

Attachment 1 – Preliminary Official Statement

[INSERT DAC LOGO]

NEW ISSUE — BOOK-ENTRY ONLY

RATINGS†
S&P: _____

In the opinion of Norton Rose Fulbright US LLP, San Francisco, California, Bond Counsel to the City ("Bond Counsel"), interest on the Series 2019 Bonds is exempt from personal income taxes imposed by the State of California. Interest on the Series 2019 Bonds is includable in the gross income of the owners of the Series 2019 Bonds for federal income tax purposes. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on the Series 2019 Bonds. See "TAX MATTERS" herein.



\$ _____ *
CITY OF PASADENA
TAXABLE PENSION OBLIGATION REFUNDING BONDS
SERIES 2019

\$ _____ *
Series 2019A

\$ _____ *
Series 2019B

Dated: Date of Original Delivery.

Maturities, Interest Rates, Prices and CUSIPs as set forth on inside cover

The above-captioned Series 2019 Bonds (collectively, the "Series 2019 Bonds") will be issued in fully registered form, and when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"). DTC will act as securities depository for the Series 2019 Bonds and individual purchases will be made in book-entry form only in denominations of \$5,000 or any integral multiple thereof. Beneficial owners of Series 2019 Bonds will not receive physical certificates representing the Series 2019 Bonds purchased. Payments of principal and interest on the Series 2019 Bonds will be paid by The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee") and paying agent (the "Paying Agent"), to DTC which is obligated in turn to remit such principal and interest to its DTC Participants for subsequent disbursement to the beneficial owners of the Series 2019 Bonds.

The Series 2019A Bonds are being issued pursuant to a Trust Agreement, dated as of August 1, 1999, as amended and supplemented, including as supplemented by the Third Supplemental Trust Agreement, dated as of _____, 2019, each by and between the City of Pasadena (the "City") and the Trustee.

The Series 2019B Bonds are being issued pursuant to a Trust Agreement, dated as of March 1, 2012, as amended and supplemented, including as supplemented by the Second Supplemental Trust Agreement, dated as of _____, 2019, each by and between the City and the Trustee.

The Series 2019 Bonds are being issued for the purposes of (i) paying and refinancing all of the City's outstanding Series 2015A Bonds and a portion of the City's outstanding Series 2015B Bonds, which were each issued in 2015, for the purpose of refinancing the unfunded actuarial accrued liability relating to the Pasadena Fire and Police Retirement System, and (ii) paying the costs of issuance associated therewith.

The Series 2019 Bonds are absolute and unconditional obligations imposed upon the City by law and are payable from all legally available funds of the City. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2019 BONDS" herein.

THE SERIES 2019 BONDS DO NOT CONSTITUTE AN OBLIGATION OF THE CITY FOR WHICH THE CITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION. NEITHER THE SERIES 2019 BONDS NOR THE OBLIGATION OF THE CITY TO MAKE PAYMENTS WITH RESPECT TO THE SERIES 2019 BONDS CONSTITUTES AN INDEBTEDNESS OF THE CITY, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

The Series 2019 Bonds shall bear interest, payable on May 1, _____, and semiannually thereafter on May 1 and November 1 of each year through the maturity dates thereof.

This cover page contains information for general reference only. It is not intended to be a summary of the security or terms of this issue. Investors are advised to read the entire Official Statement to obtain information essential to the making of an informed investment decision. Capitalized terms used on this cover page not otherwise defined shall have the meanings set forth herein.

The Series 2019 Bonds will be offered when, as and if issued and received by the Underwriters, subject to the approval as to their legality by Norton Rose Fulbright US LLP, San Francisco, California, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the City by the City Attorney, and Norton Rose Fulbright US LLP, San Francisco, California, Disclosure Counsel. Certain matters will be passed upon for the Underwriters by their counsel, Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California. It is anticipated that the Series 2019 Bonds will be available for delivery through the DTC book-entry system in New York, New York, on or about _____, 2019.

Dated: _____, 2019

Stifel

BofA Merrill Lynch

† For an explanation of ratings, see "RATINGS" herein.

* Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of, these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration, if applicable.

\$ _____
CITY OF PASADENA
TAXABLE PENSION OBLIGATION REFUNDING BONDS
SERIES 2019A

Serial Bonds:

<u>Maturity Date</u> <u>(May 1)</u>	<u>Principal</u> <u>Amount*</u> \$	<u>Interest</u> <u>Rate*</u>	<u>Price*</u>	<u>CUSIP†</u> <u>Number</u>
--	--	---------------------------------	---------------	--------------------------------

\$ _____ * Term Bond due _____, ____*; Price ____%*; CUSIP† No. _____

\$ _____
CITY OF PASADENA
TAXABLE PENSION OBLIGATION REFUNDING BONDS
SERIES 2019B

Serial Bonds:

<u>Maturity Date</u> <u>(May 1)</u>	<u>Principal</u> <u>Amount*</u> \$	<u>Interest</u> <u>Rate*</u>	<u>Price*</u>	<u>CUSIP†</u> <u>Number</u>
--	--	---------------------------------	---------------	--------------------------------

\$ _____ * Term Bond due _____*; Price ____%*; CUSIP† No. _____
 \$ _____ * Term Bond due _____*; Price ____%*; CUSIP† No. _____

* Preliminary, subject to change.

† Copyright 2019, American Bankers Association. CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by the CUSIP Service Bureau, managed on behalf of the American Bankers Association by Standard & Poor's. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services Bureau. CUSIP numbers have been assigned by an independent company not affiliated with the Agency and are included solely for the convenience of the registered owners of the applicable Series 2019 Bonds. Neither the Agency nor the Underwriters are responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the applicable Series 2019 Bonds or as included herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2019 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance and other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Series 2019 Bonds.

No dealer, broker, salesperson or other person has been authorized by the City or the Underwriters to give any information or to make any representations 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 any of the foregoing. 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 Series 2019 Bonds by any person in any jurisdiction which it is unlawful for such person to make such offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers of the Series 2019 Bonds. Statements contained in this Official Statement which involve estimates, projections, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as a representation of facts. The information and expressions of opinion herein are subject to change without notice, and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the information or opinions set forth herein or in the affairs of the City since the date hereof.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with and as part of their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters make no representation as to the accuracy or sufficiency of the information contained in this Official Statement.

The information in APPENDIX D – “BOOK-ENTRY SYSTEM” attached hereto has been furnished by The Depository Trust Company and no representation has been made by the City or the Underwriters as to the accuracy or completeness of such information.

The information set forth herein other than that provided by the City, although obtained from sources which are believed by the City to be reliable, is not guaranteed by the City as to accuracy or completeness. The information and expressions of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City since the date thereof. This Official Statement is submitted with respect to the sale of the Series 2019 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 documents.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2019 BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

**CAUTIONARY STATEMENTS REGARDING
FORWARD-LOOKING STATEMENTS IN THIS OFFICIAL STATEMENT**

Certain statements included or incorporated by reference in this Official Statement constitute “forward-looking statements.” Such statements are generally identifiable by the terminology used such as “plan,” “expect,” “estimate,” “budget,” “project,” “projection” or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The City does not plan to issue any updates or revisions to those forward-looking statements if or when its expectations or events, conditions or circumstances on which such statements are based occur.

The City maintains a website at www.cityofpasadena.net. However, references to any internet website in this Official Statement are shown for reference and convenience only; the information contained within such websites is not incorporated by reference herein and should not be relied upon in making an investment decision with respect to the Series 2019 Bonds.

CITY OF PASADENA, CALIFORNIA

City Council

Terry Tornek, *Mayor*
Tyron A.L. Hampton, *Vice Mayor*
Margaret McAustin, *Council Member*
John J. Kennedy, *Council Member*
Gene Masuda, *Council Member*
Victor M. Gordo, *Council Member*
Steve Madison, *Council Member*
Andy Wilson, *Council Member*

City Staff

Steve Mermell, *City Manager*
Matthew Hawkesworth, *Director of Finance*
Vic Erganian, *Treasurer and Deputy Director of Finance*
Mark Jomsky, *City Clerk*

City Attorney

Michele Beal Bagneris

SPECIAL SERVICES

Bond Counsel and Disclosure Counsel

Norton Rose Fulbright US LLP
San Francisco, California

Municipal Advisor

Urban Futures, Inc.
Tustin, California

Trustee and Paying Agent

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

Verification Agent

[Causey Demgen & Moore P.C.]

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OFFICIAL STATEMENT
 \$ _____ *
CITY OF PASADENA
TAXABLE PENSION OBLIGATION REFUNDING BONDS
SERIES 2019

\$ _____ *
Series 2019A

\$ _____ *
Series 2019B

INTRODUCTION

This Introduction is subject in all respects to the more complete information contained elsewhere in this Official Statement, and the offering of the Series 2019 Bonds (as defined herein) to potential investors is made only by means of the entire Official Statement. Capitalized terms used in this Official Statement and not otherwise defined herein shall have the respective meanings assigned to them in the applicable Trust Agreement (as defined herein).

General

The purpose of this Official Statement, which includes the cover page and appendices hereto, is to set forth certain information concerning the issuance and sale by the City of Pasadena, California (the "City") of its Taxable Pension Obligation Refunding Bonds, consisting of (i) \$ _____ * principal amount of Taxable Pension Obligation Bonds, Series 2019A (the "Series 2019A Bonds") and (ii) \$ _____ * principal amount of its Taxable Pension Obligation Bonds, Series 2019B (the "Series 2019B Bonds," and together with the Series 2019A Bonds, the "Series 2019 Bonds").

The Series 2019A Bonds are being issued pursuant to a Trust Agreement, dated as of August 1, 1999, as amended and supplemented (the "1999 Trust Agreement"), including as supplemented by the Third Supplemental Trust Agreement, dated as of ____ 1, 2019, each by and between the City and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"). The Series 2019B Bonds are being issued pursuant to a Trust Agreement, dated as of March 1, 2012, as amended and supplemented (the "2012 Trust Agreement," and together with the 1999 Trust Agreement, the "Trust Agreements"), including as supplemented by the Second Supplemental Trust Agreement, dated as of ____ 1, 2019, each by and between the City and the Trustee, and pursuant to the City Charter, and Articles 10 and 11 (commencing with Section 53570) of Chapter 3 of Division 2 of Title 5 of the Government Code of the State of California (the "State"). The Bank of New York Mellon Trust Company, N.A. has also been appointed as paying agent (the "Paying Agent") for the Series 2019 Bonds pursuant to the Trust Agreements.

The City

The City of Pasadena was incorporated in 1886 and became a freeholder charter city in 1901. The City covers nearly 23 square miles and is located in the County of Los Angeles in the northwestern portion of the San Gabriel Valley. The City is bounded on the west by the cities of Los Angeles, La Cañada and Glendale, on the south by the cities of South Pasadena and San Marino, on the east by the cities of Arcadia and Sierra Madre and on the north by the unincorporated community of Altadena and the San Gabriel Mountains. See "THE CITY" herein and APPENDIX A – "THE CITY OF PASADENA" and APPENDIX B – "CITY OF PASADENA COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR YEAR ENDED JUNE 30, 2018."

Pasadena Fire and Police Retirement System

The Pasadena Fire and Police Retirement System ("FPRS" or the "System") was established originally under the Charter of the City in 1919 for fire and police personnel of the City. The FPRS was closed to new members effective July 1, 1977 and as of June 30, 2019 there were no persons currently employed by the City who were eligible for benefits and 204 persons currently receiving retirement or disability benefits. See APPENDIX A – "THE CITY OF PASADENA—THE CITY OF PASADENA—Retirement Systems—Pasadena Fire and Police Retirement System."

* Preliminary, subject to change.

Purpose of the Series 2019 Bonds

The Series 2019 Bonds are being issued for the purpose of (i) paying and refinancing all of the City of Pasadena Taxable Pension Obligation Refunding Bonds Series 2015A (Fixed Rate Bonds) and (ii) paying and refinancing a portion of the City of Pasadena Taxable Pension Obligation Refunding Bonds Series 2015B (Fixed Rate Bonds) (collectively, the "Series 2015 Bonds"). The Series 2015 Bonds were issued in 2015 for the purpose of refinancing the unfunded actuarial accrued liability (the "UAAL") of the FPRS and are currently and collectively outstanding in the principal of \$119,460,000. See "BACKGROUND AND PLAN OF REFINANCING."

Security and Sources of Payment for the Series 2019 Bonds

The obligation of the City to make payments with respect to the Series 2019 Bonds is an absolute and unconditional obligation of the City imposed upon the City by law and payable from all legally available funds of the City. Payment of principal of or interest on the Series 2019 Bonds is not limited to any special source of funds of the City. The Series 2019 Bonds do not constitute an obligation of the FPRS.

The Series 2019 Bonds are not secured by any reserve fund.

THE SERIES 2019 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 SERIES 2019 BONDS NOR THE OBLIGATION OF THE CITY TO MAKE PAYMENTS WITH RESPECT TO THE SERIES 2019 BONDS CONSTITUTES AN INDEBTEDNESS OF THE CITY, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

Outstanding Pension and Other Obligations Payable from the City General Fund

As of June 30, 2019, the City had outstanding approximately \$119,460,000 principal amount of Series 2015 Bonds payable from the general fund of the City (the "General Fund"), among other General Fund obligations. All of the Series 2015A Bonds and a portion of the Series 2015B Bonds will be refunded and defeased with the proceeds of the Series 2019 Bonds. See "BACKGROUND AND PLAN OF REFINANCING—Plan of Refinancing", APPENDIX A – "THE CITY OF PASADENA—BONDED AND OTHER INDEBTEDNESS – Table A-30 – Long-Term Obligations Payable from City General Fund as of June 30, 2019."

Summaries Not Definitive

Brief descriptions of the Series 2019 Bonds, the City, FPRS, and the Trust Agreements are included in this Official Statement. Such descriptions do not purport to be comprehensive or definitive. All references herein to the Series 2019 Bonds and the Trust Agreements are qualified in their entirety by reference to the actual documents, or with respect to the Series 2019 Bonds, the forms thereof included in the Trust Agreements, copies of all of which are available for inspection at the offices of the City and will be available upon request and payment of duplication costs from the Trustee.

Future Financial Information; Additional Information

The City has covenanted in each Trust Agreement and in the Continuing Disclosure Agreement, the form of which is attached hereto as APPENDIX F, to provide the Trustee and Digital Assurance Certification, L.L.C. ("DAC"), as dissemination agent, a copy of its audited financial statements and certain other information substantially similar to the operating and financial data contained in APPENDIX A hereto relating to the City. DAC will file such information with the Municipal Securities Rulemaking Board ("MSRB") through the MSRB's Electronic Municipal Market Access ("EMMA") system. The City reserves the right to modify the information contained in APPENDIX A in any manner the City deems appropriate. Such audited financial statements are required to be prepared in accordance with generally accepted accounting principles and to be provided, with the other information, to the Trustee on or before February 25 in the year following each Fiscal Year of the City. See "CONTINUING DISCLOSURE" herein.

Additional information regarding the Official Statement may be obtained by contacting the Trustee or:

Director of Finance
City of Pasadena
100 N. Garfield Avenue, Suite 345
Pasadena, California 91109
Telephone: (626) 744-4355

BACKGROUND AND PLAN OF REFINANCING

Outstanding Pension Obligation Bonds

The City has previously issued several series of bonds to fund the UAAL of the FPRS.

In 2015, the City issued \$71,450,000 principal amount of the Series 2015A Bonds and \$47,705,000 of the Series 2015B Bonds to pay and refinance its outstanding pension obligation bonds.

The Series 2019 Bonds are being issued to redeem and defease all of the Series 2015A Bonds and a portion of the Series 2015B Bonds.

In addition to the Series 2015 Bonds, the City has other outstanding obligations payable from the general fund of the City. See APPENDIX A – “THE CITY OF PASADENA—BONDED AND OTHER INDEBTEDNESS.”

Plan of Refinancing

The Series 2019 Bonds are being issued, in two series, for the purpose of redeeming and defeasing all of the outstanding Series 2015A Bonds and a portion of the outstanding Series 2015B Bonds. The proceeds of the Series 2019A Bonds, net of costs of issuance, will be deposited into an escrow account, established pursuant to an Escrow Agreement, dated as of [October 1], 2019 by and between the City and The Bank of New York Mellon Trust Company, N.A., as escrow agent, and applied to pay the interest and principal due on the Series 2015A Bonds through May 1, 2025, and to redeem in full all of the outstanding Series 2015A Bonds on May 1, 2025 at a redemption price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption, without premium. The proceeds of the Series 2019B Bonds, net of costs of issuance, will be deposited into an escrow account, established pursuant to an Escrow Agreement, dated as of [October 1], 2019 by and between the City and The Bank of New York Mellon Trust Company, N.A., as escrow agent, and applied to pay the interest and principal due on the Series 2015B Bonds through May 1, 2025, and to redeem a portion of the outstanding Series 2015B Bonds on May 1, 2025 at a redemption price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption, without premium.

Verification

[Causey Demgen & Moore P.C.] as verification agent (the “Verification Agent”), upon delivery of the Series 2019 Bonds, will deliver a report on the mathematical accuracy of certain computations, contained in schedules provided to it by the City, relating to the sufficiency of moneys and/or federal securities and the interest thereon to provide for the redemption and defeasance of the Series 2015 Bonds. The report of the Verification Agent will include a statement to the effect that the scope of its engagement is limited to verifying the mathematical accuracy of the computations contained in such schedules provided to it, and that it has no obligation to update its report because of events occurring, or information coming to its attention, subsequent to the date of its report. See “VERIFICATION OF MATHEMATICAL ACCURACY” herein.

ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds with respect to the Series 2019 Bonds are set forth below:

	Series 2019A Bonds	Series 2019B Bonds	Total
<u>Estimated Sources of Funds</u>			
Proceeds of Series 2019 Bonds			
[Moneys held under the Trust Agreements]			
Total Sources			
<u>Estimated Uses of Funds</u>			
Deposit into the Series 2015A Escrow Account			
Deposit into the Series 2015B Escrow Account			
Cost of Issuance ⁽¹⁾			
Total Uses			

⁽¹⁾ Includes Underwriters' discount, legal fees, financial advisory fees, fees of the Trustee and the Paying Agent, rating agencies fees, printing costs, fees of the Verification Agent and certain miscellaneous expenses.

THE SERIES 2019 BONDS

General

The Series 2019 Bonds are expected to be available for delivery to The Depository Trust Company ("DTC"), in New York, New York, on or about _____, 2019. The Series 2019 Bonds, when issued, will be registered in the name of Cede & Co., as nominee of DTC, which will act as securities depository for the Series 2019 Bonds (together with its successors, if any, in such capacity, the "Securities Depository"). So long as the Securities Depository or its nominee is the registered owner of the Series 2019 Bonds, individual purchases of the Series 2019 Bonds will be made in book-entry form only (the "Book-Entry System"), in authorized denominations of \$5,000 or integral multiples thereof. Purchasers will not receive certificates representing their interest in the Series 2019 Bonds. Principal of and interest on the Series 2019 Bond will be paid to the Securities Depository, which will in turn remit such principal and interest to its Participants (as defined in APPENDIX D), for subsequent distribution to the Beneficial Owners (as defined in APPENDIX D) of the Series 2019 Bond. The Series 2019 Bonds may be transferred or exchanged in the manner described in the Series 2019 Bonds. See APPENDIX D – "BOOK-ENTRY SYSTEM."

The Series 2019 Bonds will be mature in the years and in the respective principal amounts, and will bear interest at the rates shown on the inside cover page of this Official Statement. Payment of principal shall be payable to the registered owner. Interest on the Series 2019 Bonds is payable on May 1 and November 1 of each year, commencing May 1, _____. Interest on the Series 2019 Bonds will be calculated on the basis of a 360-day year composed of twelve thirty-day months, and will be payable on each Interest Payment Date to the registered owner determined as of the close of business on the applicable record date. The record date for payment of interest is the fifteenth (15th) day of the month immediately preceding the date on which interest is to be paid; provided, that with respect to overdue interest or interest payable on redemption of a Series 2019 Bond other than on an Interest Payment Date or interest on any overdue amount, the Trustee may establish a special record date, which may be not more than thirty (30) days before the date set for payment. The Trustee will mail notice of a special record date to the registered owners of the Series 2019 Bonds at least ten (10) days before the special record date.

[The Series 2019 Bonds are subject to optional redemption prior to maturity, as well as being subject to mandatory sinking fund redemption as set forth herein.]

Redemption of the Series 2019 Bonds*

Mandatory Sinking Fund Redemption of Series 2019A Bonds. The Series 2019A Bonds maturing on May 1, __ are subject to mandatory sinking fund redemption prior to maturity, in part, on May 1, of each year on or after May 1, __ from mandatory sinking fund payments to be made by the City in the amounts set forth below, pro rata, at a redemption price equal to the principal amount thereof to be redeemed, plus accrued interest thereon to the date fixed for redemption, without premium:

Mandatory Sinking Fund Payment Date (May 1)	Mandatory Sinking Fund Payment
†	\$
† Maturity	

Any optional redemption of a term bond which is subject to mandatory sinking fund payments will be applied to reduce such sinking fund payments pro rata.

Mandatory Sinking Fund Redemption of Series 2019B Bonds. The Series 2019B Bonds maturing on May 1, __ are subject to mandatory sinking fund redemption prior to maturity, in part, on May 1, of each year on or after May 1, __ from mandatory sinking fund payments to be made by the City in the amounts set forth below, pro rata, at a redemption price equal to the principal amount thereof to be redeemed, plus accrued interest thereon to the date fixed for redemption, without premium:

Mandatory Sinking Fund Payment Date (May 1)	Mandatory Sinking Fund Payment
†	\$
† Maturity	

The Series 2019B Bonds maturing on May 1, __ are subject to mandatory sinking fund redemption prior to maturity, in part, on May 1, of each year on or after May 1, __ from mandatory sinking fund payments to be made by the City in the amounts set forth below, pro rata, at a redemption price equal to the principal amount thereof to be redeemed, plus accrued interest thereon to the date fixed for redemption, without premium:

Mandatory Sinking Fund Payment Date (May 1)	Mandatory Sinking Fund Payment
†	\$
† Maturity	

* Preliminary, subject to change.

Any optional redemption of a term bond which is subject to mandatory sinking fund payments will be applied to reduce such sinking fund payments pro rata.

Optional Redemption. The Series 2019 Bonds maturing on or after May 1, 20__ are subject to redemption prior to their stated maturity date, at the option of the City, from any available funds, in whole or in part on any date on and after May 1, 20__, at a redemption price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption, without premium.

Make-Whole Optional Redemption. The Series 2019 Bonds are subject to redemption prior to their stated maturity date at the option of the City, in whole or in part, on any date, at a redemption price, calculated by a Calculation Agent, equal to the greater of:

- (1) the principal amount of the Series 2019 Bonds to be redeemed; or
- (2) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of such Series 2019 Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which such Series 2019 Bonds are to be redeemed, discounted to the date on which such Series 2019 Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate (defined below), plus ____ basis points;

plus, in each case, accrued interest on such Series 2019 Bonds to be redeemed to the redemption date.

“Calculation Agent” means a commercial bank or an investment banking institution of national standing that is a primary dealer of United States government securities in the United States and designated by the City (which may be one of the institutions that served as underwriters on the Series 2019 Bonds).

“Treasury Rate” means, with respect to any redemption date for a particular Series 2019 Bond, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity (as compiled and published in the Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two business days, but no more than 45 calendar days, prior to the redemption date (excluding inflation indexed securities) (or, if such Statistical Release is no longer published, any publicly available source of similar market data) most nearly equal to the period from the redemption date to the maturity date of the Series 2019 Bond to be redeemed; provided, however, that if the period from the redemption date to such maturity date is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.

On and after May 1, ____, Series 2019 Bonds will be subject to redemption as described under “Optional Redemption” above and will no longer be subject to Make-Whole Optional Redemption.

Purchase In Lieu of Redemption. In lieu of optional, make-whole or mandatory sinking fund redemption of the Series 2019 Bonds of either series as described above, the City may purchase such Series 2019 Bonds at public or private sale as and when and at such prices (including brokerage and other charges and including accrued interest) as the City may in its discretion determine. The par amount of any such Series 2019 Bonds purchased by the City in any twelve-month period ending on September 15 in any year will be credited towards and will reduce the par amount of such Series 2019 Bonds, required to be redeemed as described above on the next succeeding November 1. Any purchase of a term bond, in lieu of redemption which is subject to mandatory sinking fund payments, will be applied to reduce such sinking fund payments pro rata.

Selection of Bonds for Redemption

Whenever less than all Outstanding Bonds of a series of Series 2019 Bonds are to be redeemed, the Series 2019 Bonds to be redeemed must be redeemed on a pro rata basis among all maturities of the same series. The Trustee will select Series 2019 Bonds of the same series and maturity for redemption by lot in such manner as the Trustee may determine, except that mandatory sinking fund redemption must be pro rata from the owners thereof.

If Series 2019 Bonds are optionally redeemed, such Series 2019 Bonds may be redeemed from such series and from such maturities within a series as directed by the City. For so long as the Series 2019 Bonds are registered in book-entry form and DTC or a successor securities depository is the sole registered owner of such Series 2019

Bonds, if fewer than all of the Series 2019 Bonds of the same maturity and bearing the same interest rate are to be redeemed, the particular Series 2019 Bonds to be redeemed will be selected on a pro rata pass-through distribution of principal basis in accordance with DTC procedures; provided that, so long as the Series 2019 Bonds are held in book-entry form, the selection for redemption of the Series 2019 Bonds will be made in accordance with the operational arrangements of DTC then in effect, and if the DTC operational arrangements do not allow for redemption on a pro rata pass-through distribution of principal basis, all Series 2019 Bonds will be selected for redemption in accordance with DTC procedures by lot; provided further that any such redemption must be performed such that all Bonds remaining outstanding will be in authorized denominations. See APPENDIX D -"BOOK-ENTRY SYSTEM."

In connection with any repayment of principal of the Series 2019 Bonds, including payments of scheduled mandatory sinking fund payments, the Registrar will direct DTC to make a pass-through distribution of principal to the owners of the Series 2019 Bonds. A form of Pro Rata Pass-Through Distribution of Principal Notice will be provided to the Registrar that includes a table of factors reflecting the relevant scheduled redemption payments, based on the current schedule of mandatory sinking fund payments, which is subject to change upon certain optional redemptions, and DTC's currently applicable procedures, which are subject to change.

For purposes of calculating pro rata pass-through distributions of principal, "pro rata" means, for any amount of principal or interest to be paid, the application of a fraction to such amounts where (a) the numerator is equal to the amount due to the owners of the Series 2019 Bonds on a payment date and (b) the denominator is equal to the total original par amount of the Series 2019 Bonds.

It is the City's intent that redemption allocations made by DTC with respect to the Series 2019 Bonds be made on a pro rata pass-through distribution of principal basis as described above. However, neither the City nor the Underwriters can provide any assurance that DTC, DTC's direct and indirect participants, or any other intermediary will allocate the redemption of these Bonds on such basis.

If the Series 2019 Bonds are not registered in book-entry form and if fewer than all of the Series 2019 Bonds of the same maturity and bearing the same interest rate are to be redeemed, the particular Series 2019 Bonds of such maturity and bearing such interest rate to be redeemed will be selected on a pro rata basis, provided that any such redemption must be performed such that all Bonds remaining outstanding will be in authorized denominations.

Notice of Redemption

Whenever redemption is authorized under a Trust Agreement, the Trustee is required to mail to affected owners a notice of redemption, containing the information required by such Trust Agreement, by first-class mail, postage prepaid, at least 20 days but no more than 45 days before the date of any such redemption date. While the Series 2019 Bonds are held by DTC or its nominee, all such mailed notices shall be sent to DTC, or its nominee, as the registered owner of the Series 2019 Bonds.

Neither the failure of an owner to receive any such notice, nor the failure to give such notice to certain depositories or information services as required by the applicable Trust Agreement, nor any defect in any such notice, shall invalidate any of the proceedings for the redemption of any Series 2019 Bonds.

If notice of redemption has been duly given and money for the payment of the redemption price of the Series 2019 Bonds called for redemption is held by the Trustee, then on the redemption date designated in such notice Series 2019 Bonds so called for redemption shall become due and payable, and from and after the date so designated interest on such Series 2019 Bonds shall cease to accrue, and the owners of such Series 2019 Bonds shall have no rights in respect thereof except to receive payment of the redemption price thereof.

Debt Service Schedule

Set forth below is a debt service schedule for the Series 2019 Bonds. The City has incurred other obligations payable from the general fund of the City (the "General Fund"). See "BACKGROUND AND PLAN OF REFINANCING—Plan of Refinancing" and APPENDIX A - "THE CITY OF PASADENA—BONDED AND OTHER INDEBTEDNESS."

\$ _____
CITY OF PASADENA
TAXABLE PENSION OBLIGATION REFUNDING BONDS
SERIES 2019
DEBT SERVICE SCHEDULE

For the Fiscal Year ending June 30	Series 2019A Bonds		Series 2019B Bonds		Total
	Principal	Interest	Principal	Interest	

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2019 BONDS

General

The obligation of the City to make payments with respect to the Series 2019 Bonds is an absolute and unconditional obligation of the City imposed upon the City by law, and is payable from all legally available funds of the City. Payment of principal of and interest on the Series 2019 Bonds is not limited to any special source of funds of the City. No taxing power is pledged, the assets of the FPRS are not available for payment of the Series 2019 Bonds, and the Series 2019 Bonds do not constitute an obligation of the FPRS. The Series 2019 Bonds are not secured by any reserve fund.

Each Trust Agreement provides that the City is obligated to deposit with the Trustee, for deposit in the applicable Bond Fund, not later than the 5th business day preceding each date on which interest on and principal of the Series 2019 Bonds is due and payable, an amount of money equal to the interest on or principal of the Series 2019 Bonds due on such date.

See APPENDIX A – “THE CITY OF PASADENA—CITY FINANCIAL INFORMATION” for detailed information of the City’s financial condition.

THE SERIES 2019 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 SERIES 2019 BONDS NOR THE OBLIGATION OF THE CITY TO MAKE PAYMENTS WITH RESPECT TO THE SERIES 2019 BONDS CONSTITUTES AN INDEBTEDNESS OF THE CITY, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

RISK FACTORS

The following information should be considered by prospective investors in evaluating the Series 2019 Bonds. However, it does not purport to be an exhaustive list of risks or other considerations which may be relevant to an investment in the Series 2019 Bonds. In addition, the order in which the following information is presented is not intended to reflect the relative importance of any such risks.

Condition of General Fund

The City is obligated to pay the Series 2019 Bonds from any legally available revenues. The principal source of such revenues will be the City’s General Fund. The condition of the City’s General Fund is subject to a variety of additional risks as described in APPENDIX A.

City Pension and OPEB Liabilities

The City has significant pension liabilities to its employees and retirees. These liabilities are owed to the FPRS and to CalPERS. Many factors influence the amount of the City's pension obligations, including, without limitation, inflationary factors, investment performance, changes in actuarial assumptions or methods, differences between actual and anticipated investment experience and longevity of retirees. Any of these factors could give rise to additional liability of the City to the FPRS or to CalPERS, which could have a material adverse effect on the City's financial position and its ability to pay the Series 2019 Bonds. In addition, the City may in the future grant additional post-retirement health care benefits, which could result in significant additional liabilities to CalPERS. See APPENDIX A – "THE CITY OF PASADENA—THE CITY OF PASADENA—Retirement Systems—Pasadena Fire and Police Retirement System," "—Retirement Systems—California Public Employees' Retirement System," "—Post-Retirement Medical Benefits" and "—CITY FINANCIAL INFORMATION—Investment Practices."

Limitation of Remedies

The rights of the owners of the Series 2019 Bonds are subject to the limitations on legal remedies against cities in the State, including applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally, now or hereafter in effect, and to the application of general principles of equity, including without limitation, concepts of materiality, reasonableness, good faith and fair dealing and the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or in law.

Bankruptcy

The enforceability of the rights and remedies of the owners of the Series 2019 Bonds and obligations of the City may become subject to the following: the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect; usual equitable principal 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; and the reasonable and necessary exercise, in certain exceptional situations, of the police power inherent in the sovereignty of the State of California and its governmental bodies in the interest of servicing a significant and legitimate public purpose.

In addition to the limitation on remedies contained in the Trust Agreements, the rights and remedies provided in each Trust Agreement may be limited and are subject to the provisions of federal bankruptcy laws. The City is a governmental unit and therefore cannot be the subject of an involuntary case under the United States Bankruptcy Code (the "Bankruptcy Code"). However the City is a municipality and therefore may seek voluntary protection from its creditors pursuant to Chapter 9 of the Bankruptcy Code for purposes of adjusting its debts.

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. Such a bankruptcy could adversely affect the payments under either Trust Agreement. Among the adverse effects 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 of the commencement of any judicial or other action for the purpose of recovering or collecting a claim against the City and could prevent the Trustee from making payments from the 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 priority of payment superior to that of the owners of the Series 2019 Bonds; and (iv) the possibility of the adoption of a plan (the "Plan") for the adjustment of the City's debt without the consent of the Trustee or all of the Series 2019 Bond owners, which Plan may restructure, delay, compromise or reduce the amount of any claim of the Series 2019 Bond owners if the Bankruptcy Court finds that the Plan is fair and equitable and in the best interests of creditors.

In bankruptcy proceedings relating to the City of Stockton, the City of Stockton's pension obligation bonds were treated as unsecured debt of the City. The treatment of the pension obligations in Stockton resulted in less favorable recoveries for pension bondholders than the recoveries of certain other unsecured creditors (*e.g.*, pensioners). In fact, CalPERS, which administered the City of Stockton pension plan (and which also administers the City of Pasadena's pension plan for its active employees), intervened and argued that the liabilities of the City of

Stockton to CalPERS could not be compromised at all. Although the Stockton bankruptcy court rejected CalPERS' position, the Stockton plan did not compromise the City of Stockton's obligations to CalPERS and accordingly, the court's statements may not be precedent for future courts.

In a bankruptcy of the City, if a material liability is owed to CalPERS, FPRS or any other pension system by the City on the filing date or accrues thereafter (the "Pension Systems"), the City or the Pension Systems may take the position (as CalPERS has previously done) that the claims of the Pension Systems are afforded a higher priority than other claims, that Pension Systems have the right to enforce payment by injunction or other proceedings outside of a City bankruptcy case, and that Pension Systems claims cannot be the subject of adjustment or other impairment under the Bankruptcy Code because that would purportedly constitute a violation of state statutory, constitutional or municipal law under which such Pension Systems were created. Despite the dicta of the Stockton bankruptcy court on these matters as they relate to CalPERS, this area is unsettled, and it is uncertain how a bankruptcy judge in a City bankruptcy would rule on these or related claims or arguments by Pension Systems or the City.

It should also be noted that the treatment of pension obligation bondholders in the Stockton bankruptcy plan was less favorable than the treatment of certain lease revenue bondholders (who were treated as "secured" creditors to the extent of the value of the underlying lease estate). For instance, lease revenue bondholders secured by an "essential" asset (e.g., a police station) were treated more favorably than pension bondholders. Accordingly, bondholders should bear in mind that in the event of a Chapter 9 bankruptcy proceeding involving the City, it is highly unlikely that the bondholders would recover their investment in full.

Bankruptcy proceedings, or the exercising of powers by the federal or state government, if initiated, could subject the Series 2019 Bondholder 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 opinion of counsel, including Bond Counsel, delivered in connection with the execution and delivery of the Series 2019 Bonds, will be so qualified. See APPENDIX C – "PROPOSED FORM OF BOND COUNSEL OPINION"

Seismic Risk

The City is subject to unpredictable and significant seismic activity. A number of known faults run through or near the City, including the San Andreas Fault, which is the boundary between the Pacific and North American tectonic plates. The complex Los Angeles County fault system interacts with the alluvial soils and other geographic conditions in the area's hills and basins. This interaction appears to pose a potential seismic threat. In addition, there are likely to be unmapped faults throughout the City. The most recent major earthquake near the City, the Northridge earthquake in 1994, occurred along a previously unmapped blind thrust fault. A seismic event could have a significant effect on the economy of the City and, consequently, the General Fund.

VALIDATION

On April 27, 1999, the City, acting pursuant to the provisions of Sections 860 *et seq.* of the California Code of Civil Procedure (the "Validation Act"), filed a complaint (case number GC023144) in the Superior Court of the State of California for the County of Los Angeles seeking judicial validation of the transactions relating to the issuance of the debenture, in favor of the FPRS to evidence a portion of the UAAL obligation of the City to FPRS (the "1999 Debenture") and the Series 1999 Bonds and certain other matters. On June 7, 1999, the court entered a default judgment to the effect, among other things, that the 1999 Debenture and the Series 1999 Bonds, as well as additional bonds issued to refund debentures (such as the Series 2019 Bonds) are valid, legal and binding obligations of the City, and that such bonds, including any bonds issued to refund such bonds, are in conformity with applicable provisions of law. The June 7, 1999 default judgment also validated the use of SB 481 Receipts to pay debt service on the Series 1999 Bonds or any bonds issued to refund such bonds. See APPENDIX A – "Retirement Systems – Pasadena Fire and Police Retirement System – Funding History." The time period for the filing of appeals with respect to the judgment has expired and no appeals have been filed; the judgment is therefore final and unappealable.

On November 1, 2011, again acting pursuant to the Validation Act, the City filed a complaint (case number GC048438) in the Superior Court of the State for the County of Los Angeles seeking judicial validation of the transactions relating to the issuance of the debenture in favor of the FPRS to evidence a portion of the UAAL obligation

of the City to the FPRS (the "2012 Debenture") and the Series 2012 Bonds and certain other matters. On January 26, 2012, the court entered a default judgment to the effect, among other things, that the 2012 Debenture and the Series 2012 Bonds are valid, legal and binding obligations of the City and that such bonds, including any bonds issued to refund such bonds, are in conformity with applicable provisions of law. The time period for the filing of appeals with respect to the judgment has expired and no appeals have been filed; the judgment is therefore final and unappealable.

In issuing its opinion as to the validity of the Series 2019 Bonds, Bond Counsel has relied upon the entry of the foregoing default judgments.

THE CITY

Information with respect to the City, including financial information and certain economic and demographic information relating to the City, is provided in APPENDIX A – "THE CITY OF PASADENA" attached hereto. APPENDIX A should be read in its entirety.

THE FPRS

The FPRS was established under the Charter of the City originally in 1919 for fire and police personnel of the City. The FPRS was closed to new members effective July 1, 1977 and as of June 30, 2018 there were no persons currently employed by the City who were eligible for benefits and 204 persons currently receiving retirement or disability benefits. See APPENDIX A – "THE CITY OF PASADENA—THE CITY OF PASADENA—Retirement Systems—Pasadena Fire and Police Retirement System."

FINANCIAL STATEMENTS

A copy of the financial statements of the City for the fiscal year ended June 30, 2018 is attached hereto as APPENDIX B. APPENDIX B should be read in its entirety.

The City has not requested nor did the City obtain permission from Lance, Soll & Lunghard LLP (the "Auditor") to include the audited financial statements as an Appendix to this Official Statement. Accordingly, the Auditor has made no representation in connection with the inclusion of the audits herein that there has been no material change in the financial condition of the City since the most recent audit was concluded. The Auditor has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. The Auditor also has not performed any procedures relating to this Official Statement.

CONTINUING DISCLOSURE

The City has agreed to enter into a Continuing Disclosure Agreement (the "Continuing Disclosure Agreement"), for the benefit of the Holders and Beneficial Owners of the Series 2019 Bonds to provide annual financial statements of the City (the "Annual Report"), by not later than each February 25 after the end of the City's fiscal year (presently June 30), commencing with the report for the 2018-19 fiscal year. The City has also agreed in the Continuing Disclosure Agreement to provide notices within 10 business days of the occurrence of certain listed events. See "APPENDIX F – FORM OF CONTINUING DISCLOSURE AGREEMENT." These covenants have been made in order to assist the Underwriters in complying with Rule 15c2-12(b)(5) of the Securities and Exchange Commission (the "Rule"). The City is not required to make any voluntary disclosures under the terms of the Continuing Disclosure Agreement.

The Annual Report will be filed by the City with the Municipal Securities Rulemaking Board ("MSRB") through the Electronic Municipal Marketplace Access (EMMA) website of the MSRB, currently located at <http://emma.msrb.org>. Notwithstanding any provision of either Trust Agreement, failure of the City to comply with the requirements of the Rule or the Continuing Disclosure Agreement will not be considered an Event of Default under either Trust Agreement and will not result in the acceleration of the maturity of any Series 2019 Bond; provided however that the Trustee, may, and in some cases, must, and a Holder or a Beneficial Owner may take such actions as may be necessary and appropriate to cause the City to comply with the disclosure obligations described above. For purposes of the Continuing Disclosure Agreement only, "Beneficial Owner" means any person which has the power, directly or indirectly, to vote or give consent with respect to, or to dispose of ownership of, any Series 2019 Bonds

(including persons holding Series 2019 Bonds through any nominees, depositories or other intermediaries). See APPENDIX F – “FORM OF CONTINUING DISCLOSURE AGREEMENT.”

In the previous five years the City has failed to comply with certain of its prior continuing disclosure agreements as follows: (1) due to the implementation of a new enterprise resource planning system, the City was 59 days late in filings its unaudited Water and Power Annual Report for fiscal year 2014-15, and did not file its unaudited Comprehensive Annual Financial Report but rather filed its audited Comprehensive Annual Financial Report and its audited Water and Power Report when they became available on February 29, 2016; (2) for fiscal years June 30, 2015 and 2017, the City filed certain annual reports that were missing certain information required under some of its prior continuing disclosure obligations; and (3) the City did not timely file a notice of a rating upgrade in connection with one of its electric revenue fund obligations.

The City has adopted policies and procedures to assist the City in complying with disclosure undertakings. The City intends to amend its policies and procedures in response to two new event notices that were added effective February 27, 2019 to the list of events for which notice is required by SEC Rule 15c2-12.

TAX MATTERS

State Income Tax

In the opinion of Bond Counsel, under existing law interest on the Series 2019 Bonds is exempt from personal income taxes of the State of California. Except as set forth in the preceding sentence, Bond Counsel will provide no opinion in connection with the issuance or offering of the Series 2019 Bonds with regard to any federal, state or local tax consequence of the ownership or disposition of or the receipt of interest on any Bond. A copy of the form of opinion of Bond Counsel relating to the Series 2019 Bonds is included in Appendix C.

Federal Income Tax Considerations

The following is a general summary of certain federal income tax consequences of the purchase and ownership of the Series 2019 Bonds. The discussion is based upon the Internal Revenue Code of 1986 (the “Code”), United States Treasury Regulations, rulings and decisions now in effect, all of which are subject to change (possibly, with retroactive effect) or possibly differing interpretations. No assurances can be given that future changes in the law will not alter the conclusions reached herein. The discussion below is based upon laws, regulations, rulings, and decisions in effect and available on the date hereof, all of which are subject to change, possibly with retroactive effect.

Prospective investors should note that no rulings have been or are expected to be sought from the Internal Revenue Service (the “IRS”) with respect to any of the U.S. federal tax considerations discussed below, and no assurance can be given that the IRS will not take contrary positions. Further, the following discussion does not deal with U.S. tax consequences applicable to any given investor, nor does it address the U.S. tax considerations applicable to all categories of investors, some of which may be subject to special taxing rules (regardless of whether or not such investors constitute U.S. Holders), such as certain U.S. expatriates, banks, REITs, RICs, insurance companies, tax-exempt organizations, dealers or traders in securities or currencies, partnerships, S corporations, estates and trusts, investors that hold their Series 2019 Bonds as part of a hedge, straddle or an integrated or conversion transaction, or investors whose “functional currency” is not the U.S. dollar. Furthermore, it does not address (i) alternative minimum tax consequences, or (ii) the indirect effects on persons who hold equity interests in a holder. This summary also does not consider the taxation of the Series 2019 Bonds under local or non-U.S. tax laws. In addition, this summary generally is limited to U.S. tax considerations applicable to investors that acquire their Series 2019 Bonds pursuant to this offering for the issue price that is applicable to such Series 2019 Bonds and who will hold their Series 2019 Bonds as “capital assets” within the meaning of Section 1221 of the Code.

As used herein, “U.S. Holder” means a beneficial owner of a Bond that for U.S. federal income tax purposes is an individual citizen or resident of the United States, a corporation or other entity taxable as a corporation created or organized in or under the laws of the United States or any state thereof (including the District of Columbia), an estate the income of which is subject to U.S. federal income taxation regardless of its source or a trust where a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons (as defined in the Code) have the authority to control all substantial decisions of the trust (or a trust that has made a valid election under U.S. Treasury Regulations to be treated as a domestic trust). As used herein,

"Non-U.S. Holder" generally means a beneficial owner of a Bond (other than a partnership) that is not a U.S. Holder. If a partnership holds Series 2019 Bonds, the tax treatment of such partnership or a partner in such partnership generally will depend upon the status of the partner and upon the activities of the partnership. Partnerships holding Series 2019 Bonds, and partners in such partnerships, should consult their own tax advisors regarding the tax consequences of an investment in the Series 2019 Bonds (including their status as U.S. Holders or Non-U.S. Holders).

ALL PROSPECTIVE INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISORS IN DETERMINING THE FEDERAL, STATE, LOCAL, FOREIGN AND ANY OTHER TAX CONSEQUENCES TO THEM FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE SERIES 2019 BONDS.

U.S. Holders

Interest on the Series 2019 Bonds. Bond Counsel has rendered no opinion regarding the exclusion pursuant to section 103(a) of the Code of interest on the Series 2019 Bonds from gross income for federal income tax purposes. The City has taken no action to cause, and does not intend, interest on the Series 2019 Bonds to be excluded pursuant to section 103(a) of the Code from the gross income of the owners thereof for federal income tax purposes. The City intends to treat the Series 2019 Bonds as debt instruments for all federal income tax purposes, including any applicable reporting requirements under the Code. THE CITY EXPECTS THAT THE INTEREST PAID ON A SERIES 2019 BOND GENERALLY WILL BE INCLUDED IN THE GROSS INCOME OF THE OWNER THEREOF FOR FEDERAL INCOME TAX PURPOSES WHEN RECEIVED OR ACCRUED, DEPENDING UPON THE TAX ACCOUNTING METHOD OF THAT OWNER.

Disposition of Series 2019 Bonds, Inclusion of Acquisition Discount and Treatment of Market Discount. To the extent that the issue price of any maturity of the Series 2019 Bonds is less than the amount to be paid at maturity of such Series 2019 Bonds by more than a *de minimis* amount (excluding amounts stated to be interest and payable at least annually over the term of such Series 2019 Bonds), the difference may constitute original issue discount ("OID"). U.S. Holders of Series 2019 Bonds will be required to include OID in income for U.S. federal income tax purposes as it accrues, in accordance with a constant yield method based on a compounding of interest (which may be before the receipt of cash payments attributable to such income). Under this method, U.S. Holders generally will be required to include in income increasingly greater amounts of OID in successive accrual periods.

Amortizable Bond Premium. A holder of a Bond that purchased that bond for an amount that was greater than its stated redemption price at maturity will be considered to have purchased the Series 2019 Bond with "amortizable bond premium" equal in amount to such excess. A U.S. Holder of a Bond purchased with amortizable bond premium may elect to amortize such premium using a constant yield method over the remaining term of the Series 2019 Bond and may offset interest otherwise required to be included in respect of the Taxable Bond during any taxable year by the amortized amount of such excess for the taxable year. Bond premium on a Bond held by a U.S. Holder that does not make such an election will decrease the amount of gain or increase the amount of loss otherwise recognized on the sale, exchange, redemption or retirement of a Bond. However, if the Series 2019 Bond may be optionally redeemed after the beneficial owner acquires it at a price in excess of its stated redemption price at maturity, special rules would apply under the Treasury Regulations which could result in a deferral of the amortization of some bond premium until later in the term of the Series 2019 Bond. Any election to amortize bond premium applies to all taxable debt instruments held by the beneficial owner on or after the first day of the first taxable year to which such election applies and may be revoked only with the consent of the IRS. That a Bond was purchased by the holder with amortizable bond premium may affect the computation of includable original issue discount for that holder.

Sale or other Taxable Disposition of a Bond; Market Discount. Unless a nonrecognition provision of the Code applies, the sale, exchange, redemption, retirement or other taxable disposition of a Bond will be a taxable event for U.S. federal income tax purposes. In such event, in general, a U.S. Holder of a Bond will recognize gain or loss equal to the difference between (i) the amount of cash plus the fair market value of property received (except to the extent attributable to accrued but unpaid interest on the Series 2019 Bond, which will be taxed in the manner described above) and (ii) the U.S. Holder's adjusted U.S. federal income tax basis in the Series 2019 Bond (generally, the purchase price paid by the U.S. Holder for the Series 2019 Bond, decreased by any amortized premium, and increased by the amount of any OID previously included in income by such U.S. Holder with respect to such Bond). Any such gain or loss generally will be capital gain or loss. In the case of a non-corporate U.S. Holder of the Series 2019 Bonds, the maximum marginal U.S. federal income tax rate applicable to any such gain will be lower than the maximum

marginal U.S. federal income tax rate applicable to ordinary income if such U.S. Holder's holding period for the Series 2019 Bonds exceeds one year. The deductibility of capital losses is subject to limitations.

Under current law, a U.S. Holder of a Bond who did not purchase that Bond in the initial public offering (a "subsequent purchaser") generally will be required, on the disposition (or earlier partial principal payment) of such Bond, to recognize as ordinary income a portion of the gain (or partial principal payment), if any, to the extent of the accrued "market discount." In general, market discount is the amount by which the price paid for such Bond by such a subsequent purchaser is less than the stated redemption price at maturity of that Bond (or, in the case of a Bond bearing original issue discount, is less than the "revised issue price" of that Bond (as defined below) upon such purchase), except that market discount is considered to be zero if it is less than one quarter of one percent of the principal amount times the number of complete remaining years to maturity. The Code also limits the deductibility of interest incurred by a subsequent purchaser on funds borrowed to acquire Bonds with market discount. As an alternative to the inclusion of market discount in income upon disposition, a subsequent purchaser may elect to include market discount in income currently as it accrues on all market discount instruments acquired by the subsequent purchaser in that taxable year or thereafter, in which case the interest deferral rule will not apply. The recharacterization of gain as ordinary income on a subsequent disposition of such Bonds could have a material effect on the market value of such Bonds.

Medicare Tax. Certain non-corporate U.S. Holders of Bonds are subject to a 3.8% tax on the lesser of (1) the U.S. Holder's "net investment income" (in the case of individuals) or "undistributed net investment income" (in the case of estates and certain trusts) for the relevant taxable year and (2) the excess of the U.S. Holder's "modified adjusted gross income" (in the case of individuals) or "adjusted gross income" (in the case of estates and certain trusts) for the taxable year over a certain threshold (which in the case of individuals is between \$200,000 and \$250,000, depending on the individual's circumstances). A U.S. Holder's calculation of net investment income generally will include its interest income on the Series 2019 Bonds and its net gains from the disposition of the Series 2019 Bonds, unless such interest income or net gains are derived in the ordinary course of the conduct of a trade or business (other than a trade or business that consists of certain passive or trading activities). If you are an individual, estate, or trust, you are urged to consult your tax advisors regarding the applicability of this tax to your income and gains in respect of your investment in the Series 2019 Bonds.

Information Reporting and Backup Withholding. Payments on the Series 2019 Bonds generally will be subject to U.S. information reporting and possibly to "backup withholding." Under Section 3406 of the Code and applicable U.S. Treasury Regulations issued thereunder, a non-corporate U.S. Holder of the Series 2019 Bonds may be subject to backup withholding at the current rate of 28% with respect to "reportable payments," which include interest paid on the Series 2019 Bonds and the gross proceeds of a sale, exchange, redemption, retirement or other disposition of the Series 2019 Bonds. The payor will be required to deduct and withhold the prescribed amounts if (i) the payee fails to furnish a U.S. taxpayer identification number ("TIN") to the payor in the manner required, (ii) the IRS notifies the payor that the TIN furnished by the payee is incorrect, (iii) there has been a "notified payee underreporting" described in Section 3406(c) of the Code or (iv) the payee fails to certify under penalty of perjury that the payee is not subject to withholding under Section 3406(a)(1)(C) of the Code. Amounts withheld under the backup withholding rules may be refunded or credited against the U.S. Holder's federal income tax liability, if any, provided that the required information is timely furnished to the IRS. Certain U.S. holders (including among others, corporations and certain tax-exempt organizations) are not subject to backup withholding. A holder's failure to comply with the backup withholding rules may result in the imposition of penalties by the IRS.

Non-U.S. Holders

Under sections 1441 and 1442 of the Code, nonresident alien individuals and foreign corporations are generally subject to withholding at the current rate of 30% (subject to change) on periodic income items arising from sources within the United States, provided such income is not effectively connected with the conduct of a United States trade or business.

The foregoing notwithstanding, but subject to the discussions below under the headings "Information Reporting and Backup Withholding" and "Foreign Account Tax Compliance Act ("FATCA")—U.S. Holders and Non-U.S. Holders," and assuming the interest income of Non-US Holder on the Series 2019 Bonds is not treated as effectively connected income within the meaning of section 864 of the Code, such interest will not be subject to 30% withholding, or any lower rate specified in an income tax treaty, if such income is treated as portfolio interest. Interest

will be treated as portfolio interest if: (i) the Non-U.S. Holder provides a statement to the payor certifying, under penalties of perjury, that the Non-U.S. Holder is not a United States person and providing the name and address of such Non-U.S. Holder; (ii) such interest is treated as not effectively connected with a United States trade or business of the Non-U.S. Holder; (iii) such interest payments are not made to a person within a foreign country that the IRS has included on a list of countries having provisions inadequate to prevent United States tax evasion; (iv) interest payable with respect to the Series 2019 Bonds is not deemed contingent interest within the meaning of the portfolio debt provision; (v) the Non-U.S. Holder is not a controlled foreign corporation, within the meaning of section 957 of the Code; and (vi) the Non-U.S. Holder is not a bank receiving interest on the Series 2019 Bonds pursuant to a loan agreement entered into in the ordinary course of the Non-U.S. Holder's banking trade or business.

Assuming payments on the Series 2019 Bonds are treated as portfolio interest within the meaning of sections 871 and 881 of the Code, then no withholding under section 1441 and 1442 of the Code and no backup withholding under section 3406 of the Code is required with respect to an owner or intermediary who has provided a certification completed in compliance with applicable statutory and regulatory requirements, which requirements are discussed below under the heading "Information Reporting and Backup Withholding," or an exemption is otherwise established.

Subject to the discussions below under the headings "Information Reporting and Backup Withholding" and "Foreign Account Tax Compliance Act ("FATCA")—U.S. Holders and Non-U.S. Holders," any capital gain realized by a Non-U.S. Holder upon the sale, exchange, redemption, retirement or other taxable disposition of a Bond generally will not be subject to U.S. federal income tax, unless (i) such gain is effectively connected with the conduct by such Non-U.S. Holder of a trade or business within the United States; or (ii) in the case of any gain realized by an individual Non-U.S. Holder, such holder is present in the United States for 183 days or more in the taxable year of such sale, exchange, redemption, retirement or other disposition and certain other conditions are met.

Information Reporting and Backup Withholding. Subject to the discussion below under the heading "Foreign Account Tax Compliance Act ("FATCA")—U.S. Holders and Non-U.S. Holders," under current U.S. Treasury Regulations, payments of principal and interest on any Bonds to a Non-U.S. Holder will not be subject to any backup withholding tax requirements if the Non-U.S. Holder of the Series 2019 Bond or a financial institution holding the Series 2019 Bond on behalf of the Non-U.S. Holder in the ordinary course of its trade or business provides an appropriate certification to the payor and the payor does not have actual knowledge that the certification is false. If a Non-U.S. Holder provides the certification, the certification must give the name and address of such Non-U.S. Holder, state that such Non-U.S. Holder is not a United States person, or, in the case of an individual, that such Non-U.S. Holder is neither a citizen nor a resident of the United States, and the Non-U.S. Holder must sign the certificate under penalties of perjury. The current backup withholding tax rate is 28%.

Foreign Account Tax Compliance Act ("FATCA")—U.S. Holders and Non-U.S. Holders. Sections 1471 through 1474 of the Code impose a 30% withholding tax on certain types of payments made to foreign financial institutions, unless the foreign financial institution enters into an agreement with the U.S. Treasury to, among other things, undertake to identify accounts held by certain U.S. persons or U.S.-owned entities, annually report certain information about such accounts, and withhold 30% on payments to account holders whose actions prevent it from complying with these and other reporting requirements, or unless the foreign financial institution is otherwise exempt from those requirements. In addition, FATCA imposes a 30% withholding tax on the same types of payments to a non-financial foreign entity unless the entity certifies that it does not have any substantial U.S. owners or the entity furnishes identifying information regarding each substantial U.S. owner. Failure to comply with the additional certification, information reporting and other specified requirements imposed under FATCA could result in the 30% withholding tax being imposed on payments of interest and principal under the Series 2019 Bonds and sales proceeds of Series 2019 Bonds held by or through a foreign entity. In general, withholding under FATCA currently applies to payments of U.S. source interest (including OID) and, under current guidance, will apply to (i) gross proceeds from the sale, exchange or retirement of debt obligations paid after December 31, 2018 and (ii) certain "passthru" payments no earlier than January 1, 2019. Prospective investors should consult their own tax advisors regarding FATCA and its effect on them.

The foregoing summary is included herein for general information only and does not discuss all aspects of U.S. federal taxation that may be relevant to a particular holder of Series 2019 Bonds in light of the holder's particular circumstances and income tax situation. Prospective investors are urged to consult their own tax advisors as to any tax consequences to them from the purchase, ownership and disposition of Series 2019 Bonds, including the application and effect of state, local, non-U.S., and other tax laws.

Effect of Defeasance. Pursuant to the Trust Agreements, the Series 2019 Bonds are subject to legal defeasance without the consent of the holders of the Series 2019 Bonds. Defeasance of any of the Series 2019 Bonds may be treated as a taxable constructive exchange of that Series 2019 Bond for the defeased Series 2019 Bond, in which event the holder will recognize gain or loss for federal income tax purposes equal to the difference between the amount realized from the sale, exchange or retirement (less any accrued qualified stated interest, which will be taxable as described above) and the holder's adjusted tax basis in the Series 2019 Bonds (described above).

CERTAIN LEGAL MATTERS

Legal matters incident to the authorization, issuance, sale and delivery by the City of the Series 2019 Bonds are subject to the approving opinion of Norton Rose Fulbright US LLP, San Francisco, California, Bond Counsel. A complete copy of the proposed form of Bond Counsel opinion is contained in APPENDIX C hereto. Bond Counsel, as such, undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Certain legal matters will be passed upon for the City by the City Attorney, and by Norton Rose Fulbright US LLP, San Francisco, California, Disclosure Counsel. Certain matters will be passed upon for the Underwriters by their counsel, Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California. Bond Counsel and Disclosure Counsel will receive compensation contingent upon the sale and delivery of the Series 2019 Bonds.

LITIGATION

There is no controversy of any nature now pending against the City or, to the knowledge of the City's responsible officers, threatened, seeking to restrain or enjoin the issuance, sale, execution or delivery of the Series 2019 Bonds or the related documents, or in any way contesting or affecting the validity of the Trust Agreements, the corporate existence of the City, or the title of the executive officers to their respective offices, the Series 2019 Bonds or any proceedings of the City taken with respect to the issuance or sale thereof, or the pledge or application of any moneys or security provided for the payment of the Series 2019 Bonds or the use of the Series 2019 Bond proceeds.

Except as disclosed in this Official Statement, there are no pending, or to the best knowledge of the City, threatened lawsuits which could have a material adverse impact upon the ability of the City to pay principal of, premium, if any, and interest on the Series 2019 Bonds. See APPENDIX A - "THE CITY OF PASADENA—LITIGATION."

RATINGS

S&P Global Ratings has assigned the rating of "___" with stable outlook to the Series 2019 Bonds. Such credit rating and outlook reflect only the view of S&P Global Ratings and any desired explanation of the significance of such credit rating and outlook should be obtained from S&P Global Ratings at the following address: S&P Global Ratings, 55 Water Street, New York, New York 10041.

The City furnished to S&P Global Ratings certain information, including information that may not be included herein. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance such rating will continue for any given period of time or that such rating will not be revised downward or withdrawn entirely by S&P Global Ratings, if in its judgment, circumstances so warrant. The City undertakes no responsibility to oppose any such revision, suspension or withdrawal. Any such downward revision, suspension or withdrawal of the ratings obtained, or other actions by a rating agency relating to its rating, may have an adverse effect on the market price and marketability of the Series 2019 Bonds.

UNDERWRITING

The Series 2019A Bonds are being purchased by Stifel, Nicolaus & Company, Incorporated, on its own behalf and as representative of BofA Securities, Inc. (collectively, the "Underwriters") at a purchase price of \$ _____ (which represents the aggregate principal amount of the Series 2019A Bonds, less an underwriters' discount of \$ _____). The Series 2019B Bonds are being purchased by the Underwriters at a purchase price of \$ _____ (which represents the aggregate principal amount of the Series 2019B Bonds, less than underwriters' discount of \$ _____).

The Underwriters may offer and sell the Series 2019 Bonds to certain dealers and others at prices lower than the offering prices stated on the inside cover page. The offering prices may be changed from time to time by the Underwriters. The Bond Purchase Agreement for the Series 2019 Bonds provides that the Underwriters thereunder will purchase all of the Series 2019 Bonds if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in the Bond Purchase Agreement.

BofA Securities, Inc., an underwriter of the Bonds, has entered into a distribution agreement with its affiliate Merrill Lynch, Pierce, Fenner & Smith Incorporated ("MLPF&S"). As part of this arrangement, BofA Securities, Inc. may distribute securities to MLPF&S, which may in turn distribute such securities to investors through the financial advisor network of MLPF&S. As part of this arrangement, BofA Securities, Inc. may compensate MLPF&S as a dealer for their selling efforts with respect to the Bonds.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. Under certain circumstances, the underwriters and their affiliates may have certain creditor and/or other rights against the City and its affiliates in connection with such activities. In the various course of their various business activities, the Underwriters and their respective affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the City (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the City. The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

MUNICIPAL ADVISOR

Urban Futures, Inc. (the "Municipal Advisor") has acted as Municipal Advisor to the City in conjunction with the issuance of the Series 2019 Bonds. The Municipal Advisor has assisted the City in preparation of this Official Statement and in other matters related to the planning, structuring, execution and delivery of the Series 2019 Bonds. The Municipal Advisor will receive compensation contingent upon the sale and delivery of the Series 2019 Bonds.

The Municipal Advisor has not audited, authenticated or otherwise independently verified the information set forth in the Official Statement, or any other information related to the City with respect to the accuracy or completeness of disclosure of such information. The Municipal Advisor makes no guaranty, warranty or other representation respecting the accuracy or completeness of this Official Statement or any other matter related to this Official Statement.

VERIFICATION OF MATHEMATICAL ACCURACY

Upon delivery of the Series 2019 Bonds, the Verification Agent will deliver a report on the mathematical accuracy of certain computations, contained in schedules provided to them that were prepared by the City, relating to the sufficiency of monies to pay, when due, the principal, whether at maturity or upon prior redemption, interest and redemption premium requirements with respect to the Series 2015 Bonds. The report of the Verification Agent will include the statement to the effect that the scope of its engagement is limited to verifying the mathematical accuracy of the computations contained in such schedules provided to it, and that it has no obligation to update its report because of events occurring, or date or information coming to its attention, subsequent to the date of its report.

MISCELLANEOUS

This Official Statement has been duly approved, executed and delivered by the City.

There are appended to this Official Statement, among other things, a summary of certain provisions of the principal legal documents, the proposed form of opinion of Bond Counsel, a general description of the City and a

description of DTC's Book-Entry Only System. The Appendices are integral parts of this Official Statement and must be read together with all other parts of this Official Statement.

This Official Statement is not to be construed as a contract or agreement between the City and the purchasers or Owners of any of the Series 2019 Bonds. Any statements made in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended merely as an opinion and not as representations of fact. The information and expressions of opinion herein are subject to change without notice and neither the 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 financial condition, results of operations or any other affairs of the City since the date hereof.

[Signature page follows.]

EXECUTION AND DELIVERY

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

CITY OF PASADENA

By: _____
Director of Finance

APPENDIX A

THE CITY OF PASADENA

General

The City of Pasadena, California (the "City") was incorporated in 1886 and became a freeholder charter city in 1901. The City adopted its city manager form of government by amendments to the City Charter in 1921. The City Council is responsible for the administration of the City.

The City covers nearly 23 square miles and is located in Los Angeles County in the northwestern portion of the San Gabriel Valley. The City is bounded on the west by the cities of Los Angeles, La Cañada and Glendale, on the south by South Pasadena and San Marino, on the east by Arcadia and Sierra Madre, and on the north by the unincorporated community of Altadena and the San Gabriel Mountains.

In addition to general governmental services such as fire and safety, the City provides its approximately 140,000 residents with power, water and refuse services. The Southern California Gas Company supplies natural gas, and the County of Los Angeles provides sewage services.

The City consistently receives international recognition for the Rose Parade and Rose Bowl events and has achieved significant success in blending urban amenities with suburban neighborhoods. Engineering, finance and health care comprise the primary industry sectors. In addition, the academic and research pursuits of the California Institute of Technology, the Jet Propulsion Laboratory and the Art Center College of Design bring a unique combination of resources to the City. The City's downtown continues to serve as the corporate and entertainment center for the San Gabriel Valley's 1.8 million residents.

City Council

All powers of the City are vested in the City Council which is empowered to carry out the provisions of the City Charter and perform all duties and obligations of the City as imposed by State law. The City has an eight-member City Council comprised of members elected in seven City Council districts and a citywide elected mayor. Each Council Member and the Mayor are elected for four-year staggered terms. The Council Members elect the Vice-Mayor from their membership, who traditionally serves two consecutive one-year terms. The names, occupations and term expirations of the current members of the City Council are as follows:

<u>Name</u>	<u>Occupation</u>	<u>Term Expiration</u>
Terry Tornek, Mayor	Real Estate Investor	December 2020
Tyrone A.L. Hampton (District 1)	Business Owner	December 2020
Margaret McAustin (District 2)	Asset Manager - Real Estate	December 2020
John J. Kennedy (District 3)	Executive Consultant	December 2022
Gene Masuda, Vice Mayor (District 4)	Business Owner	December 2020
Victor Gordo (District 5)	Attorney	December 2022
Steve Madison (District 6)	Attorney	December 2020
Andy Wilson (District 7)	Business Owner	December 2022

City Staff

Steve Mermell, City Manager, was appointed Pasadena City Manager in July 2016, after having served as the City's Interim City Manager for the previous five months, and as Assistant City Manager since 2009. Mr. Mermell has spent his entire professional government service career at Pasadena and is well-acquainted with all aspects and operations of the City by working in a variety of positions since joining the organization in 1989 as an analyst for the Water and Power Department. In addition to the top management positions, he has held numerous key positions, including, among others, Acting Finance Director, 2008-2009; Deputy Finance Director, 2006-2007; Budget Administrator, 2001-2006, and Purchasing Administrator, 1995-2001. Mr. Mermell also fulfilled temporary assignments as the director for both the Planning and Public Health departments.

As Pasadena's City Manager, Mr. Mermell is responsible for implementing the policies and ordinances enacted by the Pasadena City Council; and ensuring that the City's Charter and Municipal Code are properly utilized by the City's 17 departments and 2,000-plus employees. He is responsible for development of the City's annual operating and capital improvement program budgets, which is approximately \$871 million for Fiscal Year 2019-2020 that began July 1, 2019, and also includes funding for the City's three Operating Companies—the Rose Bowl (Stadium) Operating Company; the Pasadena (Convention) Center Operating Company and the Pasadena Community Access Corporation, which oversees the public, education and government (PEG) cable channels for Pasadena.

During his time at Pasadena, Mr. Mermell has helped ensure stability for several city departments and has guided the City's economic development strategies during the recent Great Recession, including moving forward with a successor plan for redevelopment agency issues. He had a lead role in transforming the City Public Health Department's clinical programs from City to non-profit health providers; led a task force to successfully address funding issues associated with the City's closed Fire and Police Retirement System and its \$150 million unfunded liability; developed working agreements to strengthen ties between the City and the Pasadena Unified School District to better use City and PUSD resources to benefit Pasadena children; and negotiated a new long-term lease for the historic Pasadena Playhouse, California's official State Theater, in wake of the theater organization's bankruptcy.

As City Manager, Mr. Mermell also now leads the City's Executive Leadership Team, comprised of 13 Department Directors, the City Attorney, City Clerk, Assistant City Managers and Public Information Officer; and is the City's chief executive liaison for the Tournament of Roses Association; the Chamber of Commerce and the numerous business improvement and management districts throughout town. Mr. Mermell has a master's degree in Public Administration and a bachelor's degree in Political Science, both from the California State University, Northridge.

Matthew E. Hawkesworth, Director of Finance, joined the City in October 2015. His responsibilities include management of the financial affairs of the City and the Successor Agency to the Pasadena Community Development Commission, which include: preparation of the annual operating budget; preparation of the Comprehensive Annual Financial Report (CAFR); purchasing; collections; payroll; investments; debt management and financing of major City capital improvements. Prior to his current position, he served as Assistant City Manager for the City of Rosemead for eight years overseeing Finance, Human Resources, Public Works, Technology and Risk Management; Finance Director/Treasurer for the City of Claremont for three years; and a variety of positions in the Finance Department for the City of El Monte over nine years. Mr. Hawkesworth received his Bachelor of Arts degree in Social Science (economics and political science) from the University of La Verne (California) in 1995. He has completed numerous advanced courses in finance and accounting through the Government Finance Officers Association and is a graduate of the Claremont Leadership Academy, sponsored by the Claremont McKenna College Kravis Leadership Institute. During his career, Mr. Hawkesworth has been an active participant of the Government Finance Officers Association and California Society of Municipal Finance Officers, serving as a budget and CAFR reviewer for the annual awards program; served on the League of California Cities Revenue and Taxation Committee and Other Post-Employment Benefits (OPEB) Taskforce. Mr. Hawkesworth also has a humanistic side, demonstrated by his founding of a non-profit organization in 2011 dedicated to providing refurbished bicycles and new helmets to low-income and at-risk youth.

Michele Beal Bagneris, City Attorney, was named the Pasadena City Attorney in May 1997. At that time, she was a shareholder in the law firm of Richards, Watson & Gershon, where she specialized in public law since joining the firm in 1983. Initially, while serving as City Attorney, she continued to practice law as a member of the law firm, advising public clients in a wide range of areas, including land use, general advisory matters, litigation, labor and employment, code enforcement and nuisance abatement matters. She also served as the City Attorney for the City of Monrovia from 1992 through September 1999, when she became the in-house City Attorney for the City of Pasadena. She currently serves in that position and is also the City Prosecutor. As the City Attorney/City Prosecutor, she is responsible for managing all legal matters for the City, including supervision of in-house lawyers and any outside counsel engaged to advise the City. Ms. Bagneris received her bachelor's degree in International Relations from Stanford University in 1980 and her Juris Doctorate Degree in 1983 from Boalt Hall School of Law, University of California, Berkeley. She is active in professional and community organizations including serving as President of the Los Angeles County Prosecutor's Association; past President of the League of California Cities City Attorney's Department; past President of the City Attorney's Association of Los Angeles County; and member of other legal and

community organizations. She is admitted to practice law in the State of California, United States District Court and the U.S. Court of Appeals, Ninth Circuit.

Population

The following table presents a ten-year history of the population of the City since 2009.

**TABLE A-1
POPULATION
For Years 2009 through 2019**

Year (as of January 1)	Population
2009	150,185
2010	136,769
2011	138,768
2012	139,222
2013	140,102
2014	140,879
2015	141,510
2016	141,023
2017	143,333
2018	144,388
2019	146,312

Source: State of California, Department of Finance.

Education

Total enrollment within the Pasadena Unified School District is shown below for the last ten fiscal years.

**TABLE A-2
PASADENA UNIFIED SCHOOL DISTRICT
TOTAL ENROLLMENT⁽¹⁾
Fiscal Years 2008-09 through 2018-19**

Fiscal Year Ended June 30	Total Enrollment
2009	20,526
2010	20,084
2011	19,803
2012	19,805
2013	19,540
2014	19,102
2015	18,586
2016	18,492
2017	18,410
2018	18,164
2019	17,748

Source: California Department of Education.

Employment

Although no annual calendar year information is regularly compiled on employment and unemployment in the City alone, fiscal year unemployment rates can be found in Table 18 of the City's Comprehensive Annual Financial Report attached hereto as Appendix B.

The following table shows employment, unemployment and labor force information for Los Angeles County for calendar years 2013 through 2019.

**TABLE A-3
LOS ANGELES COUNTY
EMPLOYMENT, UNEMPLOYMENT AND LABOR FORCE
AVERAGES FOR CALENDAR YEARS 2013 THROUGH 2019⁽¹⁾
(in thousands)**

	2013	2014	2015	2016	2017	2018	2019 ⁽¹⁾
County Employment	4,471	4,659	4,707	4,777	4,884	4,930	4,864
County Unemployment	490	376	284	213	240	236	257
County Civilian Labor Force	4,960	5,035	4,992	4,990	5,124	5,166	5,122
County Unemployment Rate	9.9%	7.5%	5.7%	4.3%	4.7%	4.6%	5.0%
State Unemployment Rate	8.9%	7.0%	6.2%	5.7%	4.8%	4.1%	4.1%

Source: State of California Employment Development Department. Current Labor Force and Industry Employment.
Los Angeles-Long Beach Metropolitan Statistical Area.

⁽¹⁾As of July 2019

Major Employers

Industry in the City is diversified. Some of the leading industries include higher education, research and development, health care, financial services and communications. The major employers within the City as of June 2019 are listed below.

**TABLE A-4
MAJOR EMPLOYERS
2019**

Company	Approximate Number of Employees	Business Line
California Institute of Technology-Jet Propulsion Laboratory	6,197	Aerospace Research
California Institute of Technology-Campus	3,900	Education
Huntington Memorial Hospital	3,737	Hospital
Kaiser Permanente	3,152	Health Care
Pasadena Unified School District	2,420	Education
The City of Pasadena	2,139	Government
Pasadena City College	2,619	Education
Art Center College of Design	1,177	Education
Bank of America	700	Financial
Hathaway-Sycamores	673	Social Services
Western Asset	573	Financial
CIT/One West Bank	554	Financial
East West Bank	552	Financial
The Langham Huntington Hotel (Ritz-Carlton)	541	Hotel
Parsons Corporation	504	Engineering/Construction
Open X	300	Software
Green Dot	350	Financial
Rusnak Pasadena	355	Automotive Retail
Pacific Clinics Administration	254	Healthcare
Bluebeam	250	Software
Tetra Tech	250	Engineering
ATT (SBC in 2007)	200	Telecommunication
Alexandria RE	200	Financial
Carnegie Institute of Science/GMTO	200	Research
ACCO Enginerr	200	Engineering
ADP	180	Financial

Source: City of Pasadena, Economic Development Division.

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Housing

The following table presents a ten-year history of total housing units within the City, for the fiscal years 2009 through 2019.

**TABLE A-5
HOUSING UNITS⁽¹⁾
For Fiscal Years 2008-09 through 2018-19**

Fiscal Year Ended June 30	Housing Units
2009	58,800
2010	59,331
2011	60,178
2012	60,263
2013	60,314
2014	60,369
2015	60,361
2016	60,703
2017	61,766
2018	62,170
2019	62,653

⁽¹⁾As of fiscal year end. Includes single family dwellings and multifamily units, including rental units and condominiums.

Source: State of California, Department of Finance; Years 2009-2010 – E-8 Historical Population and Housing Estimates for Cities, Counties, and the State; Years 2011-2015 – E-5 Population and Housing Estimates for Cities, Counties and the State, Years 2016-2019.

Building Permit Activity

The City's General Plan targets development in the City, providing for growth in employment and housing. Since 1992 (the year the General Plan was approved), there have been seven specific plan areas established and approved by the City Council for the following areas: North Lake, West Gateway, South Fair Oaks, East Pasadena, East Colorado, Fair Oaks/Orange Grove and the Central District. The Land Use and Mobility Elements of the General Plan were updated in 2004 at the same time the City's Zoning Code was updated.

The following table shows the value of building permits issued in the City for fiscal years 2010-11 through 2018-19.

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TABLE A-6
CITY OF PASADENA
BUILDING PERMIT VALUATION AND PERMIT ACTIVITY
for Fiscal Years 2010-11 through 2018-19
(Valuation in Millions)

	Fiscal Year Ended June 30,								
	2011	2012	2013	2014	2015	2016	2017	2018	2019
Building Permit Valuations									
Nonresidential	\$ 56.3	\$ 92.5	\$ 62.8	\$ 97.5	\$103.3	\$ 72.8	\$ 61.3	\$ 18.8	\$ 59.8
Residential	24.4	24.3	34.5	37.4	48.6	47.4	22.2	64.7	39.1
Residential New Construction	<u>9.8</u>	<u>61.2</u>	<u>23.3</u>	<u>81.1</u>	<u>124.7</u>	<u>118.8</u>	<u>112.4</u>	<u>101.4</u>	<u>174.2</u>
Total	\$90.5	\$178.1	\$120.6	\$216.1	\$276.6	\$239.1	\$195.9	\$184.9	\$273.1
Number of Permits Issued									
Non Residential	619	717	663	606	663	570	580	585	542
Residential	2,077	3,022	2,106	2,234	2,188	2,867	2,377	2,517	2,452
Residential New Construction	<u>39</u>	<u>25</u>	<u>20</u>	<u>27</u>	<u>40</u>	<u>38</u>	<u>52</u>	<u>39</u>	<u>45</u>
Total	2,735	3,764	2,789	2,867	2,891	3,475	3,009	3,141	3,039

Source: City of Pasadena, Planning and Permitting Department.

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Taxable Sales

The following table indicates taxable transactions in the City by type of business for the twelve-month periods ending September 30, 2013 through September 30, 2018.

TABLE A-7
CITY OF PASADENA
TAXABLE TRANSACTIONS BY TYPE OF BUSINESS
(\$ in Millions)

Type of Business	Twelve-Month Periods Ended September 30,					
	2013	2014	2015	2016	2017	2018
Apparel Stores	\$ 191.4	\$ 191.3	\$ 189.2	\$ 188.1	\$ 178.9	\$ 179.0
Auto Dealers & Supplies	464.8	502.2	569.6	569.8	611.1	651.4
Building Materials	127.1	139.9	149.5	154.4	162.2	170.2
Drug Stores	32.0	32.3	32.4	32.3	34.7	35.5
Eating & Drinking Places	458.3	483.9	522.3	555.1	582.8	598.3
Food Stores	120.9	123.3	125.5	129.1	118.0	124.4
Furnishing & Appliances	274.6	273.0	295.4	289.1	276.4	290.8
General Merchandise	236.3	227.2	222.4	219.1	216.2	213.1
Other Retail Stores	267.7	278.3	266.6	265.6	268.2	275.0
Packaged Liquor	29.3	29.5	30.5	30.0	32.6	38.6
Service Stations	180.4	175.1	153.5	132.8	141.7	155.4
Total Retail	2,382.8	2,456.0	2,556.9	2,565.4	2,622.8	2,731.7
Non-Store & Part time Retailers	5.3	5.5	4.8	5.4	5.3	4.5
Business, Serv & Repair Group	188.5	202.8	212.5	223.1	229.3	226.4
Manufacturer & Wholesaler Group	291.3	251.0	228.1	185.2	223.3	141.5
Total Point of Sales	\$2,867.9	\$2,915.3	\$3,002.3	\$2,979.1	\$3,080.7	\$3,104.2

Source: State Board of Equalization, City of Pasadena: HDL Companies.

Community Facilities

The City has a central library and eight branch libraries, four community centers, 24 parks and 33 playgrounds. Other entertainment and cultural facilities include the Rose Bowl, the Norton Simon Museum, the Pacific Asia Museum, the Gamble House, the Wrigley Estate, California Institute of Technology, Beckman Auditorium, the Pasadena Civic Auditorium and the Pasadena Playhouse. The City has long enjoyed a reputation as a community rich in culture, traditions and quality of life. The City is also home to the Tournament of Roses, sponsors of the well-known New Year's Day Parade and Rose Bowl football game held in the City each January.

Transportation

The City is served by an extensive surface and air transportation network. Several major freeways make the City accessible to the entire Los Angeles Basin. The City is served by three commercial airports: Bob Hope Airport, located in nearby Burbank, is within 15 miles, Los Angeles International Airport is within 27 miles and Ontario International Airport is within 45 miles. Continental Trailways and Greyhound bus lines have local depots in the City. The City supplements the local Metropolitan Transit Authority and the Foothill Transit Authority bus routes with the Pasadena Area Rapid Transit Services ("ARTS") bus services to expand the covered area. The ARTS buses provide convenient and nominal-fare transportation between many of the City's residential neighborhoods, retail, business and entertainment centers within the City. There are currently two ARTS routes that offer service seven days per week. In addition, the City provides Dial-A-Ride, which is a bus service available to the elderly and disabled for a nominal usage fee.

The nearest port facilities are located in the Los Angeles and Long Beach harbors which are approximately 30 and 35 miles away, respectively. The \$1 billion Alameda Corridor East project, being undertaken by the Alameda Corridor East Construction Authority, consists of safety upgrades, traffic signal control measures, road widening and grade separation projects to improve traffic conditions along the railroad facilities connecting the Ports of Los Angeles and Long Beach with the transcontinental rail network through the San Gabriel Valley, creating a faster, more efficient method of distributing trade.

In addition, the Gold Line of the Metro Line light rail system runs from Union Station in the City of Los Angeles, through the City and terminates in the City of Sierra Madre. The Gold Line began operations in 2003.

Employee Relations

City employees are represented by various unions and labor relations have been generally amicable. The City has experienced no major strikes, work stoppages or other incidents. Currently, most City employees are represented by unions. Set forth below is a table indicating the various unions representing employees within the City. The number of employees represented by these unions as of August 21, 2019, and the dates on which the current labor agreements expire (there are no provisions for the reopening of wage or benefit levels prior to expiration) are set forth in the following table.

**TABLE A-8
CITY OF PASADENA
EMPLOYEE UNION REPRESENTATION**

Name of Union	Number of Employees Represented as of August 21, 2019	Expiration of Contract
American Federation of State, County and Municipal Employees	265	June 30, 2019*
International Brotherhood of Electrical Workers	104	June 30, 2019*
International Union of Operating Engineers	18	June 30, 2020
Service Employee International Union	25	June 30, 2021
Laborers International Union of North America	326	June 30, 2022
Pasadena Fire Fighters Association	145	June 30, 2020
Pasadena Police Officers Association	204	June 30, 2021
Pasadena Fire Fighters Management Association	6	June 30, 2020
Pasadena Management Association	459	June 30, 2020

*The labor agreements for the American Federation of State, County and Municipal Employees and the International Brotherhood of Electric Workers are currently under negotiation.
Source: City of Pasadena, Human Resources Department.

In contract negotiations between 2014-16, employees represented by the various unions and employee organizations agreed that employees will assume full or partial responsibility for their respective obligation owed by the employees to the California Public Employees' Retirement System ("CalPERS"). Prior to these negotiations, the City had agreed with the Police Officers Association ("POA"), Fire Fighters Association ("FFA"), American Federation of State, County and Municipal Employees ("AFSCME"), and Pasadena Management Association ("PMA") to pay (or "pick-up") all or a portion of the employees' required contribution to CalPERS. These employee contributions range from 6.25% to 11.75% in total compensation.

As of January 1, 2019, PMA members began paying their full 8% obligation and as of July 1, 2019, began paying an additional 1.25% as a cost-share of the employer rate for a total of 9.25%. The City continues to pick up the full 8% for AFSCME membership contribution. AFSCME members offset this amount by paying 8% of the City's employer rate back to the City to have a net effect of zero. This payment arrangement with AFSCME results in an

increase in the income used to calculate pension benefits to employees under the CalPERS formula. The cost-share arrangements in place with the other employee organizations result in offsets to the City's CalPERS pension liabilities.

Retirement Systems

Pasadena Fire and Police Retirement System.

General.

Police and Fire personnel hired prior to July 1, 1977 were covered by the City's Fire & Police Retirement System ("FPRS"). FPRS was originally established by the City Charter in 1919. FPRS was closed on June 30, 1977 but continues to pay out benefits to retirees and their beneficiaries. FPRS covers all sworn fire and police personnel who were employed by the City prior to July 1, 1977, except those who elected to transfer to the California Public Employees' Retirement System ("CalPERS") either when FPRS closed to new members or in June 2004. FPRS is managed by a five-member retirement board. As of June 30, 2018, FPRS had an unfunded actuarial accrued liability of \$29.0 million and had a funded ratio of 79.9%. For fiscal year 2017-18, the City's annual pension cost was \$6,927,000 for FPRS. In July 2018 the FPRS approved changes to its actuarial assumptions, reducing the discount rate and rate of return to 5.75% and the inflation rate to 2.75%. The actuarial value of FPRS' assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period (smoothed market value). Copies of FPRS' annual financial report may be obtained from the City's Department of Finance, 100 North Garfield Avenue, 3rd Floor, Pasadena, California 91109. This annual financial report includes the required three-year trend information. Additional information concerning the FPRS is also contained in Note 18 the City's Comprehensive Annual Financial Report for the year ended June 30, 2018 attached as Appendix B to this Official Statement.

Funding History.

In 1960, the City Charter was amended to provide an unlimited cost of living adjustment ("COLA") for the FPRS members that was fully adjustable based on changes in the consumer price index. With inflation in the broader economy during the subsequent years, the FPRS saw dramatic increases in the COLA and, therefore, in its expenses. In 1977, the FPRS was modified to increase contribution rates for the City and for active FPRS members. Additionally, active FPRS members were given the option of transferring to the CalPERS plan. However, few existing participants elected to join CalPERS and the modifications proved inadequate to address the continuing rise in the COLA benefit.

The City attempted to roll back the COLA benefit and successfully obtained voter approval in 1981 for a City Charter amendment that limited the COLA to 2%. However, the Pasadena Police Officers Association sued successfully, claiming that the amendments impaired the vested rights of its members. An appellate court upheld the ruling and the uncapped COLA was reinstated.

In 1987, the City sponsored and secured the passage of Senate Bill No. 481 ("SB 481"), which established a funding mechanism for the FPRS. SB 481 authorized the City to utilize payments made by the Pasadena Community Development Commission (the "Commission") under a reimbursement agreement entered into in 1987 (the "Reimbursement Agreement"), after required deductions, for the purpose of funding the City's liabilities to FPRS. The Commission's payments consisted of property tax increments from the City's Downtown Project Area (hereinafter defined as the "SB 481 Receipts"). The Reimbursement Agreement was validated by SB 481, which became law in 1987. Under SB 481, the right to receive SB 481 Receipts terminated on December 31, 2014. As described below, the enforceability of the Reimbursement Agreement was successfully challenged by the State.

In 1999, after the FPRS-funded status dropped to approximately 30%, the City and the FPRS negotiated a Contribution Agreement (the "Prior Contribution Agreement") whereby the City agreed to issue approximately \$100 million of pension obligation bonds (i.e., the Series 1999 Bonds) and transfer the proceeds to the FPRS in order to increase the actuarial funding level to 70%. See "INTRODUCTION – Outstanding Pension and Other Obligations Payable from the City General Fund." Further, the City agreed to make supplemental contributions to the FPRS to ensure that the funding level increased by ½% each year for 20 years, in order to reach a funding level of 80% by 2020. FPRS, in turn, assigned to the City its rights to receive the SB 481 Receipts under a prior agreement, but required

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such revenues to be applied to the payment of the City's funding obligations to FPRS, including payments on the City's pension obligation bonds.

In 2004 the City issued approximately \$40 million of additional pension obligation bonds (i.e., the Series 2004 Bonds) in order to maintain the contribution levels agreed upon in the Prior Contribution Agreement. This occurred after a dispute between the City and the FPRS regarding the accounting methodology for treating the investment losses of the early 2000s. The FPRS agreed to allow the actuarial valuation to be conducted without the requirement that the actuarial value of assets remain within a 20% "corridor" around the actual market value of assets, in exchange for the City providing additional funds through the issuance of the 2004 Bonds.

In November 2011, the City and FPRS agreed to amend the Prior Contribution Agreement (such amendment herein referred to as the "Amended Contribution Agreement") for the purpose of revising the methodology used to calculate the unfunded liability of the City and the City's required payments to the FPRS. To fulfill its commitment under the Amended Contribution Agreement, the City issued a third series of pension bonds (i.e., the Series 2012 Bonds) in the principal amount of \$47,440,000 and deposited the proceeds with FPRS. Prior to the Amended Contribution Agreement, FPRS was required to use, in its actuarial calculations, the average assumed investment return and cost of living adjustment used by counties with pension systems established under 1937 Act ("1937 Act Counties").

On May 7, 2015, the City refunded or retired all of the outstanding Series 1999 Bonds, the Series 2004 Bonds and the Series 2012 Bonds with the proceeds of the Series 2015 Bonds.

Under the Amended Contribution Agreement, the City must pay to FPRS, in addition to the net proceeds of the Series 2012 Bonds, supplemental payments ("Supplemental Payments") if FPRS falls below the required minimum funding percentage in any fiscal year, to fund the unfunded accrued actuarial liability (the "UAAL") of FPRS. The Amended Contribution Agreement requires FPRS to be at least 75.5% funded for the fiscal year in which the City paid the net proceeds of such bonds to FPRS (the "Minimum Funding Percentage"). For each succeeding year, the Minimum Funding Percentage increases by 0.5% per year over a nine-year period, up to 80%. To protect the City against large swings in asset values from one year to the next, the annual amount of any Supplemental Payments is subject to a cap, which is the lesser of certain benefit payments paid by FPRS in the prior fiscal year, or \$3 million, plus a varying percentage of any funding deficit in the Minimum Funding Percentage over \$3 million, beginning with 20% of the remaining deficit in the base year up to 100% of any deficit remaining for the fifth and any subsequent consecutive fiscal year following the base year.

The principal change implemented by the Amended Contribution Agreement was to alter the assumed rate of investment and cost of living adjustments used to calculate the Minimum Funding Percentage and UAAL. The Amended Contribution Agreement allows FPRS to use rates of investment and cost of living increases recommended by FPRS's actuary and approved by FPRS after consultation with the City and the City's consultants. When the Amended Contribution Agreement was executed in November 2012, the average investment rate used by 1937 Act Counties was approximately 8%; following execution, the actuarial rate as recommended by the system's actuary was reduced to 6.5%. The actuarial valuation for the year ended June 30, 2017 assumed, among other assumptions, a discount rate of 6.5% and an inflation rate of 3%. In July 2018, the FPRS approved changes to its actuarial assumptions, reducing the discount rate and the rate of return to 5.75% and the inflation rate to 2.75%.

The City structured \$121,490,000 principal amount of the Series 1999 Bonds, the Series 2004 Bonds and the Series 2012 Bonds to mature, or to be subject to mandatory tender, on May 15, 2015, with the expectation that the SB 481 Receipts would be sufficient to pay approximately \$40 million of the maturing principal amount or purchase price of such bonds, as applicable. However, as the SB 481 Litigation was not resolved by May 2015, the City refinanced all of its pension obligation bonds in 2015.

In July 2018, the Fire and Police Retirement Board approved changes to its actuarial assumptions, including reducing the discount rate and rate of return to 5.75% and the inflation rate to 2.75% as well as assumptions relating to morality resulting from a new experiential and mortality study. As a result, an actuarial report indicates a reduction

of the funding ratio to 79.9% as of June 30, 2018, satisfying the minimum funding requirement of 79% in accordance with the procedures of the Amended Contribution Agreement. The actuary has also projected the need for supplemental General Fund contributions beginning in fiscal year 2020 (estimated at \$3.1 million). This report was presented to the FPRS Board. Further, the additional projected General Fund contributions have not been included in the City's five-year financial plan projections included in this Official Statement. The funding history for the FPRS is shown in Table A-14 herein.

In March 2019, the City entered into an amendment to the Amended Contribution Agreement with FPRS to establish a beneficial interest of FPRS in the City's Concord property (the "Concord Property"). The Concord Property is a 14-story, 150-unit low-income senior citizen rental housing complex totaling 87,738 square feet, constructed in 1966 and located on a 1.2 acre site at 275 East Cordova Street. The Concord Property is comprised of 149 units that are age-, income-, and rent-restricted, and one resident manager's unit; these 150 units consist of 58 studio units and 92 one-bedroom units. The Concord Property is owned by the City and is operated by Pasadena RHF Housing, Inc. through a ground lease agreement (the "Concord Ground Lease Agreement"). The City assigned to the FPRS 100% of the past due amount and all future rents and income from operations through the term of the Concord Ground Lease Agreement, which expires on August 1, 2031, or until the City sells the Concord Property, whichever occurs first. In addition to operational related revenues, the City projects that FPRS will also receive 93% of any proceeds generated from the sale of the Concord Property. If a sale were to occur, the accrued rent plus any subsequent annual rent and interest as outlined above would be transferred to FPRS first, and any remaining sale proceeds would be allocated to FPRS based upon the 93% beneficial interest. Per the original action in 1989, the remaining 7% beneficial interest will be allocated to the Pasadena Housing Successor Agency.

Through the sale of the Concord, FPRS is projected to receive approximately \$14.57 million of net proceeds in fiscal year 2020 and an additional \$5.88 million in fiscal year 2023. If these proceeds are realized, the City projects that the FPRS would be funded at close to 90%, and the next City contribution would likely be pushed back to fiscal year 2027 or beyond. In the event the Concord Property transaction does not proceed, the City projects that it will need to make additional supplemental contributions annually to the system for at least the next 20 years ranging from \$3.8 million to \$1.2 million.

SB 481 Litigation.

Through 2011, SB 481 Receipts received by the City under the Reimbursement Agreement were sufficient to cover the debt service on the City's pension obligation bonds, to provide funds for the City to make required supplemental payments to the FPRS under the prior contribution agreement, as amended and superseded (as described above) and to generate a reserve fund to be used for future obligations of the FPRS.

Following passage of the State legislation ABx1 26 in 2011, which required the dissolution of California redevelopment agencies ("CRA's"), including the Commission and the disposition and winding-up of the operations of CRA's, the State challenged the enforceability of the Reimbursement Agreement. In January 2017, following years of litigation, a California Appellate Court determined that the Reimbursement Agreement was not an "enforceable obligation" under ABx1 26 and required that SB 481 Receipts, which had been temporarily escrowed pending the outcome of the litigation, must be returned to the local taxing entities. As a result, in fiscal year 2017-18, the \$39.7 million in escrow was distributed to the local taxing entities, with the City receiving approximately \$8.4 million.

Investment Status.

As of June 30, 2019, FPRS' investment assets were allocated as follows:

**TABLE A-9
CITY OF PASADENA
FIRE AND POLICE RETIREMENT SYSTEM
PORTFOLIO INFORMATION
as of June 30, 2019 (unaudited)**

<u>Description of Assets</u>	<u>Market Value</u>	<u>Percentage of Portfolio</u>
Cash and cash equivalents	\$ 5,039,695	4.38%
Interest	123,972	0.11
Government and agencies	18,336,335	15.93
Fixed income mutual funds	15,435,016	13.41
Domestic corporate obligations	19,304,683	16.77
International corporate obligations	600,707	0.52
Real estate	11,434,054	9.93
Real estate investment (REITS)	109,432	0.10
Domestic corporate stocks	22,380,573	19.44
International corporate stocks	22,374,765	19.43
TOTAL	<u>\$115,139,234</u>	<u>100.00%</u>

Source: City of Pasadena, Department of Finance.

FPRS has a number of investment objectives. The primary goals are to provide participants with scheduled retirement benefits and meet or exceed the rate of inflation in its investments, as measured against the consumer price index. In addition, its objective is to achieve a higher rate of return over a three to five year period with less than average volatility, with enhanced return over a longer period, such as five years, being more important than the preservation of capital during a one-year period of time.

Under its investment guidelines, FPRS must maintain sufficient liquidity to meet FPRS' cash needs. It may invest in equity securities, U.S. government bonds, corporate bonds and dollar denominated foreign bonds, certain kinds of mortgage backed securities, money market funds, and American Depository Receipts of foreign securities. Fixed income securities must be rated Baa/BBB or better by nationally recognized rating agencies. The assets of FPRS may not be invested in options, commodities or futures, nor may securities be sold short or purchased on margin.

The City is responsible for paying benefits to FPRS, as described above. A variety of factors will affect the extent of the City's liability to FPRS, including actual investment performance of FPRS' assets, actual changes in the consumer price index, and FPRS' actual mortality and benefit payment experience, all as compared with the assumptions, and changes in actuarial assumptions and methods, including the assumed rate of investment return. Further continued market volatility and the possibility of a "double dip" recession may require substantial additional contributions to FPRS over time.

California Public Employees' Retirement System.

General.

Almost all permanent City employees, except police and fire CalPERS personnel employed prior to July 1, 1977, are members of CalPERS for purposes of pension benefits. CalPERS is an agent multiple employer public employee retirement system which acts as a common investment and administrative agent for participating public employers within the State of California. The plan provides retirement and disability benefits, annual cost-of-living

adjustments and death benefits to plan members and their beneficiaries. CalPERS issues a separate publicly available financial report that includes financial statements and required supplemental information of participating public entities within the State of California. The most recent annual report issued by CalPERS to the City was in July 2018 (the "July 2019 CalPERS Report"). The July 2019 CalPERS Report includes information based on the June 30, 2018 actuarial valuation of assets included therein (the "2018 Actuarial Valuation"). Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, Lincoln Plaza Complex, 400 Q Street, Sacramento, CA 95811 or at www.calPERS.ca.gov. The July 2019 CalPERS Report to the City can also be found on the City's website at <http://cityofpasadena.net/Finance/PERS-Actuarial-Reports>. Additional information about the CalPERS Plans can also be found in Note 18 to the City's Comprehensive Annual Financial Report attached as Appendix B to this Official Statement.

CalPERS is a contributory plan deriving funds from employer and employee contributions as well as earnings from investments. Participants are required to contribute a percentage of their annual covered salary. As of June 30, 2016, the contribution rates were 8% for miscellaneous employees and 9% for safety employees. In some cases, the City makes the contributions required of City employees on their behalf and for their account, but is wholly or partially reimbursed by employees. Different employee bargaining groups have different reimbursement rates ranging from the 8% to 12%. The City is also required to contribute at an actuarially determined rate. Benefit provisions and all other requirements are established by state statute or collective bargaining agreements with employee bargaining groups. See "Employee Relations" above.

Recent Actuarial Changes and Related Developments.

In recent years, the CalPERS Board of Administration (the "CalPERS Board") has taken several steps, as described below, intended to reduce the amount of the unfunded accrued actuarial liability of its managed plans. Many of the assumptions and policies implemented by the CalPERS Board have increased and are likely to continue to increase both the required contributions and the unfunded liabilities of its member employers, including the City.

On March 14, 2012, the CalPERS Board voted to lower the CalPERS' rate of expected price inflation and its investment rate of return (net of administrative expenses) (the "CalPERS Discount Rate") from 7.75% to 7.5%. On February 18, 2014, the CalPERS Board voted to keep the CalPERS Discount Rate unchanged at 7.5%. On November 17, 2015, the CalPERS Board approved a new funding risk mitigation policy to incrementally lower the CalPERS Discount Rate by establishing a mechanism whereby such rate is reduced by a minimum of 0.05% to a maximum of 0.25% in years when investment returns outperform the existing CalPERS Discount Rate by at least four percentage points. On December 21, 2016, the CalPERS Board voted to lower the CalPERS Discount Rate to 7.0% over a three year phase-in period in accordance with the following schedule: 7.375% in fiscal year 2017-18, 7.25% in fiscal year 2018-19 and 7.00% in fiscal year 2019-20. The new discount rate went into effect July 1, 2018 for the City and other member employers. Lowering the CalPERS Discount Rate means member employers like the City will see increases in their normal costs and unfunded actuarial liabilities. Active members hired after January 1, 2013, under the PEPRA (defined below) will also see their contribution rates rise.

On January 1, 2013, the Public Employees' Pension Reform Act of 2013 ("PEPRA") took effect. The impact of the PEPRA is described below.

In April 2013, CalPERS Board approved revised actuarial policies that were aimed at returning the CalPERS system to fully-funded status within 30 years. These policies include a rate-smoothing method with a 30-year fixed amortization period for gains and losses (rather than the current 30-year rolling amortization method). CalPERS delayed the implementation of the policies until fiscal year 2015-16, and as described below further revised these policies in subsequent years.

Also, on February 20, 2014, the CalPERS Board approved new demographic assumptions reflecting (i) expected longer life spans of public agency employees and related increases in costs for the CalPERS system and (ii) trends of higher rates of retirement for certain public agency employee classes, including police officers and firefighters. The increase in liability due to the new assumptions will be amortized over 20 years with increases phased in over five years, beginning with the contribution requirement for fiscal year 2016-17.

The CalPERS Board is required to undertake an experience study every four years under its Actuarial Assumptions Policy and State law. As a result of the most recent experience study, on December 20, 2017, the CalPERS Board approved new actuarial assumptions, including (i) lowering the inflation rate to 2.625% for the June 30, 2017 actuarial valuation and to 2.50% for the June 30, 2018 actuarial valuation, (ii) lowering the payroll growth rate to 2.875% for the June 30, 2017 actuarial valuation and 2.75% for the June 30, 2018 actuarial valuation, and (iii) certain changes to demographic assumptions relating to the salary scale for most constituent groups, and modifications to the morality, retirement, and disability retirement rates.

On February 14, 2018, the CalPERS Board approved a new actuarial amortization policy with an effective date for actuarial valuations beginning on or after June 30, 2019, which includes (i) shortening the period over which actuarial gains and losses are amortized from 30 years to 20 years, (ii) requiring that amortization payments for all unfunded accrued liability bases established after the effective date be computed to remain a level dollar amount throughout the amortization period, (iii) removing the 5-year ramp-up and ramp-down on unfunded accrued liability bases attributable to assumptions changes and noninvestment gains/losses established on or after the effective date and (iv) removing the 5-year ramp-down on investment gains/losses established after the effective date. While CalPERS expects that reducing the amortization period for certain sources of unfunded liability will increase future average funding ratios, provide faster recovery of funded status following market downturns, decrease expected cumulative contributions, and mitigate concerns over intergenerational equity, such changes may result in increases in future employer contribution rates.

There can be no assurances that CalPERS will not make additional changes to its actuarial assumptions and policies in the future impacting upon the City's required funding contributions and its unfunded accrued liability.

California Public Employees' Pension Reform Act (PEPRA).

On September 12, 2012, the Governor signed Assembly Bills 340 and 197, which enacted the California Public Employees' Pension Reform Act or PEPRA. Among other things, PEPRA created a new benefit tier for public employees hired on or after January 1, 2013, who are defined as "new members." PEPRA plans adopted by the City were 2% at 62 for the general member benefit formula and 2.7% at 57 benefit formula for safety and probation members. PEPRA requires all new members to have an initial contribution rate of at least 50% of the normal cost rate or the current contribution rate of similarly situated employees, whichever is greater. The normal contribution rate, as calculated by the CalPERS' actuary covers the cost of a current year of service. PEPRA prohibits employers from paying any of PEPRA members' contribution on the employees' behalf, with certain exceptions. PEPRA also limits the types of compensation that can be used and caps the total amount of compensation that can be used to calculate a pension. The City believes that the provisions of PEPRA will help control its pension benefit liabilities in the future.

GASB Statement Nos. 67 and 68.

On June 25, 2012, GASB approved Statements Nos. 67 and 68 ("Statements") with respect to pension accounting and financial reporting standards for state and local governments and pension plans. The new Statements, No. 67 and No. 68, replace GASB Statement No. 27 and most of Statements No. 25 and No. 50. The changes impact the accounting treatment of pension plans in which state and local governments participate. Major changes include: (1) the inclusion of unfunded pension liabilities on the government's balance sheet (previously, such unfunded liabilities were typically included as notes to the government's financial statements); (2) more components of full pension costs being shown as expenses regardless of actual contribution levels; (3) lower actuarial discount rates being required to be used for underfunded plans in certain cases for purposes of the financial statements; (4) closed amortization periods for unfunded liabilities being required to be used for certain purposes of the financial statements; and (5) the difference between expected and actual investment returns being recognized over a closed five-year smoothing period. The reporting requirements for government employers, including the City, took effect for the fiscal year beginning July 1, 2014, and affect reporting by the City for both the CalPERS plans and FPRS.

Annual Payments and Contribution Rates.

Under GASB 27, an employer reports an annual pension cost ("APC") equal to the annual required contribution ("ARC") plus an adjustment for the cumulative difference between the APC and the employer's actual

plan contributions for the year. The cumulative difference is called the net pension obligation. In order to calculate the dollar value of the ARC for inclusion in the financial statements, the applicable contribution rate is multiplied by the payroll of the covered employees that were paid during the relevant period.

Effective for financial statements beginning after July 1, 2014, GASB 68 replaced GASB 27. Hence, the annual report issued by CalPERS in 2015 reflected GASB 68. GASB 68 requires additional reporting that CalPERS is intending to provide upon request by its members.

Set forth below is a history of the City's contributions to the CalPERS, including projected payments from fiscal year 2005-06 through fiscal year 2025-26. The City contributed 100% of its APC in each completed year shown. The City estimates that approximately 65% of the payments to these plans is made from the City's General Fund. The City's contributions shown below do not include the employee pick up in prior years. See "Employee Relations."

Also set forth below are the historic and projected contribution rates to the CalPERS plans. The projected contribution rates for fiscal year 2020-21 through 2025-26 are provided by CalPERS in its July 2019 report. The CalPERS projections assumed that all actuarial assumptions (including among other assumptions, a 7.00% return in fiscal year 2020-21 and a 7% return for the remaining year projection period) will be realized and that no future changes to assumptions, contributions, benefits or funding will occur during the projection period. The July 2019 CalPERS Report states that due to the adopted changes in the CalPERS Discount Rate effective for the next valuation in combination with the five year phase-in ramp (as discussed above), the increase in the required contributions are expected to continue for six years from fiscal year 2020-21 through fiscal year 2025-26. A complete explanation of the CalPERS assumptions can be found in the 2018 Actuarial Valuation.

In July 2019, CalPERS reported a preliminary 7.00% net return on investments for the fiscal year ended June 30, 2019. In the two prior fiscal years ended June 30, 2018 and 2017, the reported return was 8.6% and 11.2%, respectively. CalPERS weighted average investment returns for the past five, ten and twenty years ending June 30, 2018 are 7.9%, 5.7% and 6.0%, respectively. As discussed above, the CalPERS Board voted in December 2016 to phase in an assumed 7% rate of return by fiscal year 2019-20. CalPERS has publicly indicated that it expects actual investment returns in the next ten years to be less than the 7% assumed rate of return. Actual investment returns lower than the actuarially assumed level (in and of itself) will result in decreased funding status and increased required contribution by the City.

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TABLE A-10
ANNUAL PAYMENTS TO RETIREMENT PLANS BY CITY
(\$ in Thousands)

Fiscal Year Ended June 30	CalPERS— Misc. Employees Total Contribution	CalPERS- General Fund Contribution Misc. Employees ⁽²⁾	CalPERS— Safety Employees Total Contribution	CalPERS- General Fund Contribution Safety Employees
2006	\$ 7,402	\$ 2,887	\$ 7,402	\$ 6,728
2007	10,056	3,295	10,056	8,498
2008	12,228	3,435	9,283	9,097
2009	12,580	3,768	9,916	9,718
2010	12,566	3,765	10,459	10,250
2011	12,518	4,381	10,346	10,139
2012	16,744	5,860	11,370	11,143
2013	17,439	5,929	10,993	10,773
2014	17,909	6,089	11,176	10,952
2015	18,552	6,308	10,533	10,322
2016	20,751	7,055	11,641	11,409
2017	25,894	8,804	15,724	14,973
2018	27,112	13,556	16,542	16,211
2019	29,841	14,921	18,841	18,464
2020 ⁽¹⁾	36,040	18,020	21,856	21,418
2021 ⁽¹⁾	39,175	19,587	23,865	23,388
2022 ⁽¹⁾	42,270	21,135	26,000	25,480
2023 ⁽¹⁾	45,039	22,519	27,479	26,929
2024 ⁽¹⁾	46,817	23,408	28,791	28,215
2025 ⁽¹⁾	48,840	24,420	25,617	25,105
2026 ⁽¹⁾	46,631	23,316	28,028	27,468

(1) Projected annual payment to retirement plan based on projected contribution rates on CalPERS plus unfunded Accrual Liability in July 2019 CalPERS Report.

(2) Historic Payment are net of City "pick-up". See "Employee Relations" herein.

Source: City of Pasadena, Department of Finance.

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**TABLE A-11
ANNUAL CONTRIBUTION RATES
TO CALPERS RETIREMENT PLANS BY CITY**

Fiscal Year Ended June 30	CalPERS Misc. Employees	CalPERS Misc. UAL \$	CalPERS Safety Employees	CalPers Safety UAL \$
2011	11.4%	-	23.6%	-
2012	15.5	-	26.6	-
2013	16.2	-	25.6	-
2014	17.4	-	27.2	-
2015	19.2	-	29.3	-
2016	21.1	-	31.8	-
2017	22.8	-	35.1	-
2018 ⁽¹⁾	7.9 ⁽³⁾	\$18,895,540 ⁽⁴⁾	17.1 ⁽⁵⁾	\$9,230,863 ⁽⁶⁾
2019 ⁽¹⁾	8.3 ⁽³⁾	21,920,840 ⁽⁴⁾	17.9 ⁽⁵⁾	10,953,259 ⁽⁶⁾
2020 ⁽²⁾	9.2 ⁽³⁾	25,084,564 ⁽⁴⁾	18.9 ⁽⁵⁾	12,900,362 ⁽⁶⁾
2021 ⁽²⁾	10.0 ⁽³⁾	27,226,688 ⁽⁴⁾	19.9 ⁽⁵⁾	14,399,802 ⁽⁶⁾
2022 ⁽²⁾	10.0 ⁽³⁾	29,994,000 ⁽⁴⁾	19.9 ⁽⁵⁾	16,257,000 ⁽⁶⁾
2023 ⁽²⁾	10.0 ⁽³⁾	32,425,000 ⁽⁴⁾	19.9 ⁽⁵⁾	17,468,000 ⁽⁶⁾
2024 ⁽²⁾	10.0 ⁽³⁾	35,856,000 ⁽⁴⁾	19.9 ⁽³⁾	18,505,000 ⁽⁶⁾
2025 ⁽²⁾	10.0 ⁽³⁾	35,523,000 ⁽⁴⁾	19.9 ⁽³⁾	15,048,000 ⁽⁶⁾
2026 ⁽²⁾	10.0 ⁽³⁾	32,948,000 ⁽⁴⁾	19.9 ⁽³⁾	17,169,000 ⁽⁶⁾

- (1) Annual payment to retirement plan based on projected contribution rates on CalPERS actuarial report dated July 2017. Does not include City "Pick Up". See "Employee Relations" herein.
- (2) Projected annual payment to retirement plan based on projected contribution rates on CalPERS plus Unfunded Accrued Liability (UAL) actuarial report dated July 2019 Report.
- (3) Projected Normal Contribution Rate for Miscellaneous.
- (4) Amount of the Amortized Unfunded Actuarial Liability for Miscellaneous.
- (5) Project Normal Contribution Rate for Safety.
- (6) Amount of the Amortized Unfunded Actuarial Liability for Safety.

Source: City of Pasadena, Department of Finance.

Funding Status of Plans. Based on the 2019 Actuarial Valuation (which is the most recent actuarial valuation available), CalPERS reported an unfunded liability, as of June 30, 2018, of \$323.9 million for the City's miscellaneous employees as compared to an underfunding of \$294.4 million the previous year and an unfunded liability of \$187.2 million for safety employees as compared to \$165.7 million the previous year. Based upon this report, the City reported that its CalPERS obligation had a funded ratio of 71.8% based upon the market value of plan assets with respect to the City's miscellaneous employees and a funded ratio of 71.6% based upon the market value of plan assets for safety employees. As noted above, CalPERS has changed its discount rate assumptions. The funding status as of June 30, 2018 was calculated using a CalPERS Discount Rate of 7.00%. Also, as noted above CalPERS has changed its amortization and smoothing policies in 2013. Beginning with the June 30, 2015 Actuarial Valuations (that set fiscal year 2015-16 CalPERS contribution rates), CalPERS no longer uses an actuarial value of assets and instead employs an amortization and rate smoothing policy that will account for all gains and losses over a fixed 30-year period with the increases and decreases in the rate phased over a 5-year period. Also as noted above, CalPERS has changed smoothing policies (shortening the period from 30 to 20-years) for valuations on and after June 30, 2019.

The City provides pension benefits for employees not covered by CalPERS or FPRS through the Public Agency Retirement System ("PARS"), a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate from the date of employment. As of December 31, 2012, the covered employees are required to contribute the full 7.5% of their earnings. Prior to such date, the City contributed an amount equal to 4.0% of the employee's earnings and the covered

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employee contributed 3.5%. The City's payroll for employees covered by PARS for fiscal year 2017-18 was \$4,413,374. The covered employees made the total required 7.5% contributions of \$331,003.

The tables below summarize the funded status of the City's retirement plans as of the most recent actuarial valuation dates. Additional information regarding the City's employee retirement plans, annual pension costs, the funding status thereof and significant accounting policies related thereto is set forth in Note 18 to the City's Comprehensive Annual Financial Report for the year ended June 30, 2018, and in the CalPERS reports to the City, which can be accessed at <https://www.cityofpasadena.net/finance/financial-statements/#comprehensive-annual-financial-report>.

**TABLE A-12
CITY OF PASADENA
RETIREMENT PLAN TREND INFORMATION
(\$ in thousands)**

CALPERS - MISCELLANEOUS EMPLOYEES

Valuation Date (June 30)	Actuarial Liability (AAL) – Entry Age	Actuarial Asset Value*	(Overfunded) Unfunded AAL	Funded Ratio*		Annual Covered Payroll	(Overfunded) Unfunded AAL as a % of Covered Payroll
				AVA	Market Value		
2007	\$ 585,908	\$539,717	\$46,191	92.1%	106.8%	\$102,135	45.2%
2008	638,095	579,068	59,027	90.7	92.6	111,186	53.1
2009	732,713	607,710	125,003	82.9	60.6	116,952	106.9
2010	773,303	635,455	137,847	82.2	64.4	115,289	119.6
2011	819,327	666,290	153,037	81.3	72.3	110,571	138.4
2012	852,217	695,108	157,109	81.6	68.0	105,201	149.3
2013	882,572	641,333	241,239	72.7*	72.7*	104,378	231.1
2014	956,142	737,836	218,306	77.2	77.2	103,617	210.7
2015	982,774	734,946	247,827	74.8	74.8	104,325	237.5
2016	1,026,336	719,443	306,892	70.1	70.1	107,587	285.2
2017	1,074,696	780,285	294,410	72.6	72.6	108,837	270.5
2018	1,149,746	825,785	323,960	71.8	71.8	110,137	294.1

(*) Beginning with the June 30, 2013 actuarial valuation, the actuarial value of assets equals the market value of assets pursuant to CalPERS' Direct Rate Smoothing Policy.

Source: CalPERS actuarial valuations on the reporting date for each fiscal period.

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TABLE A-13
CITY OF PASADENA
RETIREMENT PLAN TREND INFORMATION
(\$ in thousands)
CALPERS - SAFETY EMPLOYEES

Valuation Date (June 30)	Actuarial Accrued Liability (AAL) – Entry Age	Actuarial Asset Value	(Overfunded) Unfunded AAL	Funded Ratio		Annual Covered Payroll	(Overfunded) Unfunded AAL as a % of Covered Payroll
				AVA	Market Value		
2007	\$285,822	\$238,041	\$ 47,781	83.3%	95.4%	40,138	119.0%
2008	317,140	262,817	54,323	82.9	83.5	42,996	126.3
2009	352,610	283,880	68,730	80.5	58.7	45,516	151.0
2010	373,670	307,056	66,614	82.2	64.7	45,643	145.9
2011	403,626	331,603	72,023	82.2	73.6	44,058	163.5
2012	429,718	355,015	74,703	82.6	69.5	42,612	175.3
2013	457,271	338,082	119,189	73.9*	73.9*	41,383	288.0
2014	501,785	395,729	106,057	78.9	78.9	41,014	258.6
2015	530,414	400,797	129,617	75.6	75.6	40,318	321.5
2016	561,743	398,312	163,432	70.9	70.9	41,688	392.0
2017	604,467	438,683	165,784	72.6	72.6	43,504	381.1
2018	658,183	470,973	187,210	71.6	71.6	43,923	426.2

(*) Beginning with the June 30, 2013 actuarial valuation, the actuarial value of assets equals the market value of assets pursuant to CalPERS' Direct Rate Smoothing Policy.

Source: CalPERS actuarial valuations on the reporting date for each fiscal period.

TABLE A-14
CITY OF PASADENA
RETIREMENT PLAN TREND INFORMATION
(\$ in thousands)
FPRS

Valuation Date (June 30)	Actuarial Accrued Liability (AAL) – Entry Age	Actuarial Asset Value	(Overfunded) Unfunded AAL	Funded Ratio	Annual Covered Payroll	(Overfunded) Unfunded AAL as a % of Covered Payroll
2008	178,748	131,321	47,427	73.5	179	26.5
2009	177,803	119,551	58,252	67.2	-	N/A
2010	166,096	109,740	56,356	66.1	-	N/A
2011	179,284	105,811	73,473	59.0	-	N/A
2012	174,249	136,272	39,977	78.2	-	N/A
2013	168,781	127,985	40,796	75.8	-	N/A
2014	159,516	130,183	29,333	81.6	-	N/A
2015	162,154	129,984	32,170	80.2	-	N/A
2016	155,824	125,479	30,345	80.5	-	N/A
2017	148,454	122,433	26,021	82.5	-	N/A
2018	147,816	118,034	29,782	79.9 ⁽¹⁾	-	N/A

Source: FPRS actuarial valuations through June 30, 2018.

⁽¹⁾ For the June 30, 2018 valuation, the funding discount rate has been reduced to 5.25% from 6% the prior year.

Post-Retirement Medical Benefits (OPEB)

The City provides a subsidy to retirees of the City who are members of CalPERS or FPRS. Two different levels of subsidy toward the purchase of medical insurance from CalPERS under the Public Employees' Medical and Hospital Care Act (PEMHCA) are offered. Benefit provisions are established and amended through negotiations between the City and the respective unions.

The City's current contribution requirements have been established at the individual retiree levels of \$136.00 or \$88.40 per month depending on bargaining unit membership and policy enacted by CalPERS pursuant to State law. These minimum requirements are established by CalPERS and adjusted annually. The prior contribution requirements were \$133.00 or \$79.80 per month depending on the bargaining unit or the unrepresented group of which the employee was a member. The City has historically funded these post-retirement health care benefits on a "pay-as-you-go" basis. For fiscal year 2018-19, the City's benefit payments totaled \$2,612,362.

In fiscal year 2018-19, the City's OPEB liability is calculated based on an amount actuarially determined in accordance with the parameters of GASB Statement 75. Based upon the actuarial valuation report as of June 30, 2019, the actuary has projected a required "Actuarially Determined Contribution" for fiscal year 2019-20 of \$7,046,285 and for fiscal year 2020-2021 of \$7,119,221. These amounts represent a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed twenty years. Under GASB 75, unfunded or partially funded OPEB plans must use a discount rate assumption tied to the index for 20-year, tax-exempt general obligation bonds.

The actuarial valuation uses, among other assumptions, a 3.15% discount rate and an inflation rate of 2.75%. The City's liability will also be affected by health care costs. The actuarial valuation assumes that medical costs will rise in 2020 by 6.5% (for the PPO plan) and 6.0% (for the HMO plan), declining to 5.0% for both plans after 2022. For fiscal year 2019-20, the actuary has projected that the City will make a benefit payments of \$2,815,139, representing 40.0% of the Actuarially Determined Contribution for fiscal year 2019-20. From July 1, 2018 through June 30, 2019, the City's total OPEB liability grew from \$72,261,944 to \$79,126,733.

Other than the pension benefits from the applicable retirement system and as described in this section, the City does not provide medical or other post-retirement benefits to its employees.

Insurance

The City funds a self-insured and self-administered program for workers' compensation claims exposures and general liability claims. Liability claims, losses and expenses paid averaged about \$1,488,281 per year for the past 10 years and, when existing "reserves" are added, averaged around \$1,789,991 in liability exposure per year over the past 10 years. The City anticipates these expenses annually and includes funding for them in its operating budget. The City carries excess liability coverage, with limits of \$25 million, with a self-insured retention of \$3 million dollars. The amount of self-insured liability claim expenditures and remaining reserves with respect to claims made in each of fiscal years 2008-09 through 2017-18 are reflected in the following table:

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TABLE A-15
CITY OF PASADENA
LIABILITY CLAIM EXPENDITURES AND REMAINING RESERVES
Fiscal Years 2008-09 through 2017-18

Fiscal Year ⁽¹⁾ Ended June 30,	Loss Paid	Expense Paid	Total Paid	Remaining Reserves for Unpaid Claims ⁽¹⁾
2009	\$3,097,197	\$471,126	\$3,568,323	\$1,025,000
2010	639,876	24,824	664,670	2,565,000
2011	897,721	10,283	908,004	2,111,700
2012	2,003,021	366,982	2,370,004	5,295,579
2013	166,779	0	166,779	968,501
2014	338,387	40,795	379,182	3,922,732
2015	32,610	0	32,610	1,184,613
2016	97,036	0	97,036	281,494
2017	56,666	55,435	111,041	264,281
2018	1,626,665	141,460	1,768,126	1,570,320

⁽¹⁾ Reserves reflect fiscal year in which claim occurred. Payments reflect money spent on all claims during a fiscal year.
Source: City of Pasadena, Department of Finance.

The City maintains commercial property insurance on all City-owned buildings of an insurable nature (unless lease agreements require the occupant to carry such insurance) with current basic limits of \$250,000,000, subject to various application sub-limits and deductible. Policy coverage excludes earth movement, including earthquake, nuclear hazard and military action. The City does not currently maintain separate earthquake coverage under another insurance policy. The City maintains boiler & machinery, and equipment breakdown insurance, on specified types of equipment/property, with limits of \$100,000,000 for each policy, subject to variety of applicable sub-limits and deductibles. In addition, the City purchases Property Terrorism/NCBR, Chemical, Biological and Radiological Terrorism & Sabotage coverage, along with pollution, storage tank, and cyber liability coverage, with limits of \$1,000,000 for the pollution, storage tank and cyber liability policies, subject to variety of applicable sub-limits and deductibles.

No assurances can be given that the City's security and operational control measures will ensure against any and all cybersecurity threats and attacks. A cybersecurity incident or breach could damage the City's Information Technology systems and cause disruption to City services and operations. The cost of any such disruption or remedying damage caused by future attacks could be substantial. The City will continue to assess cyber threats and protect its data and systems.

Stormwater Improvements

The Clean Water Act ("CWA") regulates the discharges of pollutants into the waters of the United States by establishing quality standards. The CWA requires states to identify "impaired" water bodies and to develop a Total Maximum Daily Load ("TMDL") for each pollutant contributing to impairment. The CWA makes it unlawful to discharge any pollutant into waters protected by the CWA, unless a permit is first obtained. The U.S. Environmental Protection Agency's ("EPA's") National Pollutant Discharge Elimination System ("NPDES") permit program controls these discharges. With respect to the City, the EPA has delegated permitting and direct enforcement under its NPDES program to the Los Angeles Regional Water Quality Control Board ("LARWQCB").

On November 8, 2012, the LARWQCB adopted the National Pollutant Discharge Elimination System Municipal Separate Storm Sewer System Permit ("MS4 permit") Order No. R4-2012-0175, which became effective on December 28, 2012. The MS4 permit establishes the TMDL of pollutants that can be discharged into water while still meeting water quality standards and objectives. The MS4 covers 84 of the 88 public agencies in the Los Angeles County area, including the City, the Los Angeles County Flood Control District and the County, that are responsible

for compliance with the MS4 permit. The City is currently subject to four TMDLs in the Los Angeles River and Los Angeles/Long Beach Harbors. The City is likely to receive more TMDLs in the coming years. The TMDL compliance deadlines spread out through 2037.

The MS4 permit allows for the option to work together to develop and implement an Enhanced Watershed Management Program ("EWMP") to address permit and TMDL requirements. The MS4 permit has safe harbor provisions, whereby the City was deemed in compliance with the TMDLs during the development of the EWMP, provided that all requirements and deadlines related to the EWMP development were met. As the EWMP crosses multiple local jurisdictions, the City collaborated with other participating agencies on the development of the EWMP. In June 2015, the EWMP was submitted in accordance with the required schedule, and it was approved by the LARWQCB on April 20, 2016.

Non-compliance with the MS4 permit and applicable TMDLs could result in enforcement action by the LARWQCB, civil penalties and fines, and potentially third-party lawsuits. For example, the LARWQCB may levy administrative fines of up to \$10,000 per pollutant per day of violation. In addition, the State can impose mandatory minimum penalties of \$3,000 per pollutant per day of violation and seek civil liabilities of up to \$25,000 per pollutant per day. Additionally, private citizens or EPA can pursue penalties if the LARWQCB does not enforce on a violation. The City is responsible for its own fines, penalties and costs incurred as a result of non-compliance.

The City is currently in substantial compliance with the MS4 permit, but requires significant funding for capital, and operation and maintenance costs to implement the EWMPs to meet the TMDL compliance deadlines contained in the MS4 permit. The City has partially funded the monitoring and reporting programs required by the MS4 permit. The City's share of the costs of the approved EWMP projects required to meet the TMDLs over the next 20 years is preliminarily estimated by the LARWQCB to be approximately \$220 million. Estimating project costs over such a long time period is inherently difficult, and no assurance can be provided by the City that LARWQCB's approved projections are accurate. Without other revenue sources, these costs would be obligations of the City's General Fund and could have a material adverse impact on the General Fund.

The fiscal year 2018-19 Adopted Budget contains \$750,000 for stormwater expenditures.

However, at the time of budget preparation some implementation costs were unavailable. Therefore, if a mid-year adjustment to funding were needed, it would be addressed through the City's clean-up report process.

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CITY FINANCIAL INFORMATION

Certain statements included or incorporated by reference in the discussion below constitute "forward-looking statements." Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "budget," "project," "projection" or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The City does not plan to issue any updates or revisions to those forward-looking statements if or when its expectations or events, conditions or circumstances on which such statements are based occur.

Budget Preparation and Approval Process

No later than January of each year, the Mayor must present a thematic budget message for the upcoming fiscal year to the City Council and the community. The City Council must establish procedures whereby public suggestions and comments on the Mayor's budget proposals may be received and considered prior to the preparation and submission of budget requests by the City Departments to the City Manager.

On or before the third Monday in May of each year, the City Manager must submit to the City Council the recommended balanced budget for the following fiscal year, as required by the City Charter. Also at this time, a public hearing is opened for residents and businesses to make any comments or suggestions regarding the recommended budget. Copies of the recommended budget are available for inspection by the public in the office of the City Clerk and at the City's libraries at least ten days prior to the hearing. The recommended budget can also be found on the City's website at <http://www.cityofpasadena.net/Finance/Budget/>. Such website is not incorporated herein by reference.

At the conclusion of the public hearing, the City Council further considers the recommended budget and makes any revisions. On or before June 30, the City Council adopts a balanced budget with revisions, if any, by the affirmative vote of at least five members of the City Council.

From the effective date of the budget, funds become appropriated to City Departments for the objects and purposes named. At any subsequent City Council meeting following the adoption of the budget, the City Council may amend or supplement the budget by motion adopted by the affirmative vote of a minimum of five members of the City Council.

The Director of Finance prepares the City's financial statements and submits them to the City Council within four months after the close of each fiscal year. The City Council employs an independent certified public accounting firm to review the City's financial statements for conformity with generally accepted accounting principles for municipal governments and issues an opinion letter regarding the accuracy and fairness of the financial information presented in the City's Comprehensive Annual Financial Report.

Budgetary Principles and Developments

Budgetary Principles and Policies. In preparing the City's budget, City staff is guided by certain principles and goals set by the City Council. Among them, staff is directed to match revenues with expenditures when developing a balanced operating budget, and minimize reliance on "carry-forward" fund balances from previous years to fund expenditures in future years.

General Fund Five Year Financial Plan. The City's five-year financial plan is an ongoing plan and is continually reviewed based on an analysis of current trends. The City's fiscal situation has improved since the recession and the City has shown signs of economic growth, including increases in retail sales activity, more tourism and business travel activity, lower unemployment rates, and improvement in residential and commercial real estate markets. A summary of the most recent five-year plan is provided in the table below.

In preparing its financial forecasts for the five-year plan, City staff made a variety of assumptions, including, among others:

1. Continued modest revenue growth, including average growth in property tax revenues, sales tax revenues, utility user tax revenue and transit and occupancy revenues of approximately 3.7%, [2.1%], 0% and 3.2%, respectively. In July 2018 the City Council voted to place a three-quarters cent sales tax increase on the November 2018 ballot, which was approved by the electorate in November 2018. The projects include the impact of the potential passage of the measure. See "Tax Revenue Sources" below.

2. Transfer from the Power Fund to the General Fund of 10% of the prior year's gross income for fiscal year 2018-19 and then 10% through fiscal year 2023-24. See discussion of *Rooney v City of Pasadena* in "Water and Power Enterprise Fund Transfers to General Fund" below.

3. The continuance of "pay-as-you-go" cost contributions for OPEB in fiscal years 2018-19, 2019-20 and 2020-21. See "Post-Retirement Medical Benefits (OPEB)" above.

4. CalPERS contributions will be as shown on the most recent CalPERS actuarial valuation report and based on CalPERS' projections. (See "Retirement Systems—California Public Employees' Retirement System" above):

There can be no assurance that assumptions described above not yet realized will be realized. Accordingly, there can be no assurance that the City's financial forecasts as shown in the table below will correspond with its actual financial results.

The table below shows estimated operating projections for the five-year forecast period based upon actions previously taken and those adopted in the 2018-19 Adopted Budget. The five-year financial forecast presentation differs from the City's presentation of its financial results; among other differences, it is calculated on a cash basis and line items will not correspond to audited financial or budget presentations. The City's financial forecast is reviewed monthly and updated no less often than quarterly.

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**TABLE A-16
GENERAL FUND 5-YEAR FINANCIAL PLAN**

	Year Ending June 30,						
	2019 Unaudited	2020 Adopted	2021 Forecast	2022 Forecast	2023 Forecast	2024 Forecast	2025 Forecast
Beginning Amount Available for Appropriations	\$11,162,617	\$13,206,986	\$13,081,365	\$13,081,365	\$13,081,365	\$12,420,607	\$11,132,806
REVENUES							
Property Taxes	\$83,977,009	\$88,495,000	\$92,087,897	\$95,310,973	\$99,009,039	\$103,276,329	\$107,407,382
Sales Tax	37,966,054	55,812,000 ⁽¹⁾	56,481,744	57,611,379	58,763,606	59,938,879	61,137,656
Utility User Tax	26,857,748	27,545,500	27,545,500	27,545,500	27,545,500	27,545,500	27,545,500
Transient Occupancy Tax	16,947,976	18,331,500	18,918,108	19,523,487	20,148,239	20,792,983	21,458,358
Franchise Taxes	2,476,529	2,754,000	2,781,540	2,809,355	2,837,449	2,865,823	2,894,482
Other Taxes	18,668,976	17,300,000	17,940,100	18,603,884	19,292,227	20,006,040	20,746,263
Total Taxes	\$186,894,292	\$210,238,000	\$215,754,889	\$221,404,578	\$227,596,060	\$234,425,554	\$241,189,641
Licenses & Permits	\$4,590,263	\$4,553,027	\$4,689,618	\$4,830,306	\$4,975,216	\$5,124,472	\$5,278,206
Intergovernmental Revenues	2,681,910	1,889,356	1,908,250	1,927,332	1,946,605	1,966,071	1,985,732
Charges for Services	27,391,579	27,934,648	28,633,014	29,348,840	30,082,561	30,834,625	31,605,490
Fines & Forfeitures	6,377,344	7,174,500	7,382,561	7,596,655	7,816,958	8,043,650	8,276,915
Investment/Interest Earnings	2,500,000	1,028,875	1,038,135	1,047,478	1,056,905	1,066,418	1,076,015
Rental Income	563,370	758,531	760,048	761,568	763,091	764,617	766,147
Miscellaneous	2,647,665	1,578,994	1,605,837	1,633,136	1,660,899	1,689,135	1,717,850
TOTAL REVENUES	\$233,646,423	\$255,155,931	\$261,772,352	\$268,549,893	\$275,898,295	\$283,914,542	\$291,895,996
EXPENDITURES							
Personnel	\$155,732,000	\$169,180,369	\$179,220,883	\$186,600,899	\$193,371,606	\$199,786,405	\$202,067,039
Services & Supplies	41,121,063	48,387,964	49,355,723	50,342,838	51,349,694	52,376,688	53,424,222
Equipment	360,571	128,920	131,498	134,128	136,811	139,547	142,338
Internal Services	21,363,354	22,603,076	23,507,199	24,447,487	25,425,387	26,442,402	27,500,098
TOTAL EXPENDITURES	\$218,576,988	\$240,300,329	\$252,215,303	\$261,525,352	\$270,283,498	\$278,745,042	\$283,133,697
Excess Revenues over (Expenses)	\$15,069,435	\$14,855,602	\$9,557,049	\$7,024,541	\$5,614,797	\$5,169,500	\$8,762,299
OPERATING TRANSFER (IN / (OUT))							
Debt Service	\$(13,598,271)	\$(10,744,034)	\$(10,601,562)	\$(10,756,679)	\$(10,989,133)	\$(10,991,972)	\$(11,724,536)
Contributions to Other Funds/Misc	(15,591,987)	(23,362,920)	(13,630,178)	(13,902,782)	(14,180,838)	(14,464,454)	(14,753,743)
Abatements for Svcs to Other Funds	639,401	626,866	626,866	626,866	626,866	626,866	626,866
Enterprise Contributions	19,351,191	19,130,522	20,092,378	20,092,378	20,092,378	20,092,378	20,092,378
NET OPERATING TRANSFER (IN / (OUT))	\$(9,199,666)	\$(14,349,566)	\$(3,512,496)	\$(3,940,217)	\$(4,450,727)	\$(4,737,182)	\$(5,759,035)
Operating Income/(Loss)	\$5,869,769	\$506,036	\$6,044,553	\$3,084,324	\$ 1,164,070	\$432,318	\$3,003,264
Allocation to Capital Reserve	0	0	(3,578,401)	(1,165,106)	0	0	(1,951,233)
Allocation to Policy Reserve	(3,825,400)	(631,657)	(2,466,152)	(1,919,218)	(1,824,828)	(1,720,119)	(1,052,031)
Net Income/(Loss)	\$2,044,369	\$(125,621)	\$0	\$0	\$(660,758)	\$(1,287,801)	\$0
Ending Amount Available for Appropriations	\$13,206,986	\$13,081,365	\$13,081,365	\$13,081,365	\$12,420,607	\$11,132,806	\$11,132,806
Committed Fund Balance	63,989,518	64,621,175	67,121,175	69,040,393	70,865,221	72,585,340	73,637,371
Section 115 OPEB & Pension Trusts⁽²⁾	13,356,628	13,757,327	14,170,047	14,595,148	15,033,002	15,483,993	15,948,512
Total Fund Balance	\$90,553,132	\$91,459,867	\$94,372,587	\$96,176,906	\$98,318,830	\$99,202,139	\$100,718,689

(1) Measure I, a 0.75% local sales tax measure approved by voters in November 2018, became effective April 1, 2019 increasing sales tax revenue by an estimated \$21.0 million in the first year.

(2) The Section 115 Trusts were funded by the General Fund, but are maintained in separate funds for financial reporting purposes. The 2020 amounts and beyond assume 3.0% annual growth on investments. The 1-year return for the fiscal year ended June 30, 2019 was 6.03% net of expenses.

Source: City of Pasadena, Department of Finance.

General Fund Reserve Policy. Beginning in fiscal year 2010-11, the City instituted a policy to maintain an operating reserve within its General Fund which is targeted at 10% of the current year's appropriations. On August 15, 2011, the City Council approved an increase in the operating reserve commitment to a target of 20% of the General Fund annual appropriations. The policy permits the City to take steps annually, starting in fiscal year 2014-15, to reach this goal by increasing the commitment by up to 2% per year over the course of five years, based on each year's budget resolution, and also permits the City to commit to an increase of less than 2% by formal action. On June 12, 2017 the City Council approved an amendment bifurcating the 20% reserve in to two-parts: General Fund Emergency Contingency of 15% and General Fund Operating Reserve of 5%. The split would allow the City Council to allocate some or all of the General Fund Operating Reserve without having to declare a fiscal emergency for one-time needs. The General Fund Operating Reserve of June 30, 2018 was approximately \$84.8 million, representing approximately 34.5% of budgeted General Fund appropriations for fiscal year 2018-19. Under current City policy, only under emergency conditions does the City use either of these operating reserves. Cash reserves may be in the form of cash or other legal investments and do not refer to any other form of current or long-term assets, such as receivables, inventory, equipment, etc.

Set forth below is a summary of the condition of the City's General Fund reserves for the past five years, as well as an estimate of the condition of the City's General Fund reserve for fiscal year 2019.

**TABLE A-17
GENERAL FUND RESERVES
FOR FISCAL YEARS 2013-14 THROUGH 2017-18**

As of June 30,

	2014	2015	2016	2017	2018	2019 ⁽²⁾
Nonspendable	\$8,351,508	\$8,620,189	\$12,235,770	\$11,107,972	\$4,545,162	\$ 1,589,573
Restricted		400,000	400,000	400,000	10,994,815	11,630,935
Committed	34,868,425	30,951,483	33,451,483	47,563,000	46,949,400	50,774,800
Assigned	\$5,042,986	11,086,848	17,227,006	26,824,736	13,214,718	13,500,000
Unassigned	\$15,014,593	\$12,140,030	\$15,138,645	\$3,832,607	\$11,162,617	16,459,104
Total Fund Balance ⁽¹⁾	<u>\$63,277,512</u>	<u>\$63,198,563</u>	<u>\$78,452,904</u>	<u>\$89,728,315</u>	<u>\$86,866,712</u>	<u>\$93,954,412</u>

⁽¹⁾ Excludes balance in SB481 Fund.

⁽²⁾ Estimated.

Source: City of Pasadena, Department of Finance

Capital Budgeting. The City prepares a 5-year capital improvement program ("CIP") budget, which is adopted yearly as part of the budget process. The CIP includes projects that have no funding sources. The most current 5-year CIP budget includes approximately \$901.1 million, including all enterprise funds (Water & Power, Rose Bowl, and Pasadena Conference Operational Center), in total estimated project cost for 205 active projects. In fiscal year 2018-19, \$83.4 million was appropriated to 97 projects. Implementation of the CIP is discretionary and will depend upon City resources. The City does not intend to issue general fund indebtedness in the near future to fund the CIP.

The budget preparation process for fiscal year 2019-20 began in November 2018. During March and April 2019, the City Manager and the Department of Finance met with each department and operating company to review their estimated revenues, expenditures and budgetary requests for the upcoming fiscal year. Projected expenditures and revenues, vacant positions, reorganizations, performance measures and targets, fund financial reports, reorganizations, mission statements and new program requests were discussed at these meetings. Upon completion of the City Manager's review, the City Manager submitted the recommended operating budget to the City Council and a public hearing was opened from which to obtain comments from the City's residents and other stakeholders.

The City Council adopted the budget for fiscal year 2019-20 on June 17, 2019. The General Fund portion of the appropriation budget for fiscal year 2019-20 is \$274.4 million.

Set forth below is the City's adopted General Fund budgets for fiscal year 2017-18 and shows the budget as adopted, the actual budget results and the variance for such fiscal year.

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**TABLE A-18
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL FOR FISCAL YEAR 2017-18**

	Fiscal Year 2017-18		
	Budget	Actual	Variance
Revenues			
Taxes	\$162,002,709	\$160,721,965	\$(1,280,744)
Licenses and permits	3,958,207	5,302,506	1,344,299
Intergovernmental revenues	19,228,729	18,775,702	(453,207)
Charges for services	29,405,222	33,627,432	4,222,210
Fines and forfeits	7,011,994	7,054,238	42,244
Investment earnings	1,644,960	678,607	(966,353)
Rental income	730,395	911,457	(181,062)
Miscellaneous revenues	2,884,239	5,956,679	3,072,440
Contributions	27,620	-	(27,620)
Total Revenues	\$226,894,075	\$235,028,586	\$ 5,772,387
Expenditures			
General Government	\$ 38,245,242	\$ 38,246,683	\$(1,441)
Public safety	122,953,138	124,999,204	(2,046,066)
Transportation	31,939,434	28,113,604	3,825,830
Culture and leisure	21,006,746	20,846,719	160,027
Community development: Planning and Permitting	8,651,660	11,351,638	(2,699,978)
Total Expenditures	\$222,796,220	\$ 223,557,848	\$ (761,628)
Excess of revenues over expenditures	\$ 4,097,855	\$ 9,470,738	\$ 5,372,883
Other financing sources (uses)			
Transfer in	\$ 34,995,080	\$ 32,885,595	\$ (2,109,485)
Transfer out	(49,077,431)	(45,217,936)	3,859,495
Total other financing sources (uses)	\$ (14,082,351)	\$ (12,332,341)	\$ 1,750,010
Extraordinary gain(loss)			
Change in fund balances	\$ (9,984,496)	\$ (2,861,603)	\$ 7,122,984
Fund balance at beginning of year	\$ 89,728,315	\$ 89,728,315	-
Fund balance at end of year	\$ 79,743,819	\$ 86,866,712	\$ 7,122,984

Source: City of Pasadena Comprehensive Annual Financial Report for Year Ended June 30, 2018.

Set forth in Table A-19 below is the City's General Fund budget data for fiscal year 2018-19 and the adopted General Fund budget for fiscal year 2019-20.

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TABLE A-19
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (UNAUDITED) FOR FISCAL YEAR 2018-19 AND ADOPTED BUDGET FOR FISCAL YEAR 2019-20

	Budget	Fiscal Year 2018-19 Actual	Variance	Fiscal Year 2019-20 Adopted
Revenues				
Taxes	\$ 182,736,100	\$ 186,894,292	\$ 4,158,192	\$ 191,415,000
Licenses and permits	4,501,927	4,590,263	88,336	-
Building licenses and permits	-	-	-	779,500
Non-building licenses and permits	-	-	-	3,773,527
Federal Grants Direct	-	-	-	0
Federal Grants Indirect - State	-	-	-	0
State Non-Grant Direct	-	-	-	19,402,246
State Grant Direct	-	-	-	910,110
Intergovernmental revenues	3,426,144	2,681,910	(744,234)	400,000
Charges for services	26,631,364	27,391,579	760,215	13,330,851
Charges for services - quasi-external	-	-	-	14,603,797
Fines and forfeits	7,645,486	6,377,344	(1,268,142)	7,174,500
Investment earnings	1,471,145	2,500,000	1,028,855	1,028,875
Rental income	645,015	563,370	(81,645)	733,531
Miscellaneous revenues	1,606,129	2,647,665	1,041,536	1,603,994
Contributions	-	-	-	-
Total Revenues	\$ 228,663,310	\$ 233,646,423	\$ 4,983,113	\$ 255,155,931
Expenditures				
General Government	\$ 35,457,830	\$ 33,724,332	\$ 1,733,498	\$ 35,276,594
Public safety	125,824,932	124,177,686	1,647,246	132,655,314
Transportation	43,104,498	42,312,732	791,766	52,710,333
Culture and leisure	10,992,216	10,710,037	282,179	11,678,053
Community development: Planning and Permitting	8,155,559	7,652,201	503,358	7,989,407
Total Expenditures	\$ 223,535,035	\$ 218,576,988	\$ 4,958,047	\$ 240,309,701
Excess of revenues over expenditures	\$ 5,128,275	\$ 15,069,435	\$ 9,941,160	\$ 14,846,230
Other financing sources (uses)				
Transfer in	\$ 20,208,522	19,990,592	\$ (217,930)	\$ 19,757,388
Transfer out	(30,201,066)	(29,190,258)	1,010,808	(34,097,582)
Total other financing sources (uses)	\$ (9,992,544)	\$ (9,199,666)	\$ 792,878	(14,340,194)
Extraordinary gain(loss)				
Change in fund balances	\$ (4,864,269)	\$ 5,869,769	\$ 10,734,038	\$ 506,036
Fund balance at beginning of year	\$ 86,866,712	\$ 86,866,712	-	\$ 82,002,443
Fund balance at end of year	\$ 82,002,443	\$ 92,736,481	\$ 10,734,038	\$ 82,508,479

Accounting Policies, Reports, and Audits

The underlying accounting system of the City is organized and operated on the basis of separate funds, each of which is considered to be 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. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual requirements. The minimum numbers of funds are maintained consistent with legal and contractual requirements.

Capital assets (including infrastructure greater than \$10,000) are capitalized and recorded at cost or at the estimated fair value of the assets at the time of acquisition where complete historical records have not been maintained. Contributed capital assets are valued at their estimated fair market value at the date of the contribution. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

Capital assets include public domain (infrastructure) general fixed assets consisting of certain improvements including roads, streets, sidewalks, medians and sewer and storm drains.

The City's funds and capital assets are classified for reporting purpose as follows:

Government Funds

General Fund
Special Revenue Funds
Debt Services Funds
Capital Projects Funds

Fiduciary Funds

Trust and Agency Funds

Proprietary Funds

Enterprise Funds
Internal Service Funds

Capital Assets

Capital Assets used in the Operation
of Governmental Funds

The City follows the modified accrual method of accounting for governmental, expendable trusts and agency funds. Under the modified accrual method of accounting, revenues are susceptible to accrual when they become both measurable and available. Expenditures are recorded when a current liability is incurred. Liabilities are considered current when they are normally expected to be liquidated with expendable available financial resources. The proprietary, nonexpendable trust and pension trust funds are accounted for using the accrual method of accounting.

The City's Director of Finance maintains the accounting system and records of accounts for all City funds. The City Charter requires an independent audit of the financial statements of all accounts of the City by an independent certified public accountant. All audits are reviewed by the Finance Committee of the City Council, which is comprised of four members of the City Council.

2014 audit and adopted policies. In 2015, the City completed an investigation, following in internal audit in November of 2014, which revealed the misappropriation of public funds in excess of \$6.4 million dollars over the course of eleven years.

Based upon the recommendations of KPMG, which was hired to assist the City of Pasadena in an internal investigation into the suspected misappropriation and misused of City funds, the City instituted all of the 103 corrective actions recommended by KPMG.

General Fund Comparative Budget

The following table shows a three-year history of the City's Comparative Operating Budget.

**TABLE A-20
CITY OF PASADENA
ADOPTED GENERAL FUND
COMPARATIVE OPERATING BUDGET
FISCAL YEARS 2017-18 THROUGH 2019-20**

REQUIREMENTS	2017-18	2018-19	2019-20
Operating Expenditures	\$ 207,705,067	\$ 218,875,493	\$ 240,300,329
Capital Expenditures	-	-	-
Debt Service	14,492,861	13,598,271	10,744,034
Transfers Out	14,549,254	13,586,653	23,362,920
TOTAL REQUIREMENTS	\$ 236,747,182	\$ 246,060,417	\$ 274,407,283
AVAILABLE FUNDS			
Revenues	\$ 217,561,184	\$ 225,683,840	\$ 255,155,931
Transfers In	533,060	533,060	626,866
Reserves	-	-	-
Utility Contributions	18,728,156	19,569,121	19,130,522
TOTAL AVAILABLE FUNDS	\$ 236,822,400	\$ 245,786,021	\$ 274,913,319

Source: City of Pasadena, Department of Finance.

Water and Power Enterprise Fund Transfers to General Fund

Pursuant to City Charter Sections 1407 and 1408, the City makes annual transfers from the City's Water Fund (the "Water Fund") and from the City's Light and Power Fund (the "Light and Power Fund") to the General Fund. The amount transferred from the Water Fund is not to exceed 6% of gross income received during the preceding fiscal year and shall not exceed net income. This transfer may be used for any municipal purpose. The amount transferred from the Light and Power Fund is not to exceed 16% of gross income received during the preceding fiscal year and shall not exceed net income. Of the total 16% which may be transferred, up to 8% may be used for any municipal purpose and the remaining 8% is restricted for municipal improvements and bond redemption. As described below, the amount that the City may annually transfer from the Water Fund has been restricted by the general terms of the *Rooney* lawsuit settlement. In addition, a lawsuit has challenged the transfer of moneys to the General from from the Light and Power Fund.

Set forth below is a table indicating the amount transferred from the Light and Power Fund and the Water Fund to the City's General Fund during each of the last five fiscal years and the amount budgeted for the current fiscal year, expressed in dollars and as a percentage of the prior year's gross income.

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TABLE A-21
CITY OF PASADENA
TRANSFERS FROM THE LIGHT AND POWER FUND AND WATER FUND
TO GENERAL FUND
FISCAL YEARS 2014-15 THROUGH 2019-20
(DOLLAR AMOUNTS IN THOUSANDS)

	Fiscal Year Ended June 30,					
	2015	2016	2017	2018	2019	2020 ⁽²⁾
<u>Light and Power Fund</u>						
Amount Transferred	\$15,975	17,185	17,371	16,847	17,609	17,388
Amount as Percentage of Prior Year's Gross Income ⁽¹⁾	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
<u>Water Fund</u>						
Amount Transferred	\$1,544	\$1,544	\$1,544	\$1,574	\$1,544	\$1,544
As a Percentage of Prior Year's Gross Income ⁽¹⁾	NA	NA	NA	NA	NA	NA

⁽¹⁾ Reflects percentage of prior fiscal year's gross revenue of the Water Fund and the Light and Power Fund, respectively.

⁽²⁾ Budget.

Source: City of Pasadena, Department of Finance.

In *Rooney v. City of Pasadena*, Los Angeles Superior Court case no. BS145352, the City was sued in a Proposition 218 lawsuit challenging its annual, Charter-authorized transfer from its Water Fund to the General Fund, which lawsuit claimed the transfer violated Proposition 218 by exceeding the cost-of-service. In fiscal year 2013-14, the transfer amounted to approximately \$3.3 million. During 2014, the City obtained a cost-of-service study that found that approximately \$1.5 million of General Fund costs were incurred for the benefit of the Water Fund. Later in 2014, the City settled the *Rooney* lawsuit on three general terms. First, the City agreed to transfer from the General Fund to the Water Fund a total of \$7.2 million (inclusive of attorney's fees) as follows: \$1 million for each of the first five years, commencing in fiscal year 2014-15, and \$1.1 million for each of the last two years, commencing in fiscal year 2019-20, to account for transfers allegedly exceeding the cost-of-service made during fiscal years 2010-11 through 2013-14. Second, the City agreed to limit its annual transfer from the Water Fund to the General Fund to only that amount justified by the cost-of-service. Finally, the plaintiffs agreed not to file suit to challenge future transfers the City makes from the Water Fund to the General Fund, so long as the transfers are consistent with the methodology outlined in the 2014 cost-of-service study.

Proposition 26, adopted by voters in November 2010, added additional State constitutional restrictions to the City's ability to charge fees. In October 2017, the City was served with a putative class action lawsuit entitled *Komesar v. City of Pasadena*, which generally asserts that the City's electric utility rates are more than reasonably necessary to operate the utility to the extent they finance the City's annual Charter-authorized transfers from the Light & Power Fund to the General Fund, and, as such, are taxes requiring voter approval pursuant to Article XIII C of the California Constitution (last amended through Proposition 26 in 2010). See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES, REVENUES AND APPROPRIATIONS—Articles XIII C and XIII D of the State Constitution – Proposition 218 and Proposition 26" for a discussion of *Komesar v. City of Pasadena*, other Proposition 26 cases, and a further discussion of the impacts of Proposition 218 and Proposition 26 on potential impact on the transfers from the Light and Power Fund and the Water Fund to the City's General Fund.

Tax Revenue Sources

The City relies on a number of revenue sources that could be reduced or eliminated by State legislation, including, among others, sales and use taxes, property taxes and motor vehicle license fees.

Listed below is a historical summary of the City's five largest revenue sources resulting from taxes.

TABLE A-22
CITY OF PASADENA
GENERAL TAX REVENUES
Fiscal Years 2013-14 through 2018-19
(in Thousands)

	Fiscal Year Ended June 30,					
	2014	2015	2016	2017	2018	2019 ⁽²⁾
Tax						
Property ⁽¹⁾	\$44,066	\$56,446	\$59,141	\$68,752	\$64,392	\$68,276
Sales	33,198	33,706	36,855	35,708	35,076	35,784
Utility Users	28,893	29,316	28,099	28,251	27,775	26,858
Street Light & Traffic Signal	6,610	7,184	5,679	6,854	7,044	6,832
Transient Occupancy	12,043	13,165	14,864	15,229	15,814	16,948
Total	\$124,810	\$139,817	\$144,638	\$154,794	\$150,101	\$154,697

(1) Includes assessments.

(2) Unaudited fiscal year 2019.

Source: City of Pasadena, Department of Finance.

Property taxes are levied for each fiscal year on taxable real and personal property which is situated in the City as of the preceding March 1. For assessment and collection purposes, property is classified either as “secured” or “unsecured” and is listed accordingly on separate parts of the assessment roll. The “secured roll” is that part of the assessment roll containing State-assessed public utilities property and property a lien on which is sufficient, in the opinion of the County Assessor, to secure payment of the taxes. Other property is assessed on the “unsecured roll.”

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of the fiscal year. If unpaid, such taxes become delinquent on December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent payment. If such taxes remain unpaid as of June 30 of the fiscal year in which the tax is levied, the property securing the taxes may only be redeemed by payment of the delinquent payment, plus a redemption penalty of 1½% per month from the original June 30 date to the time of redemption. If taxes are unpaid for a period of five years or more, the property is then subject to sale by the County Treasurer and Tax Collector, as provided by law.

Property taxes on the unsecured roll are due as of the March 1 lien date and become delinquent, if unpaid, on August 31. A 10% penalty attaches to delinquent taxes on property of the unsecured roll, and an additional penalty of 1½% per month begins to accrue commencing on November 11 of the fiscal year. Collection of delinquent unsecured taxes is the responsibility of the County of Los Angeles which may utilize any of several means legally available to it.

The tax roll for fiscal year 2019-20 reflected a total assessed valuation of approximately \$32 billion for the City. Assessed net valuation for revenue purposes increased by approximately 6% for fiscal year 2018-19 over the assessed net valuation for fiscal year 2017-18, and the compounded average annual increase between assessed valuation for fiscal year 2008-09 and fiscal year 2019-20 was approximately 6%.

In 2011, the State of California enacted legislation commonly referred to as “ABx1 26,” which required the dissolution of California redevelopment agencies and the dissolution and winding up of the operations of those agencies. The original effective date of ABx1 26 was stayed pending a challenge to its constitutionality brought before the California Supreme Court. In upholding ABx1 26 as constitutional on December 29, 2011, the California Supreme Court set February 1, 2012 as the effective date for and the date on which California redevelopment agencies were dissolved pursuant to ABx1 26. ABx1 26 provided a framework for the dissolution and winding up of California redevelopment agencies and the management of the remaining obligations of the dissolved redevelopment agencies by their respective successor agencies and oversight boards to oversee those successor agencies. Pursuant to ABx1 26,

tax increment will continue to flow to the payment of “enforceable obligations” (such as tax allocation bonds) of the dissolved redevelopment agencies. See “THE CITY OF PASADENA—Retirement Systems—Pasadena Fire and Police Retirement System—SB 481 Litigation.”

Measure I

In November 2018, Pasadena voters approved Measure I, a ¼-cent local sales (use) tax, in order to maintain essential City services while also acknowledging the need to reinvest in critical infrastructure. Without the successful passage of Measure I, budget reductions would have been necessary to balance the operating budget for fiscal year 2019-20. Measure I, which was passed by better than a 2/3rd margin, is anticipated to generate \$21 million annually. A separate advisory measure, Measure J, asked voters whether the City Council should share 1/3 of Measure I revenues with Pasadena Public Schools, as the success of the City is tied to the success of its schools. That measure received over 72% support of voters. In March 2019, the City Council approved a Memorandum of Understanding with the Pasadena Unified School District to operationalize Measure I.

TABLE A-23
CITY OF PASADENA
ASSESSED VALUATION OF TAXABLE PROPERTY
Fiscal Years 2005-06 through 2019-20
(\$ in thousands)

Fiscal Year Ended June 30	Secured Valuations	Homeowner Exemption	Net Secured Valuations	Unsecured Valuations	Total Assessed Valuation	Less PCDC⁽¹⁾ Increment	Net Valuation
2006	\$15,071,976	\$(134,404)	\$14,937,572	\$598,396	\$15,535,968	\$(2,097,532)	\$13,438,436
2007	16,759,246	(133,112)	16,626,134	620,524	17,246,658	(2,522,337)	14,724,321
2008	18,339,519	(134,380)	18,205,139	607,779	18,812,938	(2,405,375)	16,407,563
2009	20,237,173	(136,262)	20,100,911	651,375	20,752,286	(2,799,791)	17,952,495
2010	20,204,880	(138,630)	20,066,250	644,888	20,711,138	(2,828,387)	17,882,751
2011	20,481,388	(138,275)	20,343,113	605,404	20,948,517	(2,829,885)	18,118,632
2012	20,969,532	(137,842)	20,831,690	567,527	21,399,217	(2,988,477)	18,410,740
2013	21,368,295	(136,241)	21,232,054	571,615	21,803,669	-	21,803,699
2014	22,534,203	(134,257)	22,399,945	575,006	22,974,952	-	22,974,951
2015	23,756,525	(131,812)	23,624,713	608,539	24,233,252	-	24,233,252
2016	25,354,224	(130,237)	25,223,987	602,659	25,826,646	-	25,826,646
2017	26,599,121	(128,241)	26,470,880	625,032	27,095,912	-	27,095,912
2018	28,631,957	(126,543)	28,504,414	638,858	29,143,272	-	29,143,272
2019	30,388,232	(124,908)	30,263,324	662,995	30,926,319	-	30,926,319
2020	32,158,077	(123,481)	32,034,596	672,205	32,706,801	-	32,706,801

⁽¹⁾ Pasadena Community Development Commission, the former redevelopment agency for the City.
Source: Los Angeles County Auditor-Controller and California Municipal Statistics, Inc.

The City believes that assessed valuation levels will continue growing at a modest rate over the near term given the continued positive employment growth in the area and the number and scope of development projects within the City, including several new hotels, 1,700 residential units, a large-scale mixed use project, and several new commercial and retail developments.

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The following two tables reflect the typical property tax rate per \$100 of assessed value in various jurisdictions and the ten largest secured taxpayers in the City.

**TABLE A-24
CITY OF PASADENA
PROPERTY TAX RATES
DIRECT AND OVERLAPPING GOVERNMENTS
For Fiscal Years 2008-09 through 2017-18**

Fiscal Year ended June 30	General City	City Debt Service*	Los Angeles County General	Pasadena School District	Pasadena Comm. College District	Flood Control District	Metropolitan Water District	Total
2009	0.332800	0.000000	0.363500	0.276500	0.010180	0.000000	0.004300	1.078900
2010	1.000000	0.000000	0.000000	0.108364	0.023002	0.000000	0.004300	1.135666
2011	1.000000	0.000000	0.000000	0.101949	0.019864	0.000000	0.003700	1.125513
2012	1.000000	0.000000	0.000000	0.111200	0.019556	0.000000	0.003700	1.134456
2013	1.000000	0.000000	0.000000	0.114033	0.020556	0.000000	0.003500	1.138089
2014	1.000000	0.000000	0.000000	0.103507	0.018993	0.000000	0.003500	1.126000
2015	1.000000	0.000000	0.000000	0.106010	0.010315	0.000000	0.003500	1.119825
2016	1.000000	0.000000	0.000000	0.111679	0.008722	0.000000	0.003500	1.123901
2017	1.000000	0.000000	0.000000	0.106730	0.008850	0.000000	0.003500	1.119080
2018	1.000000	0.000000	0.000000	0.105469	0.008186	0.000000	0.003500	1.117155

* The City has no outstanding general obligation debt.

Source: County of Los Angeles Tax Assessor and California Municipal Statistics, Inc.

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**TABLE A-25
CITY OF PASADENA
TOP TEN PROPERTY TAXPAYERS
As of June 30, 2019**

<u>Property Owner</u>	<u>Primary Land Use</u>	<u>June 30, 2019 Assessed Valuation</u>	<u>% of Total ⁽¹⁾</u>
Kaiser Foundation Health Plan	Medical Buildings	\$ 278,957,858	0.90%
CPUS Pasadena LP	Office Building	266,342,400	0.86
BPP East Union LLC	Shopping Center	209,120,397	0.67
PPF OFF 100 West Walnut Street LP	Office Building	187,995,319	0.61
Pacific Huntington Hotel	Hotel	171,926,247	0.55
Western Asset Plaza LLC	Office Building	166,567,263	0.54
PPF OFF 74 North Pasadena Avenue and 75	Office Building	165,144,448	0.53
Trio Pasadena LLC	Apartments	157,367,100	0.51
CWI Pasadena Hotel LP	Hotel	153,066,511	0.49
CAPREF Paseo LLC, Lessor	Shopping Center	151,925,835	0.49
Total principal property taxpayers gross assessed value		<u>\$1,908,413,378</u>	<u>6.15</u>
Total city assessed value		<u>\$31,051,227,868</u>	<u>100.00%</u>

⁽¹⁾ 2018-19 Local Secured Assessed Valuation: \$30,388,047,431.

Source: HDL Coren & Cone

General Fund Comparative Financial Statements

The following two tables describe the financial condition of the City's General Fund by showing a three-year history of the City's Comparative Balance Sheet and a three-year history of the City's Statement of Revenues, Expenditures and Changes in Fund Balance.

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TABLE A-26
CITY OF PASADENA
GENERAL FUND
COMPARATIVE BALANCE SHEETS
Fiscal Years 2015-16 through 2017-18

<u>Assets</u>	<u>As of June 30,</u>		
	<u>2016</u>	<u>2017</u>	<u>2018</u>
Cash and investments	\$ 54,897,130	\$ 70,416,142	\$ 58,954,158
Accounts receivable	21,219,623	19,080,736	23,332,380
Accrued interest	-	-	358,216
Notes receivable	51,508	-	-
Due from other funds	5,406,941	4,711,579	5,640,394
Due from Successor Agency	11,128,159	7,293,544	2,671,093
Prepays and other assets	-	109,272	138,231
Restricted cash and investment	25,000	25,000	10,594,101
Advances to other funds	7,136,545	5,496,011	1,087,067
Advances to component units	1,150,350	903,859	648,771
Allowance uncollectible for note receivable	(51,508)	-	-
Allowance for uncollectible advances to Successor Agency	(7,179,285)	(2,694,714)	-
	<u>\$</u>	<u>\$</u>	<u>\$</u>
Total assets	<u>\$ 93,784,464</u>	<u>105,341,429</u>	<u>\$ 103,424,411</u>
<u>Liabilities and Fund Balances</u>			
Liabilities:			
Accounts payable and accrued liabilities	\$9,768,025	\$10,524,012	\$11,107,737
Deposits	4,401,983	3,886,345	4,155,205
Due to other governments	3,969	1,964	430
Unearned revenue	-	107,943	16,988
Advances from other funds	770,000	660,000	550,000
Total liabilities	<u>\$14,943,977</u>	<u>\$15,180,264</u>	<u>\$15,830,360</u>
Deferred inflow of resources	<u>387,583</u>	<u>432,850</u>	<u>727,339</u>
Fund Balances:			
Nonspendable	1,107,611	11,107,972	4,545,162
Restricted	400,000	400,000	10,994,815
Committed	33,451,483	37,563,000	46,949,400
Assigned	17,227,006	26,824,736	13,214,718
Unassigned	26,266,804	3,832,607	11,162,617
Total Fund balances	<u>78,452,904</u>	<u>89,728,315</u>	<u>86,866,712</u>
Total liabilities and fund balances	<u>\$93,784,464</u>	<u>\$105,341,429</u>	<u>\$103,424,411</u>

Source: City of Pasadena, Department of Finance.

TABLE A-27
CITY OF PASADENA
GENERAL FUND
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
Fiscal Years 2015-16 through 2017-18

	Fiscal Year Ended June 30,		
	2016	2017	2018
Revenues:			
Taxes	\$150,707,823	\$158,951,338	\$153,679,528
Licenses and permits	4,317,626	4,735,235	5,046,056
Intergovernmental revenues	17,981,082	17,416,007	18,775,702
Charges for services	34,699,807	37,640,927	40,718,793
Fines and forfeits	7,377,968	7,802,159	7,261,762
Investment earnings	2,938,168	943,002	943,002
Rental income	1,200,454	1,042,795	1,590,064
Miscellaneous revenue	3,662,805	6,964,213	5,956,679
Contributions	-	27,620	-
Total revenues	<u>\$222,885,751</u>	<u>\$235,523,296</u>	<u>\$233,028,584</u>
Expenditures:			
Current:			
General government	\$47,923,747	\$42,030,280	\$38,284,003
Public Safety	106,355,091	114,204,909	124,993,413
Transportation	24,682,710	27,249,208	28,082,073
Culture and leisure	18,723,894	19,545,090	20,846,719
Community development	6,607,544	7,355,440	8,128,086
Capital outlay			3,223,552
Total expenditures	<u>\$204,292,986</u>	<u>\$210,384,927</u>	<u>\$223,557,846</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$18,592,765</u>	<u>\$25,138,369</u>	<u>\$9,470,738</u>
Other financing sources (uses):			
Issuance of long-term debt			
Reinstatement of PCDC Loan	11,128,159	-	-
Transfers in	\$19,576,357	\$19,666,230	\$22,306,731
Transfers out	(34,042,940)	(33,529,188)	(34,639,072)
Total other financing sources (uses)	<u>\$(3,338,424)</u>	<u>\$(13,862,958)</u>	<u>\$(12,332,341)</u>
Extraordinary gain (loss)	-	-	-
Change in fund balances	15,254,341	11,275,411	(2,861,603)
Fund balances at beginning of year, as restated (note 21)	<u>63,198,563</u>	<u>78,452,904</u>	<u>89,728,315</u>
Fund balances at end of year	<u>\$78,452,904</u>	<u>\$89,728,315</u>	<u>\$86,866,712</u>

Source: City of Pasadena, Department of Finance.

Investment Practices

General. The City Treasurer is responsible for investing City funds pursuant to an Investment Policy (the "Investment Policy") established by the City Council.

The Treasurer invests temporarily idle cash for the City as part of a pooled investment program which combines general receipts with special funds for investment purposes. The City's accounting division then allocates interest earnings on a pro rata basis when the interest is earned and distributes interest receipts based on the previously established allocations. All funds of the City, other than bond proceeds, the investment assets of the Commission, the City's Capital Endowment Fund and the Stranded Investment Reserve Fund, are invested pursuant to this pooled investment program. Funds of the Commission are invested pursuant to the Investment Policy, but are kept separate from other City funds. The Treasurer does not invest funds of any other governmental entities as part of its pooled investment program. All bond proceeds are invested in accordance with the permitted investments described in the applicable trust indenture.

Pooled Investment Portfolio. As of June 30, 2019, the funds invested pursuant to the pooled investment program had a market value of \$605,619,888. The City Treasurer prices the pooled portfolio and all other funds and investments under management on a monthly basis. The market values are obtained from Interactive Data Corporation ("IDC") and Bloomberg Financial Systems. The modified duration of the City's Pooled Investment Portfolio as of June 30, 2019 was 1.54 years. Of the investments on that date, approximately 10.03% had maturities of thirty days or less.

The assets of the portfolio as of June 30, 2019 are shown in the following table:

**TABLE A-28
CITY OF PASADENA
POOLED INVESTMENT PORTFOLIO
as of June 30, 2019**

	Market Value	Percentage of Total ⁽¹⁾
Money Market – Collateralized	\$ 9,552,271	1.59%
Certificates of Deposit	6,020,820	1.00
Municipal Bonds	26,121,312	4.33
Corporate Bonds	125,217,408	20.78
Federal Agencies	326,219,242	54.14
US Treasury Securities	22,352,190	3.71
Supranationals	35,508,361	5.89
Commercial Paper	4,961,041	0.82
LAIF	43,938,416	7.29
Cash in Bank	2,699,888	0.45
Total	602,590,950	100.00
Accrued Interest Receivable	3,028,938	
Grand Total	\$605,619,888	

⁽¹⁾ At market value. The Weighted Average Maturity of the above portfolio is 1.61 years.

Source: City of Pasadena, Department of Finance.

The Investment Policy. The City's treasury operations are managed according to the Investment Policy which sets forth permitted investment vehicles, liquidity parameters and maximum maturities. The Investment Policy is reviewed and authorized by the City Council on an annual basis. The City Council approved the Investment Policy for fiscal year 2018-19 on June 11, 2018.

The Investment Policy establishes three primary objectives, in the following order of priority, for the City's investment activities.

1. Safety of Principal. The City will seek to preserve principal by mitigating credit risk and market risk (by structuring the portfolio so that securities mature at the same time as major cash outflows occur and by prohibiting the taking of short positions).

2. Liquidity. The City will maintain sufficient liquidity in the investment portfolio to enable the City to meet all operating requirements which might be reasonably anticipated and investments will be authorized only in securities that are actively traded in the secondary market. The City operates its own electric and water utility and bills monthly for these services. The utility billing program generates significant cash flow on a daily basis. Historical cash flow trends are compared to current cash flow requirements on an ongoing basis in an effort to ensure that the City's investment portfolio will remain sufficiently liquid to enable the City to meet all reasonably anticipated operating requirements.

3. Return on Investment. The City will design its investment portfolio to attain a "market average rate of return" through economic cycles and, whenever possible, consistent with risk limitations and prudent investment principles, to augment returns above the market average rate of return.

The City's cash management system is designed to accurately monitor and forecast expenditures and revenues, thus enabling the City to invest funds to the fullest extent possible. The City attempts to earn the highest yield obtainable while keeping within the investment criteria established by the Investment Policy for the safety and liquidity of public funds.

To meet its short-term cash flow needs, the City typically maintains an average investment balance of about \$40 million in securities with a maturity of 30 days or less.

Authorized Investments. Funds are invested only in those securities authorized by the various sections of the California Government Code and the City's Investment Policy, which include obligations of the United States Treasury, agencies of the United States Government, local and State bond issues, bankers acceptances, commercial paper of prime quality, certificates of deposit (both collateralized and negotiable), repurchase and reverse repurchase agreements, medium-term corporate bonds, shares of beneficial interest in diversified management companies (mutual funds), and asset-backed (including mortgage-related) and pass-through securities.

The City does not invest funds in any security that could result in a zero interest accrual if held to maturity, and has no investments in derivative products such as interest rate swaps, futures, options or reverse purchase agreements in connection with its investments. The City has entered into interest rate swap agreements in connection with certain of its obligations. The City does not have any investments which are reverse repurchase agreements. A reverse repurchase agreement is a transaction in which a holder of securities, such as the City, sells the same to a third party and agrees to repurchase them at a later date. The proceeds received by the seller can in turn be invested in additional securities, thus producing "leverage."

The Government Code stipulates that no investments may be made in securities with maturities in excess of five years without express authority from the City's legislative body. The Government Code and the City's Investment Policy place various other restrictions on investment in and allocation of funds to various investment categories, including the following:

- The value of bankers acceptances, bills of exchange or time drafts drawn on and accepted by commercial banks may not exceed 40% of the City's portfolio book value as measured on the date of purchase and the days to maturity of such investments may not exceed 180 days.
- Commercial paper must be rated P-1 and issued by U.S. corporations with assets greater than \$500 million and a long-term debenture rating of A or better. The City is not permitted to purchase commercial paper that exceeds 270 days to maturity nor hold more than 10% of a corporation's outstanding commercial paper. The value of the City's holdings of commercial paper may not exceed 15% of the book value of the City's portfolio as measured on the date of purchase.

- The value of the City's holdings of negotiable certificates of deposits may not exceed 30% of the book value of the City's portfolio as measured on the date of purchase.
- The market value of the securities used as collateral for repurchase agreements may not be permitted to fall below 102% of the value of the repurchase agreement. Execution of a PSA Master Repurchase Agreement is required for all repurchase agreements transacted and the maturity of repurchase agreements may not exceed one year.
- The value of the City's reverse repurchase agreement holdings may not exceed 20% of the book value of the City's portfolio as measured on the day of purchase. Reverse repurchase agreements may not exceed 92 days to maturity unless the agreement includes a written guarantee of minimum earnings for the entire period. Term reverse repurchase transactions in excess of 92 days are only permitted if the securities underlying the reverse are matched to the maturities of the reinvestments.
- No more than 25% of the City's investment portfolio may be invested in time deposits.
- Medium-term corporate bonds must be rated in a rating category of "A" or its equivalent or better by a nationally recognized rating service. The value of the City's holdings of medium-term corporate bonds is limited to 30% of the City's portfolio book value as measured on the date of purchase and no more than 5% of the cost value may be invested in bonds held by one corporation.
- The value of the City's mutual fund holdings may not exceed 20% of the City's portfolio book value as measured on the date of purchase.
- Any eligible mortgage pass-through security, collateralized mortgage obligation, mortgage-backed or other pay-through bond, equipment lease-backed certificate, consumer receivable pass-through certificate or consumer receivable-backed bond must be issued by an issuer having an "A" or higher rating for the issuer's debt as provided by a nationally recognized rating service and rated in a rating category of "AA" or its equivalent or better by a nationally recognized rating service. In addition, purchases of such securities may not exceed 20% of all of the City's surplus funds that may be invested in accordance with the foregoing investment guidelines and restrictions.

None of the moneys on deposit in the City's investment portfolio is currently invested in leveraged products or inverse floating rate bonds. The City has no investments in outside investment pools except for the State's Local Agency Investment Fund (LAIF). The City does not have a practice of lending its portfolio's securities to others in return for a fee, although it is not prohibited from doing so.

STATE OF CALIFORNIA BUDGET

A number of the City's revenues are collected and subvented by the State (such as sales tax and motor-vehicle license fees) or allocated in accordance with State law (most importantly, property taxes). Therefore, State budget decisions can have an impact on City finances. During prior State fiscal crises, the State has often chosen to reallocate a portion of such revenues to assist in its own budget balancing, although Constitutional initiatives passed in 2004 and 2010 limit the State's ability to divert revenues from localities (including the City) in the future.

The State's fiscal year begins on July 1 and ends on June 30. The State Constitution requires the Governor to submit a budget for each fiscal year to the Legislature by the preceding January 10 (the "Governor's Budget"). The Constitution requires the Legislature to pass a budget bill by June 15, after which the Governor has 12 calendar days to either sign or veto the enrolled budget. The Legislature has adopted timely the past four State budgets, although the Legislature has failed to meet the June 15 deadline in prior years. Because more than half of the State's General Fund income is derived generally from the April 15 personal income tax, the Governor submits a "May Revision" to his proposed budget. The Legislature typically waits for the May Revision before making final budget decisions. Once the budget bill has been approved by a majority vote of each house of the Legislature, it is sent to the Governor for signature. Increases in taxes require approval of a two-thirds majority of each house.

The following information concerning the State's budget has been obtained from publicly available information which the City believes to be reliable; however, the City takes no responsibility as to the accuracy or completeness thereof and has not independently verified such information. Information about the State budget is regularly available at various State-maintained websites. Text of the State budget may be found at the State Department of Finance website, www.ebudget.ca.gov. An impartial analysis of the budget is posted by the Office of the Legislative Analyst at www.lao.ca.gov. In addition, various State of California official statements, many of which contain a summary of the current and past State budgets, may be found at the website of the State Treasurer, 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 the Internet addresses or for the accuracy or timeliness of information posted there, and such information is not incorporated herein by these references.

Final 2019-20 State Budget. On June 27, 2019, Governor Newsom signed a final State budget for Fiscal Year 2019-20 (the "2019-20 State Budget") in the total amount of \$214.8 billion, of which \$147.8 billion was General Fund. The 2019-20 State Budget ends Fiscal Year 2018-19 with total reserves of \$19.2 billion, of which \$16.5 billion is in the Rainy Day Fund, \$1.4 billion in the Special Fund for Economic Uncertainties, \$900 million in the Safety Net Reserve, and \$380 million in the Public School System Stabilization Account. The 2019-20 State Budget makes an additional payment of \$9 billion over the four succeeding fiscal years to pay down unfunded pension liabilities, including \$3 billion to CalPERS, \$2.9 billion to California State Teachers' Retirement System ("CalSTRS") on behalf of the State, and \$3.15 billion to CalSTRS and CalPERS on behalf of schools. The 2019-20 State Budget also invests \$4.5 billion to eliminate the so-called 'Wall of Debt' and reverses the debt deferral undertaken during the last recession. There can be no assurance that the State will not experience future budget challenges, and there can be no certainty as to the effect on the City of any State efforts to address such challenges.

CONSTITUTIONAL AND STATUTORY LIMITS ON TAXES, REVENUES AND APPROPRIATIONS

Article XIII A of the State Constitution

Section 1(a) of Article XIII A of the State Constitution ("Article XIII A") limits the maximum *ad valorem* tax on real property to 1% of full cash value (as defined in Section 2 of Article XIII A), to be collected by counties and apportioned according to law. Section 1(b) of Article XIII A provides that the 1% limitation does not apply to (i) *ad valorem* taxes to pay interest or redemption charges on indebtedness approved by the voters prior to July 1, 1978, or (ii) any bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978 by two-thirds of the votes cast by the voters voting on the proposition, or (iii) any bonded indebtedness incurred by a school district, community college district or county office of education for the construction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities approved after November 8, 2000 by 55% of the voters of the district or county, as appropriate, voting on the proposition. Section 2 of Article XIII A defines "full cash value" to mean "the county assessor's valuation of real property as shown on the 1975-76 tax bill under 'full cash value' or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment" ("Full Cash Value"). The Full Cash Value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or to reflect a reduction in the consumer price index or comparable data for the area under taxing jurisdiction, or may be reduced in the event of declining property value caused by substantial damage, destruction or other factors. Taxpayers in the City may appeal the determination of the Los Angeles County Assessor of the Full Cash Value of their property. At any given point in time, appeals are pending in the City. If the assessed value of a property is reduced as a result of an assessment appeal, the reduction is borne by relevant taxing agencies, including the City.

Legislation enacted by the State Legislature to implement Article XIII A provides that, notwithstanding any other law, local agencies may not levy any *ad valorem* property tax except to pay debt service on indebtedness approved by the voters as described above.

The voters of the State have approved amendments to Article XIII A. One such amendment generally provides that the purchase or transfer of (i) real property between spouses or (ii) the principal residence and the first \$1,000,000 of the Full Cash Value of other real property between parents and children, do not constitute a "purchase" or "change of ownership" triggering reappraisal under Article XIII A. Another amendment permits the State Legislature to allow persons over the age of 55 who meet certain criteria or "severely disabled homeowners" who sell

their residence and buy or build another of equal or lesser value within two years in the same county, to transfer the old residence's assessed value to the new residence. Another amendment permits the State Legislature to allow persons who are either 55 years of age or older, or who are "severely disabled," to transfer the old residence's assessed value to their new residence located in either the same or a different county and acquired or newly constructed within two years of the sale of their old residence.

In 1990, the voters approved a further amendment of Article XIII A to permit the State Legislature to exclude from the definition of "new construction" certain additions and improvements, including seismic retrofitting improvements and improvements utilizing earthquake hazard mitigation technologies constructed or installed in existing buildings after November 6, 1990.

Article XIII A has also been amended 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.

Section 4 of Article XIII A provides that cities, counties and special districts cannot, without a two-thirds vote of the qualified electors, impose "special taxes."

Article XIII B of the State Constitution – Gann Limit

State and local government agencies in the State are each subject to an annual "appropriations limit" imposed by Article XIII B of the State Constitution ("Article XIII B"). Article XIII B prohibits government agencies and the State from spending "appropriations subject to limitation" in excess of the appropriations limit imposed. The base year for establishing such appropriations limit is fiscal year 1978-79. "Appropriations subject to limitation" are generally authorizations to spend "proceeds of taxes," which include all, but are not limited to, tax revenues, and the proceeds from (i) regulatory licenses, user charges or other user fees to the extent that such proceeds exceed "the cost reasonably borne by that entity in providing the regulation, product, or service," (ii) the investment of tax revenues, and (iii) certain subventions received from the State. No limit is imposed on appropriations of funds which are not "proceeds of taxes," appropriated for debt service on indebtedness existing prior to the passage of Article XIII B or authorized by the voters, or appropriations required to comply with certain mandates of courts or the federal government.

As amended at the June 5, 1990 election by Proposition 111, Article XIII B provides that, in general terms, an agency's appropriations limit is based on the limit for the prior year adjusted annually to reflect changes in cost of living, population and, when appropriate, transfer of financial responsibility of providing services from one governmental unit to another. Proposition 111 liberalized the aforementioned adjustment factors as compared to the original provisions of Article XIII B. If an agency's revenues during any two consecutive fiscal years exceed the combined appropriations limits for those two years, the excess must be returned by a revision of tax rates or fee schedules within the two subsequent fiscal years.

Section 7900, *et seq.* of the State Government Code defines certain terms used in Article XIII B and sets forth the methods for determining the appropriations limits for local jurisdictions. The City's appropriations limit for fiscal year 2018-19 was \$299.1 million, with approximately \$132.9 million of the City's appropriations being subject to this limit. The City estimates that its appropriations limit for fiscal year 2019-20 is \$313.4 million, with an estimated \$157.7 million of the City's appropriations being subject to this limit.

Articles XIII C and XIII D of the State Constitution – Proposition 218 and Proposition 26

On November 5, 1996, the voters of the State approved Proposition 218, the "Right to Vote on Taxes Act." Proposition 218 added Articles XIII C and XIII D to the State Constitution, which contain a number of provisions affecting the ability of the City to levy and collect both existing and future taxes, assessments, fees and charges.

Article XIII C of the State Constitution ("Article XIII C") requires that all new local taxes be submitted to the electorate before they become effective. Taxes for general governmental purposes of the City require a majority vote, and taxes for specific purposes, even if deposited in the general fund, require a two-thirds vote. The voter approval requirements of Article XIII C reduce the City's flexibility to deal with fiscal problems by raising revenue

through new or extended or increased taxes and no assurance can be given that the City will be able to raise taxes in the future to meet increased expenditure requirements.

Article XIII D of the State Constitution ("Article XIII D") contains several new provisions making it generally more difficult for local agencies to levy and maintain "assessments" for municipal services and programs. "Assessment" is defined to mean any levy or charge upon real property for a special benefit conferred upon the real property.

Article XIII D also contains several new provisions affecting a "fee" or "charge," defined for purposes of Article XIII D to mean "any levy other than an *ad valorem* tax, a special tax, or an assessment, imposed by a local government upon a parcel or upon a person as an incident of property ownership, including user fees or charges for a property related service." All new and existing property related fees and charges must conform to requirements prohibiting, among other things, fees and charges which (i) generate revenues exceeding the funds required to provide the property related service, (ii) are used for any purpose other than those for which the fees and charges are imposed, (iii) with respect to any parcel or person, exceed the proportional cost of the service attributable to the parcel, (iv) are for a service not actually used by, or immediately available to, the owner of the property in question, or (v) are used for general governmental services, including police, fire or library services, where the service is available to the public at large in substantially the same manner as it is to property owners. Further, before any property related fee or charge may be imposed or increased, written notice must be given to the record owner of each parcel of land affected by such fee or charge. The City must then hold a hearing upon the proposed imposition or increase, and if written protests against the proposal are presented by a majority of the owners of the identified parcels, the City may not impose or increase the fee or charge. Moreover, except for fees or charges for sewer, water and refuse collection services (or fees for electrical and gas service, which are not treated as "property related" for purposes of Article XIII D), no property related fee or charge may be imposed or increased without majority approval by the property owners subject to the fee or charge or, at the option of the local agency, two-thirds voter approval by the electorate residing in the affected area. The City has three enterprise funds that are self-supporting from fees and charges (refuse, water and electricity), two of which (water and refuse) have been judicially determined to be property-related for purposes of Article XIII D. As a result, the City has since 2000 followed the notice and public hearing requirements of Section 6 of Article XIII D before imposing or increasing any water or refuse service fees or charges.

However, California courts have held that property-related fees which are used by a city for general fund purposes and which are not compensation to the city for the costs of providing the related service are an impermissible tax under Article XIII D. Under Section 1408 of the City Charter, last approved by the voters in 1993, the City annually transfers up to 6% of the gross revenue of the water enterprise fund to the General Fund. In 2013, the City's transfer from the Water Fund was challenged on the grounds that it caused the City's charges to exceed the cost of service. See "CITY FINANCIAL INFORMATION – Water and Power Enterprise Fund Transfers to General Fund" for a discussion of *Rooney v. City of Pasadena*.

In addition to the provisions described above, Article XIII C extends the people's initiative power to the reduction or repeal of local taxes, assessments, and fees and charges imposed prior to its effective date (November 1996). Consequently, the voters of the City could, by future initiative, repeal, reduce or prohibit the future imposition or increase of any local tax, assessment, fee or charge. The California Supreme Court held in *Bighorn-Desert View Water Agency v. Verjil*, 39 Cal. 4th 205 (2006) that, under Article XIII C local voters by imitative may reduce a public agency's water rates and delivery charges, as those are property-related fees or charges within the meaning of Article XIII D, and noted that the initiative power described in Article XIII C may extend to a broader category of fees and charges than the property-related fees and charges governed by XIII D ("assessment," "fee" and "charge," are not defined in Article XIII C, so it was initially unclear whether the definitions of these terms in Article XIII D (which are generally property-related as described above) would limit the scope of the initiative power set forth in Article XIII C). Accordingly, the Article XIII C initiative power could potentially apply to non-property-related revenue sources that currently constitute a substantial portion of general fund revenues. No assurance can be given that the voters of the City will not, in the future, approve initiatives that repeal, reduce or prohibit the future imposition or increase of local taxes, assessments, fees or charges.

On November 2, 2010, voters in the State approved Proposition 26. Proposition 26 amends 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: (1) 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; (2) 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; (3) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections, and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof; (4) a charge imposed for entrance to or use of local government property, or the purchase, rental, or lease of local government property; (5) 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; (6) a charge imposed as a condition of property development; and (7) assessments and property-related fees imposed in accordance with the provisions of Article XIII D.

Proposition 26 also 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.

Sections 1407 and 1408 of the City Charter, last approved by the voters in 1993, authorize the City to transfer up to 16% of the gross income from the City's Light & Power Fund to the General Fund for general municipal purposes. In October 2017, the City was served with a putative class action lawsuit entitled *Komesar v. City of Pasadena*, which generally asserts that the City's electric utility rates are more than reasonably necessary to operate the utility to the extent they finance the City's annual Charter-authorized transfers from the Light & Power Fund to the General Fund, and, as such, are taxes requiring voter approval pursuant to Article XIII C of the California Constitution (last amended through Proposition 26 in 2010). Plaintiff is seeking a refund, on behalf of herself and a class of all others similarly situated, of the alleged taxes. Plaintiff has also asked the court to prevent the City from continuing to impose electric rates based on its current rate structure, until and unless the City obtains voter approval. No trial date is set in the case.

A number of lawsuits asserting similar claims have been filed against cities around the State of California, and in several of such cases, the trial courts have held that such transfers violate Proposition 26. In August 2018, the California Supreme Court decided *Citizens for Fair REU Rates v. City of Redding*, 6 Cal.5th 1 (2018). The Supreme Court held that transfers (described as "payments in lieu of taxes" or a PILOT) from the City of Redding's electric utility to that city's general fund, approved with each biennial budget, are not the type of exaction that is subject to Article XIII C of the California Constitution. The court reasoned that it is only the Redding electric utility rate, not the PILOT, that is imposed on customers for electric service. The Supreme Court concluded that because the total rate revenue of Redding's electric utility was insufficient to cover its operating expenses (other than the PILOT), Redding's electric rates did not exceed the costs of providing electric service, and therefore did not constitute a tax. It should be noted, however, that the Supreme Court's decision in the *Redding* case did not address the validity of any charter-authorized transfers, as Redding is a general law city, not a charter city.

Another published appellate opinion holds that Proposition 26 is not retroactive as to local governments (*Brooktrails Township Community Services Dist. v. Board of Supervisors of Mendocino County* (2013) 218 Cal.App.4th 195) and, for that reason, it is the City's further belief that transfers from its Light & Power Fund should be unaffected by Proposition 26. Accordingly, in the absence of judicial authority to the contrary, the City intends to continue making these transfers to the General Fund in accordance with its Charter. However, the City is unable to predict the outcome of the pending *Komesar* litigation. Accordingly, there can be no assurance that Light & Power Fund transfers to the General Fund will not have to be reduced or eliminated in the future as a result of this or other litigation. Further it is possible that the *Komesar* litigation could result in a refund back to the taxpayers for transfers from the Light & Power Fund dating back to Fiscal Year 2017-18, if the court finds a violation of Proposition 26.

The ultimate outcome and the full impact on the City's finances in the event of an adverse outcome are uncertain. The City's financial plan projections included in Appendix A assume continued transfer from the Light and Power Fund to the General Fund as authorized by the City Charter.

Proposition 1A

As part of then-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 2004 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 vehicle license fee revenues as of November 3, 2004.

Proposition 1A prohibits the State from mandating activities on cities, counties or special districts without providing for the funding needed to comply with the mandates. If the State does not provide funding for the mandated activity, the requirement on cities, counties or special districts to abide by the mandate would be suspended. In addition, Proposition 1A expanded the definition of what constitutes a mandate on local governments to encompass State action that transfers to cities, counties and special districts financial responsibility for a required program for which the State previously had partial or complete responsibility. The State mandate provisions of Proposition 1A do not apply to schools or community colleges or to mandates relating to employee rights.

Proposition 22

Proposition 22 ("Proposition 22") which was approved by California voters in November 2010, prohibits the State, even during a period of severe fiscal hardship, from delaying the distribution of tax revenues for transportation, redevelopment, or local government projects and services and prohibits fuel tax revenues from being loaned for cash-flow or budget balancing purposes to the State General Fund or any other State fund. In addition, Proposition 22 generally eliminates the State's authority to temporarily shift property taxes from cities, counties, and special districts to schools, temporarily increase a school and community college district's share of property tax revenues, prohibits the State from borrowing or redirecting redevelopment property tax revenues or requiring increased pass-through payments thereof, and prohibits the State from reallocating vehicle license fee revenues to pay for State-imposed mandates. In addition, Proposition 22 requires a two-thirds vote of each house of the State Legislature and a public hearing process to be conducted in order to change the amount of fuel excise tax revenues shared with cities and counties. Proposition 22 prohibits the State from enacting new laws that require redevelopment agencies to shift funds to schools or other agencies. While Proposition 22 will not change overall State and local government costs or revenues by the express terms thereof, it will cause the State to adopt alternative actions to address its fiscal and policy objectives. Due to the prohibition with respect to the State's ability to take, reallocate, and borrow money raised by local governments for local purposes, Proposition 22 supersedes certain provisions of Proposition 1A (2004). In addition, Proposition 22 supersedes Proposition 1A of 2006. Accordingly, the State is prohibited from borrowing sales taxes or excise taxes on motor vehicle fuels or changing the allocations of those taxes among local governments except pursuant to specified procedures involving public notices and hearings.

Statutory Limitations

A statutory initiative ("Proposition 62") was adopted by State voters at the November 4, 1986 General Election, which (1) 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 voting in such election, (2) 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 that jurisdiction voting in such election, (3) restricts the use of revenues from a special tax to the purpose or for the service for which the special tax was imposed, (4) prohibits the imposition of *ad valorem* taxes on real property by local governmental entities except as permitted by Article XIII A, (5) prohibits the imposition of transaction taxes and sales taxes on the sale of real property by local governmental entities and (6) requires that any tax imposed by a local governmental entity on or after August 1, 1985 be ratified by a majority vote of the electorate voting in such election within two years of the adoption of the initiative or be terminated by November 15, 1988. Proposition 62 requirements are generally not applicable to general taxes and special taxes levied prior to its November 4, 1986 effective date.

On September 28, 1995, the California Supreme Court filed its decision in *Santa Clara County Local Transportation Authority v. Carl Guardino*, 11 Cal. 4th 220 (1995) ("*Santa Clara*"), which upheld a Court of Appeal decision invalidating a 1/2-cent countywide sales tax for transportation purposes levied by a local transportation

authority. The California Supreme Court based its decision on the failure of the authority to obtain a two-thirds vote of the electorate for the levy of a "special tax," as required by Proposition 62. The *Santa Clara* decision did not address the question of whether or not it should be applied retroactively.

In deciding the *Santa Clara* case on Proposition 62 grounds, the Court disapproved the decision in *City of Woodlake v. Logan*, 230 Cal. App. 3d 1058 (1991) ("*Woodlake*"), where the Court of Appeal had held portions of Proposition 62 unconstitutional as a referendum on taxes prohibited by the State Constitution. The State Supreme Court determined that the voter approval requirement of Proposition 62 is a condition precedent to the enactment of each tax statute to which it applies, while referendum refers to a process invoked only after a statute has been enacted. Numerous taxes to which Proposition 62 would apply were imposed or increased without voter approval in reliance on *Woodlake*. The Court notes as apparently distinguishable, but did not confirm, the decision in *City of Westminster v. County of Orange*, 204 Cal. App. 3d 623 (1988), which held unconstitutional the provision of Proposition 62 requiring voter approval of taxes imposed during the "window period" of August 1, 1985 until November 5, 1986. Proposition 62 as an initiative statute does not have the same level of authority as a constitutional initiative, but is analogous to legislation adopted by the State Legislature. After the passage of Proposition 218, certain provisions of Proposition 62 (e.g., voter approval of taxes) are now governed by the State Constitution.

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

Future Initiatives

Article XIII A, Article XIII B, Article XIII C, Article XIII D and the propositions described above were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time, other initiative measures could be adopted, which may place further limitations on the ability of the State, the City or local districts to increase revenues or to increase appropriations which may affect the City's revenues or its ability to expend its revenues.

BONDED AND OTHER INDEBTEDNESS

Introduction

The City has issued or caused the issuance of a variety of bonded and other debt obligations as provided for under the State Constitution, judicial interpretation of the State Constitution, State statutes, and its own Charter powers. The following summarizes that indebtedness. The City has never failed to pay principal of or interest on any debt or lease obligation when due.

The Director of Finance serves as the City's debt coordinator. The City Treasurer serves on each financing team, along with other finance staff members. All debt issuance must be approved by the City's Finance Committee and the City Council.

Debt Management Policy

The City has adopted debt management policies to standardize and rationalize the issuance and management of debt by the City. One of the principal objectives of the debt management policies is to maintain the highest possible credit ratings for all categories of short and long term debt that can be achieved without compromising the delivery of basic services by the City.

The City's debt management policy requires the City to develop a multi-year capital improvement program to be considered by the City Council as part of the yearly budget process. The City does not anticipate issuing General Fund indebtedness in the near future.

General Obligation Debt

Under the City Charter, the City may not incur indebtedness by general obligation bonds which would in the aggregate exceed 15% of the total assessed valuation of all the real and personal property within the City subject to assessment for taxation for municipal purposes. In addition, no bonded indebtedness which will constitute a general obligation of the City may be created unless authorized by the affirmative vote of two-thirds of the electorate voting on such proposition at any election at which the question is submitted. Such bonds are secured by an *ad valorem* property tax assessed against the property owners of the City. The City currently has no general obligation debt outstanding.

Long-Term Debt Obligations Payable from the General Fund

As of June 30, 2019, the City had total long-term debt obligations payable from the City's General Fund of approximately \$555.0 million. Of this total, obligations for general government purposes represented approximately 22%, pension obligation bonds approximately 10% and "self-supporting" obligations related to particular activities (such as parking, conference center and the Rose Bowl) approximately 69%. For the past ten years, the City has made no contribution from its General Fund towards the payment of "self-supporting" obligations. Further, the City does not expect to make any contribution to the payment of such "self-supporting" obligations in the near future.

Set forth below is a table projecting the debt service on the City's long-term debt obligations through the fiscal year ending June 30, 2023.

**TABLE A-29
DEBT SERVICE PROJECTIONS ON LONG-TERM DEBT OBLIGATIONS
For Fiscal Years 2020 through 2023
(\$ in Thousands)**

Fiscal Year ended June 30	Total General Fund Obligations Debt Service (including Self Supporting Obligations)	General Fund Obligations Debt Service (excluding Self Supporting Obligations)
2020	\$38,292,275	\$11,007,521
2021	39,034,586	11,018,060
2022	41,844,731	10,881,035
2023	42,754,992	10,756,679

Source: City of Pasadena, Department of Finance.

Set forth below is a summary of the City's long-term debt obligations payable from the City's General Fund.

**TABLE A-30
LONG-TERM OBLIGATIONS PAYABLE FROM CITY GENERAL FUND
as of June 30, 2019
(\$ in Thousands)**

City Issues	Original Par	Outstanding	Final Maturity	Variable/Fixed Synthetic Fixed (SWAP)	Letter of Credit Expiration Date	Letter of Credit Bank
<u>Pension Obligation Bonds</u>						
2015 AB Taxable POBs	119,460	119,460	2045	Fixed	-	-

Sub-Total Pension Obligation Bonds	\$119,460	\$119,460					
<u>City Leases</u>							
2000 Lease Financing	4,000	95	2020	Fixed	-	-	
2011 Equip Lease Financing – ARTS Buses	2,073	702	2022	Fixed	-	-	
2015 Equip Lease Financing – Meter Equip	113	35	2020	Fixed	-	-	
2015A Certification of Participation	55,350	52,745	2038	Fixed	-	-	
Sub-Total City Leases	\$61,536	\$53,577					
<u>Self-Supporting Obligations</u>							
1999 Marriott Garage Lease Financing	2,600	101	2019	Fixed	-	-	
2006 A CAB COPs (Conference Center)	27,140	18,884	2023	Fixed	-	-	
2008 A COPs (Conference Center)	134,720	134,720	2035	Variable/SWAP(Synthetic Fixed)	4/16/2018	Bank of America	
2008 Paseo Colorado Taxable Revenue Bonds	28,800	22,700	2038	Variable	9/1/2019	Bank of the West	
2010 A PPA Lease Revenue Bonds (Rose Bowl Renovation Project) Tax-Exempt	36,808	22,247	2033	Fixed	-	-	
2010 B PPA Lease Revenue Bonds (Rose Bowl Renovation Project) Tax-BABS	106,660	106,660	2043	Fixed	-	-	
2010 C PPA Lease Revenue Bonds (Rose Bowl Renovation Project) Taxable	5,005	1,240	2020	Fixed	-	-	
2010 D PPA Lease Revenue Bonds (Rose Bowl Renovation Project) Tax-RZEDBS	7,400	7,400	2043	Fixed	-	-	
2016 A Rose Bowl Lease Revenue Bonds Refunding (Tax-Exempt)	21,865	21,865	2027	Fixed	-	-	
2018 A Rose Bowl Lease Revenue Refunding Bonds (Tax-Exempt)	30,585	30,585	2042	Fixed	-	-	
2018 B Rose Bowl Lease Revenue Refunding Bonds (Taxable)	12,515	12,430	2027	Fixed	-	-	
2019 A Equip Lease Financing-PACS Equipment	3,253	3,253	2026	Fixed	-	-	
Sub-Total Self-Supporting	\$417,351	\$382,085					
Total General Fund Obligations	\$598,347	\$555,122					

Source: City of Pasadena, Department of Finance.

Revenue Bonds

The City Charter and State law provide for the issuance of revenue bonds, and the execution of installment purchase contracts that support revenue certificates of participation, which are secured by and payable from the revenues generated by various enterprise and special fund operations. These revenue bonds do not represent obligations of the General Fund of the City, nor are they secured by taxes. Revenue bonds and certificates of participation have been issued that are secured by electric and water revenue enterprises. See Note 9 to the City's Comprehensive Annual Financial Report for the year ended June 30, 2018, attached hereto as Appendix B.

Cash-flow Borrowings

In the past ten years, the City has not issued tax and revenue anticipation notes to alleviate short-term cash flow needs that occur early in the fiscal year when taxes and revenues have not yet been received.

Estimated Direct and Overlapping Bonded Debt

The estimated direct and overlapping bonded debt of the City as of [] is shown on the following page.

[Insert Direct and Overlapping Debt Table From Cal Muni]

LITIGATION

The City believes that there is no litigation pending or threatened against the City where an unfavorable judgment would have a material adverse effect on the City's financial position. See "CITY FINANCIAL INFORMATION – Water and Power Enterprise Fund Transfers to General Fund" and "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES, REVENUES AND APPROPRIATIONS – Articles XIII C and XIII D of the State Constitution – Proposition 218 and Proposition 26" in this Appendix A for a discussion of settled and pending litigation affecting transfers from the Light and Power Fund and the Water Fund to the City's General Fund.

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APPENDIX B

**CITY OF PASADENA COMPREHENSIVE ANNUAL FINANCIAL
REPORT FOR YEAR ENDED JUNE 30, 2018**

APPENDIX C
PROPOSED FORM OF BOND COUNSEL OPINION

APPENDIX D**BOOK-ENTRY SYSTEM**

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Series 2019 Bonds (for purposes of this APPENDIX D only, 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 certificate will be issued for the Bonds, in the aggregate principal amount of such issue, 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, as amended. 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 the 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 the 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 2015 Bond documents. For example, Beneficial Owners of the 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 the notices be provided directly to them.

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

Neither DTC nor Cede & Co. (nor 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. a consenting or voting right to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, premium and redemption proceeds, distributions, and interest 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 the payment 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 Participants and not of DTC or of its nominee, the Trustee or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium and redemption proceeds, distributions, and interest 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 Beneficial Owner shall give notice to elect to have its Bonds purchased or tendered, through its Participant, to the Remarketing Agent, 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 Remarketing Agent. The requirement for physical delivery of Bonds in connection with 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 Remarketing Agent'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 securities depository is not obtained, Bond 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, Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

The City cannot and does not give any assurances that DTC will distribute to Participants or that Participants or others will distribute to the Beneficial Owners payments of principal of and interest and premium, if any, on the Bonds paid or any redemption or other notices or that they will do so on a timely basis or will serve and act in the manner described in this Official Statement. The City is not responsible or liable for the failure of DTC or any Participant or Indirect Participant to make any payments or give any notice to a Beneficial Owner with respect to the Bonds or any error or delay relating thereto.

Neither the City nor the Trustee will have any responsibility or obligation to Participants, to Indirect Participants or to any Beneficial Owner with respect to (i) the accuracy of any records maintained by DTC, any Participant, or any Indirect Participant; (ii) the payment by DTC or any Participant or Indirect Participant of any amount with respect to the principal of or premium, if any, or interest on the Bonds; (iii) any notice that is permitted or required to be given to Holders under the Trust Agreements; (iv) the selection by DTC, any Participant or any Indirect Participant of any person to receive payment in the event of a partial redemption of the Bonds; (v) any consent given or other action taken by DTC as Bondholder; or (vi) any other procedures or obligations of DTC, Participants or Indirect Participants under the book-entry system.

APPENDIX E

SUMMARY OF THE TRUST AGREEMENTS

The following is a summary of certain provisions in the Trust Agreements. This summary does not purport to be comprehensive and reference should be made to the applicable Trust Agreement for a full and complete statement of its provisions. All capitalized terms not defined in this Official Statement have the meaning set forth in the applicable Trust Agreement.

Definitions

“Accreted Value” means, with respect to any Capital Appreciation Bond or Convertible Capital Appreciation Bond, as of the date of calculation, the initial principal amount thereof plus the interest accreted thereon to such date of calculation from the date of such Bond at the yield to maturity thereof compounded semiannually, as determined in accordance with the table of Accreted Values for such Bond prepared by the Original Purchasers at the time of sale thereof, assuming in any year that such Accreted Value increases in equal daily amounts on the basis of a year of three hundred sixty (360) days composed of twelve (12) calendar months of thirty (30) days each.

“Act” means Articles 10 and 11 (commencing with Section 53570) of Chapter 3 of Division 2 of Title 5 of the Government Code of the State.

“Bond Fund” means the City of Pasadena Taxable Pension Obligation Refunding Bonds, Series 2019, Bond Fund established by the City with the Trustee pursuant to the applicable Trust Agreement.

“Bonds” means the City of Pasadena Taxable Pension Funding Bonds of any Series authorized by and at any time Outstanding pursuant a Trust Agreement that are executed, authenticated and delivered in accordance therewith.

“Business Day” means any day other than (i) a Saturday or a Sunday, (ii) a day on which banking institutions in the city or cities in which the Corporate Trust Office of the Trustee, the principal corporate trust office of the Paying Agent or the office of the Credit Provider to which requests for payment are to be directed is located or banking institutions in New York, New York, are authorized or required by law to close, or (iii) a day on which the New York Stock Exchange is closed.

“Capital Appreciation Bond” means a Fixed Rate Bond, if any, the interest component of which is compounded semiannually on each Interest Payment Date through the maturity date of such Bond as specified in the table of Accreted Values for such Bond.

“Certificate of the City” means an instrument in writing signed by either the City Manager of the City or the Director, or by any other officer of the City duly authorized by the City Council of the City for that purpose.

“City” means the City of Pasadena, a political subdivision duly organized and existing under and by virtue of the Constitution and laws of the State and its Charter.

“Closing Date” means the date on which the Bonds are initially delivered to the Original Purchasers.

“Continuing Disclosure Agreement” means that certain Continuing Disclosure Agreement between the City and the Trustee dated the Closing Date.

“Contribution Agreement” means the certain Amended and Restated Contribution Agreement between the City and the System, dated as of November 1, 2012 (No. 20,823).

“Convertible Capital Appreciation Bond” means a Fixed Rate Bond the interest component of which is compounded semiannually on each Interest Payment Date during the Accretion Period as specified in the table of Accreted Values for such Bond, and thereafter the interest component of which is payable semiannually on each Interest Payment Date through the maturity date of such Bond.

“Corporate Trust Office” means the principal corporate trust office of the Trustee in Los Angeles, California, provided, that the Trustee may designate in writing to the City and the Holders such other office or agency from time to time for purposes of registration, transfer, exchange, payment or redemption of any of the Bonds.

“Credit Facility” means, with respect to any Series of Bonds, any letter of credit, surety bond, insurance policy or other credit facility, or any combination thereof, issued by the Credit Provider to the Paying Agent and then in effect securing or guaranteeing the payment of principal of and interest on such Series of Bonds.

“Credit Provider” means any bank, insurance company or other financial institution or other entity providing a Credit Facility.

“Debenture” means any Pension Obligation Debenture delivered by the City in favor of the System, to evidence the City’s obligations under the Retirement law.

“Director” means the Director of Finance of the City.

“Event of Bankruptcy” means the filing of a petition in bankruptcy or the commencement of a proceeding under the United States Bankruptcy Code or any other applicable law concerning insolvency, reorganization or bankruptcy by or against the City.

“Event of Default” means an event described as such in the applicable Trust Agreement.

“Fiscal Year” means the twelve-month period terminating on June 30 of each year, or any other annual accounting period hereafter designated by the City as its Fiscal Year in accordance with applicable law.

“Fitch” means Fitch Ratings, a corporation organized under the laws of the State of New York, its successors and their assigns, and, if such corporation is dissolved or liquidated or no longer performs the functions of a securities rating agency, “Fitch” will be deemed to refer to any other nationally recognized securities rating agency designated by the City by Notice to the Trustee.

“Fixed Rate” means a rate of interest on a Fixed Rate Mode Bond that is set by the Remarketing Agent for the remaining term of such Bond, calculated on the basis of a 360-day year consisting of twelve 30-day months.

“Fixed Rate Bonds” means the 2015A Bonds.

“Fixed Rate Mode” has the meaning set forth in the form of Fixed Rate Mode Bonds contained in a Trust Agreement.

“Fixed Rate Mode Bonds” means a Series of Variable Rate Bonds in a Fixed Rate Mode.

“Flexible Rate” means a rate of interest on a Flexible Rate Mode Bond that is set by the Remarketing Agent for periods of from one (1) to two hundred seventy (270) days, calculated on the basis of a 360-day year and actual days elapsed.

“Flexible Rate Mode” has the meaning set forth in the form of Flexible Rate Mode Bonds contained in a Trust Agreement.

“Flexible Rate Mode Bonds” means a Series of Variable Rate Bonds in a Flexible Rate Mode.

“Holder” means any person who is the registered owner of any Outstanding Bond, as shown on the registration books maintained by the Trustee pursuant to a Trust Agreement.

“Independent Certified Public Accountant” means any certified public accountant or firm of such accountants duly licensed and entitled to practice and practicing as such under the laws of the State or a comparable successor, appointed and paid by the City, and who, or each of whom --

(1) is in fact independent according to the Statement of Auditing Standards No. 1 and not under the domination of the City;

(2) does not have a substantial financial interest, direct or indirect, in the operations of the City; and

(3) is not connected with the City as a member of the City Council, officer or employee of the City, but who may be regularly retained to audit the accounting records of and make reports thereon to the City.

“Interest Payment Account” means the account by that name in the Bond Fund established pursuant to a Trust Agreement.

“Interest Payment Date” means any date on which interest is due on any of the Bonds.

“Liquidity Facility” means any surety bond, liquidity facility or other instrument, or any combination thereof, issued by the Liquidity Provider to the Paying Agent and then in effect securing or under which funds are available to pay the purchase price of any Variable Rate Bonds tendered or deemed tendered and not remarketed.

“Liquidity Provider” means any bank, insurance company or other financial institution or other entity providing a Liquidity Facility.

“Liquidity Provider Bond” means any Variable Rate Bond purchased with proceeds provided by a drawing under the Liquidity Facility which is registered to the Liquidity Provider or its nominee.

“Mandatory Tender Bonds” means the Series 1999B Mandatory Tender Bonds, the 2012 Mandatory Tender Bonds and the 2015B Mandatory Tender Bonds.

“Mode” means the period for and the manner in which the interest rates on a Series of Variable Rate Bonds is determined.

“Moody’s” means Moody’s Investors Service, a corporation duly organized and existing under and by virtue of the laws of the State of Delaware, and its successors and assigns, except that if such corporation is dissolved or liquidated or no longer performs the services of a municipal securities rating agency, then the term “Moody’s” will be deemed to refer to any other nationally recognized municipal securities rating agency selected by the City.

“MSRB” means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934 or any other entity designated or authorized by the SEC to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the SEC, filings with the MSRB are to be made through the Electronic Municipal Marketplace Access (EMMA) website of the MSRB, currently located at <http://emma.msrb.org>.

“Multiannual Rate” means a rate of interest on a Multiannual Rate Mode Bond that is set by the Remarketing Agent for periods of one (1) year or integral multiples thereof designated by the City (except that the first Rate Period may vary as provided herein), computed on the basis of a 360-day year consisting of twelve 30-day months.

“Multiannual Rate Mode” has the meaning set forth in the form of Multiannual Rate Mode Bonds contained in the Trust Agreement.

“Multiannual Rate Mode Bonds” means a Series of Variable Rate Bonds in a Multiannual Rate Mode.

“Obligations” means, for any Fiscal Year, the amount of interest and principal or Accreted Value payable on the Bonds during such Fiscal Year (including amounts payable on the Variable Rate Bonds through and including the

next succeeding May 1 payment date); provided, that for each Fiscal Year in which a Series of Variable Rate Bonds will bear interest in a Flexible Rate Mode or in a Weekly Rate Mode, (i) for any period in which a Swap Agreement is in effect with respect to such Series of Variable Rate Bonds, the amount of interest payable on such Series of Variable Rate Bonds for such period will be deemed to be equal to the amount required to be paid by the City to the Qualified Counterparty pursuant to such Swap Agreement for such period; and (ii) if no Swap Agreement is in effect for such period, the amount of interest payable on such Series of Variable Rate Bonds will be the average of the actual interest rate paid on such Bonds for the preceding twelve months plus one hundred (100) basis points.

“Opinion of Counsel” means a written opinion of counsel of recognized national standing in the field of law relating to municipal bonds, appointed and paid by the City and satisfactory to and approved by the Trustee (who will be under no liability by reason of such approval).

“Original Purchasers” means the underwriters named in the contract of purchase for the Bonds, as original purchasers of the Bonds.

“Outstanding,” when used as of any particular time with reference to Bonds, means all Bonds (subject to the provisions of the Trust Agreement) except:

- (1) Bonds theretofore canceled and destroyed by the Trustee or surrendered to the Trustee for cancellation and destruction;
- (2) Bonds paid or deemed to have been paid within the meaning of the Trust Agreement;
- (3) Bonds in lieu of or in substitution for which other Bonds shall have been executed by the City and authenticated and delivered by the Trustee pursuant the Trust Agreement; and
- (4) Tendered Bonds not delivered to the Paying Agent on the Purchase Date, so long as sufficient money is then on deposit with the Paying Agent for the payment of the Purchase Price thereof.

Notwithstanding anything to the contrary contained in the Trust Agreements, in any calculation of Outstanding Bonds under a Trust Agreements, the Accreted Value of any Capital Appreciation Bond or of any Convertible Capital Appreciation Bond, as the case may be, will be deemed to be the principal amount thereof.

“Paying Agent” means The Bank of New York Mellon Trust Company, N.A., or any successor or successors thereto appointed from time to time pursuant to the Trust Agreement.

“Permitted Investments” means any of the following obligations as and to the extent that such obligations are at the time legal investments for moneys held under a Trust Agreement and then proposed to be invested therein:

- (1) Any bonds or other obligations which, as to principal and interest, constitute direct obligations of, or are unconditionally guaranteed by the United States, including obligations of any federal agencies, to the extent such obligations are unconditionally guaranteed by the United States of America, as to full and timely payments, but not including interests or shares in any type or form of investment company which may invest in any of the foregoing;
- (2) Obligations issued by banks for cooperatives, federal land banks, federal intermediate credit banks, federal home loan banks, the Federal Home Loan Bank Board, or obligations, participations, or other instruments of or issued by, or fully guaranteed as to principal and interest by, the Federal National Mortgage Association, the Government National Mortgage Association or the Federal Home Loan Mortgage Corporation; or guaranteed Small Business Administration notes or portions thereof;
- (3) Obligations of the State or of any state or any local agency of either thereof which are rated not lower than the highest rating on any Bonds provided by the Rating Agency;
- (4) Bills of exchange or time drafts drawn on and accepted by a commercial bank, including the Trustee and its affiliates, rated not lower than the highest rating on any Bonds provided by the Rating

Agency, otherwise known as bankers acceptances, which are eligible for purchase by the Federal Reserve System;

(5) Commercial paper of "prime" quality of the highest ranking or of the highest letter and numerical rating as provided for by the Rating Agency issued by corporations that are organized and operating within the United States and having a rating for such issuing corporation's debentures, other than commercial paper, not lower than the highest rating on any Bonds provided by the Rating Agency;

(6) Negotiable certificates of deposit issued by a nationally or state-chartered bank, including the Trustee and its affiliates, or a state or federal savings and loan association or by a state-licensed branch of a foreign bank qualified as a depository of public funds in the State of California which are rated not lower than the highest rating on any Bonds provided by the Rating Agency, including the Trustee or any affiliate thereof;

(7) Any repurchase agreement or reverse repurchase agreement with members of the Association of Primary Dealers of United States Government Securities which are rated not lower than the highest rating on any Bonds provided by the Rating Agency, or institutions insured by the Federal Deposit Insurance Corporation, to the extent such agreements are fully collateralized at levels acceptable to the Rating Agency by obligations described in clauses (1) and (2) of this definition, if the Trustee holds or appoints some intermediary bank or savings association to hold the collateral securing such agreement and the Trustee or its appointed agent has a first priority security interest in such collateral, and the repurchase agreement or reverse repurchase agreement is free and clear of any third party lien or claim;

(8) For amounts less than \$10,000, interest-bearing demand or time deposits (including certificates of deposit) in a national or state-chartered bank, including the Trustee and its affiliates, or state or federal savings and loan association in the State of California, fully insured by the Federal Deposit Insurance Corporation or any successor thereto, including the Trustee or any affiliate thereof;

(9) Certificates or obligations issued by the City which are rated not lower than the highest rating on any Bonds provided by the Rating Agency, including bonds or obligations payable solely out of the revenues from a revenue-producing property owned, controlled or operated by the City or by a department, board, agency or authority thereof;

(10) Shares in money market funds which are rated not lower than the highest rating on any Bonds provided by the Rating Agency, investing in the securities and obligations as authorized by clauses (1) to (9), inclusive, of this definition and which comply with the investment restrictions of Articles 1 and 2 of Chapter 4 of Title 5 of the California Government Code (commencing with Section 53630). To be eligible for investment pursuant to this clause (10). These companies must either: (1) attain the highest ranking or the highest letter and numerical rating provided by not less than two of the three largest nationally recognized rating services, or (2) have an investment adviser registered with the Securities and Exchange Commission with not less than five years experience investing in the securities and obligations as authorized by clauses (1) to (9), inclusive, of this definition and with assets under management in excess of \$500,000,000. The Trustee, its affiliates or subsidiaries may provide investment advisory or other management services. The purchase price of shares of beneficial interests purchased pursuant to this clause (10) does not include any commission that these companies may charge;

(11) Investment agreements reviewed by and acceptable to the Rating Agency which are with investment institutions having long-term obligations which are rated not lower than the highest rating on any Bonds provided by the Rating Agency; provided that if such rating is below the two highest rating categories, the investment agreement must require the Trustee to replace such financial institution or provide for the invested securities to be fully collateralized by investments described in clause (1) above and, if so collateralized, the Trustee must have a perfected first security lien on the collateral and such collateral will be held by the Trustee or its agent;

(12) Any other investments which the City deems to be prudent investments and in which the City directs the Trustee in writing to invest, provided that such investments are either: (i) rated not lower than

the highest rating on any Bonds provided by the Rating Agency at the time of such investment; or (ii) are issued by an entity the corporate debt of which is so rated by the Rating Agency; or (iii) are issued by an insurance company with a claims paying rating of not lower than the highest rating on any Bonds provided by the Rating Agency; and

(13) Investments in a money market fund (including those of the Trustee and affiliates of the Trustee) rated "AAAm" or "AAAm-G" or better by Standard & Poor's and "Aaa" or "AaI" or better by Moody's if Moody's is then maintaining a rating on the Bonds.

"Principal Payment Account" means the account by that name in the Bond Fund established pursuant to the Trust Agreement.

"Principal Payment Date" means a date on which the principal (and, in the case of a Capital Appreciation Bond, the Accreted Value) is due at maturity on any of the Bonds.

"Purchase Date" means, while a Series of Variable Rate Bonds is in a Flexible Rate Mode, a Weekly Rate Mode or a Multiannual Rate Mode, the date on which such Series of the Bonds is required to be purchased pursuant to mandatory or optional tender in accordance with the Trust Agreement.

"Purchase Price" has the meaning set forth in forms of Flexible Rate Mode Bonds, Weekly Rate Mode Bonds and Multiannual Rate Bonds in the Trust Agreements.

"Qualified Counterparty" means the counterparty (approved in writing by the Credit Provider) to a Swap Agreement.

"Rate Period" means, when used with respect to any particular rate of interest for a Series of Variable Rate Bonds in a Flexible Rate Mode, a Weekly Rate Mode, or a Multiannual Rate Mode, the period during which such rate of interest determined for such Series of the Bonds will remain in effect as described in the Trust Agreement.

"Rating Agencies" means Fitch and Standard & Poor's, or, in the event that either Fitch or Standard & Poor's no longer maintains a rating on the Bonds, any other nationally recognized bond rating agency then maintaining a rating on the Bonds selected by the City, but in each instance only so long as Fitch, Standard & Poor's or such other nationally recognized bond rating agency then maintains a rating on the Bonds.

"Reimbursement Agreement" means any reimbursement agreement, credit agreement, commitment letter or other agreement between the City and a Credit Provider or Liquidity Provider or undertaking by the City, under which the City is obligated to reimburse such Credit Provider or Liquidity Provider for payments made by such Credit Provider or Liquidity Provider from drawings or advances made under a Credit Facility or Liquidity Facility.

"Remarketing Agent" means the Remarketing Agent, if any, or any successor or successors thereto appointed from time to time pursuant to the Trust Agreement.

"Representation Letters" means the letters of representation to The Depository Trust Company, New York, New York, from the City and from the Trustee relating to the Bonds.

"Retirement Law" means the Article XV of the City Charter and Article II, Chapter 2.250 of the Pasadena Municipal Code.

"SB481 Receipts" has the meaning ascribed to this term in the Contribution Agreement.

"Series" means any of the Bonds designated in the Trust Agreement at the time of the original issuance of such Bonds as a separate Series of the Bonds.

"Series 2019A Bonds" means the Bonds designated the Taxable Pension Obligation Refunding Bonds, Series 2019A.

“Series 2019B Bonds” means the Bonds designated the Taxable Pension Obligation Refunding Bonds, Series 2019B.

“Series 2019 Bonds” means the Series 2019A Bonds and the Series 2019B Bonds, collectively.

“Standard & Poor’s” means Standard & Poor’s Corporation, its successors and their assigns, and, if such corporation is dissolved or liquidated or no longer performs the functions of a securities rating agency, “Standard & Poor’s” will be deemed to refer to any other nationally recognized securities rating agency designated by the City.

“State” means the State of California.

“Supplemental Trust Agreement” means any trust agreement then in full force and effect which has been duly executed and delivered by the Trustee and the City amendatory of the Trust Agreement, but only if and to the extent that such Supplemental Trust Agreement is specifically authorized under the Trust Agreement.

“Swap Agreement” means a written agreement for the purpose of managing or reducing the City’s exposure to fluctuations in interest rates or for any other interest rate investment, asset or liability managing purpose entered into either on a current or forward basis by the City and a Qualified Counterparty that provides for an exchange of payments based on interest rates, ceilings or floors on such payments, options on such payments or any combination thereof, or any similar device.

“System” means the City of Pasadena Fire and Police Retirement System.

“Tendered Bond” means any Bond tendered or deemed tendered for purchase pursuant to the Trust Agreement.

“Trust Agreement” means, as applicable, (i) the Trust Agreement made and entered into as of August 1, 1999, by and between the Trustee and the City, as originally executed and as it may from time to time be amended by all Supplemental Trust Agreements executed pursuant to the provisions thereof or (ii) the Trust Agreement made and entered into as of March 1, 2012 by and between the Trustee and the City, as originally executed and as it may from time to time be amended by all Supplemental Trust Agreements executed pursuant to the provisions thereof.

“Trustee” means The Bank of New York Mellon Trust Company, N.A., or any other association or corporation which may at any time be substituted in its place as provided in the Trust Agreement.

“Variable Rate Bonds” means bonds bearing interest in a Flexible Rate, Weekly Rate or Multiannual Rate.

“Weekly Rate” means a rate of interest on a Weekly Rate Mode Bond that is set by the Remarketing Agent for a period of seven (7) days, calculated on the basis of a 365 or 366-day year, as applicable, and actual days elapsed.

“Weekly Rate Mode” has the meaning set forth in the form of Weekly Rate Mode Bonds contained in the Trust Agreement.

“Weekly Rate Mode Bonds” means a Series of Variable Rate Bonds in a Weekly Rate Mode.

“Written Request of the City” means an instrument in writing signed by the Director of Finance, or by any other officer of the City duly authorized by the City Council of the City for that purpose.

General Bond Provisions

Assignment and Pledge for the Bonds. The City irrevocably assigns and pledges to the Trustee, in trust for the security of the Holders and any Credit Provider upon the terms of each Trust Agreement, all the City’s rights, title and interest in and to all money and securities for deposit in, or deposited in, the Bond Fund and any investment earnings thereon, and any collateral security for, and all proceeds of, any of the foregoing. The Trustee will hold all the rights, title and interest received under each Trust Agreement and all money and securities (exclusive of money to which the Trustee is entitled in its own right as fees, indemnity, reimbursement or otherwise) received from the City or derived from the exercise of the City’s powers under such Trust Agreement in trust for the security of the Holders

and any Credit Provider in accordance with the provisions thereof. The City will from time to time execute, deliver, file and record such instruments as the Trustee may reasonably require to confirm, perfect or maintain the security created by the Trust Agreements and the assignment and pledge thereby of the rights, title and interest assigned and pledged by the City to the Trustee and the Credit Provider thereunder.

Accounts and Funds

Bond Fund; Deposits in the Bond Fund. The City agrees and covenants that on or before the 5th Business Day preceding each date on which interest on and principal of the Bonds is due and payable, the City will deposit with the Trustee in immediately available funds an amount of money equal to the interest on or principal or Accreted Value of the Bonds due on such date, and all amounts payable to the Trustee under each Trust Agreement will be promptly deposited by the Trustee upon receipt thereof in a special fund designated the "City of Pasadena Taxable Pension Obligation Refunding Bonds, Series 2019, Bond Fund" (which fund is established under such Trust Agreement, and will be maintained in trust by the Trustee so long as any Bonds are Outstanding). On any Business Day when any other Obligation (including payments under any Swap Agreement) is due, the City will make payment thereof to the person to whom such Obligation is due. The Trustee, at the direction of the City, may establish such other accounts within the Bond Fund as deemed necessary to accommodate the purchase, redemption or payment of Variable Rate Bonds from the proceeds of remarketing, or payments under a Liquidity Facility or Credit Facility, or payments from the City.

Allocation of Money in Bond Fund. On receipt of each deposit in the applicable Bond Fund, the Trustee will transfer from such fund and deposit into the following two respective accounts (each of which is established in the Bond Funds under each Trust Agreement, and will be maintained by the Trustee in trust separate and distinct from the other accounts and funds established thereunder) the following amounts in the following order of priority:

- (i) Interest Payment Account, and
- (ii) Principal Payment Account.

All money in each of such accounts will be held in trust by the Trustee and will be applied, used and withdrawn only for the purposes authorized in the Trust Agreements.

(a) **Interest Payment Account.** On each Interest Payment Date, the Trustee will set aside from the Bond Fund and deposit in the Interest Payment Account an amount of money which is equal to the amount of interest becoming due and payable on all Outstanding Bonds on such Interest Payment Date, and for this purpose the Trustee will establish separate subaccounts for each Series of the Bonds then Outstanding; provided, that no deposit need be made into the Interest Payment Account if the amount contained therein is at least equal to the aggregate amount of interest becoming due and payable on all Outstanding Bonds on such Interest Payment Date. All money in the Interest Payment Account will be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Bonds as it becomes due and payable (including interest on any Bonds redeemed prior to maturity) or to make reimbursements to the Credit Provider for drawings by the Paying Agent under the Credit Facility used for this purpose.

(b) **Principal Payment Account.** On each Principal Payment Date, the Trustee will set aside from the Bond Fund and deposit in the Principal Payment Account an amount of money which is equal to the amount of principal or Accreted Value becoming due and payable on all Outstanding Bonds on such Principal Payment Date, and for this purpose the Trustee will establish separate subaccounts for each Series of the Bonds; provided, that no deposit need be made into the Principal Payment Account if the amount contained therein is at least equal to the aggregate amount of principal or Accreted Value becoming due and payable on all Outstanding Bonds on such Principal Payment Date. All money in the Principal Payment Account will be used and withdrawn by the Trustee solely for the purpose of paying the principal or Accreted Value of the Bonds as it becomes due and payable (including principal or Accreted Value of any Bonds redeemed prior to maturity) or to make reimbursements to the Credit Provider for drawings by the Paying Agent under the Credit Facility used for this purpose.

Deposit and Investment of Money in Accounts and Funds. All money held by the Trustee in any of the accounts or funds established pursuant to the Trust Agreements will be invested in Permitted Investments at the

Written Request of the City, except that if no Written Request of the City is received, the Trustee will invest funds held by it in Permitted Investments described in paragraph (13) of the definition thereof; provided, however, that any such investment will be made by the Trustee only if, prior to the date on which such investment is to be made, the Trustee has received a Written Request of the City specifying a specific money market fund and, if no such Written Request of the City is so received, the Trustee will hold such moneys uninvested. The Trustee may act as principal or agent in the acquisition or disposition of any such investment and may impose its customary charges therefor, and the Trustee will incur no liability for losses arising from any investments made as described in this paragraph. All such investments will, as nearly as practicable, mature on or before the dates on which such money is anticipated to be needed for disbursement under the applicable Trust Agreement. All earnings on investments will, as and when received, be deposited in the account or fund from which the investment was made under the applicable Trust Agreement.

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.

Covenants of the City

Punctual Payment and Performance. The City covenants under each Trust Agreement to punctually pay the interest on and principal or Accreted Value of every Bond issued under such Trust Agreement in strict conformity with the terms thereof and of the Bonds, and covenants to faithfully observe and perform all the agreements and covenants required to be observed or performed by the City contained therein and in the Bonds.

Extension of Payment of Bonds. The City covenants under the Trust Agreements that it will not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any claims for interest by the purchase of such Bonds or by any other arrangement, and in case the maturity of any of the Bonds or the time of payment of any such claims for interest is extended, such Bonds or claims for interest will not be entitled, in case of any Event of Default under a Trust Agreement, to the benefits thereof, except subject to the prior payment in full of the principal or Accreted Value of all of the Bonds then Outstanding and of all claims for interest thereon which has not been so extended; provided, that nothing in this covenant will be deemed to limit the right of the City to issue Bonds for the purpose of refunding any Outstanding Bonds, and such issuance will not be deemed to constitute an extension of maturity of the Bonds.

Additional Debt. The City reserves the right to enter into one or more other indentures or trust agreements for refunding any obligations due to the System, and reserves the right to issue additional obligations payable on a parity with the Bonds for such purpose.

Amendments to Credit Facility. The City will not enter into any Reimbursement Agreement or agree to any amendment of a Credit Facility or Reimbursement Agreement which in any way limits the obligation of the Credit Provider to provide funds under the Credit Facility without the prior written consent of the Holders of all Bonds Outstanding and entitled to the benefit thereof.

Accounting Records and Reports; Reports Regarding SB481 Receipts. The City will keep or cause to be kept proper books of record and accounts in which complete and correct entries will be made of all transactions relating to the receipts, disbursements, allocation and application of all money on deposit in the accounts and funds established under the Trust Agreements, which such books will be available for inspection by the Trustee, the Liquidity Provider and the Credit Provider at reasonable hours and under reasonable conditions. Not more than two hundred ten (210) days after the close of each Fiscal Year, the City will furnish to the Trustee, the Liquidity Provider and the Credit Provider copies of the audited financial statements of the City for such Fiscal Year, including a balance sheet as of the end of such Fiscal Year and such accompanying statements for such Fiscal Year as are required by generally accepted accounting principles, each such statement and balance sheet to be prepared in accordance with generally accepted accounting principles consistently applied and audited by a firm of Independent Certified Public Accountants; provided, that the Trustee will have no duty to review or examine any such financial statements.

The City will maintain records of, and will account for separately, all SB481 Receipts received or disbursed by the City, which account will be known as the "SB481 Fund." All earnings and profits received from the investment

of SB481 Receipts, including in the investment pool of the City, will be accounted for as receipts to the SB481 Fund. Not later than 120 days after the end of each Fiscal Year which ends prior to the repayment, redemption or defeasance in full of the Bonds, the City will provide to the Trustee, the Liquidity Provider and any Credit Provider a report for the prior Fiscal Year showing the opening balance of SB481 Receipts for such Fiscal Year, additional amounts of SB481 Receipts received by the City during such Fiscal Year, all interest earnings credited to the SB481 Fund during such Fiscal Year and all disbursements from the SB481 Fund during such Fiscal Year, together with an ending balance in the SB481 Fund as of the end of such Fiscal Year. The Trustee will not be responsible for reviewing the reports provided by the City pursuant to the Trust Agreements.

Prosecution and Defense of Suits. The City covenants in each Trust Agreement to defend against every suit, action or proceeding at any time brought against the Trustee upon any claim to the extent involving the failure of the City to fulfill its obligations under such Trust Agreement; provided, that the Trustee or any Holder at its election may appear in and defend any such suit, action or proceeding.

Continuing Disclosure. The City will provide to the Trustee, the Liquidity Provider and any Credit Provider the financial information, operating data and event notification as provided for, and within the time periods provided, in the Continuing Disclosure Agreement.

Waiver of Laws. The City covenants not at any time to insist upon or plead in any manner whatsoever, or claim or take the benefit or advantage of, any stay or extension law now or at any time hereafter in force that may affect the agreements and covenants contained in the Trust Agreements or in the Bonds, and all benefit or advantage of any such law or laws is expressly waived by the City to the extent permitted by law.

Budget and Appropriation of Debt Service; Certification to Trustee. The City will take such action as may be necessary to include in each of its annual budgets the payments required to be made by the City under the Trust Agreements and to make the necessary annual appropriations for all such payments. If any payment of debt service requires the adoption by the City of a supplemental budget or appropriation, the City will promptly adopt the same. Such covenants constitute duties imposed by law. Promptly following the adoption of an annual budget which includes the appropriations required by this Section, but in any event not later than July 15 in each Fiscal Year, the City will execute and deliver to the Trustee a written certificate which evidences the compliance by the City with the foregoing covenants with respect to such Fiscal Year.

Further Assurances. Whenever and so often as reasonably requested to do so by the Trustee, any Credit Provider, the Liquidity Provider or any Holder, the City will promptly execute and deliver or cause to be executed and delivered all such other and further assurances, documents or instruments, and promptly do or cause to be done all such other and further things as may be necessary or reasonably required in order to further and more fully vest in the Trustee, the Credit Provider, the Liquidity Provider and the Holders all rights, interests, powers, benefits, privileges and advantages conferred or intended to be conferred upon them by a Trust Agreement.

The Trustee

The Trustee. The Bank of New York Mellon Trust Company, N.A., a national banking association organized under the laws of the United States of America, will serve as the Trustee for the Bonds under the Trust Agreements for the purpose of receiving all money and securities which the City is required to deposit with the Trustee under the Trust Agreements and for the purpose of allocating, applying and using such money and securities as provided therein, with the rights and obligations provided therein, and the City agrees that it will at all times maintain a Trustee having the qualifications required by the Trust Agreements.

The City, with the prior written consent of the Credit Provider and the Liquidity Provider, may at any time (unless there exists any Event of Default) and will, at the request of the Credit Provider if the Trustee is in breach of trust under a Trust Agreement, remove the Trustee initially appointed and any successor thereto and may appoint a successor or successors thereto by an instrument in writing; provided, that any such successor must be a bank, a national banking association or corporation with trust powers or trust company having a combined capital (exclusive of borrowed capital) and surplus of at least seventy-five million dollars (\$75,000,000) and subject to supervision or examination by federal or state authority, and if such bank, national banking association, corporation or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining

authority above referred to, then for the purpose of these provisions the combined capital and surplus of such bank, national banking association, corporation or trust company will be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. The Trustee may at any time resign by giving written notice of such resignation to the City, the Credit Provider and the Liquidity Provider and by mailing notice of such resignation to the Holders, and upon receiving such notice of resignation, the City, with the prior written consent of the Credit Provider and the Liquidity Provider, must promptly appoint a successor Trustee by an instrument in writing. Any removal or resignation of a Trustee and appointment of a successor Trustee will become effective only upon the acceptance of appointment by the successor Trustee; provided, that if, within thirty (30) days after notice of the removal or resignation of the Trustee no successor Trustee has been appointed and has accepted such appointment, the removed or resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee, which court may thereupon, after such notice, if any, as it may deem proper and prescribe and as may be required by law, appoint a successor Trustee having the qualifications required by the Trust Agreements.

Any bank, national banking association or trust company into which the Trustee may be merged or converted or with which it may be consolidated or any bank, national banking association or trust company resulting from any merger, conversion or consolidation to which it is a party or any bank, national banking association or trust company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided such bank, national banking association or trust company is eligible under each Trust Agreement, is the successor to the Trustee without the execution or filing of any paper or any further act, anything in such Trust Agreement to the contrary notwithstanding.

The Trustee is authorized to pay the interest on the Bonds when due as provided in the Trust Agreements and to pay the principal or Accreted Value of the Bonds when duly presented for payment at maturity or on prior redemption as provided therein. The Trustee will cancel all Bonds upon payment thereof at maturity or on prior redemption or upon the surrender thereof to the Trustee by the City, and the Trustee will destroy all such canceled Bonds and a certificate of destruction will be delivered to the City. The Trustee will keep accurate records of all Bonds paid and discharged and canceled and destroyed by it.

The Trustee will, prior to an Event of Default, and after the curing of all Events of Default that may have occurred, perform such duties and only such duties as are specifically set forth in the applicable Trust Agreement, and no implied duties or obligations will be read therein. The Trustee will, during the existence of any Event of Default that has not been cured, exercise such of the rights and powers vested in it by the applicable Trust Agreement, 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.

Liability of Trustee. The recitals of facts, agreements and covenants in the Trust Agreements and in the Bonds will be taken as recitals of facts, agreements and covenants of the City, and the Trustee assumes no responsibility for the correctness of the same or makes any representation as to the sufficiency or validity of the Trust Agreements or of the Bonds, and will not incur any responsibility in respect thereof other than in connection with the rights or obligations assigned to or imposed upon it in the Trust Agreements, in the Bonds or in law or equity. The Trustee will not be liable in connection with the performance of its duties under the Trust Agreements except for its own negligence or willful misconduct, and the Trustee will not be liable for any error of judgment made in good faith unless it is proved that the Trustee was negligent in ascertaining the pertinent facts.

The Trustee will not be bound to recognize any person as the Holder of a Bond unless and until such Bond is submitted for inspection, if required, and such Holder's title thereto satisfactorily established, if disputed.

The Trustee will not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Holders of not less than a majority in aggregate principal amount of all Outstanding Bonds or the Credit Provider relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or the exercise of any trust or power conferred upon the Trustee under the Trust Agreements.

The Trustee will be under no obligation to exercise any of the rights or powers vested in it by the Trust Agreements at the request, order or direction of any of the Holders, or the Credit Provider pursuant to the provisions thereof unless such Holders, or the Credit Provider have offered to the Trustee reasonable security or indemnity against

the costs, expenses and liabilities that may be incurred therein or thereby. The Trustee has no obligation or liability to the Holders for the payment of the principal or Accreted Value of or interest with respect to the Bonds from its own funds; but rather the Trustee's obligations will be limited to the performance of its duties under the Trust Agreements.

The Trustee will not be deemed to have knowledge of any Event of Default unless and until an officer of the Trustee at its Corporate Trust Office responsible for the administration of its duties under the Trust Agreements has actual knowledge thereof or has received written notice thereof. The Trustee is not bound to ascertain or inquire as to the performance or observance of any of the agreements, conditions, covenants or terms contained in the Trust Agreements or of any of the documents executed in connection with the Bonds, or as to the existence of an Event of Default.

The Trustee may execute any of the trusts or powers under the Trust Agreements or perform any duties thereunder either directly or by or through attorneys-in-fact, agents or receivers, and is not answerable for the negligence or misconduct of any such attorney-in-fact, agent or receiver, if such attorney-in-fact, agent or receiver was selected by the Trustee with due care. The Trustee will be entitled to advice of counsel and other professionals concerning all matters of trust and its duty under the Trust Agreements, but the Trustee is not answerable for the professional malpractice of any attorney-in-law or certified public accountant in connection with the rendering of his professional advice in accordance with the terms of the Trust Agreements if such attorney-in-law or certified public accountant was selected by the Trustee with due care.

The Trustee will not be concerned with or accountable to anyone for the subsequent use or application of any money or securities released to the City in accordance with the provisions of the Trust Agreements.

The Trustee will be protected in acting upon any bond, certificate (including any Certificate of the City), consent, notice, opinion, order, report, request (including any Written Request of the City), requisition, resolution or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. The Trustee may consult with counsel, who may be counsel of or to the City, with regard to legal questions, and the opinion of such counsel will be full and complete authorization and protection in respect of any action taken or suffered by it under the Trust Agreements in good faith and in accordance therewith.

Whenever in the administration of its rights and obligations under the Trust Agreements the Trustee deems necessary or desirable that a matter be established or proved prior to taking or suffering any action thereunder, such matter (unless other evidence in respect thereof be therein specifically prescribed) may, in the absence of bad faith on the part of the Trustee, be deemed to be conclusively proved and established by a Certificate of the City, which certificate will be full warrant to the Trustee for any action taken or suffered under the provisions thereof upon the faith thereof, 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.

No provision of the Trust Agreements requires the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance or exercise of any of its duties thereunder, or in the exercise of its rights or powers.

The Trustee will have no responsibility, opinion, or liability with respect to any information, statements or recital in any offering memorandum or other disclosure material prepared or distributed with respect to the issuance of the Bonds.

The Trustee agrees to accept and act upon instructions or directions pursuant to the Trust Agreement sent by unsecured e-mail, facsimile transmission or other similar unsecured electronic methods, provided, however, that, the Trustee has received an incumbency certificate listing persons designated to give such instructions or directions and containing specimen signatures of such designated persons, which such incumbency certificate will be amended and replaced whenever a person is to be added or deleted from the listing. If the City elects to give the Trustee e-mail or facsimile instructions (or instructions by a similar electronic method) and the Trustee in its discretion elects to act upon such instructions, the Trustee's understanding of such instructions will be deemed controlling. The Trustee is not liable for any losses, costs or expenses arising directly or indirectly from the Trustee's reliance upon and compliance with such instructions notwithstanding such instructions conflict or are inconsistent with a subsequent written instruction. The City agrees to assume all risks arising out of the use of such electronic methods to submit

instructions and directions 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.

The Trustee is not liable to the parties hereto or deemed in breach or default under the Trust Agreements if and to the extent its performance thereunder is prevented by reason of force majeure. The term "force majeure" means an occurrence that is beyond the control of the Trustee and could not have been avoided by exercising due care. Force majeure does include but is not limited to acts of God, terrorism, war, riots, strikes, fire, floods, earthquakes, epidemics or other similar occurrences.

The permissive right of the Trustee to do things enumerated in the Trust Agreements will not be construed as a duty and it will not be answerable for other than its negligence or willful misconduct.

Compensation and Indemnification of Trustee. The City covenants to pay to the Trustee from time to time, and the Trustee will be entitled to, reasonable compensation for all services rendered by it in the exercise and performance of any of the powers and duties under the Trust Agreements, and the City will pay or reimburse the Trustee upon its request for all expenses, disbursements and advances incurred or made by the Trustee in accordance with any of the provisions the Trust Agreements (including the reasonable compensation and the expenses and disbursements of its counsel and of all persons not regularly in its employ) except any such expense, disbursement or advance as may arise from its negligence or willful misconduct, including the negligence or willful misconduct of any of its Directors, officers or employees. The City, to the extent permitted by law, will indemnify, defend and hold harmless the Trustee, including its directors, officers and employees, against any loss, damages, liability or expense incurred without negligence or willful misconduct on the part of the Trustee arising out of or in connection with the acceptance or administration of the trusts created by the Trust Agreements, including costs and expenses (including attorneys' fees) of defending itself against any claim or liability in connection with the exercise or performance of any of its powers under the Trust Agreements; provided, that the Trustee will make payments on the Bonds when due, will cause acceleration of the Bonds and will cause mandatory redemption of the Bonds prior to seeking any indemnity under the Trust Agreements. The rights of the Trustee and the obligations of the City under the Trust Agreements will survive the discharge of the Bonds and the Trust Agreements and the resignation or removal of the Trustee. Notwithstanding anything contained in the Trust Agreements, the Trustee will not have any lien on the remarketing proceeds of any Tendered Bonds or proceeds received from any draw on the Credit Facility for compensation due to it under the Trust Agreements.

Rights of Holders. Notwithstanding any other provision of the Trust Agreements, in determining whether the rights of the Holders will be adversely affected by any action taken pursuant to the terms and provisions of the applicable Trust Agreement, the Trustee will consider the effect on the Holders as if there were no Credit Facility.

The Paying Agent

The Bank of New York Mellon Trust Company, N.A., in Los Angeles, California, will serve as the Paying Agent for the Bonds under the Trust Agreements. The Paying Agent will be entitled to the advice of counsel (who may be counsel for any party to the Trust Agreements) and will not be liable for any action taken in good faith in reliance on such advice. The Paying Agent may rely conclusively on any telephone or written notice, certificate or other document furnished to it under the Trust Agreements and reasonably believed by it to be genuine. The Paying Agent will not be liable for any action taken or omitted to be taken by it in good faith and reasonably believed by it to be within the discretion or power conferred upon it, or taken by it pursuant to any direction or instruction by which it is governed under the Trust Agreements or omitted to be taken by it by reason of the lack of direction or instruction required for such action, or be responsible for the consequences of any error of judgment reasonably made by it. When any payment or other action by the Paying Agent is called for in a Trust Agreement, it may defer such action pending receipt of such evidence, if any, as it may reasonably require in support thereof, and a permissive right or power to act will not be construed as a requirement to act. The Paying Agent will not in any event be liable for the application or misapplication of funds, or for other acts or defaults, by any person, firm or corporation except by its directors, officers, employees and agents. No recourse will be had by the City, the Trustee, the Credit Provider, or any Holder for any claim based on a Trust Agreement or on the Bonds against any Director, officer, employee, or agent of the Paying Agent unless such claim is based upon the bad faith, fraud or deceit of such person. For the purposes of the Trust Agreements, matters will not be considered to be known to the Paying Agent unless they are known to an officer of the Paying Agent at its principal corporate trust office. The Paying Agent will not require indemnification prior to

making a draw under the Credit Facility unless such drawing is prohibited by or violates applicable law or any outstanding or pending court or governmental order or decree.

The City will pay to the Paying Agent reasonable compensation for its services and pay or reimburse the Paying Agent for its reasonable expenses and disbursements, including reasonable attorneys' fees under the Trust Agreements. The City will indemnify and save the Paying Agent harmless against any liabilities and reasonable expenses which it may incur in the exercise of its duties under the Trust Agreements and which are not due to its negligence or bad faith; provided, that the Paying Agent will make payments on the Bonds when due, cause mandatory and optional tender of the Bonds and will draw on the Credit Facility prior to seeking any indemnity under the Trust Agreements. Any fees, expenses, reimbursements or other charges which the Paying Agent may be entitled to receive from the City under the Trust Agreements will be due and payable thirty (30) days after a request for payment has been made by the Paying Agent to the City. Notwithstanding anything contained in the Trust Agreements, the Paying Agent will not have any lien on the remarketing proceeds of any Tendered Bonds or proceeds received from any draw on the Credit Facility for compensation due to it under the Trust Agreements.

The Paying Agent, which may act by means of agents, will signify its acceptance of the duties and obligations imposed upon it under the Trust Agreements by its written instrument of acceptance under which the Paying Agent will agree to:

- (i) hold all sums paid to it under the Credit Facility or Liquidity Facility for the payment of the interest on or the principal or Accreted Value or purchase price of the Bonds uninvested in trust in non-commingled funds for the benefit of the Holders until such sums are paid to the Holders or otherwise disposed of as provided in the applicable Trust Agreement;
- (ii) hold all Bonds tendered to it under each Trust Agreement in trust for the benefit of the respective Holders until money representing the Purchase Price of such Bonds has been delivered to or for the account of or to the order of such Holders;
- (iii) hold all money delivered to it under each Trust Agreement for the purchase of Bonds (including amounts drawn on the Credit Facility or Liquidity Facility) in non-commingled funds in trust uninvested for the benefit of the person that has so delivered such money until the Bonds purchased with such money has been delivered to or for the account of such person;
- (iv) hold all Liquidity Provider Bonds in trust for the benefit of the Liquidity Provider until such Liquidity Provider Bonds have been remarketed by the Remarketing Agent, purchased by the City, or redeemed;
- (v) keep such books and records as are consistent with industry practice and make such books and records available for inspection by the parties to a Trust Agreement and the Remarketing Agent at all reasonable times;
- (vi) give all notices required of it in each Trust Agreement at the times and in the manner required thereby and send to the Remarketing Agent copies of all such notices; and
- (vii) take all other actions and perform all other duties and obligations as may be required of it as Paying Agent under the Trust Agreements.

In addition, in its instrument of acceptance the Paying Agent will assign to the Trustee all of its rights to enforce payment under the Credit Facility or Liquidity Facility after the occurrence of an Event of Default. When drawing on the Credit Facility or Liquidity Facility as required under a Trust Agreement, the Paying Agent will be acting solely on behalf of, and as the agent of, the Holders. The City will have no right, title, or interest in any funds drawn under the Credit Facility or Liquidity Facility.

The City may discharge the Paying Agent from time to time and appoint a successor thereto, and must appoint a successor thereto if the Paying Agent resigns or becomes ineligible; provided, that any such successor is approved in writing by the Credit Provider, the Liquidity Provider, the Trustee and the Remarketing Agent. The City will, at the request of the Credit Provider, remove the Paying Agent for any breach of trust under the applicable Trust

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Agreement. The Paying Agent may resign by giving at least sixty (60) days' written notice to the parties to a Trust Agreement, the Remarketing Agent, the Liquidity Provider and the Credit Provider. Each successor Paying Agent or Paying Agent's affiliate is a commercial bank or corporation with trust powers or trust company having a capital and surplus of not less than seventy-five million dollars (\$75,000,000), is capable of performing the duties prescribed for it in a Trust Agreement in New York, New York, and may, but need not, be the same entity as the Trustee. The Trustee will mail to the Holders notice of such removal, resignation or appointment of the Paying Agent.

In the event of the resignation or removal of the Paying Agent, the Paying Agent will pay over, assign, transfer and deliver the Credit Facility and the Liquidity Facility in accordance with its terms and any money and Bonds, including Liquidity Provider Bonds, held by it in such capacity to its successor. No resignation or removal of the Paying Agent will be effective until a successor has been appointed and has accepted its appointment.

Any corporation, association, partnership or firm which succeeds to the business of the Paying Agent as a whole or substantially as a whole, whether by sale, merger, consolidation or otherwise, will thereby become vested with all the property, rights and powers of the Paying Agent under the applicable Trust Agreement and will be subject to all the duties and obligations of the Paying Agent under such Trust Agreement.

In the event that the Paying Agent resigns or is removed, or is dissolved, or if the property or affairs of the Paying Agent is taken under the control of any state or federal court or administrative body because of bankruptcy or insolvency, or for any other reason, and the City has not appointed its successor within thirty (30) days, the Trustee will appoint a successor, although the Paying Agent will still be considered an agent of the City.

Amendment of the Trust Agreements

Each Trust Agreement and the rights and obligations of the City and of the Holders may be amended at any time (with the prior written consent of any Credit Provider and Liquidity Provider and notice to the Rating Agencies) by a Supplemental Trust Agreement which will become binding when the written consents of the Holders of a majority in aggregate principal amount of the Outstanding Bonds, exclusive of Bonds disqualified as provided in the applicable Trust Agreement, are filed with the Trustee. No such amendment may (1) extend the maturity of or reduce the interest rate on or amount of interest on or principal or Accreted Value of any Bond without the express written consent of the Holder of such Bond, or (2) reduce the percentage of Bonds required for the written consent to any such amendment.

Each Trust Agreement and the rights and obligations of the City and of the Holders may also be amended at any time (with the prior written consent of any Credit Provider or Liquidity Provider and notice to the Rating Agencies) by a Supplemental Trust Agreement which becomes binding without the consent of any Holders, but only to the extent permitted by law and after receipt of an approving Opinion of Counsel that any such amendment is authorized under such Trust Agreement, including (without limitation) for any one or more of the following purposes

- (i) to add to the agreements and covenants required in such Trust Agreement to be performed by the City other agreements and covenants thereafter to be performed by the City, to pledge or assign additional security for the Bonds (or any portion thereof), or to surrender any right or power reserved in such Trust Agreement to or conferred therein on the City;
- (ii) to make such provisions for the purpose of curing any ambiguity or of correcting, curing or supplementing any defective provision contained in such Trust Agreement and in any Supplemental Trust Agreement or in regard to questions arising thereunder which the City may deem desirable or necessary and not inconsistent therewith;
- (iii) to modify, amend or add to the provisions in such Trust Agreement or in any Supplemental Trust Agreement to permit the qualification thereof under the Trust Indenture Act of 1939, as amended, or any similar federal statutes hereafter in effect, and to add such other terms, conditions and provisions as may be permitted by such statute or similar statute;
- (iv) to make any amendments necessary or appropriate to preserve or protect the exemption of interest on the Bonds from State of California personal income taxes;

(v) for any other purpose provided that the amendment does not materially adversely affect the interest of the Holders of Bonds;

(vi) to authorize Bonds of a Series and, in connection therewith, provide for the issuance of such Series of Bonds;

(vii) to amend the payment or redemption provisions of any Bond effective at the end of any Rate Period, effective upon the mandatory tender of such Bond.

The Trustee will not be required to enter into or consent to the execution of any Supplemental Trust Agreement which, in the sole judgment of the Trustee, might adversely affect the rights, obligations, powers, privileges, indemnities, or immunities provided the Trustee in the Trust Agreements.

Disqualified Bonds. Bonds owned or held by or for the account of the City will not be deemed Outstanding for the purpose of any consent or other action or any calculation of Outstanding Bonds provided in the amendment provisions in the Trust Agreements, and will not be entitled to consent to or take any other action provided in such provisions; provided, that the Trustee will not be deemed to have knowledge that the City owns such Bonds unless the City is a Holder or the Trustee has received written notice that the City is such a Holder.

Endorsement or Replacement of Bonds After Amendment. After the effective date of any action taken as provided above with respect to an amendment, the City may determine that the Bonds may bear a notation by endorsement in form approved by the City as to such action, and in that case upon demand of the Holder of any Outstanding Bond and presentation of his Bond for such purpose at the Corporate Trust Office a suitable notation as to such action is made on such Bond; provided, that if the City so determines, new Bonds so modified as, in the opinion of the City, are necessary to conform to such action will be prepared and executed, and in that case upon demand of the Holder of any Outstanding Bond a new Bond or Bonds will be exchanged at the Corporate Trust Office without cost to each Holder for his Bond or Bonds then Outstanding upon surrender of such Outstanding Bond or Bonds.

Amendment by Mutual Consent. The amendment provisions of a Trust Agreement will not prevent any Holder from accepting any amendment as to the particular Bonds held by such Holder, provided that due notation thereof is made on such Bonds.

Events of Default and Remedies of Holders

Events of Default. If any of the following events occur, they will constitute Events of Default under each Trust Agreement:

(i) If default is made by the City in the due and punctual payment of the interest on any Bond when and as the same becomes due and payable;

(ii) If default is made by the City in the due and punctual payment of the principal or Accreted Value of any Bond when and as the same becomes due and payable at maturity or on prior redemption;

(iii) If default is made by the City in the performance of any of the agreements or covenants required in such Trust Agreement to be performed by the City, and such default has continued for a period of sixty (60) days after the City has been given notice in writing of such default by the Trustee or the Credit Provider or the Holders of not less than twenty-five per cent (25%) in aggregate principal amount of the Outstanding Bonds, specifying such default and requiring the same to be remedied; provided, if the default stated in the notice can be corrected, but not within the applicable period, the Trustee and such Holders will not unreasonably withhold their consent to an extension of such time if corrective action is instituted by the City within the applicable period and diligently pursued until the default is corrected; or

(iv) If an Event of Bankruptcy occurs, or if under the provisions of any other law for the relief or aid of debtors any court of competent jurisdiction assumed custody or control of the City or of the whole or any substantial part of its property and, in the event the Event of Bankruptcy is a proceeding commenced against the City, or the assumption or control proceeding is one commenced against the City, the same remains unstayed for a period of 60 days or more.

Notwithstanding the foregoing, if the Trustee or the Paying Agent has received written notice from the Credit Provider or Liquidity Provider that the Credit Facility or Liquidity Facility has not been reinstated or will terminate or that an event of default has occurred under the Reimbursement Agreement or with respect to such Credit Facility or Liquidity Facility, such event will constitute an Event of Default under the applicable Trust Agreement, but only with respect to the Series of Bonds secured or guaranteed by such Credit Facility or Liquidity Facility.

Remedies for Events of Default. If an Event of Default occurs and is continuing:

(i) **Unsecured Bonds.** If no Credit Facility is in effect for a Series of Bonds, the Trustee will, by written notice to the City and the Paying Agent, declare immediately due and payable the principal and Accreted Value of and accrued interest on all Outstanding Bonds of such Series, whereupon the same becomes immediately due and payable without any further action or notice.

(ii) **Secured Bonds.** Upon receipt of written notice from the Credit Provider of a Credit Facility for any Series of Bonds that an event of default has occurred under the related Trust Agreement or under the Reimbursement Agreement and directing the Trustee to accelerate such Series of Bonds, the Trustee will, by written notice to the City and the Paying Agent, declare immediately due and payable the principal of all Outstanding Bonds of such Series and the accrued interest thereon, whereupon such interest and principal automatically becomes immediately due and payable without any further action or notice. Upon acceleration of any such Series of Bonds, the Trustee will instruct the Paying Agent to draw immediately on the Credit Facility in order to pay when due the aggregate unpaid interest on and principal of such Bonds to the date of payment (which will be the date of acceleration for any Fixed Rate Bonds and any Variable Rate Bonds in the Weekly Rate Mode, the Multiannual Rate Mode and the Fixed Rate Mode and the next Purchase Date for each Variable Rate Bond in the Flexible Rate Mode); provided, that the Paying Agent will hold in trust for the benefit of Holders of Variable Rate Bonds in the Flexible Rate Mode any amounts so drawn in respect of such Variable Rate Bonds and will release such amounts only on the applicable Purchase Date for each such Variable Rate Bond, and the Holders of such Variable Rate Bonds will have no right to make any claim for such amounts until such Purchase Date). The Trustee will not accelerate any Series of Bonds secured or guaranteed by a Credit Facility, except upon direction of the Credit Provider.

Application of Funds Upon Acceleration. All money in the Bond Fund upon the date of the declaration of acceleration by the Trustee as provided in the applicable Trust Agreement and all amounts in the accounts and funds thereafter received by the City under such Trust Agreement will be transmitted to the Trustee and will be applied by the Trustee in the following order--

First, to the payment of the costs and expenses of the Trustee, if any, in carrying out the provisions of such Trust Agreement, including payment of reasonable compensation to its accountants and counsel and any outstanding fees and expenses of the Trustee, incurred in and about the performance of the Trustee's powers and duties under such Trust Agreement, and then to the payment of the costs and expenses of the Holders in providing for the declaration of such event of default, including reasonable compensation to their accountants and counsel; provided, that in the case of acceleration by the Trustee of any Series of Bonds pursuant to paragraph (ii) above following an Event of Default, the Trustee will not use any proceeds of the Credit Facility for the payment of the costs and expenses of the Trustee described above;

Second, upon presentation of the several Bonds, and the stamping thereon of the amount of the payment if only partially paid or upon the surrender thereof if fully paid, to the payment of the whole amount then owing and unpaid upon the Bonds for interest and principal or Accreted Value, with (to the extent permitted by law) interest on the overdue interest and principal or Accreted Value at the rate borne by such Bonds, and in case such money is insufficient to pay in full the whole amount so owing and unpaid upon the Bonds, then to the payment of such interest, principal or Accreted Value and (to the extent permitted by law) interest on overdue interest, principal or Accreted Value without preference or priority among such interest, principal, Accreted Value and interest on overdue interest and principal or Accreted Value ratably to the aggregate of such interest, principal, Accreted Value and interest on overdue interest and principal and Accreted Value.

Institution of Legal Proceedings by Trustee. If one or more of the Events of Default happens and is continuing, the Trustee may, and upon the written request of the Holders of a majority in principal amount of the

Outstanding Bonds, and upon being indemnified to its satisfaction therefor, will (with the prior written consent of the Credit Provider) proceed to protect or enforce its rights or the rights of the Holders of the Bonds under a Trust Agreement by a suit in equity or action at law, either for the specific performance of any agreement or covenant contained therein, or in aid of the execution of any power therein granted, or by mandamus or other appropriate proceeding for the enforcement of any other legal or equitable remedy as the Trustee deems most effectual in support of any of its rights and duties thereunder.

Non-Waiver. Nothing in the Trust Agreements or in the Bonds will affect or impair the obligation of the City, which is absolute and unconditional, to pay the interest on or the principal or Accreted Value of the Bonds to the respective Holders of the Bonds at the respective dates of maturity or on prior redemption as provided in the Trust Agreements, or will affect or impair the right of such Holders, which is also absolute and unconditional, to institute suit to enforce such payment by virtue of the contract embodied therein and in the Bonds.

A waiver of any default or breach of duty or contract by the Trustee or any Holder will not affect any subsequent default or breach of duty or contract or impair any rights or remedies on any such subsequent default or breach of duty or contract; provided, that the Trustee will not waive an Event of Default with respect to any Series of Bonds secured by or payable from a Credit Facility without the consent of the Credit Provider and, if applicable, reinstatement in full of such Credit Facility. No delay or omission by the Trustee or any Holder to exercise any right or remedy accruing upon any default or breach of duty or contract will impair any such right or remedy or will be construed to be a waiver of any such default or breach of duty or contract or an acquiescence therein, and every right or remedy conferred upon the Holders by the Act or by the Trust Agreements may be enforced and exercised from time to time and as often as is deemed expedient by the Trustee or the related Holders.

If any action, proceeding or suit to enforce any right or exercise any remedy is abandoned, the Trustee, the City, the Credit Provider and any Holder will be restored to their former positions, rights and remedies as if such action, proceeding or suit had not been brought or taken.

Actions by Trustee as Attorney-in-Fact. Any action, proceeding or suit which any Holder has the right to bring to enforce any right or remedy under a Trust Agreement may be brought by the Trustee for the equal benefit and protection of all Holders, whether or not the Trustee is a Holder, and the Trustee is appointed (and the successive Holders, by taking and holding the Bonds issued under such Trust Agreement, will be conclusively deemed to have so appointed it) the true and lawful attorney-in-fact of the Holders for the purpose of bringing any such action, proceeding or suit and for the purpose of doing and performing any and all acts and things for and on behalf of the Holders as a class or classes as may be advisable or necessary in the opinion of the Trustee as such attorney-in-fact.

Remedies Not Exclusive. No remedy conferred upon or reserved to the Holders in the Trust Agreements is intended to be exclusive of any other remedy, and each such remedy will be cumulative and will be in addition to every other remedy given thereunder or now or hereafter existing at law or in equity or by statute or otherwise and may be exercised without exhausting and without regard to any other remedy conferred by the Act or any other law.

Limitation on Holders' Right to Sue. No Holder of any Bond has the right to institute any suit, action or proceedings, at law or equity, for any remedy under a Trust Agreement unless (a) such Holder has previously given to the Trustee written notice of the occurrence of an Event of Default; (b) the Holders of at least a majority in aggregate principal amount of all Outstanding Bonds and the Credit Provider have made written request upon the Trustee to exercise the powers granted in such Trust Agreement or to institute such suit, action or proceeding in its own name; (c) such Holders have tendered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; and (d) the Trustee has refused or omitted to comply with such request for a period of sixty (60) days after such request shall have been received by, and such tender of indemnity shall have been made to, the Trustee; provided, that this limitation does not apply to the Credit Provider.

Such notification, request, tender of indemnity and refusal or omission are, in every case, to be conditions precedent to the exercise by any Holder of Bonds of any remedy under a Trust Agreement; it being understood and intended that no one or more Holders of Bonds will have any right in any manner whatever by his or their action to enforce any right thereunder except in the manner therein provided, and that all proceedings at law or in equity to enforce any provision thereof will be instituted, had and maintained in the manner therein provided and for the equal benefit of the Holders of all Outstanding Bonds.

Absolute Obligation of City. Nothing contained in the Trust Agreements or in the Bonds will affect or impair the obligation of the City, which is absolute and unconditional, to pay the interest on and the principal or Accreted Value of the Bonds to the respective Holders of the Bonds on their respective Interest Payment Dates and Principal Payment Dates.

Consent of Credit Provider Upon Default. Anything in the Trust Agreements to the contrary notwithstanding, upon the occurrence and continuance of an Event of Default as defined in the Trust Agreements and during such time as a Credit Facility is in full force and effect with respect to a Series of Bonds, and so long as the Credit Provider of such Credit Facility is not in default under such Credit Facility, such Credit Provider will be entitled to control and direct the enforcement of all rights and remedies granted to the Holders of such Series of Bonds or the Trustee for the benefit of the Holders of such Series of Bonds under the applicable Trust Agreement, including, without limitation: (i) the right to accelerate the principal and Accreted Value of such Series of Bonds as described in such Trust Agreement, and (ii) the right to annul any declaration of acceleration, and such Credit Provider will also be entitled to approve all waivers of Events of Default with respect to such Series.

Defeasance

Discharge of Bonds. (a) If the City pays or causes to be paid or there is otherwise be paid to the Holders of all Outstanding Bonds the interest on and the principal or Accreted Value of such Bonds (or with respect to Weekly Rate Mode Bonds, the Purchase Price thereof) at the times and in the manner stipulated in a Trust Agreement and therein, then all agreements, covenants and other obligations of the City to the Holders of such Bonds under such Trust Agreement will thereupon cease, terminate and become void and be discharged and satisfied, and in such event the Trustee will execute and deliver to the City all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Trustee will pay over or deliver to the City all money or securities (other than proceeds of a draw on the Credit Facility or any remarketing proceeds) held by it pursuant to the applicable Trust Agreement which are not required for the payment of the interest on or the principal or Accreted Value or Purchase Price of such Bonds.

(b) Any Outstanding Bonds will prior to the maturity dates or redemption dates thereof be deemed to have been paid within the meaning of and with the effect expressed in paragraph (a) above if (1) there has been deposited with the Trustee either (A) money in an amount which is sufficient or (B) Permitted Investments of the type described in clauses (1) or (2) of the definition of Permitted Investments which are not subject to redemption prior to maturity (including any such Permitted Investments issued or held in book-entry form on the books of the Treasury of the United States of America), the interest on and principal of which when paid will provide money which, together with the money, if any, deposited with the Trustee at the same time, is sufficient, in the opinion of an Independent Certified Public Accountant, to pay when due the interest on and the principal or Accreted Value of such Bonds on and prior to the maturity dates or redemption dates thereof (or with respect to Weekly Rate Mode Bonds, to pay the interest on and principal of such Bonds on the next Purchase Date), and (2) the City has given the Trustee in form satisfactory to it irrevocable instructions to mail to the Holders and to submit to the MSRB in accordance with the applicable Trust Agreement notice that the deposit required by clause (1) above has been made with the Trustee and that such Bonds are deemed to have been paid in accordance with such Trust Agreement and stating the maturity dates or redemption dates on which money is to be available for the payment of the interest on and principal or Accreted Value of such Bonds.

(c) Notwithstanding anything in the Trust Agreements to the contrary, in the event that the principal and interest with respect to a Series of Bonds is paid by a Credit Provider pursuant to its Credit Facility, such Series of Bonds will remain Outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the City, and the assignment and pledge of the trust estate and all covenants, agreements and other obligations of the City to the registered Holders of such Series of Bonds will continue to exist and will run to the benefit of such Credit Provider, and such Credit Provider will be subrogated to the rights of such registered Holders.

Unclaimed Money. Anything contained in the Trust Agreements to the contrary notwithstanding, any money (other than proceeds of a draw on the Credit Facility or any remarketing proceeds) held by the Trustee in trust for the payment of the interest on or principal or Accreted Value of the Bonds which remains unclaimed for two (2) years after the date when such interest or principal or Accreted Value has become due and payable, if such money was held by the Trustee at such date, or for two (2) years after the date of deposit of such money if deposited

with the Trustee after the date when such interest or principal or Accreted Value becomes due and payable, will be repaid by the Trustee to the City as its absolute property free from trust, and the Trustee will thereupon be released and discharged with respect thereto and the Holders will not look to the Trustee for the payment of such Bonds; provided, that before being required to make any such payment to the City, the Trustee may, and at the request of the City will, at the expense of the City, mail to the Holders and to submit to the MSRB in accordance with the applicable Trust Agreement notice that such money remains unclaimed and that, after a date named in such notice, which date will not be less than thirty (30) days after the date of the mailing of such notice, the balance of such money then unclaimed will be returned to the City.

APPENDIX F
FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the "Disclosure Agreement"), dated ____, 2019, is executed and delivered by the City of Pasadena (the "Issuer") and Digital Assurance Certification, L.L.C., as exclusive Disclosure Dissemination Agent (the "Disclosure Dissemination Agent" or "DAC") for the benefit of the Holders (hereinafter defined) of the Bonds (hereinafter defined) and in order to provide certain continuing disclosure with respect to the Bonds in accordance with Rule 15c2-12 of the United States Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time (the "Rule").

The services provided under this Disclosure Agreement solely relate to the execution of instructions received from the Issuer through use of the DAC system and do not constitute "advice" within the meaning of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Act"). DAC will not provide any advice or recommendation to the Issuer or anyone on the Issuer's behalf regarding the "issuance of municipal securities" or any "municipal financial product" as defined in the Act and nothing in this Disclosure Agreement shall be interpreted to the contrary.

SECTION 1. Definitions. Capitalized terms not otherwise defined in this Disclosure Agreement shall have the meaning assigned in the Rule or, to the extent not in conflict with the Rule, in the Official Statement (hereinafter defined). The capitalized terms shall have the following meanings.

"Annual Report" means an Annual Report described in and consistent with Section 3 of this Disclosure Agreement.

"Annual Filing Date" means the date, set in Sections 2(a) and 2(f), by which the Annual Report is to be filed with the MSRB.

"Annual Financial Information" means annual financial information as such term is used in paragraph (b)(5)(i) of the Rule and specified in Section 3(a) of this Disclosure Agreement.

"Audited Financial Statements" means the financial statements (if any) of the Issuer for the prior fiscal year, certified by an independent auditor as prepared in accordance with generally accepted accounting principles or otherwise, as such term is used in paragraph (b)(5)(i) of the Rule and specified in Section 3(b) of this Disclosure Agreement.

"Bonds" means the bonds as listed on the attached Exhibit A, with the 9-digit CUSIP numbers relating thereto.

"Certification" means a written certification of compliance signed by the Disclosure Representative stating that the Annual Report, Audited Financial Statements, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure delivered to the Disclosure Dissemination Agent is the Annual Report, Audited Financial Statements, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure required to be submitted to the MSRB under this Disclosure Agreement. A Certification shall accompany each such document submitted to the Disclosure Dissemination Agent by the Issuer and include the full name of the Bonds and the 9-digit CUSIP numbers for all Bonds to which the document applies.

"Disclosure Representative" means the Director of Finance or his or her designee, or such other person as the Issuer shall designate in writing to the Disclosure Dissemination Agent from time to time as the person responsible for providing Information to the Disclosure Dissemination Agent.

"Disclosure Dissemination Agent" means Digital Assurance Certification, L.L.C., acting in its capacity as Disclosure Dissemination Agent hereunder, or any successor Disclosure Dissemination Agent designated in writing by the Issuer pursuant to Section 9 hereof.

"Failure to File Event" means the Issuer's failure to file an Annual Report on or before the Annual Filing Date.

"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 debt obligation or any such derivative instrument; provided that "financial obligation" shall not include municipal securities (as defined in the Securities Exchange Act of 1934, as amended) as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

"Force Majeure Event" means: (i) acts of God, war, or terrorist action; (ii) failure or shut-down of the Electronic Municipal Market Access system maintained by the MSRB; or (iii) to the extent beyond the Disclosure Dissemination Agent's reasonable control, interruptions in telecommunications or utilities services, failure, malfunction or error of any telecommunications, computer or other electrical, mechanical or technological application, service or system, computer virus, interruptions in Internet service or telephone service (including due to a virus, electrical delivery problem or similar occurrence) that affect Internet users generally, or in the local area in which the Disclosure Dissemination Agent or the MSRB is located, or acts of any government, regulatory or any other competent authority the effect of which is to prohibit the Disclosure Dissemination Agent from performance of its obligations under this Disclosure Agreement.

"Holder" means any person (a) having 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) treated as the owner of any Bonds for federal income tax purposes.

"Information" means, collectively, the Annual Reports, the Audited Financial Statements (if any), the Notice Event notices, the Failure to File Event notices, the Voluntary Event Disclosures and the Voluntary Financial Disclosures.

"MSRB" means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934.

"Notice Event" means any of the events enumerated in paragraph (b)(5)(i)(C) of the Rule and listed in Section 4(a) of this Disclosure Agreement.

"Obligated Person" means any person, including the Issuer, who is either generally or through an enterprise, fund, or account of such person committed by contract or other arrangement to support payment of all, or part of the obligations on the Bonds (other than providers of municipal bond insurance, letters of credit, or other liquidity facilities), as shown on Exhibit A.

"Official Statement" means that Official Statement prepared by the Issuer in connection with the Bonds, as listed on Exhibit A.

"Rule" means SEC Rule 15c2-12, as amended from time to time.

"SEC" means the United States Securities and Exchange Commission.

"Trustee" means the institution, if any, identified as such in the document under which the Bonds were issued.

"Voluntary Event Disclosure" means information of the category specified in any of subsections (e)(vi)(1) through (e)(vi)(11) of Section 2 of this Disclosure Agreement that is accompanied by a Certification of the Disclosure Representative containing the information prescribed by Section 7(a) of this Disclosure Agreement.

"Voluntary Financial Disclosure" means information of the category specified in any of subsections (e)(vii)(1) through (e)(vii)(9) of Section 2 of this Disclosure Agreement that is accompanied by a Certification of the Disclosure Representative containing the information prescribed by Section 7(b) of this Disclosure Agreement.

SECTION 2. Provision of Annual Reports.

(a) The Issuer shall provide, annually, an electronic copy of the Annual Report and Certification to the Disclosure Dissemination Agent, together with a copy for the Trustee, not later than the Annual Filing Date. Promptly upon receipt of an electronic copy of the Annual Report and the Certification, the Disclosure Dissemination Agent shall provide an Annual Report to the MSRB not later than February 25 after the end of each fiscal year of the Issuer, commencing with the fiscal year ending June 30, 2019. Such date and each anniversary thereof is the Annual Filing Date. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross reference other information as provided in Section 3 of this Disclosure Agreement.

(b) If on the fifteenth (15th) day prior to the Annual Filing Date, the Disclosure Dissemination Agent has not received a copy of the Annual Report and Certification, the Disclosure Dissemination Agent shall contact the Disclosure Representative by telephone and in writing (which may be by e-mail) to remind the Issuer of its undertaking to provide the Annual Report pursuant to Section 2(a). Upon such reminder, the Disclosure Representative shall either (i) provide the Disclosure Dissemination Agent with an electronic copy of the Annual Report and the Certification no later than two (2) business days prior to the Annual Filing Date, or (ii) instruct the Disclosure Dissemination Agent in writing that the Issuer will not be able to file the Annual Report within the time required under this Disclosure Agreement, state the date by which the Annual Report for such year will be provided and instruct the Disclosure Dissemination Agent that a Failure to File Event has occurred and to immediately send a notice to the MSRB in substantially the form attached as Exhibit B, accompanied by a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-1.

(c) If the Disclosure Dissemination Agent has not received an Annual Report and Certification by 6:00 p.m. Eastern time on the Annual Filing Date (or, if such Annual Filing Date falls on a Saturday, Sunday or holiday, then the first business day thereafter) for the Annual Report, a Failure to File Event shall have occurred and the Issuer irrevocably directs the Disclosure Dissemination Agent to immediately send a notice to the MSRB in substantially the form attached as Exhibit B without reference to the anticipated filing date for the Annual Report, accompanied by a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-1.

(d) If Audited Financial Statements of the Issuer are prepared but not available prior to the Annual Filing Date, the Issuer shall, when the Audited Financial Statements are available, provide in a timely manner an electronic copy to the Disclosure Dissemination Agent, accompanied by a Certification, together with a copy for the Trustee, for filing with the MSRB.

(e) The Disclosure Dissemination Agent shall:

(i) verify the filing specifications of the MSRB each year prior to the Annual Filing Date;

(ii) upon receipt, promptly file each Annual Report received under Sections 2(a) and 2(b) with the MSRB;

(iii) upon receipt, promptly file each Audited Financial Statement received under Section 2(d) with the MSRB;

(iv) upon receipt, promptly file the text of each Notice Event received under Sections 4(a) and 4(b)(ii) with the MSRB, identifying the Notice Event as instructed by the Issuer pursuant to Section 4(a) or 4(b)(ii) (being any of the categories set forth below) when filing pursuant to Section 4(c) of this Disclosure Agreement:

1. "Principal and interest payment delinquencies;"
2. "Non-Payment related defaults, if material;"

3. "Unscheduled draws on debt service reserves reflecting financial difficulties;"
4. "Unscheduled draws on credit enhancements reflecting financial difficulties;"
5. "Substitution of credit or liquidity providers, or their failure to perform;"
6. "Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;"
7. "Modifications to rights of holders of the Bonds, if material;"
8. "Bond calls, if material;"
9. "Defeasances;"
10. "Release, substitution, or sale of property securing repayment of the securities, if material;"
11. "Rating changes;"
12. "Bankruptcy, insolvency, receivership or similar event of the obligated person;"¹
13. "The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, 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, if material;"
14. "Appointment of a successor or additional trustee, or the change of name of a trustee, if material;"
15. "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; and
16. "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."

For these purposes, the City intends the words used in the immediately preceding paragraphs (15) and (16) and the definition of Financial Obligation in this Section to have the same meanings as when they are used in the Rule, as evidenced by SEC Release No. 34-83885, dated August 20, 2018.

(v) upon receipt (or irrevocable direction pursuant to Section 2(c) of this Disclosure Agreement, as applicable), promptly file a completed copy of Exhibit B to this Disclosure Agreement with the MSRB, identifying the filing as "Failure to provide annual financial information as required" when filing pursuant to Section 2(b)(ii) or Section 2(c) of this Disclosure Agreement;

¹ This 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 an obligated person, or if such jurisdiction has been assumed by leaving the existing governing 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 an obligated person.

(vi) upon receipt, promptly file the text of each Voluntary Event Disclosure received under Section 7(a) with the MSRB, identifying the Voluntary Event Disclosure as instructed by the Issuer pursuant to Section 7(a) (being any of the categories set forth below) when filing pursuant to Section 7(a) of this Disclosure Agreement:

1. "amendment to continuing disclosure undertaking;"
2. "change in obligated person;"
3. "notice to investors pursuant to bond documents;"
4. "certain communications from the Internal Revenue Service;"
5. "secondary market purchases;"
6. "bid for auction rate or other securities;"
7. "capital or other financing plan;"
8. "litigation/enforcement action;"
9. "change of tender agent, remarketing agent, or other on-going party;"
10. "derivative or other similar transaction;" and
11. "other event-based disclosures;"

(vii) upon receipt, promptly file the text of each Voluntary Financial Disclosure received under Section 7(b) with the MSRB, identifying the Voluntary Financial Disclosure as instructed by the Issuer pursuant to Section 7(b) (being any of the categories set forth below) when filing pursuant to Section 7(b) of this Disclosure Agreement:

1. "quarterly/monthly financial information;"
2. "change in fiscal year/timing of annual disclosure;"
3. "change in accounting standard;"
4. "interim/additional financial information/operating data;"
5. "budget;"
6. "investment/debt/financial policy;"
7. "information provided to rating agency, credit/liquidity provider or other third party;"
8. "consultant reports;" and
9. "other financial/operating data."

(viii) provide the Issuer evidence of the filings of each of the above when made, which shall be by means of the DAC system, for so long as DAC is the Disclosure Dissemination Agent under this Disclosure Agreement.

(f) The Issuer may adjust the Annual Filing Date upon change of its fiscal year by providing written notice of such change and the new Annual Filing Date to the Disclosure Dissemination Agent, Trustee (if any) and the MSRB, provided that the period between the existing Annual Filing Date and new Annual Filing Date shall not exceed one year.

(g) Any Information received by the Disclosure Dissemination Agent before 6:00 p.m. Eastern time on any business day that it is required to file with the MSRB pursuant to the terms of this Disclosure Agreement and that is accompanied by a Certification and all other information required by the terms of this Disclosure Agreement will be filed by the Disclosure Dissemination Agent with the MSRB no later than 11:59 p.m. Eastern time on the same business day; provided, however, the Disclosure Dissemination Agent shall have no liability for any delay in filing with the MSRB if such delay is caused by a Force Majeure Event provided that the Disclosure Dissemination Agent uses reasonable efforts to make any such filing as soon as possible.

SECTION 3. Content of Annual Reports.

(a) Each Annual Report shall contain Annual Financial Information with respect to the Issuer, including the information provided in the Official Statement as follows:

(i) To the extent not provided in the Comprehensive Annual Financial Report, an update of the following information in APPENDIX A – “THE CITY OF PASADENA” in the Official Statement relating to the Bonds:

1. the table entitled “HOUSING UNITS” for the Reported Year;
2. the table entitled “BUILDING PERMIT VALUATION AND PERMIT ACTIVITY” for the Reported Year;
3. the table entitled “TAXABLE TRANSACTIONS BY TYPE OF BUSINESS” for the twelve months ended on September 30 within the Reported Year;
4. the table entitled “EMPLOYEE UNION REPRESENTATION” for the Reported Year;
5. the table entitled “CITY OF PASADENA FIRE AND POLICE RETIREMENT SYSTEM—PORTFOLIO INFORMATION” as of the end of the Reported Year;
6. the table entitled “ANNUAL PAYMENTS TO RETIREMENT PLANS BY CITY” as of the end of the Reported Year;
7. the table entitled “ANNUAL CONTRIBUTION RATES TO CALPERS RETIREMENT PLANS BY CITY” as of the end of the Reported Year;
8. the table entitled “CITY OF PASADENA RETIREMENT PLAN TREND INFORMATION – CALPERS – MISCELLANEOUS EMPLOYEES ” as of the end of the Reported Year;
9. the table entitled “CITY OF PASADENA RETIREMENT PLAN TREND INFORMATION – CALPERS –SAFETY EMPLOYEES” as of the end of the Reported Year;
10. the table entitled “CITY OF PASADENA RETIREMENT PLAN TREND INFORMATION – FPRS” as of the end of the Reported Year;
11. the table entitled “GENERAL FUND 5 YEAR FINANCIAL PLAN” as of the end of the Reported Year;

12. the table entitled "CITY OF PASADENA LIABILITY CLAIM EXPENDITURES AND REMAINING RESERVES" as of the end of the Reported Year;
13. the summary of the condition of the City's General Fund reserves for the past five years in the table following the caption entitled "CITY FINANCIAL INFORMATION—Budgetary Principles and Developments—General Fund Reserve Policy" as of the end of the Reported Year;
14. the balance of the General Fund operating reserve for the Reported Year and the amount of the General Fund appropriation budget for the fiscal year following the Reported Year as provided under the caption "CITY FINANCIAL INFORMATION— General Fund Reserve Policy;"
15. the adopted General Fund operating budget for the fiscal year following the Reported Year as provided in the table entitled "GENERAL FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL," and the amount of any carry-forward fund balances in such General Fund operating budget and any one-time sources of revenue (excluding any one-time revenue sources that are to be used to pay one-time expenditures and one-time revenues which in the aggregate amount to less than 5% of the Total Requirements as shown in such General Fund operating budget) as provided under the caption "CITY FINANCIAL INFORMATION—Adopted General Fund Budgets for Fiscal Year 2019-20;"
16. the adopted General Fund operating budgets as provided in the table entitled "GENERAL FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE";
17. the table entitled "CITY OF PASADENA ADOPTED GENERAL FUND COMPARATIVE OPERATING BUDGET" through the end of the Reported;
18. the table entitled "TRANSFERS FROM THE LIGHT AND POWER FUND AND WATER FUND TO GENERAL FUND" for the Reported Year;
19. the table entitled "GENERAL TAX REVENUES" for the Reported Year;
20. the table entitled "ASSESSED VALUATION OF TAXABLE PROPERTY" for the Reported Year;
21. the table entitled "PROPERTY TAX RATES DIRECT AND OVERLAPPING GOVERNMENTS" for the Reported Year;
22. the table entitled "TOP TEN PROPERTY TAXPAYERS" for the Reported Year;
23. the table entitled "GENERAL FUND COMPARATIVE BALANCE SHEETS" for the Reported Year;
24. the table entitled "GENERAL FUND COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES" for the Reported Year;
25. the table entitled "LONG TERM OBLIGATIONS PAYABLE FROM CITY GENERAL FUND" for the Reported Year;

26. the table entitled "CITY OF PASADENA COMPUTATION OF DIRECT AND OVERLAPPING DEBT" as of the end of the Reported Year; and

27. [the City's appropriations limit ("Gann limit") for the fiscal year following the Reported Year and the amount within the General Fund appropriation budget for such following fiscal year which is subject to the Gann limit as provided under the caption "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES, REVENUES AND APPROPRIATIONS— Article XIII B of the State Constitution – Gann Limit."]

(b) Audited Financial Statements prepared in accordance with generally accepted accounting principles ("GAAP") as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board, as described in the Official Statement will be included in the Annual Report. If audited financial statements are not available, then, unaudited financial statements, prepared in accordance with GAAP as described in the Official Statement will be included in the Annual Report. Audited Financial Statements (if any) will be provided pursuant to Section 2(d).

Any or all of the items listed above may be included by specific reference from other documents, including official statements of debt issues with respect to which the Issuer is an "obligated person" (as defined by the Rule), which have been previously filed with the Securities and Exchange Commission or available on the MSRB website. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The Issuer will clearly identify each such document so incorporated by reference.

In certain circumstances, information required hereunder may no longer be generated because the operations to which it related have been materially changed or discontinued, in which case the City will provide a statement to that effect. The undertaking hereunder may only be amended when the following conditions are met: (i) the amendment is made only in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the City, or type of business conducted; (ii) the undertaking, as amended would have complied with the requirements of the rule at the time of the primary offering, after taking into account any amendments or interpretations of that rule; and (iii) the amendment does not materially impair the interests of holders of the Bonds, as determined either by parties unaffiliated with the City (such as the Trustee or Bond Counsel), or by approving vote of the holders of the Bonds pursuant to the terms of the applicable Trust Agreement at the time of the Amendment. Any Annual Financial Information containing modified operating data or financial information is required to explain, in narrative form, the reasons for the modification and the impact of the change in the type of operating data or financial information being provided.

SECTION 4. Reporting of Notice Events.

(a) The occurrence of any of the following events with respect to the Bonds constitutes a Notice Event:

1. Principal and interest payment delinquencies;
2. Non-payment related defaults, if material;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
7. Modifications to rights of Bond holders, if material;

8. Bond calls, if material, and tender offers;
9. Defeasances;
10. Release, substitution, or sale of property securing repayment of the Bonds, if material;
11. Rating changes;
12. Bankruptcy, insolvency, receivership or similar event of the Obligated Person;

Note to subsection (a)(12) of this Section 4: For the purposes of the event described in subsection (a)(12) of this Section 4, 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 governing 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.

13. The consummation of a merger, consolidation, or acquisition involving an Obligated Person or the sale of all or substantially all of the assets of the Obligated Person, 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, if material;

14. Appointment of a successor or additional trustee or the change of name of a trustee, if material;

15. 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; and

16. 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.

The Issuer shall, in a timely manner not in excess of ten business days after its occurrence, notify the Disclosure Dissemination Agent in writing of the occurrence of a Notice Event. Such notice shall instruct the Disclosure Dissemination Agent to report the occurrence pursuant to subsection (c) and shall be accompanied by a Certification. Such notice or Certification shall identify the Notice Event that has occurred (which shall be any of the categories set forth in Section 2(e)(iv) of this Disclosure Agreement), include the text of the disclosure that the Issuer desires to make, contain the written authorization of the Issuer for the Disclosure Dissemination Agent to disseminate such information, and identify the date the Issuer desires for the Disclosure Dissemination Agent to disseminate the information (provided that such date is not later than the tenth business day after the occurrence of the Notice Event).

(b) The Disclosure Dissemination Agent is under no obligation to notify the Issuer or the Disclosure Representative of an event that may constitute a Notice Event. In the event the Disclosure Dissemination Agent so notifies the Disclosure Representative, the Disclosure Representative will within two business days of receipt of such notice (but in any event not later than the tenth business day after the occurrence of the Notice Event, if the Issuer determines that a Notice Event has occurred), instruct the Disclosure Dissemination Agent that (i) a Notice Event has not occurred and no filing is to be made or (ii) a Notice Event has occurred and the Disclosure Dissemination Agent is to report the occurrence pursuant to subsection (c) of this Section 4, together with a Certification. Such Certification shall identify the Notice Event that has occurred (which shall be any of the categories set forth in Section 2(e)(iv) of this Disclosure Agreement), include the text of the disclosure that the Issuer desires to make, contain the written authorization of the Issuer for the Disclosure Dissemination Agent to disseminate such information,

and identify the date the Issuer desires for the Disclosure Dissemination Agent to disseminate the information (provided that such date is not later than the tenth business day after the occurrence of the Notice Event).

(c) If the Disclosure Dissemination Agent has been instructed by the Issuer as prescribed in subsection (a) or (b)(ii) of this Section 4 to report the occurrence of a Notice Event, the Disclosure Dissemination Agent shall promptly file a notice of such occurrence with MSRB in accordance with Section 2(e)(iv) hereof. This notice will be filed with a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-1.

SECTION 5. CUSIP Numbers. Whenever providing information to the Disclosure Dissemination Agent, including but not limited to Annual Reports, documents incorporated by reference to the Annual Reports, Audited Financial Statements, Notice Event notices, Failure to File Event notices, Voluntary Event Disclosures and Voluntary Financial Disclosures, the Issuer shall indicate the full name of the Bonds and the 9-digit CUSIP numbers for the Bonds as to which the provided information relates.

SECTION 6. Additional Disclosure Obligations. The Issuer acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the Issuer, and that the duties and responsibilities of the Disclosure Dissemination Agent under this Disclosure Agreement do not extend to providing legal advice regarding such laws. The Issuer acknowledges and understands that the duties of the Disclosure Dissemination Agent relate exclusively to execution of the mechanical tasks of disseminating information as described in this Disclosure Agreement.

SECTION 7. Voluntary Filing.

(a) The Issuer may instruct the Disclosure Dissemination Agent to file a Voluntary Event Disclosure with the MSRB from time to time pursuant to a Certification of the Disclosure Representative. Such Certification shall identify the Voluntary Event Disclosure (which shall be any of the categories set forth in Section 2(e)(vi) of this Disclosure Agreement), include the text of the disclosure that the Issuer desires to make, contain the written authorization of the Issuer for the Disclosure Dissemination Agent to disseminate such information, and identify the date the Issuer desires for the Disclosure Dissemination Agent to disseminate the information. If the Disclosure Dissemination Agent has been instructed by the Issuer as prescribed in this Section 7(a) to file a Voluntary Event Disclosure, the Disclosure Dissemination Agent shall promptly file such Voluntary Event Disclosure with the MSRB in accordance with Section 2(e)(vi) hereof. This notice will be filed with a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-2.

(b) The Issuer may instruct the Disclosure Dissemination Agent to file a Voluntary Financial Disclosure with the MSRB from time to time pursuant to a Certification of the Disclosure Representative. Such Certification shall identify the Voluntary Financial Disclosure (which shall be any of the categories set forth in Section 2(e)(vii) of this Disclosure Agreement), include the text of the disclosure that the Issuer desires to make, contain the written authorization of the Issuer for the Disclosure Dissemination Agent to disseminate such information, and identify the date the Issuer desires for the Disclosure Dissemination Agent to disseminate the information. If the Disclosure Dissemination Agent has been instructed by the Issuer as prescribed in this Section 7(b) to file a Voluntary Financial Disclosure, the Disclosure Dissemination Agent shall promptly file such Voluntary Financial Disclosure with the MSRB in accordance with Section 2(e)(vii) hereof. This notice will be filed with a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-3.

(c) The parties hereto acknowledge that the Issuer is not obligated pursuant to the terms of this Disclosure Agreement to file any Voluntary Event Disclosure pursuant to Section 7(a) hereof or any Voluntary Financial Disclosure pursuant to Section 7(b) hereof.

(d) Nothing in this Disclosure Agreement shall be deemed to prevent the Issuer from disseminating any other information through the Disclosure Dissemination Agent using the means of dissemination set forth in this Disclosure Agreement or including any other information in any Annual Report, Audited Financial Statements, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure, in addition to that required by this Disclosure Agreement. If the Issuer chooses to include any information in any Annual Report, Audited Financial Statements, Notice Event notice, Failure to File Event notice, Voluntary

Event Disclosure or Voluntary Financial Disclosure in addition to that which is specifically required by this Disclosure Agreement, the Issuer shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report, Audited Financial Statements, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure.

SECTION 8. Termination of Reporting Obligation. The obligations of the Issuer and the Disclosure Dissemination Agent under this Disclosure Agreement shall terminate with respect to the Bonds upon the legal defeasance, prior redemption or payment in full of all of the Bonds, when the Issuer is no longer an obligated person with respect to the Bonds, or upon delivery by the Disclosure Representative to the Disclosure Dissemination Agent of an opinion of counsel expert in federal securities laws to the effect that continuing disclosure is no longer required.

SECTION 9. Disclosure Dissemination Agent. The Issuer has appointed Digital Assurance Certification, L.L.C. as exclusive Disclosure Dissemination Agent under this Disclosure Agreement. The Issuer may, upon thirty days written notice to the Disclosure Dissemination Agent and the Trustee, replace or appoint a successor Disclosure Dissemination Agent. Upon termination of DAC's services as Disclosure Dissemination Agent, whether by notice of the Issuer or DAC, the Issuer agrees to appoint a successor Disclosure Dissemination Agent or, alternately, agrees to assume all responsibilities of Disclosure Dissemination Agent under this Disclosure Agreement for the benefit of the Holders of the Bonds. Notwithstanding any replacement or appointment of a successor, the Issuer shall remain liable until payment in full for any and all sums owed and payable to the Disclosure Dissemination Agent. The Disclosure Dissemination Agent may resign at any time by providing thirty days' prior written notice to the Issuer.

SECTION 10. Remedies in Event of Default. In the event of a failure of the Issuer or the Disclosure Dissemination Agent to comply with any provision of this Disclosure Agreement, the Holders' rights to enforce the provisions of this Agreement shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the parties' obligation under this Disclosure Agreement. Any failure by a party to perform in accordance with this Disclosure Agreement shall not constitute a default on the Bonds or under any other document relating to the Bonds, and all rights and remedies shall be limited to those expressly stated herein.

SECTION 11. Duties, Immunities and Liabilities of Disclosure Dissemination Agent.

(a) The Disclosure Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement. The Disclosure Dissemination Agent's obligation to deliver the information at the times and with the contents described herein shall be limited to the extent the Issuer has provided such information to the Disclosure Dissemination Agent as required by this Disclosure Agreement. The Disclosure Dissemination Agent shall have no duty with respect to the content of any disclosures or notice made pursuant to the terms hereof. The Disclosure Dissemination Agent shall have no duty or obligation to review or verify any Information or any other information, disclosures or notices provided to it by the Issuer and shall not be deemed to be acting in any fiduciary capacity for the Issuer, the Holders of the Bonds or any other party. The Disclosure Dissemination Agent shall have no responsibility for the Issuer's failure to report to the Disclosure Dissemination Agent a Notice Event or a duty to determine the materiality thereof. The Disclosure Dissemination Agent shall have no duty to determine, or liability for failing to determine, whether the Issuer has complied with this Disclosure Agreement. The Disclosure Dissemination Agent may conclusively rely upon Certifications of the Issuer at all times.

The obligations of the Issuer under this Section shall survive resignation or removal of the Disclosure Dissemination Agent and defeasance, redemption or payment of the Bonds.

(b) The Disclosure Dissemination Agent may, from time to time, consult with legal counsel (either in-house or external) of its own choosing in the event of any disagreement or controversy, or question or doubt as to the construction of any of the provisions hereof or its respective duties hereunder, and shall not incur any liability and shall be fully protected in acting in good faith upon the advice of such legal counsel. The reasonable fees and expenses of such counsel shall be payable by the Issuer.

(c) All documents, reports, notices, statements, information and other materials provided to the MSRB under this Disclosure Agreement shall be provided in an electronic format and accompanied by identifying information as prescribed by the MSRB.

SECTION 12. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Issuer and the Disclosure Dissemination Agent may amend this Disclosure Agreement and any provision of this Disclosure Agreement may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws acceptable to both the Issuer and the Disclosure Dissemination Agent to the effect that such amendment or waiver does not materially impair the interests of Holders of the Bonds and 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; provided neither the Issuer or the Disclosure Dissemination Agent shall be obligated to agree to any amendment modifying their respective duties or obligations without their consent thereto.

Notwithstanding the preceding paragraph, the Disclosure Dissemination Agent shall have the right to adopt amendments to this Disclosure Agreement necessary to comply with modifications to and interpretations of the provisions of the Rule as announced by the Securities and Exchange Commission from time to time by giving not less than 20 days written notice of the intent to do so together with a copy of the proposed amendment to the Issuer. No such amendment shall become effective if the Issuer shall, within 10 days following the giving of such notice, send a notice to the Disclosure Dissemination Agent in writing that it objects to such amendment.

SECTION 13. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Issuer, the Trustee of the Bonds, the Disclosure Dissemination Agent, the underwriters, and the Holders from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 14. Governing Law. This Disclosure Agreement shall be governed by the laws of the State of Florida (other than with respect to conflicts of laws).

SECTION 15. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

[Remainder of page intentionally left blank.]

The Disclosure Dissemination Agent and the Issuer have caused this Continuing Disclosure Agreement to be executed, on the date first written above, by their respective officers duly authorized.

DIGITAL ASSURANCE CERTIFICATION, L.L.C.,
as Disclosure Dissemination Agent

By: _____
Name: _____
Title: _____

CITY OF PASADENA
as Issuer

By: _____
Name: _____
Title: _____

EXHIBIT A

NAME AND CUSIP NUMBERS OF BONDS

Name of Issuer City of Pasadena
Obligated Person(s) City of Pasadena
Name of Bond Issue: Taxable Pension Obligation Refunding Bonds, Series 2019A
Date of Issuance: _____, 2019
Date of Official Statement _____, 2019

CUSIP Number: _____	CUSIP Number: _____
CUSIP Number: _____	CUSIP Number: _____
CUSIP Number: _____	CUSIP Number: _____
CUSIP Number: _____	CUSIP Number: _____
CUSIP Number: _____	CUSIP Number: _____
CUSIP Number: _____	CUSIP Number: _____
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CUSIP Number: _____	CUSIP Number: _____
CUSIP Number: _____	CUSIP Number: _____

Name of Issuer City of Pasadena
Obligated Person(s) City of Pasadena
Name of Bond Issue: Taxable Pension Obligation Refunding Bonds, Series 2019B
Date of Issuance: _____, 2019
Date of Official Statement _____, 2019

CUSIP Number: _____	CUSIP Number: _____
CUSIP Number: _____	CUSIP Number: _____
CUSIP Number: _____	CUSIP Number: _____
CUSIP Number: _____	CUSIP Number: _____
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CUSIP Number: _____	CUSIP Number: _____
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CUSIP Number: _____	CUSIP Number: _____
CUSIP Number: _____	CUSIP Number: _____

EXHIBIT B

NOTICE TO MSRB OF FAILURE TO FILE ANNUAL REPORT

Issuer: City of Pasadena
Obligated Person: City of Pasadena
Name(s) of Bond Issue(s): Taxable Pension Obligation Refunding Bonds, Series 2019A and Series 2019B
Date(s) of Issuance: _____, 2019
Date(s) of Disclosure Agreement: _____, 2019
CUSIP Number: []

NOTICE IS HEREBY GIVEN that the Issuer has not provided an Annual Report with respect to the above named Bonds as required by the Disclosure Agreement between the Issuer and Digital Assurance Certification, L.L.C., as Disclosure Dissemination Agent. [The Issuer has notified the Disclosure Dissemination Agent that it anticipates that the Annual Report will be filed by _____].

Dated: _____

Digital Assurance Certification, L.L.C., as Disclosure
Dissemination Agent, on behalf of the Issuer

cc: Director of Finance
City of Pasadena, California

EXHIBIT C-1

EVENT NOTICE COVER SHEET

This cover sheet and accompanying "event notice" will be sent to the MSRB, pursuant to Securities and Exchange Commission Rule 15c2-12(b)(5)(i)(C) and (D).

Issuer's and/or Other Obligated Person's Name:
City of Pasadena

Issuer's Six-Digit CUSIP Number:

or Nine-Digit CUSIP Number(s) of the bonds to which this event notice relates:

[]

Number of pages attached: _____

____ Description of Notice Events (Check One):

1. ____ "Principal and interest payment delinquencies;"
2. ____ "Non-Payment related defaults, if material;"
3. ____ "Unscheduled draws on debt service reserves reflecting financial difficulties;"
4. ____ "Unscheduled draws on credit enhancements reflecting financial difficulties;"
5. ____ "Substitution of credit or liquidity providers, or their failure to perform;"
6. ____ "Adverse tax opinions, IRS notices or events affecting the tax status of the security;"
7. ____ "Modifications to rights of securities holders, if material;"
8. ____ "Bond calls, if material;"
9. ____ "Defeasances;"
10. ____ "Release, substitution, or sale of property securing repayment of the securities, if material;"
11. ____ "Rating changes;"
12. ____ "Bankruptcy, insolvency, receivership or similar event of the obligated person;"
13. ____ "Merger, consolidation, or acquisition of the obligated person, if material;" and
14. ____ "Appointment of a successor or additional trustee, or the change of name of a trustee, if material."
15. ____ 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; and
16. ____ 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.

____ Failure to provide annual financial information as required.

I hereby represent that I am authorized by the issuer or its agent to distribute this information publicly:

Signature:

Name: _____ Title: _____

Digital Assurance Certification, L.L.C.
390 N. Orange Avenue
Suite 1750
Orlando, FL 32801
407-515-1100

Date: _____

EXHIBIT C-2

VOLUNTARY EVENT DISCLOSURE COVER SHEET

This cover sheet and accompanying "voluntary event disclosure" will be sent to the MSRB, pursuant to the Disclosure Dissemination Agent Agreement dated as of _____, 2019 between the Issuer and DAC.

Issuer's and/or Other Obligated Person's Name:

City of Pasadena

Issuer's Six-Digit CUSIP Number:

or Nine-Digit CUSIP Number(s) of the bonds to which this notice relates:

[_____]

Number of pages attached: _____

____ Description of Voluntary Event Disclosure (Check One):

1. _____ "amendment to continuing disclosure undertaking;"
2. _____ "change in obligated person;"
3. _____ "notice to investors pursuant to bond documents;"
4. _____ "certain communications from the Internal Revenue Service;"
5. _____ "secondary market purchases;"
6. _____ "bid for auction rate or other securities;"
7. _____ "capital or other financing plan;"
8. _____ "litigation/enforcement action;"
9. _____ "change of tender agent, remarketing agent, or other on-going party;"
10. _____ "derivative or other similar transaction;" and
11. _____ "other event-based disclosures."

I hereby represent that I am authorized by the issuer or its agent to distribute this information publicly:

Signature:

Name: _____ Title: _____

Digital Assurance Certification, L.L.C.
390 N. Orange Avenue
Suite 1750
Orlando, FL 32801
407-515-1100

Date: _____

EXHIBIT C-3

VOLUNTARY FINANCIAL DISCLOSURE COVER SHEET

This cover sheet and accompanying "voluntary financial disclosure" will be sent to the MSRB, pursuant to the Disclosure Dissemination Agent Agreement dated as of _____ between the Issuer and DAC.

Issuer's and/or Other Obligated Person's Name:

City of Pasadena

Issuer's Six-Digit CUSIP Number:

or Nine-Digit CUSIP Number(s) of the bonds to which this notice relates:

[_____]

Number of pages attached: _____

____ Description of Voluntary Financial Disclosure (Check One):

1. _____ "quarterly/monthly financial information;"
2. _____ "change in fiscal year/timing of annual disclosure;"
3. _____ "change in accounting standard;"
4. _____ "interim/additional financial information/operating data;"
5. _____ "budget;"
6. _____ "investment/debt/financial policy;"
7. _____ "information provided to rating agency, credit/liquidity provider or other third party;"
8. _____ "consultant reports;" and
9. _____ "other financial/operating data."

I hereby represent that I am authorized by the issuer or its agent to distribute this information publicly:

Signature:

Name: _____ Title: _____

Digital Assurance Certification, L.L.C.
390 N. Orange Avenue
Suite 1750
Orlando, FL 32801
407-515-1100

Date: _____