees (MVLFF) increased by \$0.4 million or 5.8%. MVLFF increase was attributable to legislation passed in fiscal year 2004-05, which tied its growth to the City’s annual property tax valuation. The City has benefitted by many years of generous growth in the annual property assess valuation.
- Business License Tax decreased slightly by \$20,626, due to fewer business renewals in the current year.
- Other Taxes category decreased by \$0.5 million or 34.8%, primarily consisted of a decrease of cost allocation charges to non-general funds and not having reimbursements for the undergrounding project at the Rusnak dealership from last year.
- Investment Earnings increased by \$1.9 million, due to the rising interest rate market. The rising interest rate correlates to the Federal Reserve’s decision of raising the federal funds rate. In 2018, the federal funds rate was raised four times.
- Miscellaneous Revenue decreased by 2.5%, mainly due to some one-time revenues from the prior year that were not received this fiscal year.



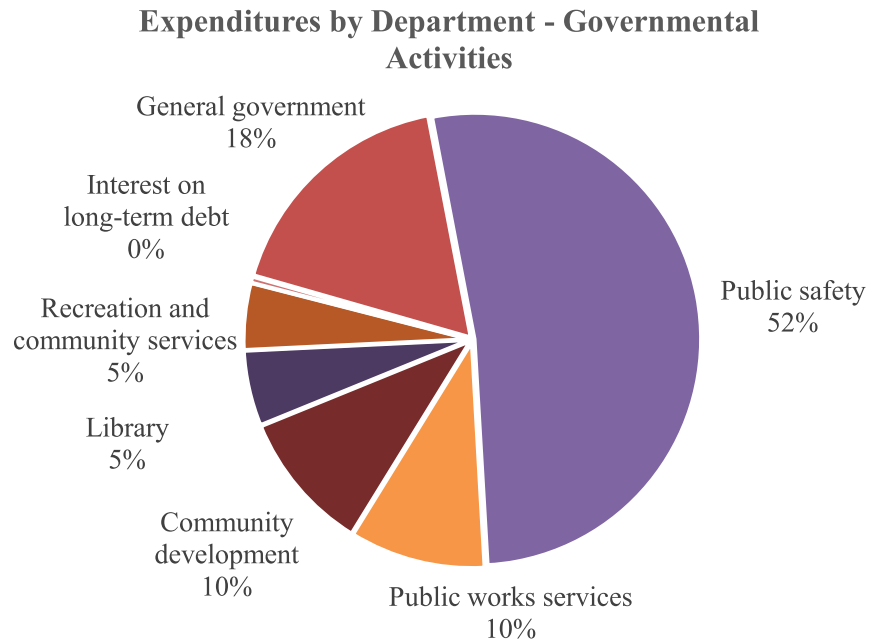
City of Arcadia
Management's Discussion and Analysis
June 30, 2019

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Governmental Activities (Continued)



Expenses for the fiscal year totaled \$79.4 million, an \$11.2 million or 16.4% increase from the prior fiscal year. Detail analysis on the increase by department is as follows:



City of Arcadia
Management's Discussion and Analysis
June 30, 2019

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Governmental Activities (Continued)

- General Government costs decreased by \$3.9 million, or 22.17%. The decrease is mainly due to the pension and OPEB expense attributable to the current fiscal year, which decreased \$2.9 million from prior years. There were some one-time expenses last year due to the disposal of land related to the development of the Le Meridian hotel which accounted for \$1.4 million in decrease. Additionally, operating expenses in the General Government, including insurance and equipment expenses, were also slightly higher than the prior year.
- The cost for Public Safety increased by \$3.0 million, or 8.2%, as the result of the rising personnel cost in salary, overtime and pension benefits, which totaled \$2.2 million. The City also purchased \$0.5 million in new communications equipment during the fiscal year.
- Public Works Services costs decreased by \$1.7 million, or 18.5%, mainly due a decrease in road rehabilitation expenses. In the prior year, due to funding availability, the City was able to devote additional resources to the rehabilitation of residential streets. For this fiscal year, the road rehabilitation activity returned to their historical levels, resulting in a decrease in expenses.
- Community Development Services incurred an increase of \$0.3 million, or 3.5% in costs. The increase was primarily due to plan check services, which increase by \$0.2 million.
- The Library expenses went up \$186,026 in comparison to the prior year, primarily due to increases to personnel costs and contract services.
- Recreation and Community Services incurred a nominal increase of \$91,273. These increases are primarily attributed to contract services for recreation classes.
- Long-term Debt Service reduced slightly due to the lower outstanding debt balances.

Business-Type Activities

Business-Type Activities have a total net position of \$60.6 million, of which \$44.4 million or 73.3%, of the net position is net investment in capital assets (e.g. water treatment infrastructure, buses, and equipment, net of accumulated depreciation and related debt). These assets are used to provide water, sewer, and transit services to the community; consequently, these assets are not available for future spending. The unrestricted net position totaled \$16.2 million, representing 26.7% of total net position.

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Management's Discussion and Analysis
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GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Business-Type Activities (Continued)

City of Arcadia Statement of Net Position
Business-type Activities

Governmental Activities	June 30, 2019	June 30, 2018	\$ Change	% Change
Current and other assets	\$ 27,513,215	\$ 29,456,768	\$ (1,943,553)	-6.60%
Capital assets (net of accumulated depreciation)	44,379,157	44,405,319	(26,162)	-0.06%
Total assets	71,892,372	73,862,087	(1,969,715)	-2.67%
Deferred outflow of resources	1,110,529	1,913,117	(802,588)	-41.95%
Current liabilities	2,671,171	9,846,519	(7,175,348)	-72.87%
Noncurrent liabilities	9,582,906	3,087,230	6,495,676	210.40%
Total liabilities	12,254,077	12,933,749	(679,672)	-5.26%
Deferred inflow of resources	168,801	192,798	(23,997)	-12.45%
Net investment in capital assets	44,379,157	44,405,319	(26,162)	-0.06%
Unrestricted	16,200,866	18,243,338	(2,042,472)	-11.20%
Total net position	\$ 60,580,023	\$ 62,648,657	\$ (2,068,634)	-3.30%

The net position decreased by \$2.07 million, comprising of \$3.3 million of loss from the Water operation, \$0.7 million of operating surplus for Sewer, and \$0.5 million of operating surplus incurred by non-major enterprise funds. Water sales decreased slightly due to an atypically wet winter. The City is currently in year 4 of a rate structure implemented on January 1, 2016 with the purpose of maintaining long-term financial stability of the City's water operation and ensuring that city residents continue to receive quality water and services. The City is currently doing a rate study for the next 5 years to ensure that the City can continue to invest in water infrastructure while maintaining current service levels. Another area inclusive of the reduction to Net Position is from the operating loss incurred by the transit operation as a result of the asset depreciation and pension liability accruals.

City of Arcadia
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GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Business-Type Activities (Continued)

City of Arcadia Statement of Activities
Business-type Activities

Governmental Activities	June 30, 2019	June 30, 2018	\$ Change	% Change
Program revenues:				
Charges for services				
Water	\$ 12,806,780	\$ 13,223,624	(416,844)	-3.15%
Sewer	2,408,365	2,347,364	61,001	2.60%
Transit	12,613	13,246	(633)	-4.78%
Golf	511,860	-	511,860	#DIV/0!
Operating contributions and grants				
Transit	1,509,498	772,915	736,583	95.30%
General revenues:				
Gain on disposal of assets	10,529	13,976	(3,447)	-24.66%
Investment earnings	896,111	150,511	745,600	495.38%
Total revenues	18,155,756	16,521,636	1,634,120	9.89%
Expenses:				
Water	16,853,369	17,005,371	(152,002)	-0.89%
Sewer	1,819,847	1,779,385	40,462	2.27%
Transit	2,020,690	1,823,710	196,980	10.80%
Golf	515,560	-	515,560	#DIV/0!
Total expenses	21,209,466	20,608,466	601,000	2.92%
Increase (Decrease) in Net Position before Transfers	(3,053,710)	(4,086,830)	1,033,120	
Transfers	985,076	1,006,826	(21,750)	-2.16%
Increase (Decrease) in net position	(2,068,634)	(3,080,004)	1,011,370	
Net position – Beginning of fiscal year	62,648,657	66,183,250		
Prior period adjustment *	-	(454,589)		
Net position – End of fiscal year	\$ 60,580,023	\$ 62,648,657		

* Prior period adjustment is required due to the implementation of GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits other than Pensions.

FINANCIAL ANALYSIS OF INDIVIDUAL FUNDS

The City uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. This section provides an analysis and discussion of individual funds and fund types presented in the fund financial statements.

City of Arcadia
Management's Discussion and Analysis
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FINANCIAL ANALYSIS OF INDIVIDUAL FUNDS

Governmental Funds

Analyses on the fluctuations of Governmental Funds are as follows:

- The City's governmental funds reported combined ending fund balances of \$67.4 million vs. \$67.7 million from the prior fiscal year, a decrease of \$0.3 million. Approximately \$5.1 million, or 7.6%, of the combined ending fund balances are categorized as Unassigned Fund Balance. This means that those funds have not been obligated and are available for any purpose. The Restricted Fund Balance of \$25.9 million are funds restricted for special purposes or reserves for the debt services payments of City's General Obligation Bonds. The Assigned Fund Balance of \$35.3 million is a combined balance of these funds: Emergency Reserve, Equipment Replacement, Capital Improvement Projects, Miscellaneous PERS Reserve, and Self-insurance of General Liability and Workers' Compensation. The non-spendable fund balance of \$1.1 million represents prepaid items, inventory, and advances to the Golf Enterprise Fund.
- The General Fund's net fund balance decreased by \$1.6 million to \$29.5 million. Fiscal year ending revenue was at \$61.95 million and expenditures were at \$62.4 million. The operating deficit of \$0.4 million, when combined with transfers resulted in a net decrease in fund balance of \$1.6 million. The Transfer Out consisted of \$2.4 million transfer to Capital Outlay Funds to replenish and maintain a positive fund balance for future projects and a \$0.7 million transfer to the Lighting District Assessment Fund as the City's share of street lighting expenses. The Transfer Ins include funds from Gas Tax Fund, Solid Waste Fund, and Traffic Safety Funds for related and qualifying expenses. More analysis on its revenue and expenditures are available in the section of General Fund Financial and Budgetary Highlights.
- Measure M Fund had a net fund balance of \$0.2 million, including a deficit of \$0.3 million from the current fiscal year. Measure M is a ½ percent sales tax that will fund major transportation projects in Los Angeles County. For the fiscal year, the City received \$0.8 million in allocations from Measure M and spent \$1.1 million on street rehabilitations.
- Parks and Recreation Fund had a net fund balance of \$11.8 million, including a surplus of \$0.9 million from the current fiscal year. Park Development fees are collected on new residential development projects and those fees are restricted for the use of eligible park projects. In June 2019, Council awarded a design build contract to Byrom-Davey, Inc. for the construction of Eisenhower Park Improvement for \$6.3 million. This project will consist of new landscaping, picnic facilities, new synthetic baseball field, new restrooms, shaded playground equipment, walking trails, lighting, and other improvements.
- At the end of the fiscal year, the Capital Outlay Fund had a fund balance of \$11.98 million, an increase of \$0.5 million from the prior year. As noted earlier, \$2.4 million was transferred from General Fund for the purpose of replenishing and keeping an adequate fund balance for infrastructure improvements. Historically, pari-mutual revenues received from Santa Anita Race Track provided adequate funding for yearly capital improvement projects. However, this revenue source has been decreasing over the years due to less horse racing interest and the changing format for wagering. The current annual pari-mutual revenue level has not kept up with the demands and cost of capital improvements. Due to the shrinking revenue stream, the annual General Fund operating budget includes a transfer amount and additionally, City Council has authorized transfers of operating surpluses to replenish the Capital Outlay Fund.

City of Arcadia
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FINANCIAL ANALYSIS OF INDIVIDUAL FUNDS (Continued)

Governmental Funds (Continued)

- The Non-major Governmental Fund group had an aggregated fund balance of \$13.1 million, a decrease of \$0.5 million. Solid Waste, AQMD, Lighting Assessment District, Prop C, IRS Taskforce, PEG Access, Used Oil, and Beverage Recycling have all resulted in a surplus. All other funds with decreased fund balances were due to higher spending than the current year allocation.

City of Arcadia
Statements of Revenues, Expenditures, and Changes in Fund Balances
Government Funds

Governmental Funds	June 30, 2019	June 30, 2018	\$ Change	% Change
Revenues:				
Taxes	\$ 42,050,021	\$ 40,506,071	\$ 1,543,950	3.81%
Licenses and permits	5,165,340	4,833,508	331,832	6.87%
Fines and forfeitures	643,858	690,703	(46,845)	-6.78%
Use of money and property	3,432,169	1,529,733	1,902,436	124.36%
Intergovernmental	14,289,330	12,530,015	1,759,315	14.04%
Charges for services	5,591,091	6,088,728	(497,637)	-8.17%
Other revenues	3,052,228	3,525,714	(473,486)	-13.43%
Total revenues	74,224,037	69,704,472	4,519,565	6.48%
Expenditures:				
General government	7,971,659	8,134,490	(162,831)	-2.00%
Public safety	39,912,792	36,941,437	2,971,355	8.04%
Public works services	7,491,991	8,024,811	(532,820)	-6.64%
Community development	9,992,826	7,599,862	2,392,964	31.49%
Library	3,917,195	3,826,333	90,862	2.37%
Recreation and community services	3,509,543	3,339,426	170,117	5.09%
Debt service	1,070,129	1,015,274	54,855	5.40%
Total expenses	73,866,135	68,881,633	4,984,502	7.24%
Excess (deficiency) of revenues over expenditures	357,902	822,839	464,937	
Other Financing Sources (uses)	(694,936)	(1,006,826)	(311,890)	30.98%
Net change in fund balance	(337,034)	(183,987)	153,047	
Fund balance – Beginning of fiscal year	67,735,708	67,919,695		
Fund balance – End of fiscal year	\$ 67,398,674	\$ 67,735,708		

Revenues of the total Governmental Funds were \$74.2 million with an increase of \$4.5 million, or 6.5%, from the prior fiscal year. Analysis of Governmental Funds are as follows:

City of Arcadia
Management's Discussion and Analysis
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FINANCIAL ANALYSIS OF INDIVIDUAL FUNDS (Continued)

Governmental Funds (Continued)

- Taxes increased by \$1.5 million, or 3.8%. This increase culminates from the mixed tax receipts as described hereafter. Property Tax continues to be the City's largest tax revenue with an increase of \$0.9 million or 6.3%. The property tax growth is credit to continuing rise of property values and homes sales that are reassessed at market versus being under Prop 13 assessment. Sales Tax increased \$0.9 million or 9.1%. The increase is a combination of yearly anticipated growth and \$0.4 million of prior fiscal year sales tax. The newly created state agency, California Department of Tax and Fee Administration (CDTFA), had software glitches during the transition from the State Board of Equalization. When adjusted to actual receipts, excluding the delayed allocated amount, the City's sales tax revenue is \$0.3 million or 2.3% more than the prior fiscal year. Transient Occupancy Tax increased by \$0.1 million or 3.8% in comparison to the previous fiscal year. As most hotels and motels in Arcadia cater to business travelers, it is presumed that in 2019 there were more business travelers, which correlates to the overall low unemployment rate nationwide. Franchise fees had a slight decline of \$51,006 due to the reduction of cable subscription. Utility User Tax had a decrease of \$0.3 million due to continued decreases in telecommunication services and lower water sales.
- Licenses and Permits decreased slightly by \$0.3 million primarily due to lower traffic impact fees. Although there are still several mixed use projects currently under development in the City, development in general has significantly reduced in comparison to past years.
- Fines and Forfeitures decreased slightly due to lower number of parking citations issued.
- Use of Money and Property increased by \$1.9 million, mainly due to the rising interest rate market. The rise in interest rate was due to the increase in Fed Funds Rate that took place in September and December of 2018.
- Intergovernmental Revenue increased by \$1.8 million, or 14%. Motor Vehicle License Fees, a fee that is tied to the growth of the City's annual property tax valuation increased by \$0.4 million. There were continued increases of several new revenue sources, including \$0.6 million of Road Maintenance and Repair Act (RMRA) and \$0.2 million of Measure M, a gas tax that was approved by the voters on the November 8, 2016 ballot. Both funds and their use are designated for road maintenance, rehabilitation, and critical safety projects on the local streets and roads system. Prop A, Prop C, TDA, and CDBG revenues also saw increases totaling roughly \$0.4 million.
- Charges for Services decreased by \$0.5 million due to lower revenues from strike team reimbursements and dwelling unit fees.
- Other Revenues decreased by \$0.5 million from prior year. This primarily consisted of a decrease of cost allocation charges to non-general funds and not having reimbursements for the undergrounding project at the Rusnak dealership from last year.

The Governmental Funds reported \$73.9 million of expenditures, an increase of \$5.0 million, or 7.2%, from the prior fiscal year. Further analysis on the variance is as follows:

City of Arcadia
Management's Discussion and Analysis
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FINANCIAL ANALYSIS OF INDIVIDUAL FUNDS (Continued)

Governmental Funds (Continued)

- Personnel costs increased by \$2.5 million, or 5.6%. In addition to salary increases specified by the employment agreements, higher PERS contribution rates, and more overtime costs by safety staff have also contributed to the increase. Higher PERS contributions are due to CalPERS' policy changes to further secure and ensure appropriate funding level for those administered pension plans. These changes effectively required higher contributions from all participants of those plans, with the employer carrying the greater burden of those contributions.
- Operating costs increase slightly at \$1.0 million in comparison to the prior fiscal year. Professional Contract Services increased by \$0.7 million. The increase was due to the City contracting out management of the golf course and increases in plan check services. There was also minor increases in vehicle maintenance costs.
- Capital expenditures increased by \$1.5 million in comparison to the prior fiscal year. Major projects in the fiscal year included upgrades to the radio dispatch system, transit signal priority system, defibrillators, and sidewalk and streets rehabilitation.

Proprietary Funds

As noted earlier, total Net Position may serve, over time, as a useful indicator of a government's financial position. In the case of the Proprietary Funds, assets exceeded liabilities by \$60.6 million and it comprises of \$52.8 million of fund balance in Water Utility Fund, \$7.7 million of fund surplus in Sewer Maintenance Fund, \$0.1 million for the Transit System Fund and (\$3,700) in the new Golf fund. As it is the City's policy to always transfer sufficient resources from Prop C and Measure R to fund transit operation, the fund balance in the Transit System Fund only comprises of net capital investment and liability balances.

GENERAL FUND FINANCIAL AND BUDGETARY HIGHLIGHTS

General Fund is the primary operating fund of the City. The fund balance reported a decrease of \$1.6 million to \$29.5 million at the fiscal year ending June 30, 2019. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures: unassigned fund balance represents 8.2% of total General Fund expenditures, while total fund balance represents 47.3% of that same amount. 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.

Revenues of the General Fund totaled \$61.95 million for the fiscal year ending June 30, 2019, which is \$2.4 million, or 4%, more than the prior fiscal year's revenue total. Key elements of this increase are as follows:

- Tax revenue had an increase of \$1.6 million, mainly due to the increase of property tax and sales tax revenues. Property Tax continues to be the City's largest tax revenue with an increase of \$0.9 million or 6.3%. The property tax growth is credit to continuing rise of property values and homes sales that are reassessed at market versus being under Prop 13 assessment. Sales Tax has an increase of \$0.9 million or 9.1%. The increase is a combination of yearly anticipated growth and roughly, \$0.4 million of prior fiscal year sales tax. The newly created state agency, California Department of Tax and Fee Administration (CDTFA), had software glitches during the transition from the State Board of Equalization. When adjusted for actuals receipts, excluding the delayed allocated amount, the City's sales tax revenue is \$0.3 million or 2.3% more than the prior fiscal year. Transient Occupancy Tax increased by \$0.1 million or 3.8% in comparison to the previous fiscal year. As most hotels and motels in Arcadia cater to business travelers, it is suggested that in 2019 there were more business travelers, which correlates well with the historical low unemployment rate shown nationwide.

City of Arcadia
Management's Discussion and Analysis
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GENERAL FUND FINANCIAL AND BUDGETARY HIGHLIGHTS (Continued)

- Development related licenses and fees were lower than the prior year due to the reduction of development and related construction fees. Particularly, the City's residential construction activities have decreased in comparison to previous years.
- Fines and Forfeitures decreased by \$53,970 due to lower number of parking citations issued.
- Use of Money and Property increased by \$0.8 million, mainly due to the rising interest rate market. The rise in interest rate was due to the increase in Fed Funds Rate that took place in September and December of 2018.
- Motor vehicle license fees (MVLF) was the main contributor to the increase in intergovernmental revenue as it is tied to the City property assessed value. MVLF increased by \$0.4 million, or 5.8% for Fiscal Year 2018-19.
- Charges for services had a decrease primarily due to less Strike Team reimbursements from the State for the mutual-aid responses to wildfires and other natural disaster incidents during the year.
- The decrease shown for Other Revenue category was due to less cost allocation charges to non-general funds for general governmental internal support.

General Fund Revenues	June 30, 2019	June 30, 2018	\$ Change	% Change
Revenues:				
Taxes	\$ 39,436,524	\$ 37,797,893	\$ 1,638,631	4.34%
Licenses and permits	4,647,777	4,636,689	11,088	0.24%
Fines and forfeitures	442,858	496,828	(53,970)	-10.86%
Use of money and property	2,178,868	1,359,379	819,489	60.28%
Intergovernmental	7,545,240	7,084,640	460,600	6.50%
Charges for services	4,834,282	5,038,450	(204,168)	-4.05%
Other revenues	2,866,610	3,152,046	(285,436)	-9.06%
Total revenues	\$ 61,952,159	\$ 59,565,925	\$ 2,386,234	4.01%

General Fund expenditures increased by \$3.2 million, or 5.5%, to \$62.4 million. The majority of the increase was in personnel costs. It included salary COLA adjustments in accordance with the City's employment agreements, higher PERS contribution rates, and additional overtime budget and costs in the Fire Department's assistance with the various wildfires and natural disasters during the fiscal year.

City of Arcadia
Management's Discussion and Analysis
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GENERAL FUND FINANCIAL AND BUDGETARY HIGHLIGHTS (Continued)

City of Arcadia
General Fund Budgetary Comparison Schedule

	Final Budget	Actual Amounts	\$ Variance with Final Budget	% Variance with Final Budget
REVENUES:				
Taxes	\$ 39,707,200	\$ 39,436,524	\$ (270,676)	-0.68%
Licenses and permits	5,292,500	4,647,777	(644,723)	-12.18%
Fines and forfeitures	583,500	442,858	(140,642)	-24.10%
Use of money and property	1,668,000	2,178,868	510,868	30.63%
Intergovernmental	7,405,000	7,545,240	140,240	1.89%
Charges for services	4,507,400	4,834,282	326,882	7.25%
Other revenues	3,188,000	2,866,610	(321,390)	-10.08%
Total revenues	62,351,600	61,952,159	(399,441)	-0.64%
EXPENDITURES:				
Current:				
General government:				
City council	242,800	230,610	12,190	5.02%
City manager	1,060,550	1,017,731	42,819	4.04%
City clerk	544,500	395,484	149,016	27.37%
City attorney	573,500	516,710	56,790	9.90%
General city	2,002,900	1,978,800	24,100	1.20%
Administrative services	4,712,975	3,465,001	1,247,974	26.48%
Public safety:				
Police	23,640,430	22,801,184	839,246	3.55%
Fire	15,865,147	16,464,591	(599,444)	-3.78%
Public works services	4,585,803	4,066,700	519,103	11.32%
Community development	5,041,707	4,303,013	738,694	14.65%
Library	3,972,349	3,829,073	143,276	3.61%
Recreation and community services	3,363,984	3,254,180	109,804	3.26%
Debt service:				
Principal retirement	-	58,028	(58,028)	#DIV/0!
Total expenditures	65,606,645	62,381,105	3,225,540	4.92%
EXCESS (DEFICIENCY) OF REVENUES				
OVER (UNDER) EXPENDITURES	\$ (3,255,045)	\$ (428,946)	\$ (2,826,099)	

The adopted General Fund budget projected revenue of \$62.4 million for the fiscal year ending June 30, 2019. The actual total General Fund revenues were very close to the budget with a slightly unfavorable variance of \$0.4 million. Key elements of the budget variance are as follows:

City of Arcadia
Management's Discussion and Analysis
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GENERAL FUND FINANCIAL AND BUDGETARY HIGHLIGHTS (Continued)

- Tax collection in total was less than budget by \$0.3 million or 0.7%. The property tax collection was as expected. Sales Tax collection has a slightly favorable increase \$0.3 million or 2.3% more than the prior fiscal year. The TOT collected was \$0.2 million above expectations. Utility tax revenue was \$0.4 million under budget due to less water sales and less telecommunications usage by residents. Franchise tax collection was lower than the budget by roughly \$50,000.
- License and Permits was \$0.6 million, or 12.2%, less than projected, mainly due to less development and construction related fees than the budget.
- The collection of parking citations fines were less than expected, which resulted in \$0.1 million of negative budget variance in the Fines and Forfeitures category.
- Use of Money and Property has a positive budget variance of \$0.5 million or 30.6%. Investment earnings improved due to a market of rising interest rate.
- Intergovernmental revenues, including the Motor Vehicle License Fees, was 1.9% more than budgeted. As the growth on Motor Vehicle License Fees is tied to the property assessed value, the higher than expected growth of property valuations has also resulted in the positive variance for this category.
- Charges for Services had a positive variance of \$0.3 million or 7.25% due to reimbursements for safety related services by the State for their mutual-aid response to wildfires and other nature disaster incidents.
- The collection of other revenues was higher than expected due to some miscellaneous reimbursements that were received during the fiscal year.

The City's General Fund expenditures were \$3.2 million, or 5%, less than the final adopted budget. Key elements of the budget variance are as follows:

- Personnel cost had a savings of \$0.4 million because of more than expected employee vacancies and turnovers. The City's vacancy rate was more than the 3% built into the adopted budget.
- The favorable variance of \$1.4 million in the operating expense were mainly attributable to the areas of general contract services, plan check services, and legal fees. City Clerk was under budget mainly due to the cost of the election being much less than expected. The positive variance in Development Services' contract services was mainly due to unfinished projects, so the underspent budget balances are carried over to the following year. The savings on plan check fees were due to less than expected developments that required additional plan check services.
- There was a favorable variance of \$1.0 million on equipment replacement due to underspending or unfinished projects. However, most of these funds are carried over to the following year for those unfinished projects.
- With the exception of the Fire Department, all other City departments ended the fiscal year with a positive budget variance. The Fire Department's overtime cost was the driver for the cost overrun. Most of the overtime was related to mutual aid to wildfires and other natural disaster incidents during the fiscal year. However, those overtime cost will be fully reimbursed by the State.

City of Arcadia
Management's Discussion and Analysis
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CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. The City's investment in capital assets as of June 30, 2019, amounted to \$104.6 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, park improvements, roadways, sewer, storm drains, vehicles, computer equipment, furniture, other equipment, and construction in progress.

The City completed phase 2 of the median turf removal project on Huntington Drive between Michillinda Avenue through Baldwin Avenue that added drought tolerant plants, decomposed granite and river-rock filtration streams. The Water department started construction a treatment system on the Live Oak Well. The City also upgraded the dispatch radios as well as replacement of 13 police and fire vehicles.

City of Arcadia
Capital Assets

	Governmental Activities		Business – Type Activities		Total	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
Non-depreciable assets:						
Land	\$ 4,335,769	\$ 4,335,769	\$ 192,436	\$ 192,436	\$ 4,528,205	\$ 4,528,205
Water rights	-	-	5,602,000	5,602,000	5,602,000	5,602,000
Construction in progress	3,399,817	663,444	1,071,640	878	4,471,457	664,322
Total non-depreciable assets	7,735,586	4,999,213	6,866,076	5,795,314	14,601,662	10,794,527
Depreciable assets:						
Buildings and improvements	58,890,916	58,505,212	-	-	58,890,916	58,505,212
Water treatment system	-	-	71,874,174	71,297,531	71,874,174	71,297,531
Sewer system	-	-	11,577,778	11,577,778	11,577,778	11,577,778
Automotive equipment	12,125,267	11,657,755	3,226,504	3,250,427	15,351,771	14,908,182
Furniture and equipment	4,773,944	4,646,767	584,830	393,161	5,358,774	5,039,928
Infrastructure	90,846,251	90,039,021	-	-	90,846,251	90,039,021
Total depreciable assets	166,636,378	164,848,755	87,263,286	86,518,897	253,899,664	251,367,652
Less accumulated depreciation:	(114,197,542)	(110,354,629)	(49,750,205)	(47,908,892)	(163,947,747)	(158,263,521)
Total depreciable assets, net	52,438,836	54,494,126	37,513,081	38,610,005	89,951,917	93,104,131
Total capital assets, net	\$ 60,174,422	\$ 59,493,339	\$ 44,379,157	\$ 44,405,319	\$ 104,553,579	\$ 103,898,658

Additional information on the City's capital assets can be found in the Notes to the Basic Financial Statements in Note 4 beginning on page 68 of this report.

City of Arcadia
Management’s Discussion and Analysis
June 30, 2019

Long-term debt. At the end of the current fiscal year, City of Arcadia had a total outstanding debt of \$184.3 Million, \$3.1 million less than the prior year balance. The decrease is due to regular debt service payments and annual actuarial adjustment of accrued pensions and postemployment benefits (OPEB) liabilities.

City of Arcadia
Long-Term Liabilities

Citywide	June 30, 2019	June 30, 2018
Capital lease obligations	\$ 232,112	\$ -
Claims and judgements payable	6,770,318	7,448,260
Compensated absences	2,974,006	2,813,907
OPEB obligation	18,001,891	17,516,353
Net pension liability	145,223,101	147,874,349
2011 General Obligation Bonds	6,235,707	6,592,972
2012 General Obligation Bonds	4,875,112	5,174,457
Total	\$ 184,312,247	\$ 187,420,298

As noted earlier in our discussion, pension liability increase was a result of policy changes by the CalPERS Board to further secure funding level and ensure the long-term sustainability of its pension fund. Policies that made changes to members’ demographics, life expectancy, and lowering of investment return assumptions have the cause-and-effect of lowering the overall funded status of the pension plan. As such, this created a sizeable increase of the net pension liability for the City. In addition to pension, the GASB Statement No. 75, implemented this year, require governments to report a liability on the face of the financial statements for postemployment benefits other than pensions (OPEB). The statement requires more extensive note disclosure and supplementary information about their OPEB liabilities. Part of the required reporting is the beginning and ending balances of total OPEB liability, the OPEB plan’s fiduciary net position, and the net OPEB liability. As such, the change in total reported liability increased significantly versus the prior year’s reported amount. More details on the changes in long-term debt are available in the Notes to the Basic Financial Statements in Note 5 beginning on page 70 of this report.

State statutes limit the amount of general obligation debt a governmental entity may issue to 15% of its total assessed valuation. The current debt limitation for the City of Arcadia is in excess of \$1 billion.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS

The adopted fiscal year 2019-20 General Fund Operating Budget anticipates a deficit of \$0.5 million. The budget consists of \$67.4 million of Operating Revenues, \$65.4 million of Operating Expenses and \$2.4 million of transfers. The three-year General Fund operating budget outlook shows an even starker picture. As shown in the table on the next page, the projected Fiscal Year 2020-21 beginning General Fund operating balance of \$3.6 million is projected to be increased to \$3.1 million by the end of that fiscal year based on current revenue and expenditure estimates, including transfers to the Capital Outlay and Equipment Replacement funds.

City of Arcadia
Management's Discussion and Analysis
June 30, 2019

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS (CONTINUED)

City of Arcadia
3-Year General Fund Operating Outlook

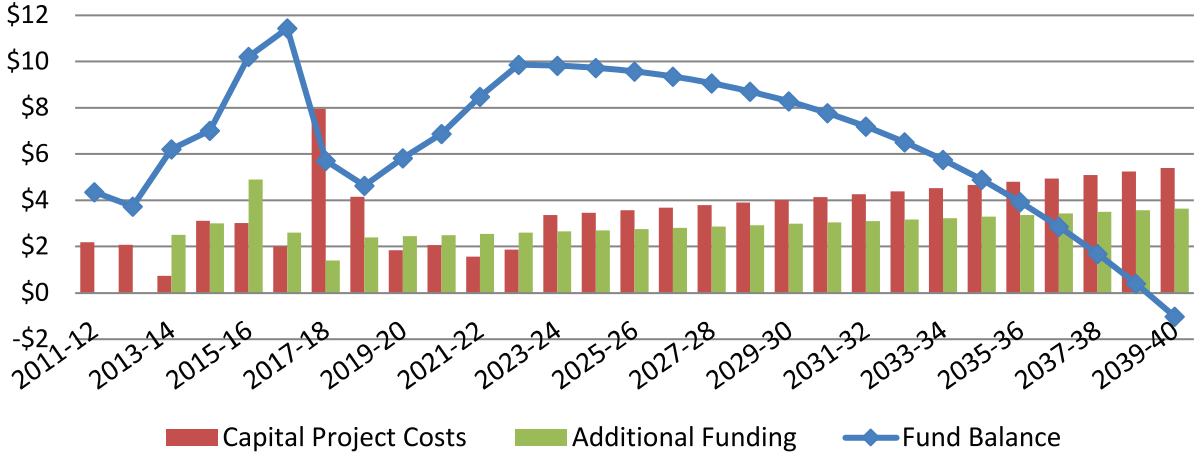
	FY18-19 Estimated	FY19-20 Adopted	FY20-21 Projected
Beginning Fund Balance	\$ 8,292,400	\$ 4,157,730	\$ 3,675,515
Revenues and Sources	62,809,450	67,408,600	74,580,700
Expenditures and Uses	(61,876,620)	(65,484,015)	(66,305,310)
Net Operating Income	932,830	1,924,585	8,275,390
Transfer to Equipment Replacement	(2,100,000)	(750,000)	(2,100,000)
Transfer to Capital Equipment	(2,100,000)	(750,000)	(2,100,000)
Transfer to Other Funds	(867,500)	(906,800)	(934,400)
Subtotal Operating Balance	(4,134,670)	(482,215)	3,140,990
Ending Fund Balance	\$ 4,157,730	\$ 3,675,515	6,816,505

In April 2019, the voters of Arcadia passed Measure A, which raised Arcadia's sales tax rate from 9.5% to 10.25%. It is estimated to bring in an extra \$8 million dollars annually of revenue to the City. This will help close the projected structural imbalance in the City's budget. However, even with this new revenue source, the City continues to face tight fiscal challenges going forward. Below is a detailed discussion of the budget challenges:

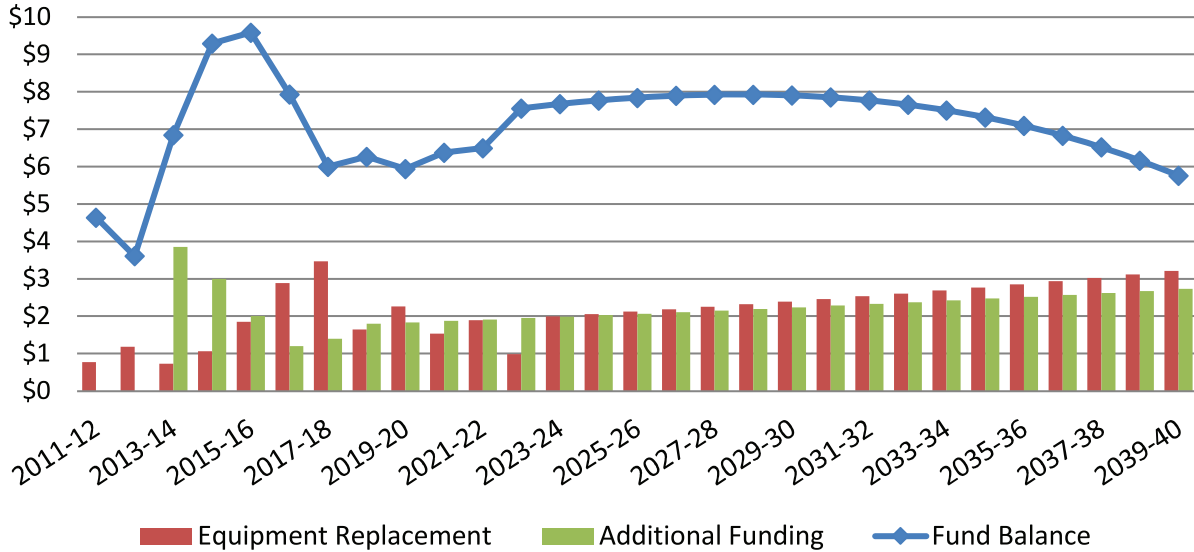
- **CalPERS Funding Policy Changes:** As indicated earlier, CalPERS has made policy and funding changes as well as modifying the actuarial assumption in order to ensure the future viability of the public pension system in the past few years. The changes have significantly increased the annual contribution required by the City. In December of 2016, the CalPERS board of Administration approved another actuarial assumption change to lower the discount rate from 7.5% to 7.0% in order to lower investment risk and to reduce the market volatility that may cause similar losses occurred in Fiscal Year 2007-08. The discount rate change increases both the normal costs and accrued liability substantially for all the public agencies participating in CalPERS pension system. Although the reduction of discount rate will be phased-in in 3 years with 5-year ramping, it has put enormous pressure on the City's budget. The City's pension costs are expected to increase to \$21 million in Fiscal Year 2024-25, in comparison of \$9 million in Fiscal Year 2013-14.
- **Capital Outlay and Equipment Replacement Funds Recovering:** The adopted budget reflects the true rate of transfers of \$2.4 million and \$1.8 million to the Capital Outlay and Equipment Replacement Funds, respectively. These transfer amounts are much greater than those transfers from prior years. The true rate of transfer was calculated using historical spending patterns and future known budgeted outlays shown in the five-year expenditure plans. Although transfer amounts were established to account for and ensure that both funds have sufficient balances available for critical infrastructure improvements and replacement of equipment in the near future, their fund balances will eventually be depleted as these two funds do not generate revenue streams that can fully fund their annual projected expenses. As shown by the two graphs below, **ONLY** with consistent funding levels of \$2.4 million and \$1.8 million annually to both funds will it allow for the continuation of projects to maintain or improve city infrastructures and purchases of major equipment for daily operations. Unfortunately, the funding is not certain as it is strictly dependent of surpluses generated from the General Fund budget.

**City of Arcadia
Management's Discussion and Analysis
June 30, 2019**

Capital Improvement Fund Balance Forecast



Equipment Replacement Fund Balance Forecast



It is also important to note that current projections do not include nearly \$63.4 million in unfunded capital improvement projects, which include a citywide Parks Master Plan, downtown parking lot development, right-of-way and streetscape improvements, and parking lot resurfacing projects. Additionally, the recent change in state law also requires the City to implement enhanced watershed management program to eliminate pollutant discharge into our local supply, and the costs are estimated to range from \$122 million to \$354 million. Although part of the costs will be offset by a parcel tax approved in November of 2018, the City is likely to be responsible for the remaining costs.

City of Arcadia
Management's Discussion and Analysis
June 30, 2019

- Postemployment Benefits (OPEB): City's actuarial accrued liability (AAL) was estimated to be \$21.0 million based on the most recent valuation report dated June 30, 2019, which is \$1.3 million more than the valuation prepared last year. The increase could be attributed to additional service costs for participants due to higher mortality rate, increase in number of participants, and change of assumptions based on the plan's experience. Despite the changes City made in 2011 to reduce OPEB benefits, the Accrued Actuarial Liability for the City's OPEB liability are expected to continue to grow. It is essential for the City to continue to fund the trust established exclusively for this benefits. The trust account had a balance of \$3.0 million as of June 30, 2019.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the financial position of the City of Arcadia. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Administrative Services Department, 240 West Huntington Drive, Arcadia, CA 91007.

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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City of Arcadia
Statement of Net Position
June 30, 2019

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Current assets:			
Cash and investments	\$ 66,247,775	\$ 24,482,533	\$ 90,730,308
Cash and investments with fiscal agent	7	-	7
Accounts receivable	298,296	2,586,916	2,885,212
Interest receivable	308,879	107,972	416,851
Due from other governments	4,582,124	399,528	4,981,652
Prepaid items	67,813	123,494	191,307
Internal balances	201,614	(201,614)	-
Inventories	852,050	14,386	866,436
Total current assets	<u>72,558,558</u>	<u>27,513,215</u>	<u>100,071,773</u>
Noncurrent assets:			
Capital assets:			
Nondepreciable	7,735,586	6,866,076	14,601,662
Depreciable, net	52,438,836	37,513,081	89,951,917
Total capital assets	<u>60,174,422</u>	<u>44,379,157</u>	<u>104,553,579</u>
Total noncurrent assets	<u>60,174,422</u>	<u>44,379,157</u>	<u>104,553,579</u>
Total assets	<u>132,732,980</u>	<u>71,892,372</u>	<u>204,625,352</u>
Deferred outflows of resources:			
Deferred outflows related to net pension liability	19,815,667	1,017,559	20,833,226
Deferred outflows related to OPEB	2,503,502	92,970	2,596,472
Total deferred outflows of resources	<u>22,319,169</u>	<u>1,110,529</u>	<u>23,429,698</u>
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES			
Current liabilities:			
Accounts payable	3,655,164	2,323,702	5,978,866
Accrued salaries payable	810,047	80,689	890,736
Interest payable	158,665	-	158,665
Unearned revenue	297,998	-	297,998
Deposits	1,650	129,756	131,406
Retentions payable	158,496	43,270	201,766
Long-term debt - due within one year	4,032,339	93,754	4,126,093
Total current liabilities	<u>9,114,359</u>	<u>2,671,171</u>	<u>11,785,530</u>
Noncurrent liabilities:			
Long-term debt - due in more than one year	170,603,248	9,582,906	180,186,154
Total noncurrent liabilities	<u>170,603,248</u>	<u>9,582,906</u>	<u>180,186,154</u>
Total liabilities	<u>179,717,607</u>	<u>12,254,077</u>	<u>191,971,684</u>
Deferred inflows of resources:			
Deferred inflows related to net pension liability	3,277,660	166,758	3,444,418
Deferred inflows related to OPEB	48,438	2,043	50,481
Total deferred inflows of resources	<u>3,326,098</u>	<u>168,801</u>	<u>3,494,899</u>
NET POSITION			
Net investment in capital assets	48,831,491	44,379,157	93,210,648
Restricted for:			
Debt service	690,343	-	690,343
Community purposes	14,857,405	-	14,857,405
Public safety	820,309	-	820,309
Transportation /streets	9,422,503	-	9,422,503
Total restricted	<u>25,790,560</u>	<u>-</u>	<u>25,790,560</u>
Unrestricted	(102,613,607)	16,200,866	(86,412,741)
Total net position	<u>\$ (27,991,556)</u>	<u>\$ 60,580,023</u>	<u>\$ 32,588,467</u>

See Accompanying Notes to the Basic Financial Statements.

City of Arcadia
Statement of Activities
For the Fiscal Year Ended June 30, 2019

Functions/Programs	Expenses	Program Revenues			Totals
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
Governmental activities:					
General government	\$ 13,584,059	\$ 16,899	\$ 79,569	\$ -	\$ 96,468
Public safety	40,360,568	3,952,519	220,686	315,777	4,488,982
Public works services	7,519,824	28,385	2,201,627	-	2,230,012
Community development	7,790,989	3,313,734	3,894,384	210,300	7,418,418
Library	4,168,410	162,421	-	-	162,421
Recreation and community services	3,691,627	1,940,232	45,147	-	1,985,379
Interest on long-term debt	343,846	-	-	-	-
Total governmental activities	<u>77,459,323</u>	<u>9,414,190</u>	<u>6,441,413</u>	<u>526,077</u>	<u>16,381,680</u>
Business-type activities:					
Water	16,853,369	12,806,780	-	-	12,806,780
Sewer	1,819,847	2,408,365	-	-	2,408,365
Transit	2,020,690	12,613	1,509,498	-	1,522,111
Arcadia PAR 3 Golf Course	515,560	511,860	-	-	511,860
Total business-type activities	<u>21,209,466</u>	<u>15,739,618</u>	<u>1,509,498</u>	<u>-</u>	<u>17,249,116</u>
Total primary government	<u><u>\$ 98,668,789</u></u>	<u><u>\$ 25,153,808</u></u>	<u><u>\$ 7,950,911</u></u>	<u><u>\$ 526,077</u></u>	<u><u>\$ 33,630,796</u></u>

(Continued)

City of Arcadia
Statement of Activities (Continued)
For the Fiscal Year Ended June 30, 2019

Functions/Programs	Net (Expense) Revenue and Changes in Net Position		
	Governmental Activities	Business-Type Activities	Total
Primary Government:			
Governmental activities:			
General government	\$ (13,487,591)	\$ -	\$ (13,487,591)
Public safety	(35,871,586)	-	(35,871,586)
Public works services	(5,289,812)	-	(5,289,812)
Community development	(372,571)	-	(372,571)
Library	(4,005,989)	-	(4,005,989)
Recreation and community services	(1,706,248)	-	(1,706,248)
Interest on long-term debt	(343,846)	-	(343,846)
Total governmental activities	(61,077,643)	-	(61,077,643)
Business-type activities:			
Water	-	(4,046,589)	(4,046,589)
Sewer	-	588,518	588,518
Transit	-	(498,579)	(498,579)
Arcadia PAR 3 Golf Course	-	(3,700)	(3,700)
Total business-type activities	-	(3,960,350)	(3,960,350)
Total primary government	(61,077,643)	(3,960,350)	(65,037,993)
General Revenues:			
Taxes and fees:			
Property taxes	18,301,135	-	18,301,135
Sales taxes	11,399,632	-	11,399,632
Franchise fees	931,750	-	931,750
Utilities user taxes	6,591,834	-	6,591,834
Transient occupancy taxes	3,447,186	-	3,447,186
Non-regulatory business license taxes	1,227,480	-	1,227,480
Other taxes	1,057,546	-	1,057,546
Total taxes and fees	42,956,563	-	42,956,563
Intergovernmental revenues, unrestricted	7,309,525	-	7,309,525
Investment earnings	3,432,169	896,111	4,328,280
Gain on disposal of assets	-	10,529	10,529
Miscellaneous	3,447,105	-	3,447,105
Transfers	(985,076)	985,076	-
Total general revenues and transfers	56,160,286	1,891,716	58,052,002
Change in net position	(4,917,357)	(2,068,634)	(6,985,991)
Net position - beginning of fiscal year	(23,074,199)	62,648,657	39,574,458
Net position - end of fiscal year	\$ (27,991,556)	\$ 60,580,023	\$ 32,588,467

See Accompanying Notes to the Basic Financial Statements.

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FUND FINANCIAL STATEMENTS

Governmental Funds Financial Statements

Proprietary Funds Financial Statements

Fiduciary Funds Financial Statements

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GOVERNMENTAL FUNDS FINANCIAL STATEMENTS

General Fund - established to account for resources traditionally associated with government which are not required legally or by sound financial management to be accounted for in another fund.

Parks and Recreation Special Revenue Fund - established to account for the development of new park sites and playground facilities. Financing is provided by state and federal reimbursement programs in conjunction with fees charged to residential and commercial developers.

Measure M Fund - established to account for monies received from Measure M allocation, which can be used to major street resurfacing, rehabilitation and reconstruction; pothole repair; left turn signals; bikeway; pedestrian improvements; streetscapes; signal synchronizations; and transit operations.

Capital Outlay Capital Projects Fund - established to account for acquisition of capital items and construction of capital projects as determined by City Council. Financing is provided by the City's share of proceeds from the Santa Anita Race Track as allowed by the State.

City of Arcadia
Balance Sheet
Governmental Funds
June 30, 2019

	Major Funds				Nonmajor Governmental Funds	Total Governmental Funds
	General	Parks and Recreation	Measure M	Capital Outlay		
ASSETS						
Cash and investments	\$ 26,224,774	\$ 11,806,422	\$ 1,336,315	\$ 12,787,961	\$ 14,092,303	\$ 66,247,775
Cash and investments with fiscal agent	-	-	-	-	7	7
Accounts receivable	288,236	-	-	-	10,060	298,296
Interest receivable	141,825	52,932	5,991	50,592	57,539	308,879
Due from other funds	117,576	-	-	-	-	117,576
Due from other governments	3,870,182	-	-	60,287	423,244	4,353,713
Prepaid items and deposits	59,173	-	-	-	8,640	67,813
Inventories	852,050	-	-	-	-	852,050
Advances to other funds	201,614	-	-	-	-	201,614
Total assets	\$ 31,755,430	\$ 11,859,354	\$ 1,342,306	\$ 12,898,840	\$ 14,591,793	\$ 72,447,723
LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 1,180,687	\$ 17,726	\$ 1,049,143	\$ 876,633	\$ 530,975	\$ 3,655,164
Accrued salaries payable	781,838	-	-	-	28,209	810,047
Due to other funds	-	-	-	-	117,576	117,576
Unearned revenue	297,998	-	-	-	-	297,998
Deposits	1,650	-	-	-	-	1,650
Retentions payable	3,986	-	54,916	45,220	54,374	158,496
Total liabilities	2,266,159	17,726	1,104,059	921,853	731,134	5,040,931
Deferred Inflow of Resources:						
Unavailable revenue	-	-	-	-	8,118	8,118
Total deferred inflow of resources	-	-	-	-	8,118	8,118
Fund Balances:						
Nonspendable	1,112,837	-	-	-	8,640	1,121,477
Restricted	-	11,841,628	238,247	-	13,852,592	25,932,467
Assigned	23,295,469	-	-	11,976,987	-	35,272,456
Unassigned	5,080,965	-	-	-	(8,691)	5,072,274
Total fund balances	29,489,271	11,841,628	238,247	11,976,987	13,852,541	67,398,674
Total liabilities and deferred inflow of resources and fund balances	\$ 31,755,430	\$ 11,859,354	\$ 1,342,306	\$ 12,898,840	\$ 14,591,793	\$ 72,447,723

See Accompanying Notes to the Basic Financial Statements.

City of Arcadia
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Position
June 30, 2019

Total Fund Balances - Total Governmental Funds	<u>\$ 67,398,674</u>
Amounts reported for governmental activities in the statement of net position were different because:	
Capital assets used in governmental activities were not current financial resources. Therefore, they were not reported in the governmental funds.	<u>60,174,422</u>
Interest payable on long-term debt did not require current financial resources. Therefore, interest payable was not reported as a liability in the governmental funds.	<u>(158,665)</u>
Long-term liabilities were not due and payable in the current period. Therefore, they were not reported in the governmental funds:	
Long-term liabilities - due within one year	(4,032,339)
Long-term liabilities - due in more than one year	<u>(170,603,248)</u>
Deferred outflows and inflows of resources relating to pensions and OPEB: In governmental funds, deferred outflows and inflows of resources relating to pensions and OPEB are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported.	
Deferred outflows related to net pension liability	19,815,667
Deferred inflows related to net pension liability	(3,277,660)
Deferred outflows related to OPEB	2,503,502
Deferred inflows related to OPEB	<u>(48,438)</u>
In governmental funds, revenue is recognized only to the extent that it is "available" meaning it will be collected soon enough after the end of the period to finance expenditures of that period. Receivables for revenues that are earned but unavailable are deferred until the period in which the revenues become available. In the government-wide statements, revenue is recognized when earned, regardless of availability. The amount of unavailable revenues that are recognized in the government-wide statements is:	<u>236,529</u>
Net Position of Governmental Activities	<u><u>\$ (27,991,556)</u></u>

City of Arcadia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2019

	Major Funds				Nonmajor Governmental Funds	Total Governmental Funds
	General	Parks and Recreation	Measure M	Capital Outlay		
REVENUES:						
Taxes	\$ 39,436,524	\$ -	\$ -	\$ 516,027	\$ 2,097,470	\$ 42,050,021
Licenses and permits	4,647,777	-	-	-	517,563	5,165,340
Fines and forfeitures	442,858	-	-	-	201,000	643,858
Use of money and property	2,178,868	395,942	33,212	372,197	451,950	3,432,169
Intergovernmental	7,545,240	-	806,770	-	5,937,320	14,289,330
Charges for services	4,834,282	593,808	-	-	163,001	5,591,091
Other revenues	2,866,610	-	-	36,157	149,461	3,052,228
Total revenues	61,952,159	989,750	839,982	924,381	9,517,765	74,224,037
EXPENDITURES:						
Current:						
General government:						
City council	230,610	-	-	-	-	230,610
City manager	1,017,731	-	-	-	-	1,017,731
City clerk	395,484	-	-	-	-	395,484
City attorney	516,710	-	-	-	-	516,710
General city	1,978,800	-	-	337,244	30,079	2,346,123
Administrative services	3,465,001	-	-	-	-	3,465,001
Public safety:						
Police	22,801,184	-	-	74,685	340,637	23,216,506
Fire	16,464,591	-	-	216,921	14,774	16,696,286
Public works services	4,066,700	-	-	1,770,745	1,654,546	7,491,991
Community development	4,303,013	-	1,200,873	149,751	4,339,189	9,992,826
Library	3,829,073	-	-	88,122	-	3,917,195
Recreation and community services	3,254,180	53,906	-	114,013	87,444	3,509,543
Debt service:						
Principal retirement	58,028	-	-	-	615,000	673,028
Interest and fiscal charges	-	-	-	-	397,101	397,101
Total expenditures	62,381,105	53,906	1,200,873	2,751,481	7,478,770	73,866,135
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(428,946)	935,844	(360,891)	(1,827,100)	2,038,995	357,902
OTHER FINANCING SOURCES (USES):						
Transfers in	1,580,943	-	-	2,400,000	677,204	4,658,147
Transfers out	(3,077,204)	-	-	-	(2,566,019)	(5,643,223)
Proceeds from capital lease obligations	290,140	-	-	-	-	290,140
Total other financing sources (uses)	(1,206,121)	-	-	2,400,000	(1,888,815)	(694,936)
Net changes in fund balances	(1,635,067)	935,844	(360,891)	572,900	150,180	(337,034)
FUND BALANCES:						
Beginning of fiscal year	31,124,338	10,905,784	599,138	11,404,087	13,702,361	67,735,708
End of fiscal year	\$ 29,489,271	\$ 11,841,628	\$ 238,247	\$ 11,976,987	\$ 13,852,541	\$ 67,398,674

See Accompanying Notes to the Basic Financial Statements.

City of Arcadia
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and
Changes in Fund Balances to the Government-Wide Statement of Activities
For the Fiscal Year Ended June 30, 2019

Net Change in Fund Balances - Total Governmental Funds \$ (337,034)

Amounts reported for governmental activities in the Statement of Activities were different because:

Acquisition of capital assets was reported as expenditures in the governmental funds. However, in the statement of activities, the cost of those assets was allocated over the estimated useful lives as depreciation expense. The following was the amount of capital assets recorded in the current period:

General government	108,324
Public safety	1,384,977
Public works services	1,417,914
Community development	2,217,113
Library	15,277
Recreation and community services	43,851
Total	<u>5,187,456</u>

In governmental funds, the entire proceeds from disposal of capital assets are reported as revenue. In the statement of activities, only the resulting gain or loss is reported. The difference between the proceeds from disposal of capital assets and the resulting gain or loss is:

(4,966)

Depreciation expense on capital assets was reported in the statement of activities, but it did not require the use of current financial resources. Therefore, depreciation expense was not reported as an expenditure in the governmental funds.

(4,501,407)

Compensated absences was reported in the statement of activities, but it did not require the use of current financial resources. Therefore, compensated absences was not reported as an expenditure in the governmental funds. The differences between paid and earned for the period was:

(164,102)

Claims and judgments payable was reported in the Statement of Activities, but it did not require the use of current financial resources. Therefore, claims and judgments payable was not reported as an expenditure in the governmental funds. The differences between claims incurred and paid for the period was:

677,942

Long-term OPEB obligation was reported in the Statement of Activities, but it did not require the use of current financial resources. Therefore, OPEB was not reported as an expenditure in the governmental funds. The differences between accrual basis pension costs and actual employer contributions was:

267,230

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of the principal of long-term debt consumes the current financial resources of governmental funds. Also, governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Proceeds from capital lease obligations	(290,140)
Repayment of long-term debt	673,028
Total	<u>382,888</u>

Some expenses are reported in the statement of activities, but they did not require the use of current financial resources. Therefore, these expenses were not reported as an expenditure in the governmental funds.

Accrued interest	11,645
Amortization of bond premium	41,610
Total	<u>53,255</u>

In governmental funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This fiscal year, the difference between accrual-basis pension costs and actual employer contributions was:

(6,245,367)

Unavailable revenue is not recognized as revenue in the governmental funds in current fiscal year since the revenue is not available to fund current fiscal year expenditures.

(233,252)

Change in Net Position of Governmental Activities \$ (4,917,357)

See Accompanying Notes to the Basic Financial Statements.

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PROPRIETARY FUNDS FINANCIAL STATEMENTS

Water Utility Enterprise Fund - established to account for the operation of the City's water utility, a self-supporting activity which renders services on a user charge basis to residents and businesses located in Arcadia.

Sewer Maintenance Enterprise Fund - established to account for maintenance of the City's sewer system. Financing is provided by fees charged to residential and commercial developers.

City of Arcadia
Statement of Net Position
Proprietary Funds
June 30, 2019

	Enterprise Funds			
	Water Utility	Sewer Maintenance	Nonmajor Enterprise Funds	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
Current assets:				
Cash and investments	\$ 20,016,803	\$ 4,033,912	\$ 431,818	\$ 24,482,533
Accounts receivable	2,158,541	422,882	5,493	2,586,916
Interest receivable	89,897	18,075	-	107,972
Prepaid items	116,106	-	7,388	123,494
Due from other governments	-	194	399,334	399,528
Inventories	-	-	14,386	14,386
Total current assets	22,381,347	4,475,063	858,419	27,714,829
Capital assets:				
Nondepreciable	6,569,123	296,953	-	6,866,076
Depreciable, net	32,633,766	4,699,066	180,249	37,513,081
Total capital assets	39,202,889	4,996,019	180,249	44,379,157
Total assets	61,584,236	9,471,082	1,038,668	72,093,986
Deferred outflows of resources:				
Deferred outflows related to net pension liability	742,902	220,080	54,577	1,017,559
Deferred outflows related to OPEB	92,970	-	-	92,970
Total deferred outflows of resources	835,872	220,080	54,577	1,110,529
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES				
Current liabilities:				
Accounts payable	2,017,834	8,013	297,855	2,323,702
Retentions payable	37,410	5,860	-	43,270
Accrued salaries payable	59,446	17,032	4,211	80,689
Compensated absences payable - due within one year	93,754	-	-	93,754
Deposits	91,859	-	37,897	129,756
Total current liabilities	2,300,303	30,905	339,963	2,671,171
Noncurrent liabilities:				
Net pension liabilities	6,438,459	1,907,352	472,997	8,818,808
Net OPEB liabilities	733,544	-	-	733,544
Compensated absences payable - due in more than one year	30,554	-	-	30,554
Advances from other funds	-	-	201,614	201,614
Total noncurrent liabilities	7,202,557	1,907,352	674,611	9,784,520
Total liabilities	9,502,860	1,938,257	1,014,574	12,455,691
Deferred inflows of resources:				
Deferred inflows related to net pension liability	121,748	36,067	8,943	166,758
Deferred inflows related to OPEB	2,043	-	-	2,043
Total deferred inflows of resources	123,791	36,067	8,943	168,801
NET POSITION				
Net investment in capital assets	39,202,889	4,996,019	180,249	44,379,157
Unrestricted	13,590,568	2,720,819	(110,521)	16,200,866
Total net position	\$ 52,793,457	\$ 7,716,838	\$ 69,728	\$ 60,580,023

See Accompanying Notes to the Basic Financial Statements.

City of Arcadia
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2019

	Enterprise Funds			Total
	Water Utility	Sewer Maintenance	Nonmajor Enterprise Funds	
OPERATING REVENUES:				
Charges for services	\$ 12,803,353	\$ 2,408,365	\$ 524,473	\$ 15,736,191
Other	3,427	-	-	3,427
Total operating revenues	12,806,780	2,408,365	524,473	15,739,618
OPERATING EXPENSES:				
Administration and general	3,465,398	1,369,187	496,822	5,331,407
Power, supplies and pumping	11,560,087	185,887	-	11,745,974
Merchandise and food	-	-	21,760	21,760
Supplies and maintenances	-	-	82,236	82,236
Contract costs	174,809	48,847	1,911,468	2,135,124
Depreciation	1,653,075	215,926	23,964	1,892,965
Total operating expenses	16,853,369	1,819,847	2,536,250	21,209,466
OPERATING INCOME (LOSS)	(4,046,589)	588,518	(2,011,777)	(5,469,848)
NONOPERATING REVENUES (EXPENSES):				
Investment income	767,420	128,691	-	896,111
Federal and state grants	-	-	1,509,498	1,509,498
Gain on disposal of capital assets	10,529	-	-	10,529
Total nonoperating revenues (expenses)	777,949	128,691	1,509,498	2,416,138
INCOME (LOSS) BEFORE TRANSFERS	(3,268,640)	717,209	(502,279)	(3,053,710)
TRANSFERS:				
Transfers in	-	-	985,076	985,076
Total transfers	-	-	985,076	985,076
Changes in net position	(3,268,640)	717,209	482,797	(2,068,634)
NET POSITION (DEFICIT):				
Beginning of fiscal year	56,062,097	6,999,629	(413,069)	62,648,657
End of fiscal year	\$ 52,793,457	\$ 7,716,838	\$ 69,728	\$ 60,580,023

City of Arcadia
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2019

	Enterprise Funds			
	Water Utility	Sewer Maintenance	Nonmajor Enterprise Funds	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers	\$ 12,966,089	\$ 2,416,773	\$ 556,877	\$ 15,939,739
Cash payments to suppliers for goods and services	(12,654,883)	(712,501)	(2,150,135)	(15,517,519)
Cash payments to employees for services	(2,740,131)	(804,456)	(195,811)	(3,740,398)
Cash received for other operating activities	3,427	-	-	3,427
Net cash provided by (used in) operating activities	(2,425,498)	899,816	(1,789,069)	(3,314,751)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Cash received from other governments	-	-	1,133,170	1,133,170
Advances from other funds	-	-	201,614	201,614
Transfers in	-	-	985,076	985,076
Net cash provided (used) by noncapital financing activities	-	-	2,319,860	2,319,860
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Proceeds from sale of capital assets	10,529	-	-	10,529
Acquisition of capital assets	(1,366,515)	(296,075)	(204,213)	(1,866,803)
Net cash provided by (used in) capital and related financing activities	(1,355,986)	(296,075)	(204,213)	(1,856,274)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest received	758,263	122,186	-	880,449
Net cash provided by investing activities	758,263	122,186	-	880,449
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(3,023,221)	725,927	326,578	(1,970,716)
CASH AND CASH EQUIVALENTS - Beginning of fiscal year	23,040,024	3,307,985	105,240	26,453,249
CASH AND CASH EQUIVALENTS - End of fiscal year	\$ 20,016,803	\$ 4,033,912	\$ 431,818	\$ 24,482,533
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating income (loss)	\$ (4,046,589)	\$ 588,518	\$ (2,011,777)	\$ (5,469,848)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	1,653,075	215,926	23,964	1,892,965
Changes in assets, deferred outflows, liabilities, and deferred inflows:				
Accounts receivable	179,234	8,413	(5,493)	182,154
Prepaid items	2,740	98	(7,388)	(4,550)
Due from other governments	-	(5)	-	(5)
Inventories	-	-	(14,386)	(14,386)
Accounts payable	(627,969)	(13,720)	173,248	(468,441)
Retention payable	18,033	3,632	-	21,665
Accrued salaries payable	8,598	2,272	572	11,442
Deposits	(16,498)	-	37,897	21,399
Net pension liabilities	(166,422)	(81,316)	(31,381)	(279,119)
Deferred outflow of resources - pension	591,383	181,660	47,316	820,359
Deferred inflow of resources - pension	(16,844)	(5,662)	(1,641)	(24,147)
Net OPEB obligation	17,385	-	-	17,385
Deferred outflow of resources - OPEB	(17,771)	-	-	(17,771)
Deferred inflow of resources - OPEB	150	-	-	150
Compensated absences	(4,003)	-	-	(4,003)
Total adjustments	1,621,091	311,298	222,708	2,155,097
Net cash provided by (used in) operating activities	\$ (2,425,498)	\$ 899,816	\$ (1,789,069)	\$ (3,314,751)

See Accompanying Notes to the Basic Financial Statements.

FIDUCIARY FUNDS

Successor Agency to the Arcadia Redevelopment Agency Private-Purpose Trust Fund - established to account for activities of the Successor Agency to the Arcadia Redevelopment Agency.

Agency Fund - established to account for assets held by the City as agent for individuals, private organizations, or other governmental units, and/or other funds.

City of Arcadia
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2019

	Successor Agency to the Arcadia Redevelopment Agency Private-Purpose Trust Fund	Agency Fund
	<u>Trust Fund</u>	<u>Fund</u>
ASSETS		
Current assets:		
Cash and investments	\$ 3,768,177	\$ 2,970,254
Cash and investments with fiscal agent	2,955,079	-
Accounts receivable	-	10,821
Interest receivable	23,700	-
Due from other governments	7,440	-
Total current assets	<u>6,754,396</u>	<u>2,981,075</u>
Noncurrent assets:		
Land held for resale	<u>4,770,232</u>	<u>-</u>
Total noncurrent assets	<u>4,770,232</u>	<u>-</u>
Total assets	<u>11,524,628</u>	<u>\$ 2,981,075</u>
LIABILITIES		
Current liabilities:		
Accounts payable	754	\$ 66,028
Accrued salaries payable	1,273	-
Deposits payable	-	2,915,047
Interest payable	295,471	-
Bonds payable - due within one year	<u>1,693,355</u>	<u>-</u>
Total current liabilities	<u>1,990,853</u>	<u>2,981,075</u>
Noncurrent liabilities:		
Bonds payable - due in more than one year	<u>14,026,644</u>	<u>-</u>
Total noncurrent liabilities	<u>14,026,644</u>	<u>-</u>
Total liabilities	<u>16,017,497</u>	<u>\$ 2,981,075</u>
NET POSITION (DEFICIT)		
Held in trust	<u>\$ (4,492,869)</u>	

See Accompanying Notes to the Basic Financial Statements.

City of Arcadia
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Fiscal Year Ended June 30, 2019

	Successor Agency to the Arcadia Redevelopment Agency Private-Purpose Trust Fund
	Trust Fund
ADDITIONS:	
Redevelopment Property Tax Trust Fund	\$ 2,613,122
Use of money and property	266,366
Other revenues	75
Total additions	2,879,563
 DEDUCTIONS:	
Enforceable obligations	1,022,043
Administration	267,900
Total deductions	1,289,943
Change in net position	1,589,620
 NET POSITION (DEFICIT):	
Beginning of fiscal year	(6,082,489)
End of fiscal year	\$ (4,492,869)

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NOTES TO THE BASIC FINANCIAL STATEMENTS

City of Arcadia
Notes to the Basic Financial Statements
June 30, 2019

Note 1 – Summary of Significant Accounting Policies

The basic financial statements of the City of Arcadia, California (the “City”) have been prepared in conformity with accounting principles generally accepted in the United States (“U.S. GAAP”) as applied to governmental agencies. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the significant policies:

A. Financial Reporting Entity

The City was incorporated on August 15, 1903 as a charter city under the laws of the State of California and enjoys all the rights and privileges allowed by its charter. The City is governed by an elected five-member council.

Component units are legally separate entities that meet any one of the following tests:

1. The City appoints the voting majority of the board and:
 - is able to impose its will on the component unit and/or
 - is in a relationship of financial benefit or burden with the component unit.
2. The component unit is fiscally dependent upon the City.
3. The financial statements of the City would be misleading if data from the component unit were omitted.

The City had no blended or discretely presented component units.

B. Basis of Accounting and Measurement Focus

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.

In accordance with GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, the statement of net position reports separate sections for Deferred Outflows of Resources and Deferred Inflows of Resources, when applicable.

Deferred Outflows of Resources represent outflows of resources (consumption of net position) that apply to future periods and, therefore, will not be recognized as an expense until that time.

Deferred Inflows of Resources represent inflows of resources (acquisition of net position) that apply to future periods and, therefore, are not recognized as revenue until that time.

City of Arcadia
Notes to the Basic Financial Statements (Continued)
June 30, 2019

Note 1 – Summary of Significant Accounting Policies (Continued)

B. Basis of Accounting and Measurement Focus (Continued)

Government-Wide Financial Statements

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:

- Charges for services
- Operating grants and contributions
- 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:

- Due from/to other funds
- Transfers in/out

Governmental Fund Financial Statements

All governmental funds 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.

City of Arcadia
Notes to the Basic Financial Statements (Continued)
June 30, 2019

Note 1 – Summary of Significant Accounting Policies (Continued)

B. Basis of Accounting and Measurement Focus (Continued)

Governmental Fund Financial Statements (Continued)

The City reports the following major governmental funds:

- General Fund – This fund was established to account for resources traditionally associated with government which are not required legally or by sound financial management to be accounted for in another fund.
- Parks and Recreation Special Revenue Fund – This fund was established to account for the development of new park sites and playground facilities. Financing is provided by state and federal reimbursement programs in conjunction with fees charged to residential and commercial developers.
- Measure M Special Revenue Fund – This fund was established to account for monies received from Measure M allocation, which can be used to major street resurfacing, rehabilitation and reconstruction; pothole repair; left turn signals; bikeway; pedestrian improvements; streetscapes; signal synchronizations; and transit operations.
- Capital Outlay Capital Projects Fund – This fund was established to account for acquisition of capital items and construction of capital projects as determined by City Council. Financing is provided by the City's share of proceeds from the Santa Anita Race Track as allowed by the State.

Proprietary Fund Financial Statements

Proprietary funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the statement of net position. The statement of revenues, expenses, and changes in net position presents increases (revenues) and decreases (expenses) in total 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. In these funds, receivables have been recorded as revenue and provisions have been made for uncollectible amounts.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for sales and services. Operating expenses for the proprietary funds include the costs of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The City reports the following major proprietary funds:

- Water Utility Enterprise Fund – This fund was established to account for the operation of the City's water utility, a self-supporting activity which renders services on a user charge basis to residents and businesses located within the City.

City of Arcadia
Notes to the Basic Financial Statements (Continued)
June 30, 2019

Note 1 – Summary of Significant Accounting Policies (Continued)

B. Basis of Accounting and Measurement Focus (Continued)

Proprietary Fund Financial Statements (Continued)

- Sewer Maintenance Enterprise Fund – This fund was established to account for the maintenance of the City’s sewer system. Financing is provided by fees charged to residential and commercial developers.

Fiduciary Fund Financial Statements

The fiduciary funds are reported using the accrual basis of accounting.

The City reports the following fiduciary funds:

- Successor Agency to the Arcadia Redevelopment Agency Fund – This private-purpose trust fund was established to account for the activities of the Successor Agency to the Arcadia Redevelopment Agency.
- Agency Fund – This agency fund was established to account for items that are custodial in nature (assets equal liabilities) and does not involve measurement of results of operations.

C. Cash, Cash Equivalents and Investments

The City considered to be cash on hand, demand deposits, and short-term investments with original maturity of three months or less from the date of acquisition as cash and cash equivalents. All cash and investments of proprietary funds are held in the City's investment pool. These cash pools have the general characteristics of a demand deposit account, therefore, all cash and investments in the proprietary funds are considered cash and cash equivalents for statement of cash flows purposes.

Investments are stated at fair value (quoted market price or best available estimate thereof).

D. Cash and Investments with Fiscal Agent

Cash and investments with fiscal agent are restricted for the redemption of bonded debt and for acquisition and construction of capital projects.

E. Interfund Transactions

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due from/to other funds” (i.e., current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “interfund balances”.

City of Arcadia
Notes to the Basic Financial Statements (Continued)
June 30, 2019

Note 1 – Summary of Significant Accounting Policies (Continued)

F. Inventories and Prepaid Items

Inventories within the various fund types consist of materials and supplies which are valued at cost on a first-in, first-out basis. Reported expenditures reflect the consumption method of recognizing inventory-related expenditures. A nonspendable fund balance has been reported in the governmental funds to show that inventories do not constitute “*available spendable resources*”, even though they are a component of current assets.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

G. Land Held for Resale

Land held for resale is carried at the lower of cost or market, but not greater than the estimated net realizable value.

H. Capital Assets

In the government-wide financial statements, capital assets are recorded at cost where historical records are available and at an estimated original cost where no historical records exist. Donated capital assets are valued at their acquisition value on the date donated. City policy has set the capitalization threshold for reporting infrastructure at \$50,000; all other capital assets are set at \$5,000.

The City defines infrastructure assets as the basic physical assets that allow the City to function. The assets include streets, storm drains, park lands, and buildings. Each major infrastructure system can be divided into subsystems. For example, the street system can be subdivided into pavement, curb and gutters, sidewalks, medians, streetlights, landscaping and land. These subsystems are not delineated in the basic financial statements. The appropriate operating department maintains information regarding the subsystems. For all infrastructure systems, the City elected to use the “Basic Approach”.

Interest accrued during capital assets construction, if any, is capitalized for the enterprise funds as part of the asset cost.

City of Arcadia
Notes to the Basic Financial Statements (Continued)
June 30, 2019

Note 1 – Summary of Significant Accounting Policies (Continued)

H. Capital Assets (Continued)

Capital assets used in operations are depreciated over their estimated useful lives using the straight-line method. The lives used for depreciation purposes are as follows:

Hydrants	30 years
Pipes	40-75 years
Wells	25-40 years
Booster pumps	25 years
Reservoirs	60 years
Chlorination equipment	20 years
Telemetry system	30 years
Meters	20 years
Auto equipment	4-15 years
Office furniture and equipment	3-20 years
Infrastructure:	
Streets	30-50 years
Sewers	40-100 years
Traffic signals	20 years
Street lights	30 years
Bridges	40-50 years

In the fund financial statements, the governmental fund financial statements do not present capital assets. Consequently, capital assets are presented as reconciling items in the reconciliation of the governmental funds balance sheet to the government-wide statement of net position.

I. Interest Payable

In the government-wide financial statements, interest payable on long-term debt is recognized as the liability is incurred for governmental activities and business-type activities. In the fund financial statements, only proprietary fund types recognize the interest payable when the liability is incurred.

J. Unearned Revenue

Unearned revenue is recognized for transactions for which revenue has not yet been earned. Typical transactions recorded as unearned revenues are prepaid charges for services.

K. Compensated Absences

City employees have vested interest in varying levels of vacation and sick leave based on their length of employment. Vacation leave is payable to employees at the time a vacation is taken or upon termination of employment. Vacation leave cannot be accrued for more than 65 pay periods at the accrual rate. Sick leave is payable only when an employee is unable to work due to personal or family illness. Sick leave may be accrued up to a maximum of 1,500 hours for general employees, 2,000 hours for public works employees, 1,500 for civilian police, 1,600 hours for sworn police, and 2,100 hours for fire employees. Unused sick leave does not vest and is forfeited upon termination. The amount of compensated absences is accrued when incurred in the government-wide financial statements and proprietary funds. Compensated absences are primarily liquidated by the General Fund and proprietary funds.

City of Arcadia
Notes to the Basic Financial Statements (Continued)
June 30, 2019

Note 1 – Summary of Significant Accounting Policies (Continued)

L. Long-Term Debt

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the appropriate activities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, the governmental fund financial statements do not present long-term liabilities. Consequently, long term debt is shown as a reconciling item in the reconciliation of the governmental funds balance sheet to the government-wide statement of net position.

M. Claims and Judgments

When it is probable that a claim or judgment liability has been incurred at fiscal year-end, and the amount of the loss can be reasonably estimated, the City records the estimated loss, net of any insurance coverage. The City is self-insured and has insurance coverage in excess of the self-insured amounts as a member of the California Insurance Pool Authority (“CIPA”).

N. Property Taxes

Under California law, property taxes are assessed and collected by the counties up to 1% of assessed value, plus other increases approved by the voters. The property taxes go into a pool with the County, and are then allocated to the cities based on complex formulas. Accordingly, the City accrues only those taxes which are received from the County of Los Angeles (the “County”) within sixty days after fiscal year-end.

The following are key dates pertaining to property taxes:

Lien Date:	January 1
Levy Date:	June 30
Due Date:	November 1 and February 1
Collection Date:	December 10 and April 10

O. Net Position

In the government-wide financial statements and proprietary fund financial statements, net position is classified as follows:

Net Investment in Capital Assets – This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of those assets.

Restricted – This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

Unrestricted – This component of net position is the amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

City of Arcadia
Notes to the Basic Financial Statements (Continued)
June 30, 2019

Note 1 – Summary of Significant Accounting Policies (Continued)

P. Fund Balances

In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable – Nonspendable fund balances are items that cannot be spent because they are not in spendable form, such as prepaid items and inventories, or items that are legally or contractually required to be maintained intact, such as principal of an endowment or revolving loan funds.

Restricted – Restricted fund balances encompass the portion of net fund resources subject to externally enforceable legal restrictions. This includes externally imposed restrictions by creditors, such as through debt covenants, grantors, contributors, laws or regulations of other governments, as well as restrictions imposed by law through constitutional provisions or enabling legislation.

Committed – Committed fund balances encompass the portion of net fund resources, the use of which is constrained by limitations that the government imposes upon itself at its highest level of decision making, normally the governing body, and that remain binding unless removed in the same manner. The City Council is considered the highest authority for the City. Adoption of a resolution by the City Council is required to commit resources or to rescind the commitment.

Assigned – Assigned fund balances encompass the portion of net fund resources reflecting the government's intended use of resources. Assignment of resources can be done by the highest level of decision making or by a committee or official designated for that purpose. The City Council has by resolution authorized the City Manager and the Administrative Services Director for that purpose.

Unassigned – This amount is for any portion of the fund balances that do not fall into one of the above categories. The General Fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds, it is not appropriate to report a positive unassigned fund balance amount. However, in governmental funds other than General Fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

Q. Spending Policy

Government-Wide Financial Statements and the Proprietary Fund Financial Statements

When expenses are incurred for purposes for which both restricted and unrestricted components of net position are available, the City's policy is to apply the restricted component of net position first, then the unrestricted component of net position as needed.

Governmental Fund Financial Statements

When expenditures are incurred for purposes for which both restricted and unrestricted fund balances are available, the City's policy is to apply restricted fund balances first, then unrestricted fund balances as needed.

City of Arcadia
Notes to the Basic Financial Statements (Continued)
June 30, 2019

Note 1 – Summary of Significant Accounting Policies (Continued)

Q. *Spending Policy (Continued)*

Governmental Fund Financial Statements (Continued)

When expenditures are incurred for purposes where only unrestricted fund balances are available, the City uses the unrestricted resources in the following order, except for instances wherein an ordinance specifies the fund balance:

Committed
Assigned
Unassigned

R. *Use of Estimates*

The preparation of the basic financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

S. *Future Accounting Pronouncements*

GASB Statements listed below will be implemented in future financial statements:

Statement No. 84	"Fiduciary Activities"	The provision of this statement is effective for fiscal years beginning after December 15, 2018.
Statement No. 87	"Leases"	The provision of this statement is effective for fiscal years beginning after December 15, 2019.
Statement No. 89	"Accounting for Interest Cost Incurred before the End of a Construction Period"	The provision of this statement is effective for fiscal years beginning after December 15, 2019.
Statement No. 90	"Majority Equity Interest-an Amendment of GASB Statements No. 14 and No. 61"	The provision of this statement is effective for fiscal years beginning after December 15, 2018.
Statement No. 91	"Conduit Debt Obligations"	The provision of this statement is effective for fiscal years beginning after December 15, 2020.

City of Arcadia
Notes to the Basic Financial Statements (Continued)
June 30, 2019

Note 2 – Cash and Investments

The City maintains a cash and investment pool, which includes cash balances and authorized investments of all funds. Certain restricted funds which are held and invested by independent outside custodians through contractual agreements are not pooled. These restricted funds include cash and investments with fiscal agent.

The City had the following cash and investments at June 30, 2019:

	Government-Wide Statement of Net Position			Fiduciary Fund Statement of Net Position	
	Governmental Activities	Business-Type Activities	Total	Net Position	Total
Cash and investments	\$ 66,247,775	\$ 24,482,533	\$ 90,730,308	\$ 6,738,431	\$ 97,468,739
Cash and investments with fiscal agent	7	-	7	2,955,079	2,955,086
Total cash and investments	\$ 66,247,782	\$ 24,482,533	\$ 90,730,315	\$ 9,693,510	\$ 100,423,825

The City's cash and investments at June 30, 2019 consists of the following:

Cash and cash equivalents:	
Petty cash	\$ 19,756
Demand deposits	218,464
Total cash and cash equivalents	<u>238,220</u>
Investments:	
Local Agency Investment Fund	4,450,120
California Asset Management Program	13,787,622
Certificates of Deposits	2,879,117
U.S. Treasury Notes	20,692,140
U.S. Government Sponsored Enterprise Securities	30,741,572
Supra-National Bonds	3,067,204
Municipal bonds	838,754
Asset Backed Securities/CMO	8,571,555
Corporate Bonds	12,202,435
Total investments	<u>97,230,519</u>
Cash and investments with fiscal agent:	
Money Market Funds	2,955,086
Total cash and investments	<u>\$ 100,423,825</u>

A. Deposits

The carrying amounts of the City's demand deposits were \$218,464 at June 30, 2019. Bank balances at that date were \$1,833,074, the total amount of which was collateralized or insured with securities held by the pledging financial institutions in the City's name as discussed below. The difference between the carrying amount and bank balances represents outstanding checks, deposits in transit, and other reconciling items.

City of Arcadia
Notes to the Basic Financial Statements (Continued)
June 30, 2019

Note 2 – Cash and Investments (Continued)

A. Deposits (Continued)

The California Government Code requires California banks and savings and loan associations to secure the City's cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the City's name.

The fair value of pledged securities must equal at least 110% of the City's cash deposits. California law also allows institutions to secure City's deposits by pledging first trust deed mortgage notes having a value of 150% of the City's total cash deposits. The City may waive collateral requirements for cash deposits, which are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation ("FDIC"). The City, however, has not waived the collateralization requirements.

The City follows the practice of pooling cash and investments of all funds, except for funds required to be held by fiscal agents under the provisions of bond indentures. Interest income earned on pooled cash and investments is allocated on an accounting period basis to the various funds based on the period-end cash and investment balances. Interest income from cash and investments with fiscal agents is credited directly to the related fund.

B. Investments

Under the provisions of the City's investment policy, and in accordance with California Government Code, the following investments are authorized:

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio *	Maximum Investment in One Issuer
United States Treasury Obligations	5 years	No Limit	No Limit
Federal Agency or United States Government-Sponsored Enterprise Obligations.			
Participations, or Other Instruments	5 years	No Limit	No Limit
Repurchase Agreements	30 days	No Limit	5%
Supranational Obligations	5 years	30%	No Limit
Prime Commercial Paper	270 days	25%	10%
Eligible Bankers' Acceptances	180 days	15%	15%
Medium-term notes (Corporate Notes/Bonds)	3 or 5 years***	30%	5%
Asset-Backed Securities	5 years	20%	5%
Negotiable Certificates of deposit (amount limited to FDIC insurance limits)	5 years	No Limit	5%
Non-negotiable Certificates of deposit and savings deposits	5 years	20%	5%
Placement Service Deposits	5 years	20%	5%
Local Agency Investment Fund ("LAIF")	N/A	No Limit	\$65 Million
Money Market Mutual Funds	N/A	20%	No Limit
Local Government Investment Pools	N/A	No Limit	No Limit
Municipal & State Obligations	5 years	20%	5%

N/A - Not Applicable

* Excluding amounts held by bond trustees that are not subject to California Government Code restrictions.

*** 3 years for "A" rated corporate bonds and 5 years for "AA" rated bonds

City of Arcadia
Notes to the Basic Financial Statements (Continued)
June 30, 2019

Note 2 – Cash and Investments (Continued)

B. Investments (Continued)

The City is a participant in LAIF which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The City’s investments with LAIF at June 30, 2019, included a portion of the pool funds invested in Structured Notes and Asset-Backed Securities:

Structured Notes: debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.

Asset-Backed Securities: generally mortgage-backed securities that entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (for example, Collateralized Mortgage Obligations) or credit card receivables.

As of June 30, 2019, the City had \$4,450,120 invested in LAIF, which had invested 1.77% of the pool investment funds in Structured Notes and Asset-Backed Securities.

The City is also participating in California Asset Management Program (CAMP). The CAMP is a permitted investment for all local agencies under California Government Code Section 53601(p). As of June 30, 2019, the City had \$13,787,622 invested in CAMP.

C. Risk Disclosures

Interest Rate Risk - As a means of limiting its exposure to fair value losses arising from rising interest rates, the City’s investment policy limits investments to a maximum maturity of five years. At June 30, 2019, the City had the following investment maturities:

Investment Type	Fair Value	Investment Maturities (in Years)				
		Less than 1	1 to 2	2 to 3	3 to 4	4 to 5
Local Agency Investment Fund (LAIF)	\$ 4,450,120	\$ 4,450,120	\$ -	\$ -	\$ -	\$ -
California Asset Management Program (CAMP)	13,787,622	13,787,622	-	-	-	-
Certificates of deposits	2,879,117	1,918,233	960,884	-	-	-
U.S. Treasury Notes	20,692,140	448,523	7,024,228	11,210,409	2,008,980	-
Federal Farm Credit Bank	3,987,260	1,997,940	1,989,320	-	-	-
Federal Home Loan Bank	11,947,407	2,994,590	4,409,262	4,543,555	-	-
Federal Home Loan Mortgage Corporation	6,582,279	3,594,329	2,002,170	985,780	-	-
Federal National Mortgage Association	6,513,324	1,993,690	3,493,760	1,025,874	-	-
Federal CMO	1,711,302	-	-	1,268,284	443,018	-
Supra-National Bonds	3,067,204	-	2,323,714	743,490	-	-
Municipal Bonds	838,754	249,700	589,054	-	-	-
Asset Backed Securities	8,571,555	-	196,172	4,136,178	3,014,670	1,224,535
Corporate Bonds	12,202,435	2,052,723	6,150,805	3,496,467	502,440	-
Held by Fiscal Agent:						
Money Market Funds	2,955,086	2,955,086	-	-	-	-
Total	\$ 100,185,605	\$ 36,442,556	\$ 29,139,369	\$ 27,410,037	\$ 5,969,108	\$ 1,224,535

City of Arcadia
Notes to the Basic Financial Statements (Continued)
June 30, 2019

Note 2 – Cash and Investments (Continued)

C. Risk Disclosures (Continued)

Credit Risk - State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations (“NRSROs”). It is the City’s policy to limit its investments in these investment types to the top rating issued by Standard & Poor’s and Moody’s Investors Service. At June 30, 2019, the City’s credit risks, expressed on a percentage basis, were as follows:

Credit Quality Distribution for Securities with Credit Exposure as a Percentage of Total Investments			
Investment Type	Moody's Credit Rating	S&P's Credit Rating	% of Investments with Interest Rate Risk
Certificates of Deposit	Not Rated	Not Rated	2.96%
United States Treasury Notes	Aaa	AA+	21.28%
Federal Farm Credit Bank	Aaa	AA+	4.10%
Federal Home Loan Bank	Aaa	AA+	12.29%
Federal Home Loan Mortgage Corp.	Aaa	AA+	6.77%
Federal National Mortgage Association	Aaa	AA+	6.70%
Federal CMO	Aaa	AA+	1.76%
Supranational Bonds - Int'l Bank of Recon & Devel	Aaa	AAA	1.53%
Supranational Bonds - Inter-American Devel Bank	Aaa	AAA	1.10%
Supranational Bonds - International Finance Corp	Aaa	AAA	0.52%
Municipal Bonds	Aa2	AA	0.86%
Asset Backed Securities - CarMax 2017-4	Not rated	AAA	0.04%
Asset Backed Securities - GM Financial Automobile Leasing Trust 2018-3	Aaa	AAA	0.17%
Asset Backed Securities - BMW Vehicle Leasing Trust 2018-1	Aaa	AAA	0.10%
Asset Backed Securities - Nissan Auto Lease Trust	Aaa	AAA	0.20%
Asset Backed Securities - Mercedes-Benz Auto Lease Trust 2018-B	Not rated	AAA	0.49%
Asset Backed Securities - Honda Auto Rcvbl 2017-3	Not rated	AAA	0.12%
Asset Backed Securities - John Deere 2017-B	Aaa	Not rated	0.12%
Asset Backed Securities - Nissan Auto Rcvbl 2017-B	Aaa	Not rated	0.26%
Asset Backed Securities - Toyota Auto Rcvbl 2017-C	Aaa	AAA	0.15%
Asset Backed Securities - Ally Auto Rcvbl 2017-4	Not rated	AAA	0.15%
Asset Backed Securities - Ford Credit Auto Lease Trust	Aaa	Not rated	0.22%
Asset Backed Securities - Hyundai Auto Rcvbl 2017-B	Aaa	AAA	0.21%
Asset Backed Securities - Toyota Auto Rcvbl 2017-D	Aaa	AAA	0.16%
Asset Backed Securities - Honda Auto Rcvbl 2018-1	Aaa	AAA	0.44%
Asset Backed Securities - Ally Auto Rcvbl 2017-5	Aaa	AAA	0.33%
Asset Backed Securities - Ford Credit 2017-C	Not rated	AAA	0.51%
Asset Backed Securities - John Deere 2018	Aaa	Not rated	0.12%
Asset Backed Securities - Nissan Auto Rcvbl 2017-C	Aaa	Not rated	0.15%
Asset Backed Securities - Nissan Auto Rcvbl 2018-A	Aaa	AAA	0.13%
Asset Backed Securities - Toyota Auto Rcvbl 2018-A	Aaa	AAA	0.11%
Asset Backed Securities - Honda Auto Rcvbl 2018-2	Not rated	AAA	0.09%
Asset Backed Securities - Hyundai Auto Rcvbl 2018-A	Aaa	AAA	0.17%
Asset Backed Securities - BA Credit Card Trust	Aaa	Not rated	0.26%
Asset Backed Securities - Toyota Auto Rcvbl 2018-B	Aaa	AAA	0.44%
Asset Backed Securities - Ford Credit 2018-A	Not rated	AAA	0.26%
Asset Backed Securities - Ally Auto Rcvbl 2018-2	Aaa	Not rated	0.37%
Asset Backed Securities - Hyundai Auto Rcvbl 2018-B	Aaa	AAA	0.10%
Asset Backed Securities - Mercedes-Benz Auto Rcvble 2018-B	Aaa	AAA	0.33%
Asset Backed Securities - Citibank Credit Card Issuance Trust	Aaa	Not rated	0.26%
Asset Backed Securities - Volkswagen Auto Loan Enhanced Trust	Aaa	AAA	0.38%
Asset Backed Securities - GM Financial Consumer Automobile Rcvbl Trust 2018-3	Not rated	AAA	0.23%

City of Arcadia
Notes to the Basic Financial Statements (Continued)
June 30, 2019

Note 2 – Cash and Investments (Continued)

C. Risk Disclosures (Continued)

Credit Quality Distribution for Securities
with Credit Exposure as a Percentage of Total Investments

Investment Type	Moody's Credit Rating	S&P's Credit Rating	% of Investments with Interest Rate Risk
Asset Backed Securities - Hyundai Auto Rcvbl Trust 2019-A	Not rated	AAA	0.22%
Asset Backed Securities - CarMax Auto Owner Trust	Not rated	AAA	0.25%
Asset Backed Securities - CarMax Auto Owner Trust 2018-4	Not rated	AAA	0.20%
Asset Backed Securities - Capital One Prime Auto Rcvbl Trust 2019-1	Aaa	AAA	0.15%
Asset Backed Securities - GM Financial Consumer Automobile Rcvbl Trust 2019-1	Aaa	Not rated	0.29%
Asset Backed Securities - Fifth Third Auto Trust 2019-1	Aaa	AAA	0.19%
Asset Backed Securities - Harley-Davidson Motorcycle Trust 2019-A	Aaa	Not rated	0.26%
Asset Backed Securities - CarMax Auto Owner Trust 2019-2	Not rated	AAA	0.18%
Corporate Bonds - American Honda	A2	A	1.03%
Corporate Bonds - Morgan Stanley	A3	BBB+	0.39%
Corporate Bonds - HSBC USA	A2	A	0.18%
Corporate Bonds - Goldman Sachs	A3	BBB+	0.35%
Corporate Bonds - Intel Corp	A1	A+	0.26%
Corporate Bonds - Apple	Aa1	AA+	0.53%
Corporate Bonds - General Dynamics	A2	A+	0.31%
Corporate Bonds - IBM	A1	A	0.26%
Corporate Bonds - Home Depot	A2	A	0.12%
Corporate Bonds - BNY Mellon	A1	A	0.52%
Corporate Bonds - Caterpillar	A3	A	0.52%
Corporate Bonds - General Electric	Baa1	BBB+	0.24%
Corporate Bonds - Bank of America	A2	A-	0.52%
Corporate Bonds - American Express	A3	BBB+	0.57%
Corporate Bonds - Johnson & Johnson	Aaa	AAA	0.11%
Corporate Bonds - Paccar Financial Corp	A1	A+	0.59%
Corporate Bonds - John Deere Capital	A2	A	0.71%
Corporate Bonds - Branch Banking & Trust	A2	A-	0.51%
Corporate Bonds - National Rural Utilities	A2	A	0.21%
Corporate Bonds - Unilever	A1	A+	0.52%
Corporate Bonds - Toyota Motor	Aa3	AA-	0.52%
Corporate Bonds - Charles Schwab Corp	A2	A	0.25%
Corporate Bonds - JPMorgan Chase	A2	A-	0.26%
Corporate Bonds - Walmart	Aa2	AA	0.36%
Corporate Bonds - Pfizer	A1	AA	0.46%
Corporate Bonds - Boeing	A2	A	0.26%
Corporate Bonds - Citigroup	A3	BBB+	0.26%
Corporate Bonds - 3M	A1	AA-	0.16%
Corporate Bonds - Chevron Corp	Aa2	AA	0.26%
Corporate Bonds - US Bank NA	A1	A+	0.26%
Corporate Bonds - United Parcel Service	A1	A+	0.26%
Corporate Bonds - Blackrock Inc	Aa3	AA-	0.27%
Corporate Bonds - Procter & Gamble	Aa3	AA-	0.26%
Corporate Bonds - Visa	Aa3	AA-	0.26%
Local Agency Investment Fund	Not Rated	Not Rated	4.58%
California Asset Management Program	Not Rated	Not Rated	14.19%
			100.00%

City of Arcadia
Notes to the Basic Financial Statements (Continued)
June 30, 2019

Note 2 – Cash and Investments (Continued)

C. Risk Disclosures (Continued)

Custodial Credit Risk - For deposits, custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the City will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the City's investments, \$2,955,086 of securities is held by the investment's counterparty, the trustee for the general obligation and tax allocation bonds, not in the name of the City as of June 30, 2019.

D. Fair Value Measurements

The City categorizes its fair value measurements within the fair value hierarchy established by U.S. generally accepted accounting principles. These principles recognize a three-tiered fair value hierarchy, as follows:

- Level 1: Investments reflect prices quoted in active markets;
- Level 2: Investments reflect prices that are based on a similar observable asset either directly or indirectly, which may include inputs in markets that are not considered to be active; and,
- Level 3: Investments reflect prices based upon unobservable sources.

The City pooled investments has the following recurring fair value measurements as of June 30, 2019:

Investment by Fair Value Level	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Input (Level 2)	Significant Unobservable Inputs (Level 3)
Debt securities				
Certificates of deposits	\$ 2,879,117	\$ 2,879,117	\$ -	\$ -
U.S. Treasury Notes	20,692,140	20,692,140	-	-
Federal Farm Credit Bank	3,987,260	3,987,260	-	-
Federal Home Loan Bank	11,947,407	11,947,407	-	-
Federal Home Loan Mortgage Corporation	6,582,279	6,582,279	-	-
Federal National Mortgage Association	6,513,324	6,513,324	-	-
Federal CMO	1,711,302	1,711,302	-	-
Supra-National Bonds	3,067,204	3,067,204	-	-
Municipal Bonds	838,754	838,754	-	-
Asset Backed Securities	8,571,555	8,571,555	-	-
Corporate Bonds	12,202,435	12,202,435	-	-
Total Investments Measured at Fair Value	78,992,777	\$ 78,992,777	\$ -	\$ -
Investments Measured at Amortized Cost				
LAIF	4,450,120			
CAMP	13,787,622			
Total Pooled Investments	\$ 97,230,519			

City of Arcadia
Notes to the Basic Financial Statements (Continued)
June 30, 2019

Note 3 – Interfund Transactions

A. Government-Wide Financial Statements

Transfers - At June 30, 2019, the City had the following transfers for the operation of the Transit System Enterprise Fund:

	Transfers In
	Business-Type
	Activities
Transfers Out	
Governmental Activities	\$ 985,076

B. Fund Financial Statements

Advances To/From Other Funds – At June 30, 2019, the City had the following advances to/from other funds:

	Advances to Other Funds
	General Fund
Advances from Other Funds	
Non Major Enterprise Fund	\$ 201,614
Total	\$ 201,614

The above interfund balances resulted from the City General fund financed the operation of the PAR 3 Golf Course.

Due From/To Other Funds - At June 30, 2019, the City had the following due from/to other funds:

	Due from Other Funds
	General Fund
Due to Other Funds	
Nonmajor Governmental Funds	\$ 117,576
Total	\$ 117,576

The above interfund balances resulted from temporary reclassifications made at June 30, 2019 to cover cash shortfalls.

Transfers In/Out - At June 30, 2019, the City had the following transfers in/out which arise in the normal course of operations:

	Transfers In				
Transfers Out	General Fund	Capital Outlay Capital Projects Fund	Nonmajor Governmental Funds	Nonmajor Enterprise Fund	Total
General Fund	\$ -	\$ 2,400,000	\$ 677,204	\$ -	\$ 3,077,204
Nonmajor Governmental Funds	1,580,943	-	-	985,076	2,566,019
Total	\$ 1,580,943	\$ 2,400,000	\$ 677,204	\$ 985,076	\$ 5,643,223

In general, transfers are used to 1) transfer restricted revenues collected in one fund to finance eligible programs accounted for in other funds in accordance with budgetary authorizations, and 2) to fund future capital projects.

City of Arcadia
Notes to the Basic Financial Statements (Continued)
June 30, 2019

Note 4 – Capital Assets

A. Government-Wide Financial Statements

A summary of changes in the capital assets for the governmental activities for the fiscal year ended June 30, 2019 is as follows:

	Governmental Activities				Balance June 30, 2019
	Balance July 1, 2018	Additions	Deletions	Transfers	
Nondepreciable assets:					
Land	\$ 4,335,769	\$ -	\$ -	\$ -	\$ 4,335,769
Construction in progress	663,444	2,816,156	-	(79,783)	3,399,817
Total nondepreciable assets	<u>4,999,213</u>	<u>2,816,156</u>	<u>-</u>	<u>(79,783)</u>	<u>7,735,586</u>
Depreciable assets:					
Building and improvements	58,505,212	305,921	-	79,783	58,890,916
Automotive equipment	11,657,755	650,135	(182,623)	-	12,125,267
Furniture and equipment	4,646,767	608,014	(480,837)	-	4,773,944
Infrastructure	90,039,021	807,230	-	-	90,846,251
Total capital assets, being depreciated	<u>164,848,755</u>	<u>2,371,300</u>	<u>(663,460)</u>	<u>79,783</u>	<u>166,636,378</u>
Less accumulated depreciation:					
Building and improvements	(26,680,877)	(1,788,134)	-	-	(28,469,011)
Automobile equipment	(8,560,130)	(925,454)	177,657	-	(9,307,927)
Furniture and equipment	(2,016,114)	(467,533)	480,837	-	(2,002,810)
Infrastructure	(73,097,508)	(1,320,286)	-	-	(74,417,794)
Total accumulated depreciation	<u>(110,354,629)</u>	<u>(4,501,407)</u>	<u>658,494</u>	<u>-</u>	<u>(114,197,542)</u>
Total depreciable assets, net	<u>54,494,126</u>	<u>(2,130,107)</u>	<u>(4,966)</u>	<u>79,783</u>	<u>52,438,836</u>
Governmental activities capital assets, net	<u>\$ 59,493,339</u>	<u>\$ 686,049</u>	<u>\$ (4,966)</u>	<u>\$ -</u>	<u>\$ 60,174,422</u>

Depreciation expense was charged to functions/programs of governmental activities for the fiscal year ended June 30, 2019 as follows:

General government	\$ 287,061
Public safety	1,861,305
Public works services	1,754,984
Community development	78,530
Library	266,492
Recreation and community services	253,035
Total depreciation expense	<u>\$ 4,501,407</u>

City of Arcadia
Notes to the Basic Financial Statements (Continued)
June 30, 2019

Note 4 – Capital Assets (Continued)

A. Government-Wide Financial Statements (Continued)

A summary of changes in the capital assets for the business-type activities for the fiscal year ended June 30, 2019 is as follows:

	Business-Type Activities				Balance June 30, 2019
	Balance July 1, 2018	Additions	Deletions	Transfers	
Nondepreciable assets:					
Land	\$ 192,436	\$ -	\$ -	\$ -	\$ 192,436
Water rights	5,602,000	-	-	-	5,602,000
Construction in progress	878	1,070,762	-	-	1,071,640
Total nondepreciable assets	<u>5,795,314</u>	<u>1,070,762</u>	<u>-</u>	<u>-</u>	<u>6,866,076</u>
Depreciable assets:					
Water treatment plant and systems	71,297,531	576,643	-	-	71,874,174
Sewer pipes	11,577,778	-	-	-	11,577,778
Automotive equipment	3,250,427	-	(23,923)	-	3,226,504
Furniture and equipment	393,161	219,398	(27,729)	-	584,830
Total capital assets, being depreciated	<u>86,518,897</u>	<u>796,041</u>	<u>(51,652)</u>	<u>-</u>	<u>87,263,286</u>
Less accumulated depreciation:					
Water treatment plant and systems	(37,958,491)	(1,597,347)	-	-	(39,555,838)
Sewer pipes	(7,123,082)	(155,782)	-	-	(7,278,864)
Automobile equipment	(2,579,536)	(103,133)	23,923	14,948	(2,643,798)
Furniture and equipment	(247,783)	(36,703)	27,729	(14,948)	(271,705)
Total accumulated depreciation	<u>(47,908,892)</u>	<u>(1,892,965)</u>	<u>51,652</u>	<u>-</u>	<u>(49,750,205)</u>
Total depreciable assets, net	<u>38,610,005</u>	<u>(1,096,924)</u>	<u>-</u>	<u>-</u>	<u>37,513,081</u>
Business-type activities capital assets, net	<u>\$ 44,405,319</u>	<u>\$ (26,162)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 44,379,157</u>

Depreciation expense for business-type activities for the fiscal year ended June 30, 2019 was charged as follows:

Water Utility	\$ 1,653,075
Sewer Maintenance	215,926
Arcadia PAR 3 Golf Course	<u>23,964</u>
Total depreciation expense	<u>\$ 1,892,965</u>

B. Fund Financial Statements

The governmental fund financial statements do not present capital assets. Consequently, capital assets are presented as reconciling items in the reconciliation of the governmental funds balance sheet to the government-wide statement of net position.

City of Arcadia
Notes to the Basic Financial Statements (Continued)
June 30, 2019

Note 5 – Long-Term Liabilities

A. Governmental Activities

A summary of changes in long-term liabilities for governmental activities for the fiscal year ended June 30, 2019 is as follows:

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019	Due within One Year	Due in more than One Year
2011 General Obligation Bonds	\$ 6,300,000	\$ -	\$ (335,000)	\$ 5,965,000	\$ 350,000	\$ 5,615,000
2012 General Obligation Bonds	4,920,000	-	(280,000)	4,640,000	290,000	4,350,000
Subtotal	11,220,000	-	(615,000)	10,605,000	640,000	9,965,000
Add deferred amounts:						
Bond premium - 2011 GOB	292,972	-	(22,265)	270,707	22,265	248,442
Bond premium - 2012 GOB	254,457	-	(19,345)	235,112	19,345	215,767
Subtotal	547,429	-	(41,610)	505,819	41,610	464,209
Total bonds payable	11,767,429	-	(656,610)	11,110,819	681,610	10,429,209
Capital lease obligations	-	290,140	(58,028)	232,112	58,028	174,084
Claims and judgments payable	7,448,260	458,132	(1,136,074)	6,770,318	1,564,396	5,205,922
Compensated absences	2,685,596	1,892,407	(1,728,305)	2,849,698	1,728,305	1,121,393
Net OPEB liabilities	16,800,194	468,153	-	17,268,347	-	17,268,347
Net pension liabilities	138,776,422	-	(2,372,129)	136,404,293	-	136,404,293
Total	\$ 177,477,901	\$ 3,108,832	\$ (5,951,146)	\$ 174,635,587	\$ 4,032,339	\$ 170,603,248

Typically, the General Fund has been used to liquidate the liability for compensated absences, claims and judgments payable, net other postemployment benefits, and net pension liabilities.

2011 General Obligation Bonds – Original Issue \$8,000,000

In May 2011, the City issued General Obligation Bonds in the amount of \$8,000,000. The bonds were authorized at an election on April 11, 2006, at which more than two-thirds of the persons voting on the proposition voted to authorize the issuance and sale of the bonds. The purpose of the bonds was 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.

City of Arcadia
Notes to the Basic Financial Statements (Continued)
June 30, 2019

Note 5 – Long-Term Liabilities (Continued)

A. Governmental Activities (Continued)

2011 General Obligation Bonds – Original Issue \$8,000,000 (Continued)

The bonds consisted of \$3,545,000 of serial bonds and \$4,455,000 of term bonds. The serial bonds accrue interest at rates between 2.00% and 5.00% and mature between August 1, 2012 and August 1, 2022. The term bonds accrue interest at a rate ranging from 3.50% to 4.20% and mature between August 1, 2024 and August 1, 2031. Bonds maturing on or after August 1, 2024 shall be subject to mandatory sinking fund redemption, in part by lot, prior to their stated maturity at redemption prices equal to 100% of the principal amount. There are no future revenues pledged for payment of principal and interest on these bonds.

The amount of bonds outstanding at June 30, 2019 totaled \$5,965,000.

The annual debt service requirements on these bonds are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2020	\$ 350,000	\$ 241,620	\$ 591,620
2021	370,000	223,620	593,620
2022	385,000	204,745	589,745
2023	405,000	184,995	589,995
2024	425,000	167,433	592,433
2025 - 2029	2,370,000	586,835	2,956,835
2030 - 2032	1,660,000	106,470	1,766,470
TOTAL	<u>\$ 5,965,000</u>	<u>\$ 1,715,718</u>	<u>\$ 7,680,718</u>

2012 General Obligation Refunding Bonds – Original Issue \$6,135,000

In September 2012, the City issued General Obligation Refunding Bonds in the amount of \$6,135,000. The bonds were authorized by City Council. The purpose of the bonds was to refund the 2001 A General Obligation Bonds and to pay costs relating to the issuance the bonds and the refunding of the prior bonds, which were issued for the construction of the City’s Police Station. The refunding reduced the net true interest cost from 5.1% originally to 2.16% and saved \$1.55 million in present value.

Bonds maturing in the years 2013 to 2031 are serial bonds payable August 1 in annual installments of \$185,000 to \$420,000. The bonds bear interest at 2.00% to 5.00% due February 1 and August 1 of each year. Bonds maturing on or after August 1, 2023 are subject to optional redemption in whole or in part on any date commencing August 1, 2022. The bonds are payable solely from ad valorem property taxes.

The amount of bonds outstanding at June 30, 2019 totaled \$4,640,000.

City of Arcadia
Notes to the Basic Financial Statements (Continued)
June 30, 2019

Note 5 – Long-Term Liabilities (Continued)

A. Governmental Activities (Continued)

2012 General Obligation Refunding Bonds – Original Issue \$6,135,000 (Continued)

The annual debt service requirements on these bonds are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2020	\$ 290,000	\$ 124,625	\$ 414,625
2021	305,000	112,725	417,725
2022	320,000	100,225	420,225
2023	330,000	88,875	418,875
2024	340,000	80,525	420,525
2025 - 2029	1,830,000	291,275	2,121,275
2030 - 2032	1,225,000	55,875	1,280,875
TOTAL	\$ 4,640,000	\$ 854,125	\$ 5,494,125

Capital lease obligations

During the current fiscal year, the City entered into a capital leases with options to purchase for paramedic equipment. Payments for the capital lease obligations are made in the General fund. As of June 30, 2019, the balance outstanding amount to \$232,112. The remaining outstanding balance will be paid over four equal installments amount to \$58,028.

Claims and Judgments Payable

The amount of claims and judgments payable at June 30, 2019 was \$6,770,318. See Note 7B for details.

Compensated Absences

The City’s liability for vested and unpaid compensated absences (accrued vacation) in the governmental activities has been accrued and amounted to \$2,849,698.

B. Business-Type Activities

A summary of changes in long-term liabilities for business-type activities for the fiscal year ended June 30, 2019 is as follows:

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019	Due within One Year	Due in more than One Year
Compensated absences	\$ 128,311	\$ 89,751	\$ (93,754)	\$ 124,308	\$ 93,754	\$ 30,554
Net OPEB liabilities	716,159	17,385	-	733,544	-	733,544
Net pension liabilities	9,097,927	-	(279,119)	8,818,808	-	8,818,808
Total long-term debt	\$ 9,942,397	\$ 107,136	\$ (372,873)	\$ 9,676,660	\$ 93,754	\$ 9,582,906

City of Arcadia
Notes to the Basic Financial Statements (Continued)
June 30, 2019

Note 5 – Long-Term Liabilities (Continued)

B. Business-Type Activities (Continued)

Compensated Absences

In the proprietary funds, the liability for vested and unpaid compensated absences (accrued vacation) is reported in the fund as the benefits are vested and earned. The compensated absences accrued in the proprietary funds amounted to \$124,308 at June 30, 2019.

C. Fiduciary Activities

A summary of changes in long-term debt for the private-purpose trust fund for the fiscal year ended June 30, 2019 is as follows:

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019	Due within One Year	Due in more than One Year
2001A Tax Allocation Bonds	\$ 3,415,000	\$ -	\$ (615,000)	\$ 2,800,000	\$ 645,000	\$ 2,155,000
2010 Tax Allocation Bonds	14,135,000	-	(1,025,000)	13,110,000	1,075,000	12,035,000
Subtotal	17,550,000	-	(1,640,000)	15,910,000	1,720,000	14,190,000
Less deferred amounts:						
Bond discount	(216,646)	-	26,645	(190,001)	(26,645)	(163,356)
Total bonds payable	\$ 17,333,354	\$ -	\$ (1,613,355)	\$ 15,719,999	\$ 1,693,355	\$ 14,026,644

2001 A Tax Allocation Bonds – Original Issue \$11,655,000

In June 2001, the former Redevelopment Agency issued tax allocation bonds, Series 2001 A in the amount of \$11,655,000. The purpose of the bonds was to finance public capital improvements including part of the cost of a police station, a fire station, other public capital improvements, repayment of a City loan, and to refund the 1989 Redevelopment Agency Tax Allocation Refunding Bonds.

The bonds consisted of \$9,500,000 of serial bonds and \$2,155,000 of term bonds. The serial bonds accrue interest at rates between 4.25% and 5.125% and mature between May 1, 2002 and May 1, 2020. The term bonds accrue interest at a rate of 5.25% and mature on May 1, 2023. Serial bonds maturing on or after May 1, 2009, shall be subject to redemption, at the option of the former Redevelopment Agency on any date on or after May 1, 2009 at redemption prices ranging from 100% to 101%. Term bonds maturing on May 1, 2023 are subject to mandatory redemption in whole or in part by lot, without premium, commencing May 1, 2021, from sinking fund payments made by the former Redevelopment Agency.

The bond agreement requires the Successor Agency to pledge its annual tax revenues in an amount equal to at least 125% of the annual debt service requirement each fiscal year, through final maturity of the Bonds on May 1, 2023 or early retirement of the Bonds, whichever occurs first. The ratio of net revenues to the debt service payments due during the year ended June 30, 2019 was 3.31 (331%)

Revenues received by the Successor Agency from the Redevelopment Property Tax Trust Fund (“RPTTF”) have been pledged for the payment of principal and interest on these bonds. Principal and interest paid for the current year amounted to \$790,019 and total net revenues reported by the Successor Agency was \$2,613,122.

City of Arcadia
Notes to the Basic Financial Statements (Continued)
June 30, 2019

Note 5 – Long-Term Liabilities (Continued)

C. Fiduciary Activities (Continued)

2001 A Tax Allocation Bonds – Original Issue \$11,655,000 (Continued)

The amount of bonds outstanding at June 30, 2019 totaled \$2,800,000 in the Successor Agency to the Arcadia Redevelopment Agency Private-Purpose Trust Fund.

The annual debt service requirements on these bonds are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2020	\$ 645,000	\$ 143,500	\$ 788,500
2021	680,000	110,444	790,444
2022	720,000	75,594	795,594
2023	755,000	38,693	793,693
TOTAL	\$ 2,800,000	\$ 368,231	\$ 3,168,231

2010 Tax Allocation Bonds – Original Issue \$19,830,000

In September 2010, the former Redevelopment Agency issued tax allocation bonds, Series 2010 in the amount of \$19,830,000. The purpose of the bonds was to finance the redevelopment project including land acquisition, land improvements, business rehabilitation, capital improvements and repayment of an existing obligation to the former Redevelopment Agency’s low and moderate income housing fund, and to refund the 2001B Redevelopment Agency Tax Allocation Bonds.

The bonds consisted of all serial bonds with maturity between September 1, 2011 to September 1, 2026 at accrued interest rates between 1.999% and 6.625%. Serial bonds maturing on or after September 1, 2020, shall be subject to redemption, at the option of the Successor Agency on any date on or after September 1, 2020, as a whole or in part, at redemption prices equal to the principal amount.

The bond agreement requires the Successor Agency to pledge its annual tax revenues in an amount equal to at least 125% of the annual debt service requirement each fiscal year, through final maturity of the bonds on May 1, 2026 or early retirement of the bonds, whichever occurs first. The ratio of net revenues to the debt service payments due during the fiscal year ended June 30, 2019 was 1.40 (140%).

RPTTF revenues received by the Successor Agency have been pledged for the payment of principal and interest on these bonds. Principal and interest paid for the current year amounted to \$1,866,569 and total net revenues reported by the Successor Agency were \$2,613,122.

The amount of bonds outstanding at June 30, 2019 totaled \$13,110,000 in the Successor Agency to the Arcadia Redevelopment Agency Private-Purpose Trust Fund.

City of Arcadia
Notes to the Basic Financial Statements (Continued)
June 30, 2019

Note 5 – Long-Term Liabilities (Continued)

C. Fiduciary Activities (Continued)

2010 Tax Allocation Bonds – Original Issue \$19,830,000 (Continued)

The annual debt service requirements on these bonds are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2020	\$ 1,075,000	\$ 785,100	\$ 1,860,100
2021	1,135,000	723,616	1,858,616
2022	1,200,000	656,444	1,856,444
2023	1,265,000	583,244	1,848,244
2024	1,340,000	503,419	1,843,419
2025 - 2027	7,095,000	717,409	7,812,409
TOTAL	\$ 13,110,000	\$ 3,969,232	\$ 17,079,232

Note 6 – Expenditures in Excess of Appropriations

The following funds had expenditures in excess of budget:

Fund	Appropriations	Expenditures	Excess Expenditures over Appropriations
Major Governmental Fund			
General Fund:			
Public safety:			
Fire	\$ 15,865,147	\$ 16,464,591	\$ 599,444
Debt service:			
Principal retirement	-	58,028	58,028
Nonmajor Governmental Funds:			
Special Revenue Funds:			
COPS SLESF:			
Public safety:			
Police	158,300	160,085	1,785
CDBG:			
Recreation and community services	64,700	66,845	2,145
State and County Gas Tax:			
Public works services	2,000	2,490	490
Used Oil Grants:			
Public works services	-	7,048	7,048

Sufficient revenues were available to fund the excess expenditures in all funds.

City of Arcadia
Notes to the Basic Financial Statements (Continued)
June 30, 2019

Note 7 – Risk Management

A. Coverage

The City retains a level of risk for both general liability and worker’s compensation.

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. Effective July 1, 2006, the City became a member of the CIPA. 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. The City continues to use commercial companies for all other risks of loss, including property insurance, auto physical damage insurance and special events insurance. The CIPA has published its own financial report for the fiscal year ended June 30, 2018, which can be obtained from 240 Newport Center Drive, Suite 210, Newport Beach, CA 92660.

As a member of CIPA, any losses in excess of the City’s self-insured amount up to \$3,000,000 are shared by all participating members. Costs of covered claims above \$3,000,000 to \$40,000,000 per occurrence are currently paid by reinsurance acquired by CIPA.

Workers’ Compensation

The City has had a self-insured workers’ compensation program for a number of years. For the 2018-2019 fiscal year, the self-insured retention was \$500,000. Beginning July 1, 2006, the insurance in excess of the 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 up to \$2,000,000. Costs covered claims above \$2,000,000 to 25,000,000 per occurrence are currently paid by reinsurance acquired by CIPA.

B. Claims Activity

Claims expenses and liabilities were reported when they were probable that a loss had occurred and the amount of that loss can be reasonably estimated. At June 30, 2019, the amount of these liabilities was \$6,770,318 and was the City’s best estimate based on available information. The liabilities for unpaid claims were calculated using actuarial methods and assumptions with the conclusions consistent with GASB Statement No. 10. The liabilities included allocated loss adjustment expenses containing case reserves, the development on known claims and incurred but not reported claims. It did not include a provision for non-incremental expenses.

A summary of the changes in claims liabilities for the past three fiscal years follows:

Fiscal Year Ending June 30,	Claims Payable July 1	Claims Incurred during the Fiscal Year	Claims Payments	Fiscal Year Ended June 30
2017	\$ 8,227,644	\$ 788,703	\$ (1,354,120)	\$ 7,662,227
2018	7,662,227	970,268	(1,184,235)	7,448,260
2019	7,448,260	458,132	(1,136,074)	6,770,318

City of Arcadia
Notes to the Basic Financial Statements (Continued)
June 30, 2019

Note 7 – Risk Management (Continued)

B. Claims Activity (Continued)

During the past three fiscal (claims) years, none of the above programs of protection have had settlements or judgments that exceeded pooled or insured coverage. There have been no significant reductions in pooled or insured liability coverage from coverage in the prior year.

Note 8 – Pension Plan

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plans and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

A. General Information about the Pension Plan

Plan Descriptions – All qualified employees are eligible to participate in the City's separate Safety (police and fire) and Miscellaneous (all other) Plans, agent multiple-employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plans are established by State statute and Local Government resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided – CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

City of Arcadia
Notes to the Basic Financial Statements (Continued)
June 30, 2019

Note 8 – Pension Plan (Continued)

A. General Information about the Pension Plan (Continued)

The Plans' provisions and benefits in effect at June 30, 2019, are summarized as follows:

	City Miscellaneous Plan			
	Tier I	Hybrid	Tier II	Tier III
Hire date	Prior to July 1, 2011	Hired between July 1, 2011 - October 8, 2011	On or after October 9, 2011	On or after January 1, 2013
Benefit formula	2.5% @ 55	2.5% @ 55	2% @ 60	2% @ 62
Benefit vesting schedule	5 years service	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life	monthly for life
Retirement age	50-63	50-63	50-63	52 - 67
Monthly benefits, as a % of eligible compensation	2.0% - 2.5%	2.0% - 2.5%	1.092%-2.418%	1.0% to 2.5%
Required employee contribution rates	Total 8%. 7% paid by City (EMPC)			
		8.00%	7.00%	6.00%
Required employer contribution rates	Total 30.952%. Employee pays 8% of employer cost through cost-sharing			
		30.952%	30.952%	30.952%

	City Safety Plan			
	Tier I	Hybrid	Tier II	Tier III
Hire date	Prior to July 1, 2011	Hired between July 1, 2011 - October 8, 2011	On or after October 9, 2011	On or after January 1, 2013
Benefit formula	3.0% @ 50	3.0% @ 50	3% @ 55	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life	monthly for life
Retirement age	50-55	50-55	50-55	52 - 67
Monthly benefits, as a % of eligible compensation	3.0%	3.0%	2.4%-3.0%	1.0% to 2.5%
Required employee contribution rates	Total 9%. 9% paid by City (EMPC)			
		9.00%	9.00%	10.75%
Required employer contribution rates	Total 54.782%. Employee pays 9% of employer cost through cost-sharing			
		54.782%	54.782%	54.782%

Employees Covered – At June 30, 2019, the following employees were covered by the benefit terms for each Plan:

	Miscellaneous	Safety
Inactive employees or beneficiaries currently receiving benefits	322	227
Inactive employees entitled to but not yet receiving benefits	353	109
Active employees	187	118
Total	<u>862</u>	<u>454</u>

City of Arcadia
Notes to the Basic Financial Statements (Continued)
June 30, 2019

Note 8 – Pension Plan (Continued)

A. General Information about the Pension Plan (Continued)

Contributions – Section 20814(c) of the California Public Employees’ Retirement Law (PERL) requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS’ annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements are classified as plan member contributions.

B. Net Pension Liability

The City’s net pension liability for each Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of each of the Plans is measured as of June 30, 2018, using an annual actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

Actuarial Assumptions – The total pension liabilities in the June 30, 2017 actuarial valuations were determined using the following actuarial assumptions:

	Miscellaneous	Safety
Valuation Date	June 30, 2017	June 30, 2017
Measurement Date	June 30, 2018	June 30, 2018
Actuarial Cost Method	Entry Age Normal in Accordance with the Requirements of GASB 68	
Actuarial Assumptions:		
Discount Rate	7.15%	7.15%
Inflation	2.50%	2.50%
Salary Increases	Varies by Entry Age and Service	
Mortality Rate Table ¹	Derived using CalPERS' Membership Data for all Funds	
Post Retirement Benefit Increase	Contract COLA up to 2.00% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.50% thereafter	

¹The 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.

City of Arcadia
Notes to the Basic Financial Statements (Continued)
June 30, 2019

Note 8 – Pension Plan (Continued)

B. Net Pension Liability (Continued)

Long-term Expected Rate of Return - The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses. The expected real rates of return by asset class are as followed:

Asset Class ¹	Assumed Asset Allocation	Real Return Years 1 - 10 ²	Real Return Years 11+ ³
Global Equity	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Inflation Assets	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Estate	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%
Total	100.00%		

- (1) In the System's CAFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.
(2) An expected inflation of 2.00% used for this period.
(3) An expected inflation of 2.92% used for this period.

Discount Rate - The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Subsequent Events - There were no subsequent events that would materially affect the results presented in this disclosure.

Amortization of Deferred Outflows and Deferred Inflows of Resources - Under GASB 68, gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time.

City of Arcadia
Notes to the Basic Financial Statements (Continued)
June 30, 2019

Note 8 – Pension Plan (Continued)

B. Net Pension Liability (Continued)

The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense.

The amortization period differs depending on the source of the gain or loss:

Net Difference between projected and actual earnings on investments	5 years straight-line amortization
All other amounts	Straight-line amortization over the expected remaining service lives (EARSL) of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period

C. Changes in the Net Pension Liability

The change in the Net Pension Liability for each Plan follows:

Miscellaneous Plan:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balance at June 30, 2017	\$ 149,299,211	\$ 101,343,552	\$ 47,955,659
Changes during the year:			
Service Cost	2,414,680	-	2,414,680
Interest on the Total Pension Liability	10,388,343	-	10,388,343
Change of Assumptions	(708,241)	-	(708,241)
Differences between Expected and Actual Experience	(510,244)	-	(510,244)
Net Plan to Plan Resource Movement	-	(2,714)	2,714
Contributions - Employer	-	3,857,676	(3,857,676)
Contributions - Employees	-	1,019,318	(1,019,318)
Net Investment Income	-	8,665,866	(8,665,866)
Benefit Payments, including Refunds of Employee Contributions	(7,993,155)	(7,993,155)	-
Administrative Expense	-	(157,921)	157,921
Other Miscellaneous Income/(Expense)	-	(299,895)	299,895
Net Changes	3,591,383	5,089,175	(1,497,792)
Balance at June 30, 2018	\$ 152,890,594	\$ 106,432,727	\$ 46,457,867

City of Arcadia
Notes to the Basic Financial Statements (Continued)
June 30, 2019

Note 8 – Pension Plan (Continued)

C. Changes in the Net Pension Liability (Continued)

Public Safety Plan:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balance at June 30, 2017	\$ 250,649,522	\$ 150,730,832	\$ 99,918,690
Changes during the year:			
Service Cost	4,550,348	-	4,550,348
Interest on the Total Pension Liability	17,496,493	-	17,496,493
Change of Assumptions	(1,004,801)	-	(1,004,801)
Differences between Expected and Actual Experience	(1,131,087)	-	(1,131,087)
Net Plan to Plan Resource Movement	-	2,094	(2,094)
Contributions - Employer	-	7,393,585	(7,393,585)
Contributions - Employees	-	1,591,963	(1,591,963)
Net Investment Income	-	12,757,688	(12,757,688)
Benefit Payments, including Refunds of Employee Contributions	(12,165,240)	(12,165,240)	-
Administrative Expense	-	(234,880)	234,880
Other Miscellaneous Income/(Expense)	-	(446,041)	446,041
Net Changes	7,745,713	8,899,169	(1,153,456)
Balance at June 30, 2018	\$ 258,395,235	\$ 159,630,001	\$ 98,765,234

Sensitivity of the Net Pension Liability to Changes in the Discount Rate –The following presents the net pension liability of the Local Government for each Plan, calculated using the discount rate for each Plan, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	Miscellaneous	Safety
1% Decrease	6.15%	6.15%
Net Pension Liability	\$ 66,878,372	\$ 135,116,519
Current Discount Rate	7.15%	7.15%
Net Pension Liability	\$ 46,457,867	\$ 98,765,234
1% Increase	8.15%	8.15%
Net Pension Liability	\$ 29,689,808	\$ 69,090,782

Pension Plan Fiduciary Net Position – Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

City of Arcadia
Notes to the Basic Financial Statements (Continued)
June 30, 2019

D. Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

For the fiscal year ended June 30, 2019, the City recognized pension expense of \$7,267,317 and \$12,742,467 for Miscellaneous and Safety plan respectively. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Miscellaneous		Safety	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension Contributions Subsequent to Measurement Date	\$ 4,565,672	\$ -	\$ 8,681,652	\$ -
Changes of Assumptions	767,217	(413,141)	6,281,915	(700,316)
Differences between Expected and Actual Experiences	-	(465,353)	203,329	(1,865,608)
Net Differences Between Projected and Actual Earnings on Pension Plan Investments	27,661	-	305,780	-
Total	<u>\$ 5,360,550</u>	<u>\$ (878,494)</u>	<u>\$ 15,472,676</u>	<u>\$ (2,565,924)</u>

\$13,247,324 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Measurement Periods Ended	June 30	
	Miscellaneous	Safety
2019	\$ 1,317,175	\$ 4,944,547
2020	22,296	1,495,073
2021	(1,111,867)	(1,790,107)
2022	(311,220)	(424,413)

City of Arcadia
Notes to the Basic Financial Statements (Continued)
June 30, 2019

Note 9 – Postemployment Health Care Benefits

At June 30, 2019, net OPEB liability and related deferred outflows of resources and deferred inflows of resources are as follows:

	Governmental Activities	Business-Type Activities	Total
Deferred outflows of resources:			
Contribution subsequent to measurement date	\$ 2,056,461	\$ 87,357	\$ 2,143,818
Changes of assumptions	447,041	5,613	452,654
Total deferred outflows of resources	<u>\$ 2,503,502</u>	<u>\$ 92,970</u>	<u>\$ 2,596,472</u>
Net OPEB liabilities:	<u>\$ 17,268,347</u>	<u>\$ 733,544</u>	<u>\$ 18,001,891</u>
Total net OPEB liabilities	<u>\$ 17,268,347</u>	<u>\$ 733,544</u>	<u>\$ 18,001,891</u>
Deferred inflows of Resources:			
Differences between Expected and Actual Experiences	\$ 48,438	\$ 2,043	\$ 50,481
Total deferred inflows of resources	<u>\$ 48,438</u>	<u>\$ 2,043</u>	<u>\$ 50,481</u>

Plan Description

In addition to the retirement plan describe in Note 8, the City also provides certain health insurance benefits, in accordance with the fringe benefits resolution, to retired employees. 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.

City of Arcadia
Notes to the Basic Financial Statements (Continued)
June 30, 2019

Note 9 – Postemployment Health Care Benefits (Continued)

Eligibility

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, 2017, the date of the latest actuarial valuation:

Active plan members	308
Inactive employees or beneficiaries currently receiving benefit payments	143
Inactive employees entitled to but not yet receiving benefit payments	-
Total	451

Contribution

The obligation of the City to contribute to the plan is established and may be amended by the City Council. For the fiscal year ended June 30, 2019, the City makes contributions based on an actuarially determined rate.

Net OPEB Liability

The City's net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017.

Actuarial assumptions

The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Funding method	Entry Age Normal Cost, level percent of pay
Discount Rate	7.28% as of June 30, 2017 and 7.00% as of June 30, 2018
Inflation	2.75%
Aggregate payroll Increases	3.25%
Expected Long-Term Investment Rate of Return	7.28% as of June 30, 2017 and 7.00% as of June 30, 2018
Mortality Improvement Scale	MacLeod Watts Scale 2017 applied generationally
PPACA High Cost Plan Excise Tax	40% excise tax rate applied to the portion of premiums project to exceed 2018 threshold
Healthcare Tread Rate	An annual healthcare cost trend rate of 8.0% initially reduced by decrements to an ultimate of 5.00% therefore.

Discount Rate

The discount rate used to measure the total OPEB liability was 7.00 percent. The projection of cash flows used to determine the discount rate assumed that City contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

City of Arcadia
Notes to the Basic Financial Statements (Continued)
June 30, 2019

Note 9 – Postemployment Health Care Benefits (Continued)

Change in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability/(Asset)
	(a)	(b)	(c) = (a) - (b)
Balance at June 30, 2017	\$ 19,707,399	\$ 2,191,046	\$ 17,516,353
Changes Recognized for the Measurement Period:			
Service Cost	571,905	-	571,905
Interest on the total OPEB liability	1,433,073	-	1,433,073
Changes of benefit terms	-	-	-
Difference between expected and actual experience	-	-	-
Changes of assumptions	518,256	-	518,256
Contributions from the employer	-	1,839,281	(1,839,281)
Plan experience	-	19,701	(19,701)
Net investment income	-	183,040	(183,040)
Administrative expenses	-	(1,425)	1,425
Other expenses	-	(2,901)	2,901
Benefit payments	(1,188,482)	(1,188,482)	-
Net Changes during July 1, 2017 to June 30, 2018	1,334,752	849,214	485,538
Balance at June 30, 2018 (Measurement Date)	\$ 21,042,151	\$ 3,040,260	\$ 18,001,891

Sensitivity of the net OPEB liability to changes in the discount rate

The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current discount rate:

Plan's Net OPEB Liability (Asset)		
Current Discount Rate - 1% (6.00%)	Current Discount Rate (7.00%)	Current Discount Rate + 1% (8.00%)
\$ 20,037,243	\$ 18,001,891	\$ 16,242,025

Sensitivity of the net OPEB liability to changes in the health care cost trend rates

The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (7.5 percent) or 1-percentage-point higher (8.5 percent) than the current healthcare cost trend rates:

Plan's Net OPEB Liability (Asset)		
Current Trend Rate - 1% (6.5%)	Healthcare Cost Trend Rate (7.5%)	Current Trend Rate + 1% (8.5%)
\$ 15,664,217	\$ 18,001,891	\$ 21,159,023

OPEB plan fiduciary net position. Detailed information about the OPEB plan's fiduciary net position is available in the separately issued plan financial report.

City of Arcadia
Notes to the Basic Financial Statements (Continued)
June 30, 2019

Note 9 – Postemployment Health Care Benefits (Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the fiscal year ended June 30, 2019, the City recognized OPEB expense of \$1,793,967. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred outflows of resources	Deferred inflows of resources
Contribution made subsequent to the measurement date	\$ 2,143,818	\$ -
Changes of assumptions	452,654	-
Differences between expected and actual experience	-	50,481
Total	\$ 2,596,472	\$ 50,481

The net difference between projected OPEB plan investment earnings and actual earnings is amortized over a five years period. The other amounts are amortized using straight-line recognition over the expected average remaining service lifetime (EARSL) of all members that are provided with benefits, determined as of the beginning of the measurement period. In determining the EARSL, all active, retired and inactive (vested) members are counted, with the latter two groups having 0 remaining service years.

The City will recognize the contribution made subsequent to the measurement date in the next fiscal year. Amount reported as deferred outflows of resources related to OPEB will be recognized as future OPEB expense as follows:

Measurement period ended June 30,		
2019	\$	50,088
2020		50,088
2021		50,090
2022		61,661
2023		65,602
Thereafter		124,644
Total	\$	402,173

City of Arcadia
Notes to the Basic Financial Statements (Continued)
June 30, 2019

Note 10 – Classification of Fund Balances

At June 30, 2019, fund balances are classified as follows:

	General	Parks and Recreation	Measure M	Capital Outlay	Nonmajor Governmental Funds	Total
Nonspendable:						
Prepaid items and deposits	\$ 59,173	\$ -	\$ -	\$ -	\$ 8,640	\$ 67,813
Inventories	852,050	-	-	-	-	852,050
Advances to other funds	201,614	-	-	-	-	201,614
Total nonspendable	<u>1,112,837</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,640</u>	<u>1,121,477</u>
Restricted:						
Debt service	-	-	-	-	849,008	849,008
Law enforcement	-	-	-	-	812,191	812,191
Transportation / streets	-	-	238,247	-	9,184,256	9,422,503
Parks and recreation	-	11,841,628	-	-	-	11,841,628
Solid waste	-	-	-	-	1,784,557	1,784,557
Clean air	-	-	-	-	125,629	125,629
Street lighting	-	-	-	-	213,038	213,038
Library	-	-	-	-	624	624
Cable access	-	-	-	-	806,596	806,596
Recycling	-	-	-	-	76,693	76,693
Total restricted	<u>-</u>	<u>11,841,628</u>	<u>238,247</u>	<u>-</u>	<u>13,852,592</u>	<u>25,932,467</u>
Assigned:						
Capital improvements	2,513	-	-	11,976,987	-	11,979,500
Equipment replacement	7,611,436	-	-	-	-	7,611,436
Self-insurance	3,818,446	-	-	-	-	3,818,446
Emergency reserves	10,147,111	-	-	-	-	10,147,111
PERS fund reserves	1,351,601	-	-	-	-	1,351,601
Medical/dental fund	364,362	-	-	-	-	364,362
Total assigned	<u>23,295,469</u>	<u>-</u>	<u>-</u>	<u>11,976,987</u>	<u>-</u>	<u>35,272,456</u>
Unassigned	<u>5,080,965</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(8,691)</u>	<u>5,072,274</u>
Total	<u>\$ 29,489,271</u>	<u>\$ 11,841,628</u>	<u>\$ 238,247</u>	<u>\$ 11,976,987</u>	<u>\$ 13,852,541</u>	<u>\$ 67,398,674</u>

City of Arcadia
Notes to the Basic Financial Statements (Continued)
June 30, 2019

Note 10 – Classification of Fund Balances (Continued)

At June 30, 2019, outstanding encumbrances are as follows:

<u>Funds</u>	<u>Amount</u>
General Fund	\$ 1,037,812
Capital Outlay Capital Projects Fund	433,059
Water Utility Fund	1,804,301
Sewer Maintenance Fund	46,352
Transit System Fund	1,055,662
Nonmajor Governmental Funds	901,340
Total	<u><u>\$ 5,278,526</u></u>

Note 11 – Deficit Fund Balances/Net Position

As of June 30, 2019, deficit fund balances/net position were recorded as follows:

Statement of Net Position	
Governmental Activities	\$ 27,991,556
Nonmajor Special Revenue Fund:	
Homeland Security Fund	\$ 8,691
Fiduciary Fund:	
Successor Agency to the Arcadia Redevelopment	
Agency Private-Purpose Trust Fund	\$ 4,492,869

Note 12 - Contingencies

A. Lawsuits

The City is presently involved in certain matters of litigation that have arisen in the normal course of conducting City business. City management believes, based upon consultation with the City Attorney, that these cases, in the aggregate, are not expected to result in a material adverse financial impact on the City. Additionally, City management believes that the City's insurance programs are sufficient to cover any potential losses should an unfavorable outcome materialize (See Note 7).

B. Federal and State Grant Programs

The City participates in Federal and State grant programs. These programs were audited in accordance with the provisions of the Uniform Guidance in 2 CFR 200 Subpart Single Audit and applicable State requirements. No cost disallowance is expected as a result of these audits; however, these programs are subject to further examination by the grantors. Expenditures which may be disallowed, if any, by the granting agencies, cannot be determined at this time. The City expects such amounts, if any, to be immaterial.

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**REQUIRED SUPPLEMENTARY
INFORMATION (Unaudited)**

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City of Arcadia
Required Supplementary Information (Unaudited)
For the Fiscal Year Ended June 30, 2019

Budgetary Comparison Schedule, General Fund

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Taxes	\$ 39,707,200	\$ 39,707,200	\$ 39,436,524	\$ (270,676)
Licenses and permits	5,292,500	5,292,500	4,647,777	(644,723)
Fines and forfeitures	583,500	583,500	442,858	(140,642)
Use of money and property	1,668,000	1,668,000	2,178,868	510,868
Intergovernmental	7,405,000	7,405,000	7,545,240	140,240
Charges for services	4,507,400	4,507,400	4,834,282	326,882
Other revenues	3,188,000	3,188,000	2,866,610	(321,390)
Total revenues	62,351,600	62,351,600	61,952,159	(399,441)
EXPENDITURES:				
Current:				
General government:				
City council	242,800	242,800	230,610	12,190
City manager	912,800	1,060,550	1,017,731	42,819
City clerk	319,500	544,500	395,484	149,016
City attorney	573,500	573,500	516,710	56,790
General city	2,002,900	2,002,900	1,978,800	24,100
Administrative services	4,284,600	4,712,975	3,465,001	1,247,974
Public safety:				
Police	22,873,700	23,640,430	22,801,184	839,246
Fire	15,863,000	15,865,147	16,464,591	(599,444)
Public works services	4,187,100	4,585,803	4,066,700	519,103
Community development	5,032,400	5,041,707	4,303,013	738,694
Library	3,968,500	3,972,349	3,829,073	143,276
Recreation and community services	3,358,700	3,363,984	3,254,180	109,804
Debt service:				
Principal retirement	-	-	58,028	(58,028)
Total expenditures	63,619,500	65,606,645	62,381,105	3,225,540
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,267,900)	(3,255,045)	(428,946)	2,826,099
OTHER FINANCING SOURCES (USES):				
Transfers in	1,675,300	1,675,300	1,580,943	(94,357)
Transfers out	(3,159,700)	(3,159,700)	(3,077,204)	82,496
Proceeds from capital lease obligations	-	-	290,140	290,140
Total other financing sources (uses)	(1,484,400)	(1,484,400)	(1,206,121)	278,279
Net changes in fund balance	\$ (2,752,300)	\$ (4,739,445)	(1,635,067)	\$ 3,104,378
FUND BALANCE:				
Beginning of fiscal year			31,124,338	
End of fiscal year			<u>\$ 29,489,271</u>	

See accompanying Notes to the Required Supplementary Information.

City of Arcadia
Required Supplementary Information (Unaudited)
For the Fiscal Year Ended June 30, 2019

Budgetary Comparison Schedule, Parks and Recreation Special Revenue Fund

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Use of money and property	\$ 219,700	\$ 219,700	\$ 395,942	\$ 176,242
Intergovernmental	568,800	568,800	-	(568,800)
Charges for services	1,600,000	1,600,000	593,808	(1,006,192)
Total revenues	<u>2,388,500</u>	<u>2,388,500</u>	<u>989,750</u>	<u>(1,398,750)</u>
EXPENDITURES:				
Current:				
Recreation and community services	1,753,400	1,753,400	53,906	1,699,494
Total expenditures	<u>1,753,400</u>	<u>1,753,400</u>	<u>53,906</u>	<u>1,699,494</u>
Net change in fund balance	<u>\$ 635,100</u>	<u>\$ 635,100</u>	935,844	<u>\$ 300,744</u>
FUND BALANCE:				
Beginning of fiscal year			<u>10,905,784</u>	
End of fiscal year			<u>\$ 11,841,628</u>	

See accompanying Notes to the Required Supplementary Information.

City of Arcadia
Required Supplementary Information (Unaudited)
For the Fiscal Year Ended June 30, 2019

Budgetary Comparison Schedule, Measure M Special Revenue Fund

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Use of money and property	\$ 14,200	\$ 14,200	\$ 33,212	\$ 19,012
Intergovernmental	791,751	791,751	806,770	15,019
Total revenues	805,951	805,951	839,982	34,031
EXPENDITURES:				
Current:				
Community development	1,175,000	1,228,642	1,200,873	27,769
Total expenditures	1,175,000	1,228,642	1,200,873	27,769
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(369,049)	(422,691)	(360,891)	61,800
Net change in fund balance	\$ (369,049)	\$ (422,691)	(360,891)	\$ 61,800
FUND BALANCE:				
Beginning of fiscal year			599,138	
End of fiscal year			<u>\$ 238,247</u>	

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City of Arcadia
Note to the Required Supplementary Information (Unaudited) (Continued)
For the Fiscal Year Ended June 30, 2019

A. *General Budget Policies*

All governmental funds have legally adopted budgets. Budgets are developed in accordance with U.S. GAAP. The City Council approves each fiscal year's budget submitted by the City Manager prior to the beginning of the new fiscal year. Public hearings are conducted prior to its adoption by the Council. Supplemental appropriations, where required during the period are also approved by the Council. Several supplemental appropriations were made during the fiscal year. Intrafund budget changes are approved by the City Manager. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established at the department level. At fiscal year-end, all unencumbered operating budget appropriations lapse with the exception of continuing appropriations.

B. *Continuing Appropriations*

At fiscal year-end, all unencumbered appropriations lapse, however, certain unexpended capital funds are carried over into the next fiscal year's budget.

C. *Encumbrances*

Encumbrances are estimations of costs related to unperformed contracts for goods and services. These commitments are recorded for budgetary control purposes in the General, special revenue, and similar governmental funds. Encumbrances outstanding at fiscal year-end represent the estimated amount of the expenditure ultimately to result if unperformed contracts in-process at fiscal year-end are completed. They do not constitute expenditures or estimated liabilities.

City of Arcadia
Required Supplementary Information (Unaudited) (Continued)
For the Fiscal Year Ended June 30, 2019

Agent Multiple-Employer Defined Benefit Pension Plan
Last 10 Fiscal Years*

Schedule of Changes in the Net Pension Liability and Related Ratios

Employer Fiscal Year	Miscellaneous Plan	Public Safety	Miscellaneous Plan	Public Safety
	2019	2019	2018	2018
Measurement Period	2017-18 ¹	2017-18 ¹	2016-17 ¹	2016-17 ¹
Total Pension Liability				
Service Cost	\$ 2,414,680	\$ 4,550,348	\$ 2,479,413	\$ 4,421,293
Interest on the Total Pension Liability	10,388,343	17,496,493	10,112,665	16,966,601
Changes of Assumptions	(708,241)	(1,004,801)	8,439,391	14,657,803
Difference between Expected and Actual Experience	(510,244)	(1,131,087)	(1,844,825)	(2,513,643)
Benefit Payments, including Refunds of Employee Contributions	(7,993,155)	(12,165,240)	(6,978,080)	(11,645,698)
Net Change in Total Pension Liability	3,591,383	7,745,713	12,208,564	21,886,356
Total Pension Liability - Beginning	149,299,211	250,649,522	137,090,647	228,763,166
Total Pension Liability - Ending (a)	\$ 152,890,594	\$ 258,395,235	\$ 149,299,211	\$ 250,649,522
Plan Fiduciary Net Position				
Contributions - Employer	\$ 3,857,676	\$ 7,393,585	\$ 3,547,604	\$ 6,660,024
Contributions - Employees	1,019,318	1,591,963	1,013,824	1,401,873
Net Investment Income	8,665,866	12,757,688	10,572,689	15,647,198
Benefit Payments, including Refunds of Employee Contributions	(7,993,155)	(12,165,240)	(6,978,080)	(11,645,698)
Net Plan to Plan Resource Movement	(2,714)	2,094	-	-
Administrative Expense	(157,921)	(234,880)	(137,789)	(205,036)
Other Miscellaneous Income/(Expense)	(299,895)	(446,041)	-	-
Net Change in Plan Fiduciary Net Position	5,089,175	8,899,169	8,018,248	11,858,361
Plan Fiduciary Net Position - Beginning	101,343,552	150,730,832	93,325,304	138,872,471
Plan Fiduciary Net Position - Ending (b)	\$ 106,432,727	\$ 159,630,001	\$ 101,343,552	\$ 150,730,832
Net Pension Liability - Ending (a)-(b)	\$ 46,457,867	\$ 98,765,234	\$ 47,955,659	\$ 99,918,690
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.61%	61.78%	67.88%	60.14%
Covered Payroll	\$ 13,505,676	\$ 15,247,111	\$ 13,759,226	\$ 14,774,086
Net Pension Liability as Percentage of Covered Payroll	343.99%	647.76%	348.53%	676.31%

¹ Historical information is required only for measurement periods for which GASB 68 is applicable.

Note to Schedule of Changes in Net Pension Liability and Related Ratios:

Benefit Changes: The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2017 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes in Assumptions: In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate. In 2017, the discount rate was reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense.) In 2014, amounts reported were based on the 7.5 percent discount rate.

* Fiscal year 2015 was the 1st year of implementation, therefore only five fiscal years are shown.

City of Arcadia
Required Supplementary Information (Unaudited) (Continued)
For the Fiscal Year Ended June 30, 2019

Agent Multiple-Employer Defined Benefit Pension Plan
Last 10 Fiscal Years*

Schedule of Changes in the Net Pension Liability and Related Ratios (Continued)

Employer Fiscal Year	Miscellaneous Plan	Public Safety	Miscellaneous Plan	Public Safety	Miscellaneous Plan	Public Safety
	2017	2017	2016	2016	2015	2015
Measurement Period	2015-16 ¹	2015-16 ¹	2014-15 ¹	2014-15 ¹	2013-14 ¹	2013-14 ¹
Total Pension Liability						
Service Cost	\$ 2,154,256	\$ 3,814,364	\$ 2,219,359	\$ 3,763,633	\$ 2,248,238	\$ 3,861,700
Interest on the Total Pension Liability	9,896,489	16,526,033	9,503,789	15,776,405	9,195,374	15,027,164
Changes of Assumptions	-	-	(2,327,431)	(3,988,041)	-	-
Difference between Expected and Actual Experience	3,004	1,423,294	(1,103,125)	1,494,687	-	-
Benefit Payments, including Refunds of Employee Contributions	(6,497,665)	(11,393,253)	(6,622,897)	(10,986,006)	(6,119,226)	(9,976,294)
Net Change in Total Pension Liability	5,556,084	10,370,438	1,669,695	6,060,678	5,324,386	8,912,570
Total Pension Liability - Beginning	131,534,563	\$ 218,392,728	129,864,868	212,332,050	124,540,482	203,419,480
Total Pension Liability - Ending (a)	\$ 137,090,647	\$ 228,763,166	\$ 131,534,563	\$ 218,392,728	\$ 129,864,868	\$ 212,332,050
Plan Fiduciary Net Position						
Contributions - Employer	\$ 3,252,745	\$ 6,049,364	\$ 3,005,140	\$ 5,537,175	\$ 2,723,852	\$ 5,003,393
Contributions - Employees	1,052,718	1,323,542	1,041,598	1,299,531	1,050,853	1,500,951
Net Investment Income	487,596	704,558	2,193,768	3,239,139	14,566,912	22,017,842
Benefit Payments, including Refunds of Employee Contributions	(6,497,665)	(11,393,253)	(6,622,897)	(10,986,006)	(6,119,226)	(9,976,294)
Plan to Plan Resource Movement	(186)	186	(420)	(23,206)	-	-
Administrative Expense	(57,951)	(86,709)	(107,014)	(160,137)	-	-
Other Miscellaneous Income/(Expense)	-	-	-	-	-	-
Net Change in Plan Fiduciary Net Position	(1,762,743)	(3,402,312)	(489,825)	(1,093,504)	12,222,391	18,545,892
Plan Fiduciary Net Position - Beginning	95,088,047	142,274,783	95,577,872	143,368,287	83,355,481	124,822,395
Plan Fiduciary Net Position - Ending (b)	\$ 93,325,304	\$ 138,872,471	\$ 95,088,047	\$ 142,274,783	\$ 95,577,872	\$ 143,368,287
Net Pension Liability - Ending (a)-(b)	\$ 43,765,343	\$ 89,890,695	\$ 36,446,516	\$ 76,117,945	\$ 34,286,996	\$ 68,963,763
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	68.08%	60.71%	72.29%	65.15%	73.60%	67.52%
Covered Payroll	\$ 13,185,552	\$ 14,384,057	\$ 13,353,541	\$ 14,161,240	\$ 12,766,824	\$ 14,011,974
Net Pension Liability as Percentage of Covered Payroll	331.92%	624.93%	272.94%	537.51%	268.56%	492.18%

City of Arcadia
Required Supplementary Information (Unaudited) (Continued)
For the Fiscal Year Ended June 30, 2019

Agent Multiple-Employer Defined Benefit Pension Plan
Last 10 Fiscal Years*

Schedule of Contributions¹

Employer Fiscal Year End	Miscellaneous Plan		
	2019	2018	2017
Actuarially Determined Contribution	\$ 4,565,672	\$ 3,857,676	\$ 3,547,604
Contributions in Relation to the Actuarially Determined Contribution	(4,565,672)	(3,857,676)	(3,547,604)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
Covered Payroll	\$ 14,597,163	\$ 13,505,676	\$ 13,759,226
Contributions as a Percentage of Covered Payroll	31.28%	28.56%	25.78%

Employer Fiscal Year End	Miscellaneous Plan	
	2016	2015
Actuarially Determined Contribution	\$ 3,252,745	\$ 3,005,140
Contributions in Relation to the Actuarially Determined Contribution	(3,252,745)	(3,005,140)
Contribution Deficiency (Excess)	\$ -	\$ -
Covered Payroll	\$ 13,185,552	\$ 13,353,541
Contributions as a Percentage of Covered Payroll	24.67%	22.50%

¹ Historical information is required only for measurement periods for which GASB 68 is applicable.

Notes to Schedule of Plan Contributions:

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2018-19 were from the June 30, 2016 public agency valuations.

Actuarial Cost Method	Entry-Age Normal Cost Method
Amortization Method/Period	Level Percent of Payroll
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Discount Rate (net of administrative expenses)	7.375%
Salary Growth	Annual increase vary by category,
Overall Payroll Growth	3.00 percent compounded annually
Inflation	2.75 percent compounded annually

* Fiscal year 2015 was the 1st year of implementation, therefore only five fiscal years are shown.

City of Arcadia
Required Supplementary Information (Unaudited) (Continued)
For the Fiscal Year Ended June 30, 2019

Agent Multiple-Employer Defined Benefit Pension Plan
Last 10 Fiscal Years*

Schedule of Contributions¹

	Public Safety Plan		
	2019	2018	2017
Employer Fiscal Year End			
Actuarially Determined Contribution	\$ 8,681,652	\$ 7,393,585	\$ 6,660,024
Contributions in Relation to the Actuarially Determined Contribution	(8,681,652)	(7,393,585)	(6,660,024)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
Covered Payroll	\$ 15,673,828	\$ 15,247,111	\$ 14,774,086
Contributions as a Percentage of Covered Payroll	55.39%	48.49%	45.08%

	Public Safety Plan	
	2016	2015
Employer Fiscal Year End		
Actuarially Determined Contribution	\$ 6,049,364	\$ 5,537,175
Contributions in Relation to the Actuarially Determined Contribution	(6,049,364)	(5,537,175)
Contribution Deficiency (Excess)	\$ -	\$ -
Covered Payroll	\$ 14,384,057	\$ 14,161,240
Contributions as a Percentage of Covered Payroll	42.06%	39.10%

¹ Historical information is required only for measurement periods for which GASB 68 is applicable.

Notes to Schedule of Plan Contributions:

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2018-19 were from the June 30, 2016 public agency valuations.

Actuarial Cost Method	Entry-Age Normal Cost Method
Amortization Method/Period	Level Percent of Payroll
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Discount Rate (net of administrative expenses)	7.375%
Salary Growth	Annual increase vary by category,
Overall Payroll Growth	3.00 percent compounded annually
Inflation	2.75 percent compounded annually

* Fiscal year 2015 was the 1st year of implementation, therefore only five fiscal years are shown.

City of Arcadia
Required Supplementary Information (Unaudited) (Continued)
For the Fiscal Year Ended June 30, 2019

Schedule of Changes in Net OPEB Liability and Related Ratios

Employer Fiscal Year End	2018-19	2017-18
Measurement Period	<u>2017-18¹</u>	<u>2016-17¹</u>
Total OPEB Liability		
Service Cost	\$ 571,905	\$ 553,903
Interest on the Total OPEB Liability	1,433,073	1,373,468
Changes of Benefit Terms	-	-
Difference between Expected and Actual Experience	-	-
Changes of Assumptions	518,256	-
Benefit Payments	<u>(1,188,482)</u>	<u>(1,064,775)</u>
Net Change in Total OPEB Liability	1,334,752	862,596
Total OPEB Liability - Beginning	<u>19,707,399</u>	<u>18,844,803</u>
Total OPEB Liability - Ending	<u>\$ 21,042,151</u>	<u>\$ 19,707,399</u>
OPEB Fiduciary Net Position		
Contributions from the Employer	\$ 1,839,281	\$ 1,715,575
Plan experience	19,701	-
Net Investment Income	183,040	180,573
Administrative Expenses	(1,425)	(875)
Other expenses	(2,901)	-
Benefit Payments	<u>(1,188,482)</u>	<u>(1,064,775)</u>
Net Change in Plan Fiduciary Net Position	849,214	830,498
Plan Fiduciary Net Position - Beginning	<u>2,191,046</u>	<u>1,360,548</u>
Plan Fiduciary Net Position - Ending	<u>\$ 3,040,260</u>	<u>\$ 2,191,046</u>
Plan Net OPEB Liability - Ending	<u>\$ 18,001,891</u>	<u>\$ 17,516,353</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	<u>14.45%</u>	<u>11.12%</u>
Covered-Employee Payroll	\$ 33,785,974	\$ 33,578,926
Net OPEB Liability as a Percentage of Covered-Employee Payroll	53.28%	52.16%

¹ Historical information is required only for measurement periods for which GASB 75 is applicable.

Notes to Schedule:

Change of Assumptions: There were no changes of assumption.

City of Arcadia
Required Supplementary Information (Unaudited) (Continued)
For the Fiscal Year Ended June 30, 2019

Schedule of Contributions – OPEB

Last Ten Fiscal Years¹

	20018-2019	2017-2018
Actuarially Determine Contribution	\$ 1,891,281	\$ 1,828,930
Contributions in Relation to the Actuarially Determined Contribution	2,143,818	1,839,281
Contribution Deficiency (Excess)	\$ (252,537)	\$ (10,351)
Cover Employee Payroll During Fiscal Year	\$ 34,884,018	\$ 33,785,974
Contributions as a Percentage of Covered Employee Payroll	6.15%	5.44%

¹ GASB 75 requires this information for plans funding with OPEB trusts be reported in the employer's Required Supplementary Information for 10 years or as many years as are available upon implementation. Fiscal year 2018 was the 1st year of implementation, therefore only two fiscal years are shown.

Notes to Schedule:

Valuation Date	June 30, 2017
Funding method	Entry Age Normal Cost, level percent of pay
Discount Rate	7.28% as of June 30, 2017 and as of June 30, 2016
Inflation	2.75%
Aggregate payroll Increases	3.00%
Expected Long-Term Investment	
Rate of Return	7.28% as of June 30, 2017 and as of June 30, 2016
Mortality Improvement Scale	MacLeod Watts Scale 2017 applied generationally
PPACA High Cost Plan Excise Tax	40% excise tax rate applied to the portion of premiums project to exceed 2018 threshold
Healthcare Tread Rate	An annual healthcare cost trend rate of 8.0% initially reduced by decrements to an ultimate of 5.0% therefore.

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SUPPLEMENTARY INFORMATION

MAJOR GOVERNMENTAL FUND

CAPITAL PROJECTS FUND

Capital Outlay Capital Projects Fund - established to account for all Pari-mutuel revenues received from Santa Anita Race Track. Expenditures from this Fund generally relate to the acquisition of capital, but also includes traffic control in and around the race track.

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Narcotics Seizure Fund - established to account for revenues and expenditures related to law enforcement activities.

Citizens' Option for Public Safety Supplemental Law Enforcement Services Fund (COPS SLESF) - established to account for funds distributed in support of the Citizens Option for Public Safety (COPS) Program. Funds must be used for front line police services.

OTS Grant Fund - established to account for the activities of the Selective Traffic Enforcement Grant Program (STEP) coordinated by the Office of Traffic and Safety. The grant is designed to help persons killed and injured in crashes involving alcohol, speed and other primary collision factors. The program supports DUI saturation patrols, and measures that concentrate on seat belt enforcement, intersection operations with disproportion collisions, traffic safety presentations, and motorcycle safety.

Traffic Safety Fund - established to account for fines received on Vehicle Code violations which can be used only for traffic safety expenditures.

Solid Waste Fund - established to account for revenues and expenditures to administer the requirements established by the California Integrated Waste Management Act (AB 939).

Air Quality Management District Fund (AQMD) - established for the administration, studies and implementation of air quality measures.

Community Development Block Grant Fund (CDBG) - established to account for financing the rehabilitation of privately held homes and government infrastructure. Financing is provided by the Federal Housing and Community Development Act.

Proposition A Transit Fund - established to account for the receipts of the City's share of the 1/2 cent sales tax levied in Los Angeles County for local transit uses.

Transportation Impact Fund - established to account for the revenues generated by the Transportation Impact Fee Program and expenditures paid for the intersection improvements identified in the City's Transportation Master Plan. The Transportation Impact Fee Program, which is consistent with state law, establishes a contribution from new development based on the number of P.M. peak-hour vehicle trips added to the City's arterial network.

State and County Gas Tax Fund - established to account for the construction and maintenance of the road network system of the City. Financing is provided by the City's share of state gasoline taxes and funds made available by Los Angeles County. State and County laws require that these gasoline taxes be used to maintain streets.

NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)

SPECIAL REVENUE FUNDS (Continued)

Measure R Fund - established to account for monies received from Measure R allocation, which can be used to major street resurfacing, rehabilitation and reconstruction; pothole repair; left turn signals; bikeway; pedestrian improvements; streetscapes; signal synchronizations; and transit operations.

Lighting Maintenance Fund - established to account for the maintenance of street lighting systems installed at the request of local residents. Original financing is provided through assessments to the benefiting property owners.

Prop C Local Return Fund - established to account for financial activities for the City's share of Proposition C monies; designated for transportation related activities.

IRS Task Force Fund - established to account for financial activities related to the Department of Treasury Internal Revenue Service Los Angeles Suspicious Activity Reports and Money Services Businesses Task Force.

TDA Article 3 Bikeway Fund - established to account for Transportation Development Act funds for facility use by pedestrians and bicycles.

Santa Anita Grade Separation Fund - established to account for financial activities for the Gold Line Foothill Extension. City management has decided to fund a Gold Line grade separation at Santa Anita Avenue.

Homeland Security Fund - established to account for grants received through the Office of Homeland Security to purchase specialized equipment that would enhance the capabilities of local agencies to respond to incidents of terrorism involving the use of weapons of mass destruction.

Library State Grant Fund - established to account for the monies allocated by the State legislature for augmenting public library funds and for circulation based reimbursements which allows for universal borrowing privileges for the citizens of California.

Public, Education, and Government (PEG) access Television Fund - established to account for the fees received from the cable operators for administration and improvement to any public, educational, and government access television.

Used Oil Grant Fund - established to account for the funding received from the used oil payment program administered by the Department of Resources Recycling and Recovery to provide for used oil and used oil filter collection and recycling and for public education.

DOC Beverage Grant Fund - established to account for funding received from CalRecycle for beverage container recycling and litter cleanup activities.

Road Maintenance and Rehabilitation Act Fund - established to address deferred maintenance on the state highway system and the local street and road system.

NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)

DEBT SERVICE FUND

General Obligation Bonds Debt Service Fund - established to accumulate monies for payment of principal and interest on General Obligation Bonds. Debt service is financed through voter approved indebtedness assessed against property owners.

NONMAJOR ENTERPRISES FUNDS

Transit System Enterprise Fund - established to account for the City-operated "Dial-A-Ride" van service to the general public. Principal sources of revenue are the Los Angeles County Proposition "A" funds, Federal Transit Administration Capital Assistance, State Transportation Development Act Funds, and passenger fees.

Arcadia PAR 3 Golf Course Enterprise Fund - established to account for the City-operated golf course service to the general public.

City of Arcadia
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Capital Outlay Capital Projects Fund
For the fiscal year ended June 30, 2019

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Taxes	\$ 700,000	\$ 700,000	\$ 516,027	\$ (183,973)
Use of money and property	76,500	76,500	372,197	295,697
Other revenues	-	-	36,157	36,157
Total revenues	<u>776,500</u>	<u>776,500</u>	<u>924,381</u>	<u>147,881</u>
EXPENDITURES				
Current:				
General government:				
General City	343,600	380,553	337,244	43,309
Public safety:				
Police	170,000	212,226	74,685	137,541
Fire	419,000	419,000	216,921	202,079
Public works services	2,686,000	4,202,195	1,770,745	2,431,450
Community development	550,000	2,496,812	149,751	2,347,061
Library	80,000	230,222	88,122	142,100
Recreation and community services	105,000	363,635	114,013	249,622
Total expenditures	<u>4,353,600</u>	<u>8,304,643</u>	<u>2,751,481</u>	<u>5,553,162</u>
EXCESS (DEFICIENCY) OF				
 REVENUES OVER (UNDER) EXPENDITURES	<u>(3,577,100)</u>	<u>(7,528,143)</u>	<u>(1,827,100)</u>	<u>5,701,043</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	750,000	750,000	2,400,000	1,650,000
Total other financing sources (uses)	<u>750,000</u>	<u>750,000</u>	<u>2,400,000</u>	<u>1,650,000</u>
Net change in fund balance	<u>\$ (2,827,100)</u>	<u>\$ (6,778,143)</u>	572,900	<u>\$ 7,351,043</u>
FUND BALANCE:				
Beginning of fiscal year			11,404,087	
End of fiscal year			<u>\$ 11,976,987</u>	

City of Arcadia
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2019

Special Revenue

	Special Revenue				
	Narcotics Seizure	COPS SLESF	OTS Grant	Traffic Safety	Solid Waste
ASSETS					
Cash and investments	\$ 84,520	\$ 277,394	\$ -	\$ -	\$ 1,666,472
Cash and investments with fiscal agent	-	-	-	-	-
Accounts receivable	-	-	-	-	10,060
Interest receivable	-	1,244	-	-	7,475
Due from other governments	-	-	18,326	11,519	111,835
Prepaid items and deposits	-	-	-	-	-
Total assets	\$ 84,520	\$ 278,638	\$ 18,326	\$ 11,519	\$ 1,795,842
LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ 8,093	\$ -	\$ 5,981	\$ 6,118
Accrued salaries payable	-	2,825	8,468	-	5,167
Due to other funds	-	-	9,858	5,538	-
Retentions payable	-	-	-	-	-
Total liabilities	-	10,918	18,326	11,519	11,285
Deferred Inflow of Resources:					
Unavailable revenue	-	-	-	-	-
Total deferred inflow of resources	-	-	-	-	-
Fund Balances:					
Nonspendable	-	-	-	-	-
Restricted	84,520	267,720	-	-	1,784,557
Unassigned	-	-	-	-	-
Total fund balances	84,520	267,720	-	-	1,784,557
Total liabilities and deferred inflow of resources and fund balances	\$ 84,520	\$ 278,638	\$ 18,326	\$ 11,519	\$ 1,795,842

(Continued)

City of Arcadia
Combining Balance Sheet
Nonmajor Governmental Funds (Continued)
June 30, 2019

	Special Revenue				
	AQMD	CDBG	Prop A Transit	Transportation Impact	State and County Gas Tax
ASSETS					
Cash and investments	\$ 105,751	\$ -	\$ 1,842,333	\$ 2,746,960	\$ 118,679
Cash and investments with fiscal agent	-	-	-	-	-
Accounts receivable	-	-	-	-	-
Interest receivable	474	-	6,399	12,337	72
Due from other governments	19,404	26,408	-	-	-
Prepaid items and deposits	-	-	-	-	-
Total assets	\$ 125,629	\$ 26,408	\$ 1,848,732	\$ 2,759,297	\$ 118,751
LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ 9,513	\$ 47	\$ 144,916	\$ -
Accrued salaries payable	-	-	3,259	-	-
Due to other funds	-	16,895	-	-	-
Retentions payable	-	-	-	40,343	-
Total liabilities	-	26,408	3,306	185,259	-
Deferred Inflow of Resources:					
Unavailable revenue	-	-	-	-	-
Total deferred inflow of resources	-	-	-	-	-
Fund Balances:					
Nonspendable	-	-	-	-	-
Restricted	125,629	-	1,845,426	2,574,038	118,751
Unassigned	-	-	-	-	-
Total fund balances	125,629	-	1,845,426	2,574,038	118,751
Total liabilities and fund balances	\$ 125,629	\$ 26,408	\$ 1,848,732	\$ 2,759,297	\$ 118,751

(Continued)

City of Arcadia
Combining Balance Sheet
Nonmajor Governmental Funds (Continued)
June 30, 2019

	Special Revenue				
	Measure R	Lighting Maintenance	Prop C	IRS Task Force	TDA Article 3 Bikeway
ASSETS					
Cash and investments	\$ 917,418	\$ 259,435	\$ 2,061,354	\$ 459,951	\$ -
Cash and investments with fiscal agent	-	-	-	-	-
Accounts receivable	-	-	-	-	-
Interest receivable	2,872	1,538	9,242	-	-
Due from other governments	-	7,529	-	-	76,594
Prepaid items and deposits	-	-	-	-	-
Total assets	\$ 920,290	\$ 268,502	\$ 2,070,596	\$ 459,951	\$ 76,594
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 36,041	\$ 49,736	\$ 1,900	\$ -	\$ -
Accrued salaries payable	1,125	5,728	1,637	-	-
Due to other funds	-	-	-	-	76,594
Retentions payable	-	-	-	-	-
Total liabilities	37,166	55,464	3,537	-	76,594
Deferred Inflow of Resources:					
Unavailable revenue	-	-	-	-	-
Total deferred inflow of resources	-	-	-	-	-
Fund Balances:					
Nonspendable	-	-	-	-	-
Restricted	883,124	213,038	2,067,059	459,951	-
Unassigned	-	-	-	-	-
Total fund balances	883,124	213,038	2,067,059	459,951	-
Total liabilities and fund balances	\$ 920,290	\$ 268,502	\$ 2,070,596	\$ 459,951	\$ 76,594

(Continued)

City of Arcadia
Combining Balance Sheet
Nonmajor Governmental Funds (Continued)
June 30, 2019

	Special Revenue				
	Santa Anita		Library	PEG	
	Grade Separation	Homeland Security	State Grant	Access Television	Used Oil Grant
ASSETS					
Cash and investments	\$ 1,650,326	\$ -	\$ 624	\$ 784,077	\$ 15,519
Cash and investments with fiscal agent	-	-	-	-	-
Accounts receivable	-	-	-	-	-
Interest receivable	7,399	-	-	3,516	35
Due from other governments	-	8,118	-	19,003	-
Prepaid items and deposits	-	-	-	-	8,640
Total assets	\$ 1,657,725	\$ 8,118	\$ 624	\$ 806,596	\$ 24,194
LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 2,040
Accrued salaries payable	-	-	-	-	-
Due to other funds	-	8,691	-	-	-
Retentions payable	-	-	-	-	-
Total liabilities	-	8,691	-	-	2,040
Deferred Inflow of Resources:					
Unavailable revenue	-	8,118	-	-	-
Total deferred inflow of resources	-	8,118	-	-	-
Fund Balances:					
Nonspendable	-	-	-	-	8,640
Restricted	1,657,725	-	624	806,596	13,514
Unassigned	-	(8,691)	-	-	-
Total fund balances	1,657,725	(8,691)	624	806,596	22,154
Total liabilities and fund balances	\$ 1,657,725	\$ 8,118	\$ 624	\$ 806,596	\$ 24,194

(Continued)

City of Arcadia
Combining Balance Sheet
Nonmajor Governmental Funds (Continued)
June 30, 2019

	Special Revenue		Debt Service	Total Nonmajor Governmental Funds
	DOC Beverage Grant	Road Maintenance and Rehabilitation Act	General Obligation Bonds	
ASSETS				
Cash and investments	\$ 62,897	\$ 218,571	\$ 820,022	\$ 14,092,303
Cash and investments with fiscal agent	-	-	7	7
Accounts receivable	-	-	-	10,060
Interest receivable	282	978	3,676	57,539
Due from other governments	-	99,205	25,303	423,244
Prepaid items and deposits	-	-	-	8,640
Total assets	\$ 63,179	\$ 318,754	\$ 849,008	\$ 14,591,793
LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ 266,590	\$ -	\$ 530,975
Accrued salaries payable	-	-	-	28,209
Due to other funds	-	-	-	117,576
Retentions payable	-	14,031	-	54,374
Total liabilities	-	280,621	-	731,134
Deferred Inflow of Resources:				
Unavailable revenue	-	-	-	8,118
Total deferred inflow of resources	-	-	-	8,118
Fund Balances:				
Nonspendable	-	-	-	8,640
Restricted	63,179	38,133	849,008	13,852,592
Unassigned	-	-	-	(8,691)
Total fund balances	63,179	38,133	849,008	13,852,541
Total liabilities and fund balances	\$ 63,179	\$ 318,754	\$ 849,008	\$ 14,591,793

(Concluded)

City of Arcadia
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2019

	Special Revenue				
	Narcotics Seizure	COPS SLESF	OTS Grant	Traffic Safety	Solid Waste
REVENUES:					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 541,519
Licenses and permits	-	-	-	-	-
Fines and forfeitures	-	-	-	201,000	-
Use of money and property	300	9,753	-	-	55,046
Intergovernmental	-	-	67,144	-	-
Charges for services	26,537	-	-	-	114,766
Other revenues	-	148,747	-	-	361
Total revenues	26,837	158,500	67,144	201,000	711,692
EXPENDITURES:					
Current:					
General government:					
General city	-	-	-	-	-
Public safety:					
Police	113,408	160,085	67,144	-	-
Fire	-	-	-	-	-
Public works services	-	-	-	-	397,920
Community development	-	-	-	-	-
Recreation and community services	-	-	-	-	-
Debt service:					
Principal retirement	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	113,408	160,085	67,144	-	397,920
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(86,571)	(1,585)	-	201,000	313,772
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	-	-	-
Transfers out	(26,537)	-	-	(201,000)	(114,766)
Total other financing sources (uses)	(26,537)	-	-	(201,000)	(114,766)
Net changes in fund balances	(113,108)	(1,585)	-	-	199,006
FUND BALANCES (DEFICIT):					
Beginning of fiscal year	197,628	269,305	-	-	1,585,551
End of fiscal year	<u>\$ 84,520</u>	<u>\$ 267,720</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,784,557</u>

(Continued)

City of Arcadia
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds (Continued)
For the Fiscal Year Ended June 30, 2019

	Special Revenue				
	AQMD	CDBG	Prop A Transit	Transportation Impact	State and County Gas Tax
REVENUES:					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	517,563	-
Fines and forfeitures	-	-	-	-	-
Use of money and property	2,970	-	56,879	101,503	1,663
Intergovernmental	74,845	367,578	1,151,846	66,832	1,173,711
Charges for services	-	21,698	-	-	-
Other revenues	-	-	353	-	-
Total revenues	77,815	389,276	1,209,078	685,898	1,175,374
EXPENDITURES:					
Current:					
General government:					
General city	27,579	-	-	-	-
Public safety:					
Police	-	-	-	-	-
Fire	-	-	-	-	-
Public works services	-	-	118,415	-	2,490
Community development	20,154	322,431	114,310	1,066,970	-
Recreation and community services	-	66,845	20,599	-	-
Debt service:					
Principal retirement	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	47,733	389,276	253,324	1,066,970	2,490
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	30,082	-	955,754	(381,072)	1,172,884
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	-	-	-
Transfers out	-	-	(642,250)	-	(1,238,640)
Total other financing sources (uses)	-	-	(642,250)	-	(1,238,640)
Net changes in fund balances	30,082	-	313,504	(381,072)	(65,756)
FUND BALANCES (DEFICIT):					
Beginning of fiscal year	95,547	-	1,531,922	2,955,110	184,507
End of fiscal year	<u>\$ 125,629</u>	<u>\$ -</u>	<u>\$ 1,845,426</u>	<u>\$ 2,574,038</u>	<u>\$ 118,751</u>

(Continued)

City of Arcadia
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds (Continued)
For the Fiscal Year Ended June 30, 2019

	Special Revenue				
	Measure R	Lighting Maintenance	Prop C	IRS Task Force	TDA Article 3 Bikeway
REVENUES:					
Taxes	\$ -	\$ 502,902	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-
Use of money and property	32,999	9,408	64,552	913	-
Intergovernmental	965,719	-	955,424	-	76,594
Charges for services	-	-	-	-	-
Other revenues	-	-	-	-	-
Total revenues	998,718	512,310	1,019,976	913	76,594
EXPENDITURES:					
Current:					
General government:					
General city	-	-	-	-	-
Public safety:					
Police	-	-	-	-	-
Fire	-	-	-	-	-
Public works services	-	1,128,673	-	-	-
Community development	780,162	-	693,196	-	76,594
Recreation and community services	-	-	-	-	-
Debt service:					
Principal retirement	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	780,162	1,128,673	693,196	-	76,594
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	218,556	(616,363)	326,780	913	-
OTHER FINANCING SOURCES (USES):					
Transfers in	-	677,204	-	-	-
Transfers out	(342,826)	-	-	-	-
Total other financing sources (uses)	(342,826)	677,204	-	-	-
Net changes in fund balances	(124,270)	60,841	326,780	913	-
FUND BALANCES (DEFICIT):					
Beginning of fiscal year	1,007,394	152,197	1,740,279	459,038	-
End of fiscal year	<u>\$ 883,124</u>	<u>\$ 213,038</u>	<u>\$ 2,067,059</u>	<u>\$ 459,951</u>	<u>\$ -</u>

(Continued)

City of Arcadia
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds (Continued)
For the Fiscal Year Ended June 30, 2019

	Special Revenue				
	Santa Anita Grade Separation	Homeland Security	Library State Grant	PEG Access Television	Used Oil Grant
REVENUES:					
Taxes	\$ -	\$ -	\$ -	\$ 79,569	\$ -
Licenses and permits	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-
Use of money and property	59,154	-	-	25,512	526
Intergovernmental	-	9,710	-	-	15,870
Charges for services	-	-	-	-	-
Other revenues	-	-	-	-	-
Total revenues	59,154	9,710	-	105,081	16,396
EXPENDITURES:					
Current:					
General government:					
General city	-	-	-	-	-
Public safety:					
Police	-	-	-	-	-
Fire	-	14,774	-	-	-
Public works services	-	-	-	-	7,048
Community development	163,108	-	-	-	-
Recreation and community services	-	-	-	-	-
Debt service:					
Principal retirement	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	163,108	14,774	-	-	7,048
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(103,954)	(5,064)	-	105,081	9,348
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Net changes in fund balances	(103,954)	(5,064)	-	105,081	9,348
FUND BALANCES (DEFICIT):					
Beginning of fiscal year	1,761,679	(3,627)	624	701,515	12,806
End of fiscal year	<u>\$ 1,657,725</u>	<u>\$ (8,691)</u>	<u>\$ 624</u>	<u>\$ 806,596</u>	<u>\$ 22,154</u>

(Continued)

City of Arcadia
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds (Continued)
For the Fiscal Year Ended June 30, 2019

	Special Revenue	Debt Service	Total	
	DOC Beverage Grant	Road Maintenance and Rehabilitation Act	General Obligation Bonds	
			Nonmajor Governmental Funds	
REVENUES:				
Taxes	\$ -	\$ -	\$ 973,480	\$ 2,097,470
Licenses and permits	-	-	-	517,563
Fines and forfeitures	-	-	-	201,000
Use of money and property	1,448	8,368	20,956	451,950
Intergovernmental	43,510	968,537	-	5,937,320
Charges for services	-	-	-	163,001
Other revenues	-	-	-	149,461
Total revenues	44,958	976,905	994,436	9,517,765
EXPENDITURES:				
Current:				
General government:				
General city	-	-	2,500	30,079
Public safety:				
Police	-	-	-	340,637
Fire	-	-	-	14,774
Public works services	-	-	-	1,654,546
Community development	-	1,102,264	-	4,339,189
Recreation and community services	-	-	-	87,444
Debt service:				
Principal retirement	-	-	615,000	615,000
Interest and fiscal charges	-	-	397,101	397,101
Total expenditures	-	1,102,264	1,014,601	7,478,770
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	44,958	(125,359)	(20,165)	2,038,995
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	677,204
Transfers out	-	-	-	(2,566,019)
Total other financing sources (uses)	-	-	-	(1,888,815)
Net changes in fund balances	44,958	(125,359)	(20,165)	150,180
FUND BALANCES (DEFICIT):				
Beginning of fiscal year	18,221	163,492	869,173	13,702,361
End of fiscal year	<u>\$ 63,179</u>	<u>\$ 38,133</u>	<u>\$ 849,008</u>	<u>\$ 13,852,541</u>

(Concluded)

City of Arcadia
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Narcotics Seizure Special Revenue Fund
For the Fiscal Year Ended June 30, 2019

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Use of money and property	\$ 1,000	\$ 1,000	\$ 300	\$ (700)
Charges for services	-	-	26,537	26,537
Other revenues	70,000	70,000	-	(70,000)
Total revenues	71,000	71,000	26,837	(44,163)
EXPENDITURES:				
Current:				
Public safety:				
Police	166,900	166,900	113,408	53,492
Total expenditures	166,900	166,900	113,408	53,492
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(95,900)	(95,900)	(86,571)	9,329
OTHER FINANCING SOURCES (USES):				
Transfers out	-	-	(26,537)	(26,537)
Total other financing sources (uses)	-	-	(26,537)	(26,537)
Net change in fund balance	\$ (95,900)	\$ (95,900)	(113,108)	\$ (17,208)
FUND BALANCE:				
Beginning of fiscal year			197,628	
End of fiscal year			<u>\$ 84,520</u>	

City of Arcadia
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
COPS SLESF Special Revenue Fund
For the Fiscal Year Ended June 30, 2019

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Use of money and property	\$ 5,000	\$ 5,000	\$ 9,753	\$ 4,753
Other revenues	154,000	154,000	148,747	(5,253)
Total revenues	<u>159,000</u>	<u>159,000</u>	<u>158,500</u>	<u>(500)</u>
EXPENDITURES:				
Current:				
Public safety:				
Police	158,300	158,300	160,085	(1,785)
Total expenditures	<u>158,300</u>	<u>158,300</u>	<u>160,085</u>	<u>(1,785)</u>
Net change in fund balance	<u>\$ 700</u>	<u>\$ 700</u>	(1,585)	<u>\$ (2,285)</u>
FUND BALANCE:				
Beginning of fiscal year			<u>269,305</u>	
End of fiscal year			<u>\$ 267,720</u>	

City of Arcadia
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
OTS Grant Special Revenue Fund
For the Fiscal Year Ended June 30, 2019

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Intergovernmental	\$ 107,000	\$ 107,000	\$ 67,144	\$ (39,856)
Total revenues	<u>107,000</u>	<u>107,000</u>	<u>67,144</u>	<u>(39,856)</u>
EXPENDITURES:				
Current:				
Public safety:				
Police	107,000	107,000	67,144	39,856
Total expenditures	<u>107,000</u>	<u>107,000</u>	<u>67,144</u>	<u>39,856</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
FUND BALANCE:				
Beginning of fiscal year			-	
End of fiscal year			<u>\$ -</u>	

City of Arcadia
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Traffic Safety Special Revenue Fund
For the Fiscal Year Ended June 30, 2019

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Fines and forfeitures	\$ 220,000	\$ 220,000	\$ 201,000	\$ (19,000)
Total revenues	220,000	220,000	201,000	(19,000)
OTHER FINANCING SOURCES (USES):				
Transfers out	(220,000)	(220,000)	(201,000)	19,000
Total other financing sources (uses)	(220,000)	(220,000)	(201,000)	19,000
Net change in fund balance	\$ -	\$ -	-	\$ -
FUND BALANCE:				
Beginning of fiscal year			-	
End of fiscal year			\$ -	

City of Arcadia
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Solid Waste Special Revenue Fund
For the Fiscal Year Ended June 30, 2019

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Taxes	\$ 450,000	\$ 450,000	\$ 541,519	\$ 91,519
Use of money and property	30,100	30,100	55,046	24,946
Charges for services	114,000	114,000	114,766	766
Other revenues	-	-	361	361
Total revenues	<u>594,100</u>	<u>594,100</u>	<u>711,692</u>	<u>117,592</u>
EXPENDITURES:				
Current:				
Public works services	417,000	417,000	397,920	19,080
Total expenditures	<u>417,000</u>	<u>417,000</u>	<u>397,920</u>	<u>19,080</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>177,100</u>	<u>177,100</u>	<u>313,772</u>	<u>136,672</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	(114,000)	(114,000)	(114,766)	(766)
Total other financing sources (uses)	<u>(114,000)</u>	<u>(114,000)</u>	<u>(114,766)</u>	<u>(766)</u>
Net change in fund balance	<u>\$ 63,100</u>	<u>\$ 63,100</u>	199,006	<u>\$ 135,906</u>
FUND BALANCE:				
Beginning of fiscal year			<u>1,585,551</u>	
End of fiscal year			<u>\$ 1,784,557</u>	

City of Arcadia
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
AQMD Special Revenue Fund
For the Fiscal Year Ended June 30, 2019

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Use of money and property	\$ 1,100	\$ 1,100	\$ 2,970	\$ 1,870
Intergovernmental	72,400	72,400	74,845	2,445
Total revenues	73,500	73,500	77,815	4,315
EXPENDITURES:				
Current:				
General government:				
General city	-	27,580	27,579	1
Public works services	50,000	50,000	-	50,000
Community development	22,600	22,600	20,154	2,446
Total expenditures	72,600	100,180	47,733	52,447
Net change in fund balance	\$ 900	\$ (26,680)	30,082	\$ 56,762
FUND BALANCE:				
Beginning of fiscal year			95,547	
End of fiscal year			<u>\$ 125,629</u>	

City of Arcadia
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
CDBG Special Revenue Fund
For the Fiscal Year Ended June 30, 2019

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Intergovernmental	\$ 287,200	\$ 287,200	\$ 367,578	\$ 80,378
Charges for services	18,200	18,200	21,698	3,498
Total revenues	<u>305,400</u>	<u>305,400</u>	<u>389,276</u>	<u>83,876</u>
EXPENDITURES:				
Current:				
Community development	240,700	453,607	322,431	131,176
Recreation and community services	64,700	64,700	66,845	(2,145)
Total expenditures	<u>305,400</u>	<u>518,307</u>	<u>389,276</u>	<u>129,031</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (212,907)</u>	-	<u>\$ 212,907</u>
FUND BALANCE:				
Beginning of fiscal year			<u>-</u>	
End of fiscal year			<u>\$ -</u>	

City of Arcadia
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Proposition A Transit Special Revenue Fund
For the Fiscal Year Ended June 30, 2019

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Use of money and property	\$ 24,600	\$ 24,600	\$ 56,879	\$ 32,279
Intergovernmental	1,122,967	1,122,967	1,151,846	28,879
Other revenues	-	-	353	353
Total revenues	<u>1,147,567</u>	<u>1,147,567</u>	<u>1,209,078</u>	<u>61,511</u>
EXPENDITURES:				
Current:				
Public works services	119,900	119,900	118,415	1,485
Community development	111,300	254,075	114,310	139,765
Recreation and community services	20,600	20,600	20,599	1
Total expenditures	<u>251,800</u>	<u>394,575</u>	<u>253,324</u>	<u>141,251</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>895,767</u>	<u>752,992</u>	<u>955,754</u>	<u>202,762</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	<u>(1,052,840)</u>	<u>(1,052,840)</u>	<u>(642,250)</u>	<u>410,590</u>
Total other financing sources (uses)	<u>(1,052,840)</u>	<u>(1,052,840)</u>	<u>(642,250)</u>	<u>410,590</u>
Net change in fund balance	<u>\$ (157,073)</u>	<u>\$ (299,848)</u>	313,504	<u>\$ 613,352</u>
FUND BALANCE:				
Beginning of fiscal year			<u>1,531,922</u>	
End of fiscal year			<u>\$ 1,845,426</u>	

City of Arcadia
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Transportation Impact Special Revenue Fund
For the Fiscal Year Ended June 30, 2019

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Licenses and permits	\$ 300,000	\$ 300,000	\$ 517,563	\$ 217,563
Use of money and property	27,000	27,000	101,503	74,503
Intergovernmental	-	-	66,832	66,832
Total revenues	<u>327,000</u>	<u>327,000</u>	<u>685,898</u>	<u>358,898</u>
EXPENDITURES:				
Current:				
Community development	250,000	2,381,514	1,066,970	1,314,544
Total expenditures	<u>250,000</u>	<u>2,381,514</u>	<u>1,066,970</u>	<u>1,314,544</u>
Net change in fund balance	<u>\$ 77,000</u>	<u>\$ (2,054,514)</u>	(381,072)	<u>\$ 1,673,442</u>
FUND BALANCE:				
Beginning of fiscal year			<u>2,955,110</u>	
End of fiscal year			<u>\$ 2,574,038</u>	

City of Arcadia
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
State and County Gas Tax Special Revenue Fund
For the Fiscal Year Ended June 30, 2019

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Use of money and property	\$ 1,000	\$ 1,000	\$ 1,663	\$ 663
Intergovernmental	1,448,985	1,448,985	1,173,711	(275,274)
Total revenues	<u>1,449,985</u>	<u>1,449,985</u>	<u>1,175,374</u>	<u>(274,611)</u>
EXPENDITURES:				
Current:				
Public works services	2,000	2,000	2,490	(490)
Total expenditures	<u>2,000</u>	<u>2,000</u>	<u>2,490</u>	<u>(490)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,447,985</u>	<u>1,447,985</u>	<u>1,172,884</u>	<u>(275,101)</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	(1,341,300)	(1,341,300)	(1,238,640)	102,660
Total other financing sources (uses)	<u>(1,341,300)</u>	<u>(1,341,300)</u>	<u>(1,238,640)</u>	<u>102,660</u>
Net change in fund balance	<u>\$ 106,685</u>	<u>\$ 106,685</u>	(65,756)	<u>\$ (172,441)</u>
FUND BALANCE:				
Beginning of fiscal year			<u>184,507</u>	
End of fiscal year			<u>\$ 118,751</u>	

City of Arcadia
Schedule of Revenues, Expenditures, and Change in Fund Balance - Budget and Actual
Measure R Special Revenue Fund
For the Fiscal Year Ended June 30, 2019

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Use of money and property	\$ 7,400	\$ 7,400	\$ 32,999	\$ 25,599
Intergovernmental	698,618	698,618	965,719	267,101
Total revenues	706,018	706,018	998,718	292,700
EXPENDITURES:				
Current:				
Community development	68,000	2,133,044	780,162	1,352,882
Total expenditures	68,000	2,133,044	780,162	1,352,882
EXCESS (DEFICIENCY) OF				
REVENUES OVER (UNDER) EXPENDITURES	638,018	(1,427,026)	218,556	1,645,582
OTHER FINANCING SOURCES (USES):				
Transfers out	(616,553)	(616,553)	(342,826)	273,727
Total other financing sources (uses)	(616,553)	(616,553)	(342,826)	273,727
Net change in fund balance	\$ 21,465	\$ (2,043,579)	(124,270)	\$ 1,919,309
FUND BALANCE:				
Beginning of fiscal year			1,007,394	
End of fiscal year			<u>\$ 883,124</u>	

City of Arcadia
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Lighting Maintenance Special Revenue Fund
For the Fiscal Year Ended June 30, 2019

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Taxes	\$ 506,500	\$ 506,500	\$ 502,902	\$ (3,598)
Use of money and property	-	-	9,408	9,408
Total revenues	<u>506,500</u>	<u>506,500</u>	<u>512,310</u>	<u>5,810</u>
EXPENDITURES:				
Current:				
Public works services	1,266,200	1,266,200	1,128,673	137,527
Total expenditures	<u>1,266,200</u>	<u>1,266,200</u>	<u>1,128,673</u>	<u>137,527</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(759,700)</u>	<u>(759,700)</u>	<u>(616,363)</u>	<u>143,337</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	759,700	759,700	677,204	(82,496)
Total other financing sources (uses)	<u>759,700</u>	<u>759,700</u>	<u>677,204</u>	<u>(82,496)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	60,841	<u>\$ 60,841</u>
FUND BALANCE:				
Beginning of fiscal year			<u>152,197</u>	
End of fiscal year			<u>\$ 213,038</u>	

City of Arcadia
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Prop C Special Revenue Fund
For the Fiscal Year Ended June 30, 2019

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Use of money and property	\$ 4,700	\$ 4,700	\$ 64,552	\$ 59,852
Intergovernmental	931,472	931,472	955,424	23,952
Total revenues	<u>936,172</u>	<u>936,172</u>	<u>1,019,976</u>	<u>83,804</u>
EXPENDITURES:				
Current:				
Community development	999,600	2,336,626	693,196	1,643,430
Total expenditures	<u>999,600</u>	<u>2,336,626</u>	<u>693,196</u>	<u>1,643,430</u>
Net change in fund balance	<u>\$ (63,428)</u>	<u>\$ (1,400,454)</u>	326,780	<u>\$ 1,727,234</u>
FUND BALANCE:				
Beginning of fiscal year			<u>1,740,279</u>	
End of fiscal year			<u>\$ 2,067,059</u>	

City of Arcadia
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
IRS Task Force Special Revenue Fund
For the Fiscal Year Ended June 30, 2019

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Use of money and property	\$ 1,000	\$ 1,000	\$ 913	\$ (87)
Total revenues	1,000	1,000	913	(87)
Net change in fund balance	\$ 1,000	\$ 1,000	913	\$ (87)
 FUND BALANCE:				
Beginning of fiscal year			459,038	
End of fiscal year			\$ 459,951	

City of Arcadia
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
TDA Article 3 Bikeway Special Revenue Fund
For the Fiscal Year Ended June 30, 2019

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Intergovernmental	\$ -	\$ -	\$ 76,594	\$ 76,594
Total revenues	-	-	76,594	76,594
EXPENDITURES:				
Current:				
Community development	-	79,000	76,594	2,406
Total expenditures	-	79,000	76,594	2,406
Net change in fund balance	\$ -	\$ (79,000)	-	\$ 79,000
FUND BALANCE (DEFICIT):				
Beginning of fiscal year			-	
End of fiscal year			\$ -	

City of Arcadia
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Santa Anita Grade Separation Special Revenue Fund
For the Fiscal Year Ended June 30, 2019

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Use of money and property	\$ 15,900	\$ 15,900	\$ 59,154	\$ 43,254
Total revenues	<u>15,900</u>	<u>15,900</u>	<u>59,154</u>	<u>43,254</u>
EXPENDITURES:				
Current:				
Community development	-	2,517,706	163,108	2,354,598
Total expenditures	<u>-</u>	<u>2,517,706</u>	<u>163,108</u>	<u>2,354,598</u>
Net change in fund balance	<u>\$ 15,900</u>	<u>\$ (2,501,806)</u>	(103,954)	<u>\$ 2,397,852</u>
FUND BALANCE:				
Beginning of fiscal year			<u>1,761,679</u>	
End of fiscal year			<u>\$ 1,657,725</u>	

City of Arcadia
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Homeland Security Special Revenue Fund
For the Fiscal Year Ended June 30, 2019

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES:				
Intergovernmental	\$ 10,000	\$ 10,000	\$ 9,710	\$ (290)
Total revenues	10,000	10,000	9,710	(290)
EXPENDITURES:				
Current:				
Public safety:				
Fire	10,000	16,947	14,774	2,173
Total expenditures	10,000	16,947	14,774	2,173
Net change in fund balance	\$ -	\$ (6,947)	(5,064)	\$ 1,883
FUND BALANCE:				
Beginning of fiscal year			(3,627)	
End of fiscal year			\$ (8,691)	

City of Arcadia
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
PEG Access Television Special Revenue Fund
For the Fiscal Year Ended June 30, 2019

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Taxes	\$ -	\$ -	\$ 79,569	\$ 79,569
Use of money and property	10,300	10,300	25,512	15,212
Total revenues	<u>10,300</u>	<u>10,300</u>	<u>105,081</u>	<u>94,781</u>
EXPENDITURES:				
Current:				
General city	-	101,256	-	101,256
Total expenditures	<u>-</u>	<u>101,256</u>	<u>-</u>	<u>101,256</u>
Net change in fund balance	<u>\$ 10,300</u>	<u>\$ (90,956)</u>	105,081	<u>\$ 196,037</u>
FUND BALANCE:				
Beginning of fiscal year			<u>701,515</u>	
End of fiscal year			<u>\$ 806,596</u>	

City of Arcadia
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Used Oil Grants Special Revenue Fund
For the Fiscal Year Ended June 30, 2019

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Use of money and property	\$ 300	\$ 300	\$ 526	\$ 226
Intergovernmental	16,000	16,000	15,870	(130)
Total revenues	16,300	16,300	16,396	96
EXPENDITURES:				
Current:				
Public works services	-	-	7,048	(7,048)
Total expenditures	-	-	7,048	(7,048)
Net change in fund balance	\$ 16,300	\$ 16,300	9,348	\$ (6,952)
FUND BALANCE:				
Beginning of fiscal year			12,806	
End of fiscal year			<u>\$ 22,154</u>	

City of Arcadia
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
DOC Beverage Grant Special Revenue Fund
For the Fiscal Year Ended June 30, 2019

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Use of money and property	\$ 400	\$ 400	\$ 1,448	\$ 1,048
Intergovernmental	14,500	14,500	43,510	29,010
Total revenues	<u>14,900</u>	<u>14,900</u>	<u>44,958</u>	<u>30,058</u>
EXPENDITURES:				
Current:				
Public works services	15,300	15,300	-	15,300
Total expenditures	<u>15,300</u>	<u>15,300</u>	<u>-</u>	<u>15,300</u>
Net change in fund balance	<u>\$ (400)</u>	<u>\$ (400)</u>	44,958	<u>\$ 45,358</u>
FUND BALANCE:				
Beginning of fiscal year			<u>18,221</u>	
End of fiscal year			<u>\$ 63,179</u>	

City of Arcadia
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Road Maintenance and Rehabilitation Act Special Revenue Fund
For the Fiscal Year Ended June 30, 2019

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Use of money and property	\$ 100	\$ 100	\$ 8,368	\$ 8,268
Intergovernmental	952,755	952,755	968,537	15,782
Total revenues	952,855	952,855	976,905	24,050
EXPENDITURES:				
Current:				
Community development	952,800	1,102,444	1,102,264	180
Total expenditures	952,800	1,102,444	1,102,264	180
Net change in fund balance	\$ 55	\$ (149,589)	(125,359)	\$ 24,230
FUND BALANCE:				
Beginning of fiscal year			163,492	
End of fiscal year			<u>\$ 38,133</u>	

City of Arcadia
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
General Obligation Bonds Debt Service Fund
For the Fiscal Year Ended June 30, 2019

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Taxes	\$ 1,012,400	\$ 1,012,400	\$ 973,480	\$ (38,920)
Use of money and property	2,000	2,000	20,956	18,956
Total revenues	<u>1,014,400</u>	<u>1,014,400</u>	<u>994,436</u>	<u>(19,964)</u>
EXPENDITURES:				
Current:				
General city	2,500	2,500	2,500	-
Debt service:				
Principal retirement	615,000	615,000	615,000	-
Interest and fiscal charges	397,500	397,500	397,101	399
Total expenditures	<u>1,015,000</u>	<u>1,015,000</u>	<u>1,014,601</u>	<u>399</u>
Net change in fund balance	<u>\$ (600)</u>	<u>\$ (600)</u>	(20,165)	<u>\$ (19,565)</u>
FUND BALANCE:				
Beginning of fiscal year			<u>869,173</u>	
End of fiscal year			<u>\$ 849,008</u>	

City of Arcadia
Statement of Net Position
Nonmajor Enterprise Funds
June 30, 2019

	Transit System	Arcadia PAR 3 Golf Course	Total Nonmajor Enterprise Funds
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Current assets:			
Cash and investments	\$ 360,568	\$ 71,250	\$ 431,818
Accounts receivable	-	5,493	5,493
Prepaid items	-	7,388	7,388
Due from other governments	399,334	-	399,334
Inventories	-	14,386	14,386
Total current assets	<u>759,902</u>	<u>98,517</u>	<u>858,419</u>
Capital assets:			
Depreciable, net	-	180,249	180,249
Total capital assets	<u>-</u>	<u>180,249</u>	<u>180,249</u>
Total assets	<u>759,902</u>	<u>278,766</u>	<u>1,038,668</u>
Deferred outflows of resources:			
Deferred outflows related to net pension liability	54,577	-	54,577
Total deferred outflows of resources	<u>54,577</u>	<u>-</u>	<u>54,577</u>
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES			
Current liabilities:			
Accounts payable	254,900	42,955	297,855
Accrued salaries payable	4,211	-	4,211
Deposits	-	37,897	37,897
Total current liabilities	<u>259,111</u>	<u>80,852</u>	<u>339,963</u>
Noncurrent liabilities:			
Net pension liabilities	472,997	-	472,997
Advances from other funds	-	201,614	201,614
Total noncurrent liabilities	<u>472,997</u>	<u>201,614</u>	<u>674,611</u>
Total liabilities	<u>732,108</u>	<u>282,466</u>	<u>1,014,574</u>
Deferred inflows of resources:			
Deferred inflows related to net pension liability	8,943	-	8,943
Total deferred inflows of resources	<u>8,943</u>	<u>-</u>	<u>8,943</u>
NET POSITION			
Net investment in capital assets	-	180,249	180,249
Unrestricted	73,428	(183,949)	(110,521)
Total net position (deficit)	<u>\$ 73,428</u>	<u>\$ (3,700)</u>	<u>\$ 69,728</u>

City of Arcadia
Statement of Revenues, Expenses, and Changes in Net Position
Nonmajor Enterprise Funds
For the Fiscal Year Ended June 30, 2019

	Transit System	Arcadia PAR 3 Golf Course	Total Nonmajor Enterprise Funds
OPERATING REVENUES:			
Charges for services	\$ 12,613	\$ 511,860	\$ 524,473
Total operating revenues	12,613	511,860	524,473
OPERATING EXPENSES:			
Administration and general	388,374	108,448	496,822
Merchandise and food	-	21,760	21,760
Supplies and maintenances	-	82,236	82,236
Contract costs	1,632,316	279,152	1,911,468
Depreciation	-	23,964	23,964
Total operating expenses	2,020,690	515,560	2,536,250
OPERATING INCOME (LOSS)	(2,008,077)	(3,700)	(2,011,777)
NONOPERATING REVENUES (EXPENSES):			
Federal and state grants	1,509,498	-	1,509,498
Total nonoperating revenues (expenses)	1,509,498	-	1,509,498
INCOME (LOSS) BEFORE TRANSFERS	(498,579)	(3,700)	(502,279)
TRANSFERS:			
Transfers in	985,076	-	985,076
Total transfers	985,076	-	985,076
Changes in net position	486,497	(3,700)	482,797
NET POSITION (DEFICIT):			
Beginning of fiscal year	(413,069)	-	(413,069)
End of fiscal year	<u>\$ 73,428</u>	<u>\$ (3,700)</u>	<u>\$ 69,728</u>

City of Arcadia
Statement of Cash Flows
Nonmajor Enterprise Funds
For the Fiscal Year Ended June 30, 2019

	Transit System	Arcadia PAR 3 Golf Course	Total Nonmajor Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	\$ 12,613	\$ 544,264	\$ 556,877
Cash payments to suppliers for goods and services	(1,679,720)	(470,415)	(2,150,135)
Cash payments to employees for services	(195,811)	-	(195,811)
Net cash provided by (used in) operating activities	(1,862,918)	73,849	(1,789,069)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Cash received from other governments	1,133,170	-	1,133,170
Advances from other funds	-	201,614	201,614
Transfers in	985,076	-	985,076
Net cash provided (used) by noncapital financing activities	2,118,246	201,614	2,319,860
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition of capital assets	-	(204,213)	(204,213)
Net cash provided by (used in) capital and related financing activities	-	(204,213)	(204,213)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	255,328	71,250	326,578
CASH AND CASH EQUIVALENTS - Beginning of fiscal year	105,240	-	105,240
CASH AND CASH EQUIVALENTS - End of fiscal year	\$ 360,568	\$ 71,250	\$ 431,818
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating income (loss)	\$ (2,008,077)	\$ (3,700)	\$ (2,011,777)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	-	23,964	23,964
Changes in assets, deferred outflows, liabilities, and deferred inflows:			
Accounts receivable	-	(5,493)	(5,493)
Prepaid items	-	(7,388)	(7,388)
Inventories	-	(14,386)	(14,386)
Accounts payable	130,293	42,955	173,248
Accrued salaries payable	572	-	572
Deposits	-	37,897	37,897
Net pension liabilities	(31,381)	-	(31,381)
Deferred outflow of resources - pension	47,316	-	47,316
Deferred inflow of resources - pension	(1,641)	-	(1,641)
Total adjustments	145,159	77,549	222,708
Net cash provided by (used in) operating activities	\$ (1,862,918)	\$ 73,849	\$ (1,789,069)

FIDUCIARY FUNDS

Agency Funds:

Agency Fund - established to account for assets held by the City as an agent for individuals, private organizations, or other governmental units, and/or other funds.

City of Arcadia
Statement of Changes in Assets and Liabilities
Agency Fund
For the Fiscal Year Ended June 30, 2019

	Agency Fund		
	Balance	Net Changes	Balance
	July 1, 2018	in Assets and Liabilities	June 30, 2019
ASSETS			
Cash and investments	\$ 3,864,828	\$ (894,574)	\$ 2,970,254
Accounts receivable	117,979	(107,158)	10,821
Total assets	\$ 3,982,807	\$ (1,001,732)	\$ 2,981,075
LIABILITIES			
Accounts payable	\$ 151,551	\$ (85,523)	\$ 66,028
Deposits payable	3,831,256	(916,209)	2,915,047
Total liabilities	\$ 3,982,807	\$ (1,001,732)	\$ 2,981,075

STATISTICAL SECTION

(Unaudited)

This part of the City of Arcadia's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

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Financial Trends - These schedules contain information to help the reader to understand how the City's financial performance and well-being have changed over time.

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Sources: Unless otherwise noted, the information in these schedules was derived from the City's comprehensive annual financial reports for the relevant year.

City of Arcadia
Net Position by Component
Last Ten Fiscal Years

	Fiscal Year				
	2010	2011	2012	2013	2014
Governmental Activities:					
Net investment in capital assets	\$ 52,847,570	\$ 52,132,444	\$ 58,679,540	\$ 59,598,320	\$ 50,203,892
Restricted for:					
Capital Projects	14,813,455	9,407,211	6,899,157	6,912,977	755,064
Debt Service	2,391,605	3,893,943	762,708	699,444	786,567
Specific Projects and Programs	20,692,163	20,596,634	14,150,646	16,064,646	14,564,481
Community Purposes					
Public Safety					
Transportation/Streets					
Total Restricted	<u>37,897,223</u>	<u>33,897,788</u>	<u>21,812,511</u>	<u>23,677,067</u>	<u>16,106,112</u>
Unrestricted	<u>14,833,148</u>	<u>14,107,829</u>	<u>11,083,944</u>	<u>10,527,461</u>	<u>25,857,397</u>
Total governmental activities net position	<u>\$ 105,577,941</u>	<u>\$ 100,138,061</u>	<u>\$ 91,575,995</u>	<u>\$ 93,802,848</u>	<u>\$ 92,167,401</u>
Business-type Activities:					
Net investment in capital assets	\$ 55,431,533	\$ 54,707,757	\$ 53,119,660	\$ 52,092,442	\$ 50,835,309
Unrestricted	<u>38,021,028</u>	<u>37,219,013</u>	<u>36,456,910</u>	<u>36,522,942</u>	<u>35,505,795</u>
Total business-type activities net position	<u>\$ 93,452,561</u>	<u>\$ 91,926,770</u>	<u>\$ 89,576,570</u>	<u>\$ 88,615,384</u>	<u>\$ 86,341,104</u>
Primary Government:					
Net investment in capital assets	\$ 108,279,103	\$ 106,840,201	\$ 111,799,200	\$ 111,690,762	\$ 101,039,201
Restricted	37,897,223	33,897,788	21,812,511	23,677,067	16,106,112
Unrestricted	<u>52,854,176</u>	<u>51,326,842</u>	<u>47,540,854</u>	<u>47,050,403</u>	<u>61,363,192</u>
Total Primary Government net position	<u>\$ 199,030,502</u>	<u>\$ 192,064,831</u>	<u>\$ 181,152,565</u>	<u>\$ 182,418,232</u>	<u>\$ 178,508,505</u>

Source: City of Arcadia Financial Reports

City of Arcadia
Net Position by Component (Continued)
Last Ten Fiscal Years

	Fiscal Year				
	2015	2016	2017	2018	2019
Governmental Activities:					
Net investment in capital assets	\$ 50,652,770	\$ 51,124,268	\$ 50,448,943	\$ 47,725,910	\$ 48,831,491
Restricted for:					
Capital Projects	-	-	-	-	-
Debt Service	694,085	664,992	706,723	698,863	690,343
Specific Projects and Programs*	-	-	-	-	-
Community Purposes	8,236,718	10,578,749	12,424,349	13,472,245	14,857,405
Public Safety	1,340,410	1,253,412	1,058,486	925,971	820,309
Transportation/Streets	9,312,873	9,165,526	9,440,319	9,943,521	9,422,503
Total Restricted	<u>19,584,086</u>	<u>21,662,679</u>	<u>23,629,877</u>	<u>25,040,600</u>	<u>25,790,560</u>
Unrestricted	<u>(75,062,952)</u>	<u>(71,558,258)</u>	<u>(72,803,923)</u>	<u>(95,840,709)</u>	<u>(102,613,607)</u>
Total governmental activities net position	<u>\$ (4,826,096)</u>	<u>\$ 1,228,689</u>	<u>\$ 1,274,897</u>	<u>\$ (23,074,199)</u>	<u>\$ (27,991,556)</u>
Business-type Activities:					
Net investment in capital assets	\$ 48,858,963	\$ 46,957,250	\$ 46,000,669	\$ 44,405,319	\$ 44,379,157
Unrestricted	<u>23,494,250</u>	<u>22,536,965</u>	<u>20,182,581</u>	<u>18,243,338</u>	<u>16,200,866</u>
Total business-type activities net position	<u>\$ 72,353,213</u>	<u>\$ 69,494,215</u>	<u>\$ 66,183,250</u>	<u>\$ 62,648,657</u>	<u>\$ 60,580,023</u>
Primary Government:					
Net investment in capital assets	\$ 99,511,733	\$ 98,081,518	\$ 96,449,612	\$ 92,131,229	\$ 93,210,648
Restricted	19,584,086	21,662,679	23,629,877	25,040,600	25,790,560
Unrestricted	<u>(51,568,702)</u>	<u>(49,021,293)</u>	<u>(52,621,342)</u>	<u>(77,597,371)</u>	<u>(86,412,741)</u>
Total Primary Government net position	<u>\$ 67,527,117</u>	<u>\$ 70,722,904</u>	<u>\$ 67,458,147</u>	<u>\$ 39,574,458</u>	<u>\$ 32,588,467</u>

Source: City of Arcadia Financial Reports

* Specific Projects and Programs were divided into Community Purposes, Public Safety and Transportation/Street starting in 2015

City of Arcadia
Changes in Net Position
Last Ten Fiscal Years (accrual basis of accounting)

	Fiscal Year				
	2010	2011	2012	2013	2014
Expenses					
Governmental activities:					
General government	\$ 11,653,623	\$ 7,932,372	\$ 8,060,384	\$ 8,772,439	\$ 6,984,927
Public safety	26,433,261	28,843,936	29,494,115	30,816,795	31,879,134
Public works services	6,153,531	8,344,308	8,595,701	7,684,123	7,318,800
Community development	3,702,372	5,763,672	4,650,800	3,615,072	15,469,651
Library	2,958,551	3,264,511	3,269,158	3,371,939	3,381,138
Economic development*	2,511,182	5,435,758	1,091,721	-	-
Recreation and community services	2,489,088	2,759,562	2,796,582	3,051,783	3,740,097
Interest on long-term debt	1,277,732	2,067,789	969,994	673,196	455,077
Total governmental activities expenses	<u>\$ 57,179,340</u>	<u>\$ 64,411,908</u>	<u>\$ 58,928,455</u>	<u>\$ 57,985,347</u>	<u>\$ 69,228,824</u>
Business-type activities:					
Water	\$ 10,842,417	\$ 11,854,112	\$ 13,195,083	\$ 12,373,758	\$ 13,911,484
Sewer	1,184,763	1,106,873	1,135,487	1,318,107	1,347,002
Transit	1,676,496	1,727,366	1,792,216	2,023,651	2,010,402
Arcadia Par 3 Golf Course **	-	-	-	-	-
Total business-type activities expenses	<u>13,703,676</u>	<u>14,688,351</u>	<u>16,122,786</u>	<u>15,715,516</u>	<u>17,268,888</u>
Total primary government expenses	<u>\$ 70,883,016</u>	<u>\$ 79,100,259</u>	<u>\$ 75,051,241</u>	<u>\$ 73,700,863</u>	<u>\$ 86,497,712</u>
Program Revenues					
Governmental activities:					
Charges for services:					
General government	\$ 2,973	\$ 13,512	\$ 1,245	\$ 260	\$ 1,065
Public safety	3,293,237	3,149,498	3,304,856	3,146,493	3,801,154
Public works services	305,344	475,338	393,639	325,403	455,285
Community development	1,891,145	2,262,274	2,698,841	3,175,993	5,951,472
Library	97,842	86,285	74,518	69,350	74,007
Recreation and community services	1,632,634	1,916,601	2,295,475	2,450,915	3,149,525
Operating Grants and Contributions	3,085,135	3,607,703	3,612,486	4,592,325	5,481,152
Capital Grants and Contributions	2,576,985	2,555,769	1,500,626	2,272,285	658,109
Total governmental activities program revenues	<u>12,885,295</u>	<u>14,066,980</u>	<u>13,881,686</u>	<u>16,033,024</u>	<u>19,571,769</u>
Business-type activities:					
Charges for services:					
Water	9,611,411	9,190,903	10,191,324	10,902,718	11,467,284
Sewer **	1,206,690	1,203,269	1,221,817	1,277,868	1,308,313
Transit	72,187	71,425	73,846	86,208	89,710
Arcadia Par 3 Golf Course ***	-	-	-	-	-
Operating Grants and Contributions	592,255	532,857	606,878	616,491	685,118
Capital Grants and Contributions	713,932	699,368	401,697	648,875	-
Total business-type activities program revenues	<u>12,196,475</u>	<u>11,697,822</u>	<u>12,495,562</u>	<u>13,532,160</u>	<u>13,550,425</u>
Total primary government program revenues	<u>\$ 25,081,770</u>	<u>\$ 25,764,802</u>	<u>\$ 26,377,248</u>	<u>\$ 29,565,184</u>	<u>\$ 33,122,194</u>

Source: City of Arcadia Financial Reports

* Due to the closing of Arcadia Redevelopment Agency, Economic Development function was combined as part of the Economic Development Department

** The Arcadia Par 3 Golf Course began operating as an enterprise fund in fiscal year 2019.

City of Arcadia
Changes in Net Position (Continued)
Last Ten Fiscal Years (accrual basis of accounting)

	Fiscal Year				
	2015	2016	2017	2018	2019
Expenses					
Governmental activities:					
General government	\$ 7,458,250	\$ 6,890,053	\$ 9,515,214	\$ 17,454,570	\$ 13,584,059
Public safety	32,579,734	34,089,922	36,377,345	37,298,318	40,360,568
Public works services	7,741,343	8,525,715	7,829,369	9,224,613	7,519,824
Community development	5,050,382	6,316,456	6,542,784	7,527,613	7,790,989
Library	3,640,914	3,858,956	4,000,700	3,982,384	4,168,410
Economic development*	-	-	-	-	-
Recreation and community services	3,310,420	3,455,024	3,593,171	3,600,354	3,691,627
Interest on long-term debt	434,682	417,780	398,133	373,622	343,846
Total governmental activities expenses	<u>\$ 60,215,725</u>	<u>\$ 63,553,906</u>	<u>\$ 68,256,716</u>	<u>\$ 79,461,474</u>	<u>\$ 77,459,323</u>
Business-type activities:					
Water	\$ 16,891,412	\$ 12,563,018	\$ 14,942,992	\$ 17,005,371	\$ 16,853,369
Sewer	1,457,275	1,360,509	1,440,677	1,779,385	1,819,847
Transit	1,836,228	1,818,171	1,935,418	1,823,710	2,020,690
Arcadia Par 3 Golf Course **	-	-	-	-	515,560
Total business-type activities expenses	<u>20,184,915</u>	<u>15,741,698</u>	<u>18,319,087</u>	<u>20,608,466</u>	<u>21,209,466</u>
Total primary government expenses	<u>\$ 80,400,640</u>	<u>\$ 79,295,604</u>	<u>\$ 86,575,803</u>	<u>\$ 100,069,940</u>	<u>\$ 98,668,789</u>
Program Revenues					
Governmental activities:					
Charges for services:					
General government	\$ -	\$ 33,223	\$ 596	\$ 7,184	\$ 16,899
Public safety	3,683,293	3,972,018	3,896,797	4,335,707	3,952,519
Public works services	312,995	434,681	363,274	491,341	28,385
Community development	4,497,375	4,577,662	5,406,275	2,712,354	3,313,734
Library	71,564	72,242	71,393	96,038	162,421
Recreation and community services	3,045,343	3,237,272	2,804,010	2,112,552	1,940,232
Operating Grants and Contributions	5,020,312	4,876,997	4,523,948	5,542,417	6,441,413
Capital Grants and Contributions	804,556	927,837	254,204	45,850	526,077
Total governmental activities program revenues	<u>17,435,438</u>	<u>18,131,932</u>	<u>17,320,497</u>	<u>15,343,443</u>	<u>16,381,680</u>
Business-type activities:					
Charges for services:					
Water	10,132,653	9,122,745	10,990,520	13,223,624	12,806,780
Sewer **	1,310,499	1,664,249	2,046,705	2,347,364	2,408,365
Transit	76,484	63,520	12,408	13,246	12,613
Arcadia Par 3 Golf Course ***	-	-	-	-	511,860
Operating Grants and Contributions	786,352	768,229	696,053	772,915	1,509,498
Capital Grants and Contributions	-	-	-	-	-
Total business-type activities program revenues	<u>12,305,988</u>	<u>11,618,743</u>	<u>13,745,686</u>	<u>16,357,149</u>	<u>17,249,116</u>
Total primary government program revenues	<u>\$ 29,741,426</u>	<u>\$ 29,750,675</u>	<u>\$ 31,066,183</u>	<u>\$ 31,700,592</u>	<u>\$ 33,630,796</u>

Source: City of Arcadia Financial Reports

* Due to the closing of Arcadia Redevelopment Agency, Economic Development function was combined as part of the Economic Development Department

** The Arcadia Par 3 Golf Course began operating as an enterprise fund in fiscal year 2019.

City of Arcadia
Changes in Net Position (Continued)
Last Ten Fiscal Years (accrual basis of accounting)

	Fiscal Year				
	2010	2011	2012	2013	2014
Net (Expense)/Revenue					
Governmental activities	\$ (44,294,045)	\$ (50,344,928)	\$ (45,046,769)	\$ (41,952,323)	\$ (49,657,055)
Business-type activities	<u>(1,507,200)</u>	<u>(2,990,529)</u>	<u>(3,627,224)</u>	<u>(2,183,356)</u>	<u>(3,718,463)</u>
Total primary government net expense	<u>\$ (45,801,245)</u>	<u>\$ (53,335,457)</u>	<u>\$ (48,673,993)</u>	<u>\$ (44,135,679)</u>	<u>\$ (53,375,518)</u>
General Revenues and Other Changes in Net Position					
Governmental activities:					
Taxes					
Property taxes	\$ 15,400,704	\$ 14,215,888	\$ 11,416,754	\$ 13,644,310	\$ 13,892,020
Sales taxes	7,940,462	8,613,829	8,962,391	9,646,630	10,082,196
Franchise fees	972,461	1,045,099	1,061,719	1,091,812	1,070,809
Utilities user taxes	5,258,113	5,172,811	5,046,439	5,118,597	6,545,713
Transient occupancy taxes	2,237,610	2,394,106	2,560,371	2,823,399	3,215,261
Motor vehicle license taxes	4,502,551	4,814,591	4,653,845	4,900,991	5,213,847
Non-regulatory business license taxes	1,020,770	1,068,308	1,108,428	1,186,704	1,249,583
Other Taxes	<u>1,846,825</u>	<u>1,641,467</u>	<u>1,581,577</u>	<u>1,541,319</u>	<u>1,683,520</u>
Total Taxes and fees	39,179,496	38,966,099	36,391,524	39,953,762	42,952,949
Investment earnings	1,025,361	2,080,612	1,689,361	1,035,634	1,598,314
Miscellaneous	4,491,008	4,579,176	4,153,019	3,374,585	4,724,159
Gain/loss on disposal of capital assets	-	256,499	35,714	935,125	64,696
Transfers	(912,350)	(977,338)	(976,894)	(1,119,930)	(1,031,360)
Restatement	<u>-</u>	<u>-</u>	<u>(4,808,021)</u>	<u>-</u>	<u>-</u>
Total Governmental activities	<u>43,783,515</u>	<u>44,905,048</u>	<u>36,484,703</u>	<u>44,179,176</u>	<u>48,308,758</u>
Business-type activities:					
Investment earnings	819,078	472,912	280,621	85,231	396,892
Miscellaneous	18,351	14,488	19,509	17,009	15,931
Transfers	912,350	977,338	976,894	1,119,930	1,031,360
Restatement	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>1,749,779</u>	<u>1,464,738</u>	<u>1,277,024</u>	<u>1,222,170</u>	<u>1,444,183</u>
Total primary government	<u>\$ 45,533,294</u>	<u>\$ 46,369,786</u>	<u>\$ 37,761,727</u>	<u>\$ 45,401,346</u>	<u>\$ 49,752,941</u>
Change in Net Position					
Governmental activities	\$ (510,530)	\$ (5,439,880)	\$ (8,562,066)	\$ 2,226,853	\$ (1,348,297)
Business-type activities	<u>242,579</u>	<u>(1,525,791)</u>	<u>(2,350,200)</u>	<u>(961,186)</u>	<u>(2,274,280)</u>
Total primary government	<u>\$ (267,951)</u>	<u>\$ (6,965,671)</u>	<u>\$ (10,912,266)</u>	<u>\$ 1,265,667</u>	<u>\$ (3,622,577)</u>

Source: City of Arcadia Financial Reports

City of Arcadia
Changes in Net Position (Continued)
Last Ten Fiscal Years (accrual basis of accounting)

	Fiscal Year				
	2015	2016	2017	2018	2019
Net (Expense)/Revenue					
Governmental activities	\$ (42,780,287)	\$ (45,421,974)	\$ (50,936,219)	\$ (64,118,031)	\$ (61,077,643)
Business-type activities	<u>(7,878,927)</u>	<u>(4,122,955)</u>	<u>(4,573,401)</u>	<u>(4,251,317)</u>	<u>(3,960,350)</u>
Total primary government net expense	<u>\$ (50,659,214)</u>	<u>\$ (49,544,929)</u>	<u>\$ (55,509,620)</u>	<u>\$ (68,369,348)</u>	<u>\$ (65,037,993)</u>
General Revenues and Other Changes in Net Position					
Governmental activities:					
Taxes					
Property taxes	\$ 13,865,978	\$ 15,149,171	\$ 16,150,617	\$ 16,965,156	\$ 18,301,135
Sales taxes	10,427,065	11,441,622	10,766,558	11,115,292	11,399,632
Franchise fees	1,192,519	1,100,952	1,000,308	982,756	931,750
Utilities user taxes	7,142,118	6,816,464	6,773,169	6,856,067	6,591,834
Transient occupancy taxes	3,365,408	3,531,944	3,543,908	3,320,953	3,447,186
Motor vehicle license taxes	5,641,681	6,136,906	6,461,508	6,906,050	7,309,525
Non-regulatory business license taxes	1,202,350	1,293,357	1,270,876	1,248,106	1,227,480
Other Taxes	<u>1,662,956</u>	<u>1,538,467</u>	<u>1,647,136</u>	<u>1,621,716</u>	<u>1,057,546</u>
Total Taxes and fees	44,500,075	47,008,883	47,614,080	49,016,096	50,266,088
Investment earnings	1,632,484	1,856,318	1,458,553	1,529,734	3,432,169
Miscellaneous	4,421,469	3,482,819	3,007,213	3,486,199	3,447,105
Gain/loss on disposal of capital assets	28,323	-	13,587	49,243	-
Transfers	(817,751)	(871,261)	(1,111,006)	(1,006,826)	(985,076)
Extraordinary item	-	-	-	<u>(13,305,511)</u>	-
Total Governmental activities	<u>49,764,600</u>	<u>51,476,759</u>	<u>50,982,427</u>	<u>39,768,935</u>	<u>56,160,286</u>
Business-type activities:					
Investment earnings	332,719	380,861	138,679	150,511	896,111
Miscellaneous	18,300	11,835	12,751	13,976	10,529
Transfers	817,751	871,261	1,111,006	1,006,826	985,076
Restatement	-	-	-	<u>(454,589)</u>	-
Total business-type activities	<u>1,168,770</u>	<u>1,263,957</u>	<u>1,262,436</u>	<u>716,724</u>	<u>1,891,716</u>
Total primary government	<u>\$ 50,933,370</u>	<u>\$ 52,740,716</u>	<u>\$ 52,244,863</u>	<u>\$ 40,485,659</u>	<u>\$ 58,052,002</u>
Change in Net Position					
Governmental activities	\$ 6,984,313	\$ 6,054,785	\$ 46,208	\$ (24,349,096)	\$ (4,917,357)
Business-type activities	<u>(6,710,157)</u>	<u>(2,858,998)</u>	<u>(3,310,965)</u>	<u>(3,534,593)</u>	<u>(2,068,634)</u>
Total primary government	<u>\$ 274,156</u>	<u>\$ 3,195,787</u>	<u>\$ (3,264,757)</u>	<u>\$ (27,883,689)</u>	<u>\$ (6,985,991)</u>

Source: City of Arcadia Financial Reports

City of Arcadia
Fund Balances of Governmental Funds
Last Ten Fiscal Years (modified accrual basis of accounting)

	Fiscal Year				
	2010	2011	2012	2013	2014
General Fund					
Reserved	\$ 1,337,938	\$ -	\$ -	\$ -	\$ -
Unreserved	23,860,788	-	-	-	-
Nonspendable	-	741,827	727,715	698,729	708,053
Assigned	-	17,280,504	15,325,993	13,815,582	22,223,334
Unassigned	-	8,711,216	9,745,454	12,701,494	8,180,075
Total General Fund	<u>\$ 25,198,726</u>	<u>\$ 26,733,547</u>	<u>\$ 25,799,162</u>	<u>\$ 27,215,805</u>	<u>\$ 31,111,462</u>
All Other Governmental Funds					
Reserved	\$ 19,244,377	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:					
Special Revenue Funds	15,901,092	-	-	-	-
Debt Service Funds	-	-	-	-	-
Capital projects funds	8,068,757	-	-	-	-
Nonspendable	-	16,124,172	23,251	305	384
Restricted	-	32,629,493	21,812,511	23,677,067	16,106,112
Assigned	-	10,425,600	4,337,923	3,735,533	6,207,820
Unassigned	-	-	-	-	-
Total all other Governmental Funds	<u>\$ 43,214,226</u>	<u>\$ 59,179,265</u>	<u>\$ 26,173,685</u>	<u>\$ 27,412,905</u>	<u>\$ 22,314,316</u>
Total Governmental Funds	<u>\$ 68,412,952</u>	<u>\$ 85,912,812</u>	<u>\$ 51,972,847</u>	<u>\$ 54,628,710</u>	<u>\$ 53,425,778</u>

Source: City of Arcadia Financial Reports

* Fund balance categories were changed due to the implementation of GASB 54 in 2011

City of Arcadia
Fund Balances of Governmental Funds (Continued)
Last Ten Fiscal Years (modified accrual basis of accounting)

	Fiscal Year				
	2015	2016	2017	2018	2019
General Fund					
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	-	-	-	-	-
Nonspendable	768,417	797,305	845,513	1,068,976	1,112,837
Assigned	23,710,862	24,756,336	23,015,454	22,829,444	23,295,469
Unassigned	12,357,558	6,399,003	7,323,121	7,225,918	5,080,965
Total General Fund	<u>\$ 36,836,837</u>	<u>\$ 31,952,644</u>	<u>\$ 31,184,088</u>	<u>\$ 31,124,338</u>	<u>\$ 29,489,271</u>
All Other Governmental Funds					
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:					
Special Revenue Funds	-	-	-	-	-
Debt Service Funds	-	-	-	-	-
Capital projects funds	-	-	-	-	-
Nonspendable	-	-	11,540	3,000	8,640
Restricted	19,779,855	21,851,364	23,810,229	25,207,910	25,932,467
Assigned	4,894,097	11,203,221	12,921,656	11,404,087	11,976,987
Unassigned	-	-	(7,818)	(3,627)	(8,691)
Total all other Governmental Funds	<u>\$ 24,673,952</u>	<u>\$ 33,054,585</u>	<u>\$ 36,735,607</u>	<u>\$ 36,611,370</u>	<u>\$ 37,909,403</u>
Total Governmental Funds	<u>\$ 61,510,789</u>	<u>\$ 65,007,229</u>	<u>\$ 67,919,695</u>	<u>\$ 67,735,708</u>	<u>\$ 67,398,674</u>

Source: City of Arcadia Financial Reports

* Fund balance categories were changed due to the implementation of GASB 54 in 2011

City of Arcadia
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years (modified accrual basis of accounting)

	Fiscal Year				
	2010	2011	2012	2013	2014
REVENUES:					
Taxes	\$ 32,337,065	\$ 34,244,462	\$ 30,629,251	\$ 33,866,067	\$ 36,489,519
Licenses, fees and permits	3,487,187	3,972,881	4,542,324	5,008,304	8,031,036
Fines and Penalties	942,337	960,496	918,949	839,477	913,156
Use of money of property	2,123,272	2,080,611	1,833,161	1,035,634	1,598,310
Intergovernmental Revenues	10,380,618	11,248,656	9,776,817	11,437,572	10,881,323
Charges for services	4,420,625	4,711,152	5,041,963	5,095,987	6,356,736
Other Revenues	6,804,945	3,973,389	3,410,965	4,049,089	4,167,904
Total revenues	60,496,049	61,191,647	56,153,430	61,332,130	68,437,984
EXPENDITURES:					
Current:					
General government	10,664,354	8,375,592	8,923,780	7,484,871	7,051,033
Public safety	28,239,920	27,451,509	28,402,141	29,905,370	30,842,988
Public works services	5,910,512	6,588,499	6,897,481	5,940,589	5,805,936
Community development	5,371,217	5,756,910	5,380,890	6,885,395	17,046,641
Library	2,987,701	3,058,338	3,050,203	3,179,305	3,165,746
Economic development	2,975,135	5,452,493	1,091,721	-	-
Recreation and community services	2,357,463	3,746,142	2,571,010	3,014,469	3,729,337
Debt service:					
Interest	915,000	1,736,317	900,000	756,210	502,875
Principal	1,287,786	690,000	1,282,872	215,000	465,000
Cost of issuance	-	395,037	-	132,228	-
Total expenditures	60,709,088	63,250,837	58,500,098	57,513,437	68,609,556
Less: acquisition of capital assets	(3,807,691)	(2,562,811)	(2,931,313)	(4,349,512)	(2,559,961)
Total expenditures excluding capital assets	56,901,397	60,688,026	55,568,785	53,163,925	66,049,595
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(213,039)	(2,059,190)	(2,346,668)	3,818,693	(171,572)
OTHER FINANCING SOURCES (USES):					
Transfers in	3,660,845	8,387,511	8,760,016	2,455,802	4,623,066
Transfers out	(4,573,195)	(9,364,849)	(9,736,910)	(3,575,732)	(5,654,426)
Proceeds from capital lease obligations	-	-	-	-	-
Proceeds of bond issuance	-	27,830,000	-	6,135,000	-
Bond discount	-	(424,696)	-	-	-
Bond Premium	-	451,084	-	362,100	-
Payment on refunded bonds	-	(7,320,000)	-	(6,540,000)	-
Loss on dissolution of Arcadia Redevelopment Agency	-	-	(30,616,403)	-	-
Total other financing sources (uses)	(912,350)	19,559,050	(31,593,297)	(1,162,830)	(1,031,360)
Net change in fund balances	\$ (1,125,389)	\$ 17,499,860	\$ (33,939,965)	\$ 2,655,863	\$ (1,202,932)
Debt service as a percentage of non-capital expenditures	3.87%	4.00%	3.93%	1.83%	1.47%

Source: City of Arcadia Financial Reports

City of Arcadia
Changes in Fund Balances of Governmental Funds (Continued)
Last Ten Fiscal Years (modified accrual basis of accounting)

	Fiscal Year				
	2015	2016	2017	2018	2019
REVENUES:					
Taxes	\$ 37,911,174	\$ 39,504,488	\$ 40,258,016	\$ 40,506,071	\$ 42,050,021
Licenses, fees and permits	6,512,028	6,723,286	7,583,907	4,833,508	5,165,340
Fines and Penalties	935,629	801,161	634,261	690,703	643,858
Use of money of property	1,632,483	1,856,318	1,458,553	1,529,733	3,432,169
Intergovernmental Revenues	11,508,381	11,653,593	10,782,388	12,530,015	14,289,330
Charges for services	6,086,755	6,777,300	6,140,231	6,088,728	5,591,091
Other Revenues	4,390,220	3,419,455	3,062,448	3,525,714	3,052,228
Total revenues	68,976,670	70,735,601	69,919,804	69,704,472	74,224,037
EXPENDITURES:					
Current:					
General government	6,730,305	8,920,807	8,338,619	8,134,490	7,971,659
Public safety	31,748,649	33,772,958	35,497,246	36,941,437	39,912,792
Public works services	6,372,293	7,827,183	7,199,751	8,024,811	7,491,991
Community development	8,168,873	8,003,227	6,673,998	7,599,862	9,992,826
Library	3,433,071	3,612,759	3,830,240	3,826,333	3,917,195
Economic development	-	-	-	-	-
Recreation and community services	3,099,283	3,209,492	3,343,402	3,339,426	3,509,543
Debt service:					
Interest	525,000	555,000	448,076	590,000	673,028
Principal	484,854	466,474	565,000	425,274	397,101
Cost of issuance	-	-	-	-	-
Total expenditures	60,562,328	66,367,900	65,896,332	68,881,633	73,866,135
Less: acquisition of capital assets	(3,756,352)	(4,180,176)	(2,978,796)	(2,357,155)	(5,187,456)
Total expenditures excluding capital assets	56,805,976	62,187,724	62,917,536	66,524,478	68,678,679
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	8,414,342	4,367,701	4,023,472	822,839	357,902
OTHER FINANCING SOURCES (USES):					
Transfers in	3,874,984	10,330,462	5,259,012	3,617,262	4,658,147
Transfers out	(4,692,735)	(11,201,723)	(6,370,018)	(4,624,088)	(5,643,223)
Proceeds from capital lease obligations	-	-	-	-	290,140
Proceeds of bond issuance	-	-	-	-	-
Bond discount	-	-	-	-	-
Bond Premium	-	-	-	-	-
Payment on refunded bonds	-	-	-	-	-
Loss on dissolution of Arcadia Redevelopment Agency	-	-	-	-	-
Total other financing sources (uses)	(817,751)	(871,261)	(1,111,006)	(1,006,826)	(694,936)
Net change in fund balances	\$ 7,596,591	\$ 3,496,440	\$ 2,912,466	\$ (183,987)	\$ (337,034)
Debt service as a percentage of non-capital expenditures	1.78%	1.64%	1.61%	1.53%	1.56%

Source: City of Arcadia Financial Reports

City of Arcadia
Governmental Activities Tax Revenue by Source
Last Ten Fiscal Years (accrual basis of accounting)

Fiscal Year Ended June 30,	Property Tax	Sales Tax	Franchise Fee	Utilities user Tax	Transient Occupancy Tax	Motor Vehicle License Tax	Business License Tax	Other Taxes	Total Taxes and Fees
2010	\$ 15,400,704	\$ 7,940,462	\$ 972,460	\$ 5,258,113	\$ 2,237,610	\$ 4,502,551	\$ 1,020,770	\$ 1,846,825	\$ 39,179,495
2011	14,215,888	8,613,829	1,045,099	5,172,811	2,394,106	4,814,591	1,068,308	1,641,467	38,966,099
2012	11,416,754	8,962,391	1,061,719	5,046,439	2,560,371	4,653,845	1,108,428	1,581,577	36,391,524
2013	13,644,310	9,646,630	1,091,812	5,118,597	2,823,399	4,900,991	1,186,704	1,541,319	39,953,762
2014	13,892,020	10,082,196	1,070,809	6,545,713	3,215,261	5,213,847	1,249,583	1,683,520	42,952,949
2015	13,865,978	10,427,065	1,192,519	7,142,118	3,365,408	5,641,681	1,202,350	1,662,956	44,500,075
2016	15,149,171	11,441,622	1,100,952	6,816,464	3,531,944	6,136,906	1,293,357	1,538,467	47,008,883
2017	16,150,617	10,766,558	1,000,308	6,773,169	3,543,908	6,461,508	1,270,876	1,647,136	47,614,080
2018	16,965,156	11,115,292	982,756	6,856,067	3,320,953	6,906,050	1,248,106	1,621,716	49,016,096
2019	18,301,135	11,399,632	931,750	6,591,834	3,447,186	7,309,525	1,227,480	1,057,546	50,266,088

Source: City of Arcadia Financial Reports

City of Arcadia
General Governmental Tax Revenue by Source
Last Ten Fiscal Years (modified accrual basis of accounting)

Fiscal Year Ended June 30,	Property Tax	Sales Tax	Franchise Fee	Utilities user tax	Transient Occupancy Tax	Other Taxes	Total Taxes
2010	\$ 15,400,704	\$ 7,940,462	\$ 972,460	\$ 5,258,113	\$ 2,237,610	\$ 1,846,825	\$ 33,656,174
2011	14,215,888	8,613,829	1,045,099	5,172,811	2,394,106	1,641,467	33,083,200
2012	11,416,754	8,962,391	1,061,719	5,046,439	2,560,371	1,581,577	30,629,251
2013	13,644,310	9,646,630	1,091,812	5,118,597	2,823,399	1,541,319	33,866,067
2014	13,892,020	10,082,196	1,070,809	6,545,713	3,215,261	1,683,520	36,489,519
2015	13,865,978	10,587,947	1,192,519	7,142,118	3,365,408	1,757,204	37,911,174
2016	15,149,171	11,264,090	1,100,952	6,816,464	3,531,944	1,641,867	39,504,488
2017	16,150,617	11,069,263	1,000,308	6,773,169	3,543,908	1,720,751	40,258,016
2018	16,965,156	10,670,332	982,756	6,856,067	3,320,953	1,710,806	40,506,070
2019	18,301,135	11,641,002	931,750	6,591,834	3,447,186	1,137,115	42,050,022

Source: City of Arcadia Financial Reports

City of Arcadia
Assessed Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year Ended June 30,	Residential Property	Commercial Property	Recreational Property	Industrial Property	Others	Total Taxable Assessed Value	Percent Increase	Total Direct Rate
2010	\$ 8,119,135,094	\$ 1,098,758,395	\$ 193,993,380	\$ 185,389,363	\$ 289,762,734	\$ 9,887,038,966	2.2%	0.13933%
2011	8,385,923,392	1,154,290,186	193,533,608	184,933,074	402,865,289	10,321,545,549	4.4%	0.13798%
2012	8,667,971,752	1,217,932,398	194,107,146	186,684,883	343,635,441	10,610,331,620	2.8%	0.13688%
2013	9,119,940,977	1,235,622,033	197,989,278	188,696,515	365,386,188	11,107,634,991	4.7%	0.13360%
2014	9,784,166,701	1,283,395,020	207,049,008	191,408,716	366,192,396	11,832,211,841	6.5%	0.10249%
2015	10,562,151,620	1,306,789,917	312,687,185	191,721,395	435,327,830	12,808,677,947	8.3%	0.10249%
2016	11,422,747,681	1,398,109,370	308,101,469	203,248,894	606,384,854	13,938,592,268	8.8%	0.10110%
2017	12,199,219,454	1,432,309,677	312,799,943	206,523,314	522,677,256	14,673,529,644	5.3%	0.10131%
2018	12,959,501,963	1,524,210,934	315,605,776	237,411,247	639,741,642	15,676,471,562	6.8%	0.10064%
2019	13,771,100,892	1,704,921,018	316,133,985	244,561,003	565,358,789	16,602,075,687	5.9%	0.10036%

Note: Exempt values are not included in total

Source: HdL Coren & Cone, Los Angeles County Assessor Combined Tax Rolls

City of Arcadia
Direct and Overlapping Property Tax Rates (Rate Per \$100 of Taxable Value)
Last Ten Fiscal Years

Year	City's Share of 1% Levy Per Prop 13	Redevelopment Rate	Total Direct Rate *
2010	0.09602	1.04707	0.13933
2011	0.09602	1.00370	0.13798
2012	0.09602	1.00370	0.13688
2013	0.09602	N/A	0.13360
2014	0.09602	N/A	0.10249
2015	0.09602	N/A	0.10249
2016	0.09602	N/A	0.10110
2017	0.09602	N/A	0.10131
2018	0.09602	N/A	0.10064
2019	0.09602	N/A	0.10036

Source: HDL Coren & Cone and Los Angeles County Assessor

* Total Direct Rate is the weighted average of all individual direct rates applied to the City, and excludes revenue derived from aircraft.

City of Arcadia
Direct and Overlapping Property Tax Rates (Rate Per \$100 of Taxable Value) (Continued)
Last Ten Fiscal Years

City Direct and Overlapping Rates %							
Year	Basic Levy	General Obligation Debt Service	Lighting District	School Districts	Community College	Water Districts	Tax Rate %
2010	1.0000	0.005300	0.04277	0.51389	0.07411	0.02230	1.65838
2011	1.0000	0.005000	0.00000	0.50697	0.07941	0.02170	1.61308
2012	1.0000	0.004990	0.00000	0.54958	0.07821	0.02170	1.65448
2013	1.0000	0.009590	0.00000	0.55242	0.07457	0.02150	1.65808
2014	1.0000	0.008380	0.00000	0.60099	0.07017	0.02150	1.70104
2015	1.0000	0.008221	0.00000	0.57233	0.06180	0.02150	1.66385
2016	1.0000	0.006681	0.00000	0.60790	0.05225	0.01800	1.68483
2017	1.0000	0.006817	0.00000	0.60344	0.06099	0.02300	1.69425
2018	1.0000	0.006170	0.00000	0.59725	0.05796	0.03000	1.69138
2019	1.0000	0.005970	0.00000	0.57076	0.05559	0.03000	1.66232

Note: Overlapping rates are those of local and county governments that apply to an average taxpayer within the City.

Source: HDL Coren & Cone and Los Angeles County Assessor

**City of Arcadia
Principal Property Tax Owners
Last Fiscal Year & Nine Years Prior**

2018/19				
<u>Taxpayer</u>	<u>Assessed Value</u>	<u>Est. Total * Tax Revenue</u>	<u>Rank</u>	<u>Percentage of Total City Property Tax Revenue</u>
Santa Anita Borrower LLC	\$ 407,798,229	\$ 409,266	1	2.46%
Santa Anita Land Holdings LLC	321,218,794	322,375	2	1.93%
Baldwin Arcadia Center LP	82,534,588	82,832	3	0.50%
JLJ USA Investments LLC	63,311,399	63,539	4	0.38%
SAICP Hotel LLC	47,940,000	48,113	5	0.29%
Chang Chih Int'l Investment LLC	42,884,403	43,039	6	0.26%
BRE Select Hotels Properties LLC	41,446,637	41,596	7	0.25%
BRE Newton Hotels Property Owner LLC	35,863,929	35,993	8	0.22%
VG Property Investments LLC	35,400,764	35,528	9	0.21%
101 Santa Anita LLC	<u>33,792,769</u>	<u>33,914</u>	10	<u>0.20%</u>
Total	<u>\$ 1,112,191,512</u>	<u>\$ 1,116,195</u>		<u>6.70%</u>

2009/10				
<u>Taxpayer</u>	<u>Assessed Value</u>	<u>Est. Total * Tax Revenue</u>	<u>Rank</u>	<u>Percentage of Total City Property Tax Revenue</u>
Santa Anita Fashion Park LLC	\$ 312,270,297	435,086	1	3.16%
Santa Anita Land Holdings	168,064,893	234,165	2	1.73%
Von's Companies Inc	27,703,648	38,599	3	0.33%
Arcadia Hub Shopping Center LP	26,130,153	36,407	4	0.29%
Arcadia Hotel Venture LP	25,171,245	35,071	5	0.26%
Apple Six Hospitality INC	23,256,000	32,403	6	0.22%
Windrose Santa Anita Properties LLC	21,500,000	29,956	7	0.21%
BRE ESA Properties LLC	21,484,469	29,934	8	0.19%
Arcadia Gateway Centre Assoc. LTD	18,402,209	25,640	9	0.19%
Pecos Properties	<u>18,224,600</u>	<u>25,392</u>	10	<u>0.19%</u>
Total	<u>\$ 662,207,514</u>	<u>\$ 922,654</u>		<u>6.77%</u>

Source: HdL Coren & Cone, Los Angeles County Assessor Combined Tax Rolls

* Estimated Total Tax Revenue is a calculation of the total City share of direct rate times Assessed Value

City of Arcadia
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Year **	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy *
2010	\$ 922,066	\$ 830,138	90.03%	\$ 88,629	\$ 918,768	99.64%
2011	924,282	903,326	97.73%	20,155	923,481	99.91%
2012	958,156	930,566	97.12%	36,079	966,645	100.89%
2013	1,047,162	1,068,505	102.04%	16,319	1,084,824	103.60%
2014	976,606	1,022,387	104.69%	30,025	1,052,412	107.76%
2015	1,036,042	1,103,805	106.54%	6,900	1,110,705	107.21%
2016	916,767	957,245	104.42%	22,813	980,058	106.90%
2017	986,300	1,020,512	103.47%	25,356	1,045,868	106.04%
2018	967,300	964,452	99.71%	32,920	997,372	103.11%
2019	990,300	948,177	95.75%	25,303	973,480	98.30%

Source: Administrative Services Department, City of Arcadia

* Percentage of Levy greater than 100% is attributable to the property value increase during the fiscal year as a result of property sales, new constructions and additional home improvements.

** Collections in subsequent years include the property taxes received in July and August after the end of the respective tax years.

City of Arcadia
Taxable Sales by Category
Last Ten Calendar Years

(in thousands of dollars)

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Apparel Stores	\$ 111,301	\$ 115,397	\$ 120,635	\$ 131,885	\$ 142,097	\$ 143,368	\$ 140,567	\$ 151,052	\$ 148,445	\$ 149,739
General Merchandise	149,263	149,410	154,167	152,615	154,142	152,946	157,276	154,455	152,599	151,541
Food Stores	32,159	30,727	30,684	33,072	32,815	32,779	31,966	31,641	28,020	31,823
Eating and Drinking Places	126,899	129,170	136,399	144,462	154,770	167,998	178,138	189,283	208,207	208,991
Building Materials	6,826	5,606	6,927	6,323	6,612	8,159	7,128	7,682	6,781	6,335
Auto Dealers and Supplies	78,896	78,435	78,570	79,022	90,937	104,145	101,275	114,829	119,360	109,388
Service Stations	61,169	67,250	85,881	93,139	92,255	91,276	77,951	64,181	66,236	73,466
Other Retail Stores	111,010	113,774	121,843	122,250	128,913	141,709	146,038	144,007	148,806	144,911
All Other Outlets	161,624	157,543	170,797	178,835	200,828	223,290	222,539	242,883	245,101	250,179
Total	\$ 839,147	\$ 847,312	\$ 905,903	\$ 941,603	\$1,003,369	\$1,065,670	\$1,062,878	\$ 1,100,013	\$ 1,123,555	\$ 1,126,373

Note: Due to confidentiality issues, the names of the ten largest revenue payers are not available. The categories presented are intended to provide alternative information regarding the sources of the City's revenue.

Source: State of California Board of Equalization and HdL Coren & Cone.

**CITY OF ARCADIA
TOP 25 SALES TAX PRODUCERS
Last Fiscal Year & Nine Years Prior**

2018/19

<u>Business Name</u>	<u>Business Category</u>
Allstar Fire Equipment	Light Industrial/Printers
Arco AM PM	Service Stations
Arco	Service Stations
Burlington Coat Factory	Family Apparel
Cheesecake Factory	Casual Dining
CVS Pharmacy	Drug Stores
Daimler Trust	Auto Lease
Din Tai Fung Restaurant	Casual Dining
Foot Locker	Shoe Stores
Forever XXI	Women's Apparel
JC Penney	Department Stores
Los Angeles Turf Club	Leisure/Entertainment
Macys	Department Stores
Meizhou Dongpo	Fine Dining
Methodist Hospital	Medical/Biotech
Mobil	Service Stations
Nordstrom	Department Stores
REI	Sporting Goods/Bike Stores
Rusnak Arcadia	New Motor Vehicle Dealers
Sephora	Specialty Stores
Uniqlo	Family Apparel
Victoria's Secret	Women's Apparel
Vons	Grocery Stores Liquor
World Oil	Service Stations
Zara USA	Family Apparel

Percent of Fiscal Year Total Paid By Top 25 Accounts

48.6%

Period: April 2018 Thru March 2019

Source: State Board of Equalization

**CITY OF ARCADIA
TOP 25 SALES TAX PRODUCERS
Last Fiscal Year & Nine Years Prior**

2009/10

<u>Business Name</u>	<u>Business Category</u>
Abercrombie & Fitch	Family Apparel
Allstar Fire Equipment	Light Industrial/Printers
Arco AM PM	Service Stations
Arco	Service Stations
Burlington Coat Factory	Family Apparel
Cheesecake Factory	Casual Dining
CVS Pharmacy	Drug Stores
Daimler Chrysler Finance	Auto Lease
Daimler Financial Services	Auto Lease
Dave & Busters	Casual Dining
H&M	Family Apparel
JC Penney	Department Stores
Los Angeles Turf Club	Leisure/Entertainment
Macys	Department Stores
Mobil	Service Stations
Nordstrom	Department Stores
Olive Garden	Casual Dining
Ralphs	Grocery Stores Liquor
REI	Sporting Goods/Bike Stores
Rusnak Arcadia	New Motor Vehicle Dealers
Sephora	Specialty Stores
Sport Chalet	Sporting Goods/Bike Stores
Victoria's Secret	Women's Apparel
Vons	Grocery Stores
Western Medical Supply	Medical/Biotech

Percent of Fiscal Year Total Paid By Top 25 Accounts

50.5%

Period: April 2009 Thru March 2010
Source: State Board of Equalization

City of Arcadia
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Year	Governmental Activities						Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds			Redevelopment Bonds *					
	2001	2011	2012	Tax Allocation Bond 2001A	Tax Allocation Bond 2001B	Tax Allocation Bond 2010			
2010	\$ 6,900,000			\$ 7,795,000	\$ 7,320,000		\$ 22,015,000	1.131%	\$ 391
2011	6,725,000	8,448,827		7,280,000	-	19,426,839	41,880,666	1.983%	738
2012	6,540,000	8,426,562		-	-	-	14,966,562	0.708%	265
2013	-	8,189,297	6,486,182	-	-	-	14,675,479	0.680%	258
2014	-	7,887,032	6,281,837	-	-	-	14,168,869	0.648%	246
2015	-	7,579,767	6,022,492	-	-	-	13,602,259	0.612%	236
2016	-	7,262,502	5,743,147	-	-	-	13,005,649	0.589%	228
2017	-	6,935,237	5,463,802	-	-	-	12,399,039	0.556%	216
2018	-	6,592,972	5,174,457	-	-	-	11,767,429	0.509%	204
2019	-	6,235,707	4,875,112	-	-	-	11,110,819	0.455%	189

Note: * Arcadia Redevelopment Agency together with all other Redevelopment Agencies in California were eliminated on February 1, 2012

City of Arcadia
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years

Governmental Activities			
Year	General Obligation Bonds	Percentage of Personal Income	Per Capita
2010	\$ 6,900,000	0.354%	\$ 122
2011	15,173,827	0.718%	268
2012	14,966,562	0.708%	265
2013	14,675,479	0.680%	258
2014	14,168,869	0.648%	246
2015	13,602,259	0.612%	236
2016	13,005,649	0.589%	228
2017	12,399,039	0.556%	216
2018	11,767,429	0.509%	204
2019	11,110,819	0.455%	189

Note: Details regarding the City's outstanding debt can be found in the Notes to the Basic Financial Statements.

City of Arcadia
Legal Debt Margin Information
Last Ten Fiscal Years

Legal Debt Margin Calculation for Fiscal Year 2019

Assessed Taxable Value	\$ 16,602,075,687
Debt Limit (15% of assessed value)	2,490,311,353
Debt Applicable to limit:	
Total Bonds Payable	11,110,819
Legal Debt Margin	\$ 2,479,200,534
Percent of Charter Debt Limit	0.45%

	2010	2011	2012	2013	2014
Debt Limit	\$ 1,461,040,845	\$ 1,548,231,832	\$ 1,591,549,743	\$ 1,666,145,249	\$ 1,774,831,776
Total net debt applicable to limit	22,015,000	41,880,666	14,966,562	14,675,479	14,168,869
Legal debt margin	1,439,025,845	1,506,351,166	1,576,583,181	1,651,469,770	1,760,662,907
Total debt applicable to the limit	1.51%	2.71%	0.94%	0.88%	0.80%

Source: Los Angeles County Assessor's office, City of Arcadia financial reports

Notes: Under State Finance Law, the City's outstanding general obligation debt shall not exceed 15 percent of total assessed property value. The general obligation debt subject to the limitation may be offset by amounts set aside for repaying general obligation debt.

City of Arcadia
Legal Debt Margin Information (Continued)
Last Ten Fiscal Years

	2015	2016	2017	2018
Debt Limit	\$ 1,921,301,692	\$ 2,090,788,840	\$ 2,201,029,447	\$ 2,351,470,734
Total net debt applicable to limit	13,602,259	13,005,649	12,399,039	11,767,429
Legal debt margin	1,907,699,433	2,077,783,191	2,188,630,408	2,339,703,305
Total debt applicable to the limit	0.71%	0.62%	0.56%	0.50%

Source: Los Angeles County Assessor's office, City of Arcadia financial reports

Under State Finance Law, the City's outstanding general obligation debt shall not exceed 15 percent of total assessed

Notes: property value. The general obligation debt subject to the limitation may be offset by amounts set aside for repaying general obligation debt.

City of Arcadia
Direct and Overlapping Debt
Last Fiscal Year & Nine Years Prior

2018/19

	Gross Bonded Debt Balance	% Applicable	Net Bonded Debt
<u>Direct Debt</u>			
Arcadia General Obligation Bond 2011	\$ 6,235,707	100.000%	\$ 6,235,707
Arcadia General Obligation Bond 2012	4,875,112	100.000%	4,875,112
Total Direct Debit	<u>11,110,819</u>		<u>\$ 11,110,819</u>
<u>Overlapping Debt</u>			
Metropolitan Water District Area Upper San Gabriel Valley Area *	23,317,224	1.304%	\$ 304,051
El Monte City School District 2004 Series B	918,875	3.779%	\$ 34,726
El Monte City School District 2004 Series C	750,000	3.779%	\$ 28,344
El Monte City School District 2004 Series D (2009)	8,759,121	3.779%	\$ 331,022
El Monte City School District 2008 Series A	8,345,000	3.779%	\$ 315,372
El Monte City School District 2008 Series A-1 (BABS)	5,998,159	3.779%	\$ 226,681
El Monte City School District 2008 Series B	7,080,000	3.779%	\$ 267,565
El Monte City School District 2012 Refunding	32,540,000	3.779%	\$ 1,229,743
El Monte City School District 2014 Series A	10,560,000	3.779%	\$ 399,081
El Monte City School District 2015 Refunding	9,830,000	3.779%	\$ 371,493
El Monte City School District 2014 Series B	4,845,000	3.779%	\$ 183,101
El Monte City School District 2017 REF Bond Series A	17,505,000	3.779%	\$ 661,544
El Monte Union High School District 2008 Series A	30,041,132	1.975%	\$ 593,430
El Monte Union High School District 2008 Series B	25,830,000	1.975%	\$ 510,243
El Monte Union High School District 2015 REF	10,765,000	1.975%	\$ 212,651
El Monte Union High School District 2016 REF	4,165,000	1.975%	\$ 82,275
El Monte Union High School District 2008 Series C	48,525,000	1.975%	\$ 958,558
El Monte Union High School District 2016 Refunding Bonds	10,650,098	1.975%	\$ 210,381
El Monte Union High School District 2008 Series D	56,430,000	1.975%	\$ 1,114,713
Citrus CCD 2004 2009 Series C	3,590,302	0.197%	\$ 7,071
Citrus CCD Refunding Bond Series 2013	10,240,000	0.197%	\$ 20,168
Citrus CCD Series 2004 2014D	18,850,425	0.197%	\$ 37,127
Citrus CCD Refunding Bonds 2004 2015 Series E	9,805,000	0.197%	\$ 19,311
Citrus CCD Refunding Bonds 2015 Series A	46,875,000	0.197%	\$ 92,323
Pasadena Community College 2002, 2006 Series D	1,840,000	18.349%	\$ 337,619
Pasadena Community College 2002, 2009 Series E (BABS)	25,295,000	18.349%	\$ 4,641,340
Pasadena Community College 2014 Refunding Series A	13,900,000	18.349%	\$ 2,550,490
Pasadena Community College 2016 Refunding Series A	32,395,000	18.349%	\$ 5,944,109
Rio Hondo Community College District 2005 Refunding Bonds	4,085,000	0.529%	\$ 21,621
Rio Hondo Community College District 2004 Series 2008	127,847,824	0.529%	\$ 676,656
Arcadia Unified School District 1993 Series C	331,333	96.562%	\$ 319,942
Arcadia Unified School District 2006 Series B	26,910,000	96.562%	\$ 25,984,825
Arcadia Unified School District 2017 REF	190,845,000	96.562%	\$ 184,283,684
Monrovia Unified School District 2005 Refunding Bonds	10,155,057	0.891%	\$ 89,125
Monrovia Unified School District 2006 Series B	12,900,000	0.891%	\$ 100,314
Monrovia Unified School District 2006 Series C	4,316,665	0.891%	\$ 33,349
Monrovia Unified School District 2010	11,166,250	0.891%	\$ 99,523
Monrovia Unified School District 2015 Refunding Bonds	23,885,000	0.891%	\$ 209,853
Pasadena Unified School District 2008 Series 2009	2,840,000	0.014%	\$ 410
Pasadena Unified School District 2008 Series 2012	99,465,000	0.014%	\$ 14,359
Pasadena Unified School District 2014 Refunding Bonds Series A	24,145,000	0.014%	\$ 3,486
Pasadena Unified School District 2014 Refunding Bonds Series B	96,710,000	0.014%	\$ 13,961
Pasadena Unified School District 2008 Series 2016	10,515,000	0.014%	\$ 1,518
Pasadena Unified School District 2016 Refunding Bonds Series A	78,470,000	0.014%	\$ 11,328
Temple City Unified School District 1998 Series B	4,331,661	8.327%	\$ 360,678
Temple City Unified School District 2005 Refunding Bonds	8,580,000	8.327%	\$ 714,419
Temple City Unified School District 2012 Series A	21,915,863	8.327%	\$ 1,824,837
Temple City Unified School District 2012 Series B	33,457,588	8.327%	\$ 2,785,866
Temple City Unified School District 2017 Refunding Bond	19,720,000	8.327%	\$ 1,641,997
Total Overlapping Debt			<u>\$ 240,876,279</u>
TOTAL Direct and Overlapping Debt			<u>\$ 251,987,098</u>

City of Arcadia
Direct and Overlapping Debt (Continued)
Last Fiscal Year & Nine Years Prior

2018/19

2018/19 Assessed Valuation : \$15,871,749,917 after deducting \$730,325,770 of Incremental Value.

Debt to Assessed Valuation Ratios:	Direct Debt	0.070%
	Overlapping Debt	1.520%
	Total Debt	1.590%

Note:

This report reflects debt which is being repaid through voter-approved property tax indebtedness. It excludes mortgage revenue, tax allocation bonds, interim financing obligations, non-bonded capital lease obligations, and certificates of participation.

Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. The percentage of overlapping debt applicable is estimated by using taxable assessed values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable assessed value that is within the City's boundaries and dividing it by each unit's total taxable assessed value.

Source: HdL Coren & Cone, Los Angeles County Assessor Combined Tax Rolls

City of Arcadia
Direct and Overlapping Debt (Continued)
Last Fiscal Year & Nine Years Prior

2009/10

<u>Direct Debt</u>	<u>Gross Bonded Debt Balance</u>	<u>% Applicable</u>	<u>Net Bonded Debt</u>
Arcadia GO Bond 2001	\$ 6,900,000	100.000%	\$ 6,900,000
Total Direct Debt	<u>6,900,000</u>		<u>6,900,000</u>
<u>Overlapping Debt</u>			
Metropolitan Water District	121,475,156	1.096%	1,330,935
El Monte City School District 1999 Series A	1,680,000	3.894%	65,426
El Monte City School District 1999 Series B	815,000	3.894%	31,739
El Monte City School District 1999 Series C	1,650,000	3.894%	64,258
El Monte City School District 2004 Refunding Bonds	5,890,000	3.894%	229,381
El Monte Union School District 1999 Series D	15,145,000	3.894%	589,809
El Monte City School District 2005 Refunding Bonds	19,910,282	3.894%	775,389
El Monte City School District 2004 Series B	14,699,977	3.894%	572,478
El Monte City School District 2008 Series A	5,998,159	3.894%	233,593
El Monte Union High School District 2002 Series A	3,670,000	2.061%	75,633
El Monte Union High School District 2002 Series B	5,585,000	2.061%	115,099
El Monte Union HSD DS 2006 Refunding Bonds	37,343,698	2.061%	769,600
El Monte Union HSD DS 2002 Series C	27,490,000	2.061%	607,747
El Monte Union HSD DS 2008 Series A	54,001,305	2.061%	1,112,890
Citrus CCD 2004 Series 2004A	15,685,000	0.164%	25,786
Citrus CCD 2004 Series 2007B	37,140,000	0.164%	61,057
Citrus CCD 2004 Series 2004 2009 Series C	29,995,302	0.164%	49,311
Pasadena Area Community College District 2002 Series A	2,835,000	16.580%	470,047
Pasadena Area Community College District 2006 Series B	50,590,000	16.580%	8,387,894
Pasadena Area Community College District 2006 REF Series C	16,337,379	16.580%	2,708,761
Pasadena Area Community College District 2002, 2006 Series D	52,000,000	16.580%	8,621,674
Rio Hondo CCD Ser A 2004	8,475,000	0.508%	43,020
Rio Hondo CCD 2005 Refunding Bonds	45,590,253	0.508%	231,422
Rio Hondo CCD 2004 Series 2008	64,996,844	0.508%	329,932
Arcadia Unified School District 1993 Series A	6,753,182	96.335%	6,505,677
Arcadia Unified School District 1993 Series C	1,794,657	96.335%	1,728,883
Arcadia Unified School District Refunding 1993 2005 Series A	3,965,000	96.335%	3,819,682
Arcadia Unified School District 2006 Series A	159,665,423	96.335%	153,813,672
Monrovia Unified School District 1997 Series A	15,294,242	0.747%	114,209
Monrovia Unified School District 2005 Refunding Bonds	12,955,000	0.747%	96,741
Monrovia Unified School District 2006 Series A	14,000,000	0.747%	104,544
Monrovia Unified School District 2006 Series B	17,991,665	0.747%	134,352
Pasadena Unified School District 2004 Refunding Bonds	63,280,000	0.020%	12,445
Pasadena Unified School District 2005 Refunding Bonds	116,375,000	0.020%	22,887
Pasadena Unified School District 2008 Series 2009	125,000,000	0.020%	24,583
Temple City Unified School District 1998 Series A	3,008,249	8.378%	252,041
Temple City Unified School District 1998 Series B	5,101,501	8.378%	427,421
Temple City Unified School District 2005 Refunding BD	11,555,000	8.378%	968,118
Total Overlapping Debt			<u>195,528,137</u>
TOTAL Direct and Overlapping Debt			<u>\$ 202,428,137</u>

2009/10 Assessed Valuation : \$9,448,692,909 after deducting \$438,346,057 of Incremental Value.

Debt to Assessed Valuation Ratios:	Direct Debt	0.070%
	Overlapping Debt	2.070%
	Total Debt	2.140%

Note:

This report reflects debt which is being repaid through voter-approved property tax indebtedness. It excludes mortgage revenue, tax allocation bonds, interim financing obligations, non-bonded capital lease obligations, and certificates of participation.

Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. The percentage of overlapping debt applicable is estimated by using taxable assessed values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable assessed value that is within the City's boundaries and dividing it by each unit's total taxable assessed value.

Source: HdL Coren & Cone, Los Angeles County Assessor Combined Tax Rolls

City of Arcadia
Demographic and Economic Statistics
Last Ten Calendar Years

Year	Population	Personal Income (in Thousands)	Per Capita Personal Income	Unemployment Rate
2009	56,337	\$ 1,946,383	\$ 34,549	6.70%
2010	56,719	2,111,932	37,235	7.30%
2011	56,546	2,115,216	37,407	7.10%
2012	56,866	2,156,700	37,926	5.30%
2013	57,500	2,185,058	38,001	4.30%
2014	57,526	2,221,309	38,614	4.80%
2015	57,050	2,208,838	38,717	3.90%
2016	57,374	2,228,856	38,847	3.00%
2017	57,704	2,310,918	40,047	3.40%
2018	58,891	2,443,094	41,485	3.50%

Source: US Bureau of Census, Employment Development Department

**City of Arcadia
Principal Employers
Last Fiscal Year & Nine Years Prior**

Employer	2019		
	Employees	Rank	Percentage of Total City Employment
Nordstrom Inc	420	1	2.71%
Macy's West	341	2	2.20%
Fedex Ground Package System, Inc. #910	216	3	1.40%
Healthcare Partners Affiliates Medical	206	4	1.33%
Dave & Buster's	181	5	1.17%
J C Penney Corp, Inc # 1417-5	178	6	1.15%
The Cheesecake Factory Restaurants, Inc	177	7	1.14%
Forever 21, Retail, Inc	141	8	0.91%
99 Ranch Market 7	139	9	0.90%
Arcadia Health Care Center	139	10	0.90%
Total	2138		13.82%

Employer	2010		
	Employees	Rank	Percentage of Total City Employment
Vons Companies Inc.	459	1	3.15%
Emergency Groups Office	300	2	2.06%
Macy's West	294	3	2.02%
Nordstrom Inc.	293	4	2.01%
Worley Parsons Group, Inc.	277	5	1.90%
JC Penney Corp. Inc.	272	6	1.87%
M W H Americas, Inc.	177	7	1.22%
24 Hours Fitness #906	164	8	1.13%
The Cheesecake Factory	152	9	1.04%
David & Buster's	151	10	1.04%
Total	2539		17.45%

Source: Business License Division, City of Arcadia

City of Arcadia
Full-time City Government Employees by Function/Program
Last Ten Fiscal Years

Function/Program	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Government:										
City Manager	5	5	5	5	5	5	5	5	5	4
City Clerk	2	2	2	3	4	4	4	3	3	3
City Attorney	0	0	0	0	0	1	1	0	0	0
Administrative Services	16	16	16	16	16	16	16	16	16	17
Police	100	101	100	96	94	94	95	98	98	98
Fire	57	57	57	57	58	58	58	58	58	58
Public Works:										
Streets	25	24	24	25	25	25	25	27	27	25
Water & Sewer	33	33	33	33	33	33	34	34	34	34
Garage	5	5	5	4	4	4	4	4	4	5
Development:										
Community Development	18	19	20	20	21	23	25	23	23	23
Redevelopment	1	1	0	0	0	0	0	0	0	0
Engineering	5	5	5	5	5	5	5	5	5	5
Recreation	8	9	9	9	9	9	10	11	12	12
Library	20	19	19	19	19	19	19	19	19	19
Total	295	296	295	292	293	296	301	303	304	303

Source: Administrative Services Department, City of Arcadia;

City of Arcadia
Operating Indicators by Function/Program
Last Ten Fiscal Years

Function/Program	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Police:										
Physical Arrests	2,151	2,094	2,076	2,053	2,404	2,103	2,098	1,828	1,704	1,904
Parking Violations	16,415	14,686	13,056	10,908	13,211	14,348	11,805	11,449	10,395	9,636
Moving & Non-Moving Violations	6,394	5,258	5,202	6,560	6,158	5,885	6,122	4,726	2,865	3,273
Fire:										
Emergency Responses	4,560	4,575	4,944	4,882	4,960	5,123	5,560	5,614	5,688	5,734
Fires Extinguished	142	116	146	74	126	111	123	114	147	130
Inspections	3,970	4,029	3,874	3,514	4,732	4,089	3,798	4,187	3,921	3,863
Public Works:										
Street Slurry Resurfacing (SF)	2,977,209	2,549,861	2,309,300	3,231,925	2,936,698	3,341,306	3,441,499	3,581,577	2,856,213	2,529,210
Sidewalk Repaired (SF)	3,279	17,081	18,859	12,475	11,435	11,300	28,475	7,491	750	12,486
Curb & Gutter Repaired (LF)	3,791	2,205	1,273	1,662	6,067	1,793	15,815	3,595	4,771	16,881
Street Lights Repaired	238	130	290	240	116	106	340	83	213	175
Street AC Resurfacing (SF)	-	-	-	-	-	-	347,550	328,716	344,640	432,614
PCC Driveway Approaches (SF)								856	1,043	6,111
PCC Cross Gutter/Spandrel								4,259	9,308	3,317
PCC ADA Ramps								31	16	24
Economic Development:										
Street Resurfacing (SF)	432,000	412,000	163,520	170,331	269,450	44,000	335,500	157,200	292,100	515,900
Building Permits	1,251	1,254	1,096	1,419	1,548	1,615	1,724	1,551	1,433	1,889
Planning Cases Submitted and Processed	410	414	466	543	680	655	538	474	515	584
Parks and Community Services: (Number of Participation)										
Youth Programs	66,766	51,032	53,511	50,122	45,010	50,800	58,463	69,796	77,470	114,557
Swim Program	17,818	8,918	31,963	11,577	7,915	N/A	N/A	N/A	N/A	N/A
Senior Citizen Programs	83,620	84,898	87,943	90,422	86,099	82,671	79,371	77,523	88,581	111,540
Contract Classes/Adult Programs	181,562	205,692	122,669	123,527	130,189	138,032	97,475	89,601	44,337	48,095
Community Center Rental Usages	19,665	18,457	17,496	15,765	12,730	12,391	10,561	10,038	12,250	21,414
Special Events	12,250	13,400	11,165	8,900	8,553	19,576	14,563	16,476	20,847	14,954
Dana Gym	4,100	58,200	9,846	18,496	19,563	20,168	13,295	28,869	31,959	27,476
Wilderness Park Classes & Rentals		5,958	5,670	5,959	5,729	5,871	5,488	5,011	12,936	9,123
Library:										
Books and other items total	196,905	203,460	206,020	204,642	205,658	205,107	200,980	259,000	208,109	203,859
Total Circulation	725,397	728,878	775,481	789,354	792,333	685,362	719,432	695,250	869,472	975,318
Water:										
Number of Water Accounts	13,665	13,728	14,011	14,021	13,651	13,942	13,659	14,114	13,688	14,146
Total Water Served to Direct Customer (AF)	14,261	13,500	14,988	15,495	15,704	15,325	11,089	11,801	14,416	13,574
Sewer:										
Sewer Cleaning (Miles)	246	142	187	227	226	227	224	168	150	150
Transit Services/Dial-A-Ride:										
Total Route Miles (round-trip)	272,719	258,992	263,844	292,742	296,004	251,420	243,873	295,991	280,941	280,616
Passengers	117,288	110,364	109,613	126,044	130,134	112,398	108,005	67,228	79,624	79,809

Source: Various City Departments

City of Arcadia
Capital Asset Statistics by Function/Program
Last Ten Fiscal Years

Function/Program	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	18	20	20	22	23	23	23	23	23	23
Motor Units	4	2	2	0	0	0	0	0	0	0
Fire Stations	3	3	3	3	3	3	3	3	3	3
Streets:										
Streets (miles)	148	148	148	148	148	148	148	148	148	148
Streetlights	1,628	1,628	1,640	1,640	1,642	1,642	1,642	1,642	1,642	1,642
Traffic Signals	67	67	67	67	69	69	69	69	73	75
Parks and Community Services:										
Total Park Acreage	166	166	166	166	166	166	166	166	166	166
Playgrounds	8	8	8	8	8	8	8	8	8	8
Tennis Courts	19	19	19	19	19	19	19	19	19	19
Baseball/softball diamonds	4	4	4	4	4	4	4	4	4	4
Soccer/football fields	1	1	1	1	1	1	1	1	1	1
Community Centers	1	1	1	1	1	1	1	1	1	1
Gymnasium	1	1	1	1	1	1	1	1	1	1
Water:										
Water Main (miles)	169	169	169	169	169	169	169	169	169	169
Fire Hydrants	1,427	1,506	1,529	1,530	1,534	1,539	1,542	1,542	1,542	1,542
Storage Capacity (millions of gallons)	45	45	45	45	45	45	45	45	45	45
Wastewater:										
Sanitary Sewers (miles)	140	140	140	140	140	140	140	140	140	140
Storm Sewers (miles)	8	8	8	8	8	8	8	8	8	8
Library	1	1	1	1	1	1	1	1	1	1
Museum										1
Museum Education Center (Museum/Community Center joint use)										1
Transit Services/Dial-A-Ride:										
Transit Buses	18	18	18	18	18	18	18	18	18	18

Note: Include only properties owned by the City

Source: Various City Departments



CITY OF
ARCADIA

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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.

Most of the information in this Appendix is dated prior to the onset of the COVID-19 pandemic, which has had a significant adverse impact on the nation, State and local economy, including, but not limited to, a dramatic increase in unemployment levels. See the captions “THE CITY—COVID-19 Outbreak” and “RISK FACTORS—Impacts and Potential Impacts of COVID-19 on the City.”

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 selected by and from the Council Members 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

<i>January 1</i>	<i>City of Arcadia</i>	<i>County of Los Angeles</i>	<i>State of California</i>
2015	57,105	10,126,423	38,870,150
2016	57,370	10,158,196	39,131,307
2017	57,249	10,193,753	39,398,702
2018	57,287	10,209,676	39,586,646
2019	57,262	10,184,378	39,695,376
2020	57,212	10,172,951	39,782,870

Source: State of California, Department of Finance, E-4 Population Estimates for Cities, Counties and State, 2011-2020, with 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

<i>Year and Area</i>	<i>Civilian Labor Force</i>	<i>Civilian Employment⁽¹⁾</i>	<i>Civilian Unemployment⁽²⁾</i>	<i>Civilian Unemployment Rate⁽³⁾</i>
2015				
Arcadia	28,300	27,300	1,100	3.8%
Los Angeles County	5,011,700	4,674,800	336,900	6.7
California	18,981,800	17,798,600	1,183,200	6.2
United States	157,130,000	148,834,000	8,296,000	5.3
2016				
Arcadia	29,200	28,100	1,100	3.9%
Los Angeles County	5,030,500	4,765,900	264,600	5.3
California	19,044,500	18,002,800	1,041,700	5.5
United States	159,187,000	151,436,000	7,751,000	4.9
2017				
Arcadia	29,700	28,600	1,100	3.6%
Los Angeles County	5,084,000	4,841,900	242,200	4.8
California	19,205,300	18,285,500	919,800	4.8
United States	160,381,000	153,861,000	6,520,000	4.1
2018				
Arcadia	29,800	28,800	1,000	3.5%
Los Angeles County	5,095,500	4,860,300	235,200	4.6
California	19,398,200	18,582,800	815,400	4.2
United States	162,075,000	155,761,000	6,314,000	3.9
2019				
Arcadia	30,000	29,000	1,000	3.4%
Los Angeles County	5,121,600	4,894,300	227,300	4.4
California	19,411,600	18,627,400	784,200	4.0
United States	163,539,000	157,538,000	6,001,000	3.7

⁽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.

Source: California Employment Development Department, March 2019 Benchmark; U.S. Department of Labor, Bureau of Labor Statistics.

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

<i>Type of Employment</i>	2015	2016	2017	2018	2019
Total Farm	5,000	5,300	5,700	4,600	4,500
Total Nonfarm	4,274,200	4,397,700	4,451,000	4,518,100	4,566,900
Total Private	3,707,800	3,821,000	3,864,900	3,927,500	3,972,700
Goods Producing	490,800	497,300	489,800	489,400	490,500
Mining and Logging	3,900	2,400	2,000	1,900	1,900
Construction	126,100	134,000	138,700	146,300	149,300
Manufacturing	360,800	360,800	349,000	341,200	339,200
Durable Goods	202,400	203,400	201,300	199,800	201,400
Nondurable Goods	158,400	157,400	147,700	141,300	137,800
Service Providing	3,783,400	3,900,400	3,961,200	4,028,700	4,076,500
Private Service Producing	3,217,000	3,323,800	3,375,100	3,438,100	3,482,200
Trade, Transportation and Utilities	817,800	835,600	845,700	851,600	851,500
Wholesale Trade	227,000	222,100	221,500	223,200	220,500
Retail Trade	420,500	424,600	426,100	424,800	417,300
Transportation, Warehousing and Utilities	170,400	188,900	198,200	203,600	213,800
Information	202,700	229,400	214,900	216,400	217,300
Financial Activities	214,200	219,800	221,600	223,200	223,900
Professional and Business Services	600,300	603,000	612,100	630,400	642,800
Educational and Health Services	742,200	772,700	800,600	821,300	843,600
Leisure and Hospitality	488,100	510,000	524,600	536,500	544,700
Other Services	151,700	153,300	155,700	158,800	158,400
Government	<u>566,400</u>	<u>576,700</u>	<u>586,100</u>	<u>590,600</u>	<u>594,200</u>
Total, All Industries	<u>4,279,200</u>	<u>4,403,000</u>	<u>4,456,700</u>	<u>4,522,700</u>	<u>4,571,400</u>

Note: The “Total All Industries” data is not directly comparable to the employment data found herein.

Source: State of California, Employment Development Department, Labor Market Information Division, Los Angeles-Long Beach-Glendale MSA Industry Employment & Labor Force - by Annual Average, March 2019 Benchmark.

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**

<i>Employer</i>	<i>Number of Employees</i>
Nordstrom Inc.	420
Macy's West	341
Fedex Ground Package System, Inc. #910	216
Healthcare Partners Affiliates Medical	206
Dave & Buster's	181
JC Penney Corp. Inc.	178
The Cheesecake Factory Restaurants, Inc.	177
Forever 21, Retail, Inc.	141
99 Ranch Market 7	139
Arcadia Health Care Center	139

Source: City of Arcadia, *Comprehensive Annual Financial Report, Fiscal Year Ended June 30, 2019*; page 176.

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⁾**

<i>Year</i>	<i>Retail and Food Permits</i>	<i>Retail and Food Taxable Transactions</i>	<i>Total Permits</i>	<i>Total Outlets Taxable Transactions</i>
2015	1,605	\$830,892,651	2,432	\$931,655,703
2016	1,587	856,473,318	2,427	973,420,791
2017	1,630	868,294,509	2,492	981,408,991
2018	1,626	867,254,238	2,586	984,601,476
2019	1,638	856,424,115	2,679	974,006,907

⁽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⁾**

<i>Type of Business</i>	<i>2015</i>	<i>2016</i>	<i>2017</i>	<i>2018</i>	<i>2019</i>
Motor Vehicle & Parts Dealers	\$ 71,329,191	\$ 85,766,243	\$ 87,040,867	\$ 77,344,196	\$ 74,831,940
Home Furnishings & Appliance Stores	16,031,702	13,808,895	14,797,037	15,153,566	12,808,246
Building Materials & Garden Equipment & Supplies	8,561,056	9,927,690	9,741,006	8,789,354	10,040,866
Food & Beverage Stores	38,370,384	36,654,310	36,532,431	40,247,691	38,925,792
Gasoline Stations	75,880,850	62,581,472	64,776,478	71,630,087	72,007,938
Clothing & Clothing Accessories Stores	223,226,970	241,003,051	233,026,306	233,252,511	216,843,680
General Merchandise Stores	85,089,519	83,208,224	83,380,091	80,413,282	75,797,803
Food Services & Drinking Places	180,792,115	193,413,050	212,655,641	213,704,400	221,774,449
Other Retail Group	<u>131,610,864</u>	<u>130,110,383</u>	<u>126,344,652</u>	<u>126,719,151</u>	<u>133,393,401</u>
Retail Stores Totals	\$ 830,892,651	\$ 856,473,318	\$ 868,294,509	\$ 867,254,238	\$ 856,424,115
All Other Outlets	<u>100,763,052</u>	<u>116,947,473</u>	<u>113,114,482</u>	<u>117,347,238</u>	<u>117,582,792</u>
Total All Outlets	\$ 931,655,703	\$ 973,420,791	\$ 981,408,991	\$ 984,601,476	\$ 974,006,907

⁽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)**

<i>Type</i>	<i>2015</i>	<i>2016</i>	<i>2017</i>	<i>2018</i>	<i>2019</i>
<u>Valuation (\$000's)</u>					
Residential:	\$ 134,629,801	\$ 114,520,046	\$ 107,640,363	\$ 50,698,226	\$ 55,015,689
Non-Residential:	<u>17,700,488</u>	<u>48,429,981</u>	<u>46,130,066</u>	<u>14,288,673</u>	<u>47,385,671</u>
Total Valuation:	\$ 152,330,289	\$ 162,950,027	\$ 153,770,429	\$ 64,986,899	\$ 102,401,360
 <i>New Housing Units:</i>					
Single Family	141	112	138	51	66
Multi Family	<u>13</u>	<u>21</u>	<u>107</u>	<u>21</u>	<u>27</u>
Total Units:	154	133	245	72	93

Note: Totals may not add to sums because of independent rounding.

Source: Construction Industry Research Board.

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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 Trust Agreement 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 December 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 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 Trust Agreement; (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 obligations¹ 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, bank deposit product or bankers’ acceptances (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, its parent holding company, if any, or any affiliates or subsidiaries of the Trustee 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

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.

("SIPC") jurisdiction or commercial banks insured by the FDIC, if such broker/dealer or bank has an uninsured, unsecured and unguaranteed rating of A3/P 1 or better by Moody's and A-/A-1 or better by S&P; or (ii) domestic structured investment companies rated Aaa by Moody's and AAA by S&P; c. The repurchase agreement requires termination thereof if the counterparty'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 counterparty will repay the principal amount plus any accrued and unpaid interest on the investments; d. The repurchase agreement will limit acceptable securities to U.S. Government Securities and to the obligations of GNMA, FNMA or FHLMC described in clauses 2(d), 3(a) and 3(b) above. The fair 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 GNMA, FNMA or FHLMCs. 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; or (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 companies rated Aaa by Moody's and AAA by S&P; c. Acceptable providers of collateralized 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 companies 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 AA- by S&P, 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 any 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 the corporate trust office of the Trustee at which it conducts its corporate agency business, or such other office as the Trustee may from time to time designate in writing to the City and the owners of the Bonds.

“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. The costs of printing Bonds and any services rendered or expenses incurred by the Trustee in connection with any transfer or exchange will be paid by the City.

(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.

(e) The Trustee will not be required to register the transfer or exchange of any Bond during the period in which the Trustee is selecting Bonds for redemption and any Bond that has been selected for redemption.

(f) Prior to any transfer of the Bonds outside the book-entry system (including, but not limited to, the initial transfer outside the book-entry system) the transferor will provide or cause to be provided to the Trustee all information necessary to allow the Trustee to comply with any applicable tax reporting obligations, including

without limitation any cost basis reporting obligations under Internal Revenue Code Section 6045, as amended. The Trustee will conclusively rely on the information provided to it and will have no responsibility to verify or ensure the accuracy of such information.

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 Bonds 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 referenced 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 Trust Agreement 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 therefor 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 without liability for interest 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 at the prior written direction of an Authorized City Representative filed with the Trustee at least two (2) Business Days in advance of the making of such investments, 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 hold such moneys uninvested. 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 City acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the City the right to receive brokerage confirmations of security transactions as they occur, the City specifically waives receipt of such confirmations to the extent permitted by law. The Trustee will furnish the City periodic cash transaction statements which include detail for all investment transaction made by the Trustee under the Trust Agreement.

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 at least quarterly 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 (which may be in the form of its regular statements).

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 December 1 of each year. With the prior written approval of an Authorized City Representative, the Trustee may sell, 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 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 pay in full Bonds due on any particular date, together with such interest, then to the payment ratably, according to the amount of principal and interest due on such date, in each case to the persons entitled thereto, without any discrimination or privilege among Holders of Bonds), and, if the amount available for such 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 not answerable for the negligence or misconduct of any such attorney, agent or receiver selected with due care 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 the right to accept and act upon instructions, including funds transfer instructions (“Instructions”) given pursuant to the Trust Agreement and delivered using Electronic Means (“Electronic Means” means the following communications methods: e-mail, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys issued by the Trustee, or another method or system specified by the Trustee as available for use in connection with its services hereunder); provided, however, that the City will provide to the Trustee an incumbency certificate listing officers with the authority to provide such Instructions (“Authorized Officers”) and containing specimen signatures of such Authorized Officers, which incumbency certificate will be amended by the City whenever a person is to be added or deleted from the listing. If the City elects to give the Trustee Instructions using Electronic Means and the Trustee in its discretion elects to act upon such Instructions, the Trustee’s understanding of such Instructions will be deemed controlling. The City understands and agrees that the Trustee cannot determine the identity of the actual sender of such Instructions and that the Trustee will conclusively presume that directions that purport to have been sent by an Authorized Officer listed on the incumbency certificate provided to the Trustee have been sent by such Authorized Officer. The City is responsible for ensuring that only Authorized Officers transmit such Instructions to the Trustee and that the City and all Authorized Officers are solely responsible to safeguard the use and confidentiality of applicable user and authorization codes, passwords and/or authentication keys upon receipt by the City. The Trustee will not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee’s reliance upon and compliance with such Instructions notwithstanding such directions conflict or are inconsistent with a subsequent written instruction. The City agrees: (i) to assume all risks arising out of the use of Electronic Means to submit Instructions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized Instructions, and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting Instructions to the Trustee and that there may be more secure methods of transmitting Instructions than the method(s) selected by the City; (iii) that the security procedures (if any) to be followed in connection with its transmission of Instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances; and (iv) to notify the Trustee immediately upon learning of any compromise or unauthorized use of the security procedures.

(j) Whenever in the administration of the trusts imposed upon it by the Trust Agreement the Trustee deems it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to

be conclusively proved and established by a Certificate, Request or Requisition of the City and such Certificate, Request or Requisition shall be full warrant to the Trustee for any action taken or suffered in good faith under the provisions of the Trust Agreement in reliance upon such Certificate, Request or Requisition, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as it may deem reasonable.

(k) The Trustee has no duty to review, verify or analyze any financial statements furnished to it by the City, and will hold such financial statements solely as a repository for the Bondholders. The Trustee will not be deemed to have notice of any information contained therein or any default or Event of Default that may be disclosed therein in any manner.

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 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 with reasonable notice 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; (iii) 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.

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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 “**Trust Agreement**”), 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 Trust Agreement, 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, depositories 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.

Official Statement. The term “Official Statement” means the Official Statement dated October __, 2020 relating to the Bonds.

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) 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;

(ii) 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

(iii) Top ten 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. Bond calls;

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. 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).

7. 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, if the City has received an opinion of counsel knowledgeable in federal securities laws to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule.

8. 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.

9. 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 Trust Agreement, and the sole remedy under this Disclosure Certificate in the event of any failure of the City to comply with this Disclosure Certificate shall be an action to compel performance.

No 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.

10. 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

APPENDIX F

BOOK-ENTRY SYSTEM

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 effect 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.

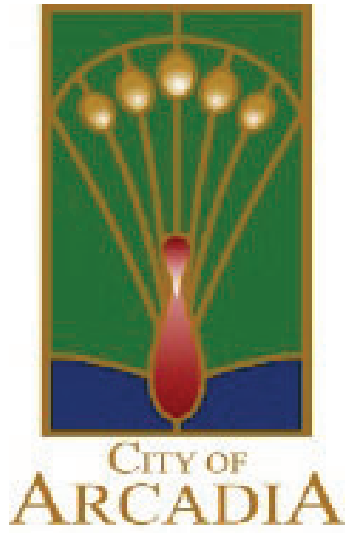
Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus 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.



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