

**INSURED 2019A BONDS RATING: S&P: "AA"**  
**2019A BONDS UNDERLYING RATING: S&P: "A+"**  
**INSURED 2019B BONDS RATING: S&P: "AA"**  
**2019B BONDS UNDERLYING RATING: S&P: "A+"**

(See "CONCLUDING INFORMATION - Ratings on the 2019 Bonds" herein)

*In the opinion of Norton Rose Fulbright US LLP, Los Angeles, California, Bond Counsel, under existing statutes, regulations, rulings and court decisions, and subject to the matters described in "TAX MATTERS" herein, interest on the 2019 Bonds is excluded pursuant to section 103(a) of the Internal Revenue Code of 1986 from the gross income for the owners thereof for federal income tax purposes and is not included in the federal alternative minimum tax on the owners thereof. See "TAX MATTERS" herein. It is also the opinion of Bond Counsel that under existing law interest on the 2019 Bonds is exempt from personal income taxes of the State of California.*

<b>NORWALK COMMUNITY FACILITIES FINANCING AUTHORITY</b>	
<b>\$10,435,000</b>	<b>\$9,250,000</b>
<b>SALES TAX REVENUE BONDS</b>	<b>SALES TAX REVENUE BONDS</b>
<b>(LIMITED TAX BONDS) (MEASURE M),</b>	<b>(LIMITED TAX BONDS) (MEASURE R),</b>
<b>SERIES 2019A</b>	<b>SERIES 2019B</b>

**Dated: Date of Delivery**

**Due: June 1 as shown on the inside front cover page**

The Norwalk Community Facilities Financing Authority Sales Tax Revenue Bonds (Limited Tax Bonds) (Measure M), Series 2019A (the "2019A Bonds") are being issued to (i) finance the design, acquisition, and construction of certain local roadway and street improvement projects in the City of Norwalk (the "City"), (ii) purchase a debt service reserve policy to satisfy the reserve requirement for the 2019A Bonds and (iii) pay the costs incurred in connection with the issuance of the 2019A Bonds.

The Norwalk Community Facilities Financing Authority Sales Tax Revenue Bonds (Limited Tax Bonds) (Measure R), Series 2019B (the "2019B Bonds") and together with the 2019A Bonds the "2019 Bonds") are being issued to (i) finance the design, acquisition, and construction of certain local roadway and street improvement projects in the City, (ii) purchase a debt service reserve policy to satisfy the reserve requirement for the 2019B Bonds and (iii) pay the costs incurred in connection with the issuance of the 2019B Bonds.

The 2019A Bonds are payable from the Pledged Measure M Receipts, as defined herein, and from certain funds held under the 2019A Indenture, as defined herein. The City has pledged the Pledged Measure M Receipts under a pledge agreement (the "Measure M Pledge Agreement") between the City and the Norwalk Community Facilities Financing Authority ("Authority") in an amount necessary to pay principal and interest on the 2019A Bonds when due. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2019A BONDS." The 2019B Bonds are payable from the Pledged Measure R Receipts, as defined herein, and from certain funds held under the 2019B Indenture, as defined herein. The City has pledged the Pledged Measure R Receipts under a pledge agreement (the "Measure R Pledge Agreement" and together with the Measure M Pledge Agreement, the "Pledge Agreements") between the City and the Authority in an amount necessary to pay principal and interest on the 2019B Bonds when due. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2019B BONDS." See also "RISK FACTORS" herein.

Interest on the 2019 Bonds is payable semiannually on December 1 and June 1 of each year, commencing December 1, 2019, until maturity or earlier redemption. See "THE 2019 BONDS - General Provisions" and "THE 2019 BONDS - Redemption" herein.

The 2019A Bonds are limited obligations of the Authority payable solely from the Pledged Measure M Receipts and certain amounts held under the 2019A Indenture. Neither the faith and credit nor the taxing power of the County of Los Angeles, (the "County"), the State of California (the "State") or any political subdivision or public agency thereof, other than the Authority, to the extent of the pledge of Pledged Measure M Receipts and other amounts held under the 2019A Indenture, is pledged to the payment of the principal of, redemption price or interest on the 2019A Bonds. The 2019B Bonds are limited obligations of the Authority payable solely from the Pledged Measure R Receipts and certain amounts held under the 2019B Indenture. Neither the faith and credit nor the taxing power of the County, the State or any political subdivision or public agency thereof, other than the Authority, to the extent of the pledge of Pledged Measure R Receipts and other amounts held under the 2019B Indenture, is pledged to the payment of the principal of, redemption price or interest on the 2019B Bonds. Neither the general fund of the City nor any other moneys of the City other than the Pledged Measure M Receipts with respect to the 2019A Bonds or the Pledged Measure R Receipts with respect to the 2019B Bonds are available to pay or secure the 2019 Bonds.

The cover page contains certain information for quick reference only. It is not a summary of the issue. Potential investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision. See "RISK FACTORS" herein for a discussion of special risk factors that should be considered in evaluating the investment quality of the 2019A and the 2019B Bonds.

The scheduled payment of principal of and interest on all of the 2019A Bonds except the 2019A Bonds maturing on June 1, 2020 (collectively, the "Insured 2019A Bonds"), when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Insured 2019A Bonds by **ASSURED GUARANTY MUNICIPAL CORP.** The scheduled payment of principal of and interest on all of the 2019B Bonds except the 2019B Bonds maturing on June 1, 2020 (collectively, the "Insured 2019B Bonds"), when due will also be guaranteed under an insurance policy to be issued concurrently with the delivery of the Insured 2019B Bonds by **ASSURED GUARANTY MUNICIPAL CORP.** See "MUNICIPAL BOND INSURANCE" and "APPENDIX F - SPECIMEN MUNICIPAL BOND INSURANCE POLICIES."



The 2019 Bonds are being offered when, as and if issued, subject to the approval as to their legality by Norton Rose Fulbright US LLP, Los Angeles, California, Bond Counsel. Certain legal matters will also be passed on for the City and the Authority by Norton Rose Fulbright US LLP, Los Angeles, California, as Disclosure Counsel, and by Richards, Watson & Gershon, A Professional Corporation, Los Angeles, California, as City Attorney and Authority General Counsel. Certain legal matters will be passed on for the Underwriter by its counsel, Orrick Herrington & Sutcliffe LLP, Los Angeles, California. It is anticipated that the 2019 Bonds will be available for delivery through the book-entry facilities of The Depository Trust Company on or about July 31, 2019 (see "APPENDIX E - THE BOOK-ENTRY SYSTEM" herein).

*The date of the Official Statement is July 18, 2019.*

**NORWALK COMMUNITY FACILITIES FINANCING AUTHORITY**  
**\$10,435,000**  
**SALES TAX REVENUE BONDS**  
**(LIMITED TAX BONDS) (MEASURE M), SERIES 2019A**

**MATURITY SCHEDULE**

(Base CUSIP<sup>®†</sup> 66881T)

<b>Maturity Date</b>	<b>Principal</b>	<b>Interest</b>	<b>Reoffering</b>	<b>Reoffering</b>	<b>CUSIP<sup>®†</sup></b>
<b><u>June 1</u></b>	<b><u>Amount</u></b>	<b><u>Rate</u></b>	<b><u>Yield</u></b>	<b><u>Price</u></b>	
2020	\$560,000	5.00%	1.15%	103.182	AA9
2021*	505,000	5.00	1.12	107.019	AB7
2022*	530,000	5.00	1.13	110.759	AC5
2023*	555,000	5.00	1.16	114.355	AD3
2024*	585,000	5.00	1.21	117.739	AE1
2025*	615,000	5.00	1.30	120.718	AF8
2026*	645,000	5.00	1.40	123.380	AG6
2027*	675,000	5.00	1.46	126.111	AH4
2028*	710,000	5.00	1.57	128.186	AJ0
2029*	745,000	5.00	1.66	130.185	AK7
2030*	785,000	5.00	1.77	129.031 C	AL5
2031*	825,000	5.00	1.86	128.096 C	AM3
2032*	865,000	4.00	2.10	116.798 C	AN1
2033*	900,000	4.00	2.20	115.836 C	AP6
2034*	935,000	4.00	2.28	115.072 C	AQ4

\* Insured Bonds.

C Priced to the first optional call date of June 1, 2029 at par.

† CUSIP<sup>®</sup> is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Capital IQ on behalf of the American Bankers Association. CUSIP numbers have been assigned by an independent company not affiliated with the Authority, the City, the Municipal Advisor or the Underwriter and are included solely for the convenience of the holders of the 2019A Bonds. None of the Authority, the City, the Municipal Advisor or the Underwriter is responsible for the selection or use of these CUSIP numbers, and no representation is made as to their correctness on the 2019A Bonds or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the execution and delivery of the 2019A Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the 2019A Bonds.

**NORWALK COMMUNITY FACILITIES FINANCING AUTHORITY**  
**\$9,250,000**  
**SALES TAX REVENUE BONDS**  
**(LIMITED TAX BONDS) (MEASURE R), SERIES 2019B**

**MATURITY SCHEDULE**

(Base CUSIP<sup>®†</sup> 66881T)

<b>Maturity Date</b>	<b>Principal</b>	<b>Interest</b>	<b>Reoffering</b>	<b>Reoffering</b>	<b>CUSIP<sup>®†</sup></b>
<b><u>June 1</u></b>	<b><u>Amount</u></b>	<b><u>Rate</u></b>	<b><u>Yield</u></b>	<b><u>Price</u></b>	
2020	\$495,000	5.00%	1.15%	103.182	AR2
2021*	450,000	5.00	1.12	107.019	AS0
2022*	470,000	5.00	1.13	110.759	AT8
2023*	495,000	5.00	1.16	114.355	AU5
2024*	520,000	5.00	1.21	117.739	AV3
2025*	545,000	5.00	1.30	120.718	AW1
2026*	570,000	5.00	1.40	123.380	AX9
2027*	600,000	5.00	1.46	126.111	AY7
2028*	630,000	5.00	1.57	128.186	AZ4
2029*	660,000	5.00	1.66	130.185	BA8
2030*	695,000	5.00	1.77	129.031 C	BB6
2031*	730,000	5.00	1.86	128.096 C	BC4
2032*	765,000	4.00	2.10	116.798 C	BD2
2033*	795,000	4.00	2.20	115.836 C	BE0
2034*	830,000	4.00	2.28	115.072 C	BF7

\* Insured Bonds.

C Priced to the first optional call date of June 1, 2029 at par.

† CUSIP<sup>®</sup> is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Capital IQ on behalf of the American Bankers Association. CUSIP numbers have been assigned by an independent company not affiliated with the Authority, the City, the Municipal Advisor or the Underwriter and are included solely for the convenience of the holders of the 2019B Bonds. None of the Authority, the City, the Municipal Advisor or the Underwriter is responsible for the selection or use of these CUSIP numbers, and no representation is made as to their correctness on the 2019B Bonds or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the execution and delivery of the 2019B Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the 2019B Bonds.

## GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

**Use of Official Statement.** This Official Statement is submitted in connection with the offer and sale of the 2019 Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not to be construed as a contract with the purchasers of the 2019 Bonds.

**Effective Date.** This Official Statement speaks only as of its date, and the information and expressions of opinion contained in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the 2019 Bonds will, under any circumstances, create any implication that there has been no change in the affairs of the City or any other parties described in this Official Statement.

**No Offering May be Made Except by This Official Statement.** No dealer, broker, salesperson or other person has been authorized by the Authority or the City to give any information or to make any representations in connection with the offer or sale of the 2019 Bonds other than those contained herein and if given or made, such other information or representation must not be relied upon as having been authorized by the Authority, the City or the Municipal Advisor. 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 2019 Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

**Preparation of This Official Statement.** The information contained in this Official Statement has been obtained from sources that are believed to be reliable. The information and expressions of opinions 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 affairs of the City since the date hereof. This Official Statement is submitted in connection with the sale of the 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 the 2019 Bonds, the Measure M Pledge Agreement, the Measure R Pledge Agreement, the 2019A Indenture, the 2019B Indenture or other documents, are made subject to the provisions of such documents and do not purport to be complete statements of any or all of such provisions. Reference is hereby made to such documents on file with the City Clerk for further information. See "INTRODUCTION - Summaries Not Definitive."

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

**Bonds are Exempt From Securities Laws Registration.** The issuance, sale and delivery of the 2019 Bonds has not been registered under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, in reliance upon exemptions for the execution, sale and delivery of municipal securities provided under Section 3(a)(2) of the Securities Act of 1933 and Section 3(a)(12) of the Securities Exchange Act of 1934.

**Estimates and Forecasts.** When used in this Official Statement and in any continuing disclosure by the Authority or the City, any press release and any oral statement made with the approval of an authorized officer of the Authority or the City or any other entity described or referenced herein, the words or phrases "will likely result," "are expected to," "will continue," "is anticipated," "estimate," "project," "forecast," "expect," "intend" and similar expressions identify "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material.

**Stabilization of and Changes to Offering Prices.** In connection with this offering, the Underwriter may overallocate or effect transactions which stabilize or maintain the market price of the 2019 Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriter may offer and sell the 2019 Bonds to certain dealers and others at prices lower than the public offering prices set forth on the inside front cover page hereof and said public offering prices may be changed from time to time by the Underwriter.

**City Website.** The City maintains a website. The information on such website is not part of this Official Statement and is not intended to be relied on by investors with respect to the 2019 Bonds unless specifically set forth or incorporated herein.

Assured Guaranty Municipal Corp. ("AGM") makes no representation regarding the 2019 Bonds or the advisability of investing in the 2019 Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "MUNICIPAL BOND INSURANCE" and "APPENDIX F - SPECIMEN MUNICIPAL BOND INSURANCE POLICIES."

# CITY OF NORWALK, CALIFORNIA

## CITY COUNCIL MEMBERS

Margarita L. Rios, *Mayor*  
Luigi Vernola, *Vice Mayor*  
Tony Ayala, *Councilmember*  
Jennifer Perez, *Councilmember*  
Leonard Shryock, *Councilmember*

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## CITY STAFF

Jesus M. Gomez, *City Manager*  
Kevin R. Gano, *Deputy City Manager/Director of Public Services*  
Jana Stuard, *Director of Finance/Treasurer*  
Michael L. Garcia, *Director of Community Development*  
Christine Roberto, *Public Services Manager*  
Theresa Devoy, *City Clerk*

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## PROFESSIONAL SERVICES

### **Bond Counsel and Disclosure Counsel**

Norton Rose Fulbright US LLP  
Los Angeles, California

### **City Attorney**

Richards, Watson & Gershon, A Professional Corporation  
Los Angeles, California

### **Municipal Advisor**

Harrell & Company Advisors, LLC  
Orange, California

### **Trustee**

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

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# OFFICIAL STATEMENT

<b>NORWALK COMMUNITY FACILITIES FINANCING AUTHORITY</b>	<b>NORWALK COMMUNITY FACILITIES FINANCING AUTHORITY</b>
<b>\$10,435,000</b>	<b>\$9,250,000</b>
<b>SALES TAX REVENUE BONDS</b>	<b>SALES TAX REVENUE BONDS</b>
<b>(LIMITED TAX BONDS) (MEASURE M),</b>	<b>(LIMITED TAX BONDS) (MEASURE R),</b>
<b>SERIES 2019A</b>	<b>SERIES 2019B</b>

This Official Statement, which includes the cover page and appendices (the “Official Statement”), is provided to furnish certain information concerning the sale of the Norwalk Community Facilities Financing Authority (the “Authority”) Sales Tax Revenue Bonds (Limited Tax Bonds) (Measure M), Series 2019A (the “2019A Bonds”) in the aggregate principal amount of \$10,435,000 and Sales Tax Revenue Bonds (Limited Tax Bonds) (Measure R), Series 2019B (the “2019B Bonds,” and together with the 2019A Bonds the “2019 Bonds”), in the aggregate principal amount of \$9,250,000.

## INTRODUCTION

*This Introduction contains only a brief description of this issue and does not purport to be complete. This Introduction is subject in all respects to more complete information in the entire Official Statement and the offering of the 2019 Bonds to potential investors is made only by means of the entire Official Statement and the documents summarized herein. Potential investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision (see “RISK FACTORS” herein). For definitions of certain capitalized terms used herein and not otherwise defined, and the terms relating to the 2019 Bonds, see the summary included in “APPENDIX A - SUMMARY OF CERTAIN PROVISIONS OF THE MEASURE M AND MEASURE R INDENTURES AND FORMS OF PLEDGE AGREEMENTS” herein.*

### The City and the Authority

The City of Norwalk (the “City”) was incorporated as a general law city on August 26, 1957. The City encompasses approximately 9.8 square miles and is located 17 miles southeast of downtown Los Angeles. Neighboring communities include the cities of Santa Fe Springs, Downey, Cerritos, Artesia and La Mirada. See “CITY OF NORWALK” herein.

The Authority is a joint exercise of powers authority organized and existing under and by virtue of the Joint Exercise of Powers Act, constituting Articles 1 through 4 (commencing with Section 6500) of Chapter 5, Division 7, Title 1 of the Government Code of the State of California (the “Joint Powers Act”). The City and the Norwalk Parking Authority formed the Authority by the execution of a joint exercise of powers agreement on August 1, 1989 (the “JPA Agreement”).

Under the JPA Agreement, the Authority is authorized to provide funds to acquire or construct public capital improvements through the issuance of bonds in accordance with the Joint Powers Act.

The Authority has a five-member governing board which consists of all members of the City Council. The Mayor serves as the Chairman of the Authority. The City Manager of the City acts as the Chief Administrative Officer.

### Purpose

The 2019A Bonds are being issued to finance the design, acquisition, and construction of certain local roadway and street improvement in the City, purchase a debt service reserve policy to satisfy the reserve requirement for the 2019A Bonds and pay the costs incurred in connection with the issuance of the 2019A Bonds. The 2019B Bonds are being issued to finance the design, acquisition, and construction of certain local roadway and street improvement in the City, purchase a debt service reserve policy to satisfy the

reserve requirement for the 2019B Bonds and pay the costs incurred in connection with the issuance of the 2019B Bonds. See “THE FINANCING PLAN” herein.

## **Security and Sources of Repayment**

**2019A Bonds.** The 2019A Bonds are secured under an Indenture of Trust, dated as of July 1, 2019 (the “2019A Indenture”), by and between the Authority and The Bank of New York Mellon Trust Company, N.A., Los Angeles, California, as trustee (the “Trustee”). The 2019A Bonds are payable from and secured by a first lien on the Pledged Measure M Receipts to be paid by the City to the Authority pursuant to the Pledge Agreement (Measure M) dated as of July 1, 2019 between the City and the Authority (the “Measure M Pledge Agreement”), and from certain funds held under the 2019A Indenture.

Under the Measure M Pledge Agreement, the City has pledged a first lien on all Measure M Receipts (as such term is defined herein), which consist of certain amounts received by the City from a 0.5% retail transactions and use tax that is collected by Los Angeles County, California (the “County”). As described herein, the Measure R Sales Tax will terminate on July 1, 2039 at which time the Measure M Sales Tax will increase to a 1.0% sales tax. See “MEASURE M SALES TAX” and “RISK FACTORS.” However, both the 2019A Bonds and the 2019B Bonds mature prior to July 1, 2039.

The Authority has assigned its rights and remedies under the Measure M Pledge Agreement to the Trustee for the 2019A Bonds.

**2019B Bonds.** The 2019B Bonds are secured under an Indenture of Trust, dated as of July 1, 2019 (the “2019B Indenture” and together with the 2019A Indenture, the “Indentures”), by and between the Authority and the Trustee. The 2019B Bonds are payable from and secured by a first lien on the Pledged Measure R Receipts to be paid by the City to the Authority pursuant to the Pledge Agreement (Measure R) dated as of July 1, 2019 between the City and the Authority (the “Measure R Pledge Agreement” and together with the Measure M Pledge Agreement, the “Pledge Agreements), and from certain funds held under the 2019B Indenture.

Under the Measure R Pledge Agreement, the City has pledged a first lien on all Measure R Receipts (as such term is defined herein), which consist of certain amounts received by the City from a 0.5% retail transactions and use tax that is collected by the County through June 30, 2039. See “MEASURE R SALES TAX” and “RISK FACTORS.”

The Authority has assigned its rights and remedies under the Measure R Pledge Agreement to the Trustee for the 2019B Bonds.

For a summary of the Indentures and the Pledge Agreements, see “APPENDIX A - SUMMARY OF CERTAIN PROVISIONS OF THE MEASURE M AND MEASURE R INDENTURES AND FORMS OF PLEDGE AGREEMENTS” herein. Certain capitalized terms used in this Official Statement and not otherwise defined have the meanings given them in “APPENDIX A.”

**Pledged Measure M and Measure R Receipts.** The Pledged Measure M Receipts are payable in an amount that is sufficient to pay, when due, the annual principal of and interest on the 2019A Bonds. The Pledged Measure M Receipts are the only source of payment of the 2019A Bonds, except for amounts held under the 2019A Indenture. Neither the general fund of the City nor any other moneys of the City other than the Pledged Measure M Receipts are available to pay or secure the 2019A Bonds. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2019A BONDS,” “MEASURE M SALES TAX,” and “RISK FACTORS.”

The Pledged Measure R Receipts are payable in an amount that is sufficient to pay, when due, the annual principal of and interest on the 2019B Bonds. The Pledged Measure R Receipts are the only source of payment of the 2019B Bonds, except for amounts held under the 2019B Indenture. Neither the general



fund of the City nor any other moneys of the City other than the Pledged Measure R Receipts are available to pay or secure the 2019B Bonds. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2019B BONDS,” “MEASURE R SALES TAX,” and “RISK FACTORS.”

For the avoidance of any doubt, the 2019 Bonds are not cross-collateralized. No Measure M Receipts will be available to pay debt service or any costs of the 2019B Bonds and no Measure R Receipts will be available to pay debt service or any costs of the 2019A Bonds, there are no provisions in the Pledge Agreements or Indentures providing for cross-default, and none of the Pledge Agreements or Indentures are liable for the obligations of the other.

## **Municipal Bond Insurance and Reserve Fund Insurance Policies**

Concurrently with the issuance of the 2019 Bonds, Assured Guaranty Municipal Corp. (the “2019A Insurer”) will issue its Municipal Bond Insurance Policy (the “2019A Policy”) guaranteeing the scheduled payment of principal of and interest on all of the 2019A Bonds except the 2019A Bonds maturing on June 1, 2020 (collectively, the “Insured 2019A Bonds”). Concurrently with the issuance of the 2019 Bonds, Assured Guaranty Municipal Corp. (the “2019B Insurer”) will also issue its Municipal Bond Insurance Policy (the “2019B Policy”) guaranteeing the scheduled payment of principal of and interest on all of the 2019B Bonds except the 2019B Bonds maturing on June 1, 2020 (collectively, the “Insured 2019B Bonds”). The forms of the 2019A Policy and the 2019B Policy are included as “APPENDIX F - SPECIMEN MUNICIPAL BOND INSURANCE POLICIES.” The 2019A Policy does not insure the payment of the 2019A Bonds maturing June 1, 2020 and the 2019B Policy does not insure the payment of the 2019B Bonds maturing June 1, 2020 (collectively, the “Uninsured Bonds”). The 2019A Insurer and the 2019B Insurer are sometimes referred to herein as the “Municipal Bond Insurer.”

In order to further secure the payment of the principal of and interest on each series of the 2019 Bonds, a Reserve Fund has been established by the respective Indenture. Each Reserve Fund will be funded by the purchase of a separate Debt Service Reserve Municipal Bond Insurance Policy (each a “Reserve Policy”) issued by the Municipal Bond Insurer in an amount equal to the respective Reserve Requirement as defined in the Indentures. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2019A BONDS - 2019A Bond Reserve Fund” and “SECURITY AND SOURCES OF PAYMENT FOR THE 2019B BONDS - 2019B Bond Reserve Fund.”

## **Limited Obligation**

The 2019A Bonds are limited obligations of the Authority payable solely from the Pledged Measure M Receipts and certain amounts held under the 2019A Indenture. Neither the faith and credit nor the taxing power of the County, the State of California (the “State”) or any political subdivision or public agency thereof, other than the Authority, to the extent of the pledge of Pledged Measure M Receipts and other amounts held under the 2019A Indenture, is pledged to the payment of the principal of, redemption price or interest on the 2019A Bonds. Neither the general fund of the City nor any other moneys of the City other than the Pledged Measure M Receipts are available to pay or secure the 2019A Bonds.

The 2019B Bonds are limited obligations of the Authority payable solely from the Pledged Measure R Receipts and certain amounts held under the 2019B Indenture. Neither the faith and credit nor the taxing power of the County, the State or any political subdivision or public agency thereof, other than the Authority, to the extent of the pledge of Pledged Measure R Receipts and other amounts held under the 2019B Indenture, is pledged to the payment of the principal of, redemption price or interest on the 2019B Bonds. Neither the general fund of the City nor any other moneys of the City other than the Pledged Measure R Receipts are available to pay or secure the 2019B Bonds.

## **Legal Matters**

All legal proceedings in connection with the issuance of the 2019 Bonds are subject to the approving opinion of Norton Rose Fulbright US LLP, Los Angeles, California, as Bond Counsel. Such opinion, and certain tax consequences incident to the ownership of the 2019 Bonds are described more fully under the heading “TAX MATTERS” herein. Certain legal matters will be passed on for the City and the Authority by Norton Rose Fulbright US LLP, Los Angeles, California, as Disclosure Counsel, and Richards, Watson & Gershon, A Professional Corporation, Los Angeles, California, as City Attorney and General Counsel to the Authority. Certain legal matters will be passed on for the Underwriter by their Counsel, Orrick Herrington & Sutcliffe LLP, Los Angeles, California.

## **Offering of the 2019 Bonds**

**Authority for Issuance and Delivery.** The 2019 Bonds are to be issued in accordance with applicable provisions of the California Government Code, the Indentures and by Resolution No. NCCFA-22 of the Authority adopted on May 7, 2019.

**Offering and Delivery of the 2019 Bonds.** The 2019 Bonds are offered, when, as and if issued, subject to the approval as to their legality by Norton Rose Fulbright US LLP, Los Angeles, California, Bond Counsel. It is anticipated that the 2019 Bonds, in book-entry form, will be available for delivery on or about July 31, 2019 through the facilities of The Depository Trust Company (“DTC”). See “APPENDIX E - THE BOOK-ENTRY SYSTEM.”

## **Summaries Not Definitive**

The summaries and references contained herein with respect to the Indentures, the Pledge Agreements, the 2019A Bonds, the 2019B Bonds and other statutes or documents do not purport to be comprehensive or definitive and are qualified by reference to each such document or statute, and references to the 2019 Bonds are qualified in their entirety by reference to the form thereof included in the respective Indentures. Copies of the documents described herein are available for inspection during the period of initial offering of the 2019 Bonds at the offices of the Municipal Advisor. Copies of these documents may be obtained after delivery of the 2019 Bonds at the trust office of the Trustee, The Bank of New York Mellon Trust Company, N.A., Los Angeles, California or from the City at 12700 Norwalk Boulevard, Norwalk, California 90650.

## Scheduled Debt Service on the 2019A Bonds

The following is a schedule of semi-annual scheduled debt service on the 2019A Bonds, assuming no optional redemptions are made.

<u>Payment Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Debt Service</u>	<u>Annual Debt</u>
12/1/2019		\$ 166,290.97	\$ 166,290.97	
6/1/2020	\$ 560,000.00	247,375.00	807,375.00	\$ 973,665.97
12/1/2020		233,375.00	233,375.00	
6/1/2021	505,000.00	233,375.00	738,375.00	971,750.00
12/1/2021		220,750.00	220,750.00	
6/1/2022	530,000.00	220,750.00	750,750.00	971,500.00
12/1/2022		207,500.00	207,500.00	
6/1/2023	555,000.00	207,500.00	762,500.00	970,000.00
12/1/2023		193,625.00	193,625.00	
6/1/2024	585,000.00	193,625.00	778,625.00	972,250.00
12/1/2024		179,000.00	179,000.00	
6/1/2025	615,000.00	179,000.00	794,000.00	973,000.00
12/1/2025		163,625.00	163,625.00	
6/1/2026	645,000.00	163,625.00	808,625.00	972,250.00
12/1/2026		147,500.00	147,500.00	
6/1/2027	675,000.00	147,500.00	822,500.00	970,000.00
12/1/2027		130,625.00	130,625.00	
6/1/2028	710,000.00	130,625.00	840,625.00	971,250.00
12/1/2028		112,875.00	112,875.00	
6/1/2029	745,000.00	112,875.00	857,875.00	970,750.00
12/1/2029		94,250.00	94,250.00	
6/1/2030	785,000.00	94,250.00	879,250.00	973,500.00
12/1/2030		74,625.00	74,625.00	
6/1/2031	825,000.00	74,625.00	899,625.00	974,250.00
12/1/2031		54,000.00	54,000.00	
6/1/2032	865,000.00	54,000.00	919,000.00	973,000.00
12/1/2032		36,700.00	36,700.00	
6/1/2033	900,000.00	36,700.00	936,700.00	973,400.00
12/1/2033		18,700.00	18,700.00	
6/1/2034	<u>935,000.00</u>	<u>18,700.00</u>	<u>953,700.00</u>	<u>972,400.00</u>
Total	\$10,435,000.00	\$4,147,965.97	\$14,582,965.97	\$14,582,965.97

## Scheduled Debt Service on the 2019B Bonds

The following is a schedule of semi-annual scheduled debt service on the 2019B Bonds, assuming no optional redemptions are made.

<u>Payment Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Debt Service</u>	<u>Annual Debt</u>
12/1/2019		\$ 147,418.33	\$ 147,418.33	
6/1/2020	\$ 495,000.00	219,300.00	714,300.00	\$ 861,718.33
12/1/2020		206,925.00	206,925.00	
6/1/2021	450,000.00	206,925.00	656,925.00	863,850.00
12/1/2021		195,675.00	195,675.00	
6/1/2022	470,000.00	195,675.00	665,675.00	861,350.00
12/1/2022		183,925.00	183,925.00	
6/1/2023	495,000.00	183,925.00	678,925.00	862,850.00
12/1/2023		171,550.00	171,550.00	
6/1/2024	520,000.00	171,550.00	691,550.00	863,100.00
12/1/2024		158,550.00	158,550.00	
6/1/2025	545,000.00	158,550.00	703,550.00	862,100.00
12/1/2025		144,925.00	144,925.00	
6/1/2026	570,000.00	144,925.00	714,925.00	859,850.00
12/1/2026		130,675.00	130,675.00	
6/1/2027	600,000.00	130,675.00	730,675.00	861,350.00
12/1/2027		115,675.00	115,675.00	
6/1/2028	630,000.00	115,675.00	745,675.00	861,350.00
12/1/2028		99,925.00	99,925.00	
6/1/2029	660,000.00	99,925.00	759,925.00	859,850.00
12/1/2029		83,425.00	83,425.00	
6/1/2030	695,000.00	83,425.00	778,425.00	861,850.00
12/1/2030		66,050.00	66,050.00	
6/1/2031	730,000.00	66,050.00	796,050.00	862,100.00
12/1/2031		47,800.00	47,800.00	
6/1/2032	765,000.00	47,800.00	812,800.00	860,600.00
12/1/2032		32,500.00	32,500.00	
6/1/2033	795,000.00	32,500.00	827,500.00	860,000.00
12/1/2033		16,600.00	16,600.00	
6/1/2034	<u>830,000.00</u>	<u>16,600.00</u>	<u>846,600.00</u>	<u>863,200.00</u>
Total	\$9,250,000.00	\$3,675,118.33	\$12,925,118.33	\$12,925,118.33

# THE FINANCING PLAN

## The Projects

The City has conducted a pavement condition assessment of the streets throughout the City and for that purpose, has divided the City into 32 zones. In certain zones, the City has determined to treat each street segment with either (1) a “grind and overlay” treatment, by grinding away 3” or 4” of the existing asphalt and paving 3” or 4” of new asphalt or (2) a slurry treatment, by sealing cracks then applying slurry seal to the surface. In alleyways, the City plans to demolish existing asphalt alleys and construct concrete alleys in their place.

**The Measure M Projects.** The City currently plans to apply Measure M funding to improvements in Zones 3, 19 and 24, together with 3 other streets in Zones 2 and 9 as well as streets in other zones (the “Measure M Projects”).

The costs for the street repair and reconstruction in Zones 3, 19 and 24, together with additional streets located in other zones are estimated at \$12,289,519 as shown below:

Zone 3	\$ 4,896,400
Zone 19	3,644,200
Zone 24	2,444,100
Other Zones	<u>1,304,819</u>
Total Measure M Projects	\$12,289,519

All of these street projects have been approved by the MTA for funding with Measure M Receipts (as defined herein). To the extent that the proceeds of the 2019A Bonds are not sufficient to fund 100% of the Measure M Projects shown above, the City intends to use available Measure M Receipts.

**The Measure R Projects.** The City currently plans to apply Measure R funding to improvements in Zones 8, 27 and 32, together with streets in other zones (the “Measure R Projects”).

The costs for the street repair and reconstruction in Zones 8, 27 and 32, together with additional streets located in other zones, are estimated at \$10,895,405 as shown below:

Zone 8	\$ 2,996,600
Zone 27	4,407,700
Zone 32	3,154,400
Other Zones	<u>968,114</u>
Total Measure R Projects	\$10,895,405

All of these street projects have been approved by the MTA for funding with Measure R Receipts (as defined herein). To the extent that the proceeds of the 2019B Bonds are not sufficient to fund 100% of the Measure R Projects shown above, the City intends to use available Measure R Receipts.

## Estimated Sources and Uses of Funds

Under the provisions of the Indenture, the Trustee will receive the proceeds from the sale of the 2019 Bonds and will apply them as follows:

	<u>2019A Bonds</u>	<u>2019B Bonds</u>
<b><u>Sources of Funds</u></b>		
Par Amount of 2019 Bonds	\$10,435,000.00	\$ 9,250,000.00
Net Original Issue Premium	<u>2,061,631.30</u>	<u>1,827,206.40</u>
Total Sources of Funds	<u>\$12,496,631.30</u>	<u>\$11,077,206.40</u>
<b><u>Uses of Funds</u></b>		
Project Fund	\$12,289,518.50 <sup>(1)</sup>	\$10,895,405.34 <sup>(2)</sup>
Underwriter's Discount	73,938.29	62,674.34
Costs of Issuance <sup>(3)</sup>	<u>133,174.51</u>	<u>119,126.72</u>
Total Uses of Funds	<u>\$12,496,631.30</u>	<u>\$11,077,206.40</u>

(1) To be expended for the Measure M Projects.

(2) To be expended for the Measure R Projects.

(3) Expenses include fees and expenses of Bond Counsel, Municipal Advisor, Disclosure Counsel and Trustee, rating fees, the respective Policies and the respective Reserve Policies premiums, costs of printing the Official Statement, and other costs of issuance of the 2019 Bonds.

## THE 2019 BONDS

### General Provisions

**Payment of the 2019 Bonds.** The 2019 Bonds of each series will be issued in the form of fully registered 2019 Bonds in the principal amount of \$5,000 each or any integral multiple thereof. Interest on the 2019 Bonds is payable at the rates per annum set forth on the inside front cover page hereof, on December 1, 2019 and each December 1 and June 1 thereafter (each, an "Interest Payment Date") until maturity. Interest on the 2019 Bonds will be computed on the basis of a year consisting of 360 days and twelve 30-day months. Principal on the 2019 Bonds is payable on June 1 in each of the years and in the amounts set forth on the inside front cover page hereof.

Each 2019 Bond shall bear interest from the Interest Payment Date next preceding the date of authentication thereof, unless (a) it is authenticated after the fifteenth day of the month preceding such Interest Payment Date (each, a "Record Date") and on or before the following Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or (b) it is authenticated on or before November 15, 2019, in which event it shall bear interest from the Closing Date; *provided, however*, that if, as of the date of authentication of any 2019A Bonds or 2019B Bond, as the case may be, interest thereon is in default, such 2019A Bonds or 2019B Bonds shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

Principal of and interest on the 2019 Bonds shall be payable in lawful money of the United States of America. Interest with respect to any 2019A Bonds or 2019B Bond shall be payable to the Owner thereof as of the Record Date immediately preceding each such Interest Payment Date, such interest to be paid by check of the Trustee mailed by first class mail to the Owners at the respective addresses of such Owners as they appear on the Registration Books; provided however, that payment of interest may be made by wire transfer in immediately available funds to an account in the United States of America to any Owner of

2019A Bonds or 2019B Bonds in the aggregate principal amount of \$1,000,000 or more who shall furnish written wire instructions to the Trustee at least five (5) days before the applicable Record Date. Principal of any 2019 Bond shall be paid by check of the Trustee upon presentation and surrender thereof at the Office of the Trustee.

**Book-Entry System.** DTC will act as securities depository for the 2019 Bonds. The 2019 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. Interest on and principal of the 2019 Bonds will be payable when due by wire of the Trustee to DTC which will in turn remit such interest and principal to DTC Participants (as defined herein), which will in turn remit such interest and principal to Beneficial Owners (as defined herein) of the 2019 Bonds (see "APPENDIX E - THE BOOK-ENTRY SYSTEM" herein). As long as DTC is the registered owner of the 2019 Bonds and DTC's book-entry method is used for the 2019 Bonds, the Trustee will send any notices to 2019 Bond Owners only to DTC.

## Redemption

**Optional Redemption.** The 2019 Bonds of each series maturing on or prior to June 1, 2029 shall not be subject to redemption prior to their respective stated maturities. The 2019 Bonds of each series maturing on or after June 1, 2030 shall be subject to redemption prior to their respective stated maturities, at the option of the Authority, from any source of available funds, as a whole or in part on any date (and if in part, in such amount and such order of maturity as the Authority shall specify and within a maturity by lot or by such other method as the Authority may direct in authorized denominations), on or after June 1, 2029, at a redemption price equal to 100% of the principal amount thereof, together with interest accrued thereon to the date fixed for redemption, without premium.

**Notice of Redemption; Rescission of Notice.** If redemption is authorized or required, notice of redemption shall be mailed by the Trustee, not less than 20 nor more than 60 days prior to the redemption date, to each Owner of 2019A Bonds or 2019B Bonds, as the case may be, and each of the Repositories and certain other affected parties ("Notice Parties"). Notice of redemption to the Owners, the Repositories and the applicable Notice Parties shall be given by first class mail. Each notice of redemption shall state the date of such notice, the date of issue of the series of 2019 Bonds to which such notice relates, the redemption date, the redemption price, the place or places of redemption (including the name and appropriate address or addresses of the Trustee), the CUSIP number (if any) of the maturity or maturities, and, if less than all of any such maturity, the distinctive certificate numbers of the 2019 Bonds of such maturity, if any, to be redeemed and, in the case of 2019 Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice shall also state that on such date there will become due and payable on each of such 2019 Bonds the redemption price thereof or of the specified portion of the principal amount thereof in the case of a 2019 Bond to be redeemed in part only, together with interest accrued thereon to the date fixed for redemption, and that from and after such redemption date interest thereon shall cease to accrue, and shall require that such 2019 Bonds be then surrendered at the address or addresses of the Trustee specified in the redemption notice.

If such redemption is an optional redemption, such notice may state that such redemption may be conditional upon the receipt by the Trustee on or prior to the date fixed for such redemption of amounts sufficient to pay the principal of, premium, if any, and interest on, such 2019 Bonds (or portions thereof) to be redeemed, and that if such amounts shall not have been so received the notice shall be of no force and effect and the Authority shall not be required to redeem such 2019 Bonds (or portions thereof). If such notice of redemption contains such a condition and such amounts are not so received, the redemption shall not be made and the Trustee shall no later than 10 Business Days thereafter give notice to the Owners to the effect that such amounts were not so received and such redemption was not made, such notice to be given by the Trustee in the manner in which the notice of redemption was given.

Any optional redemption notice given pursuant to the respective Indenture may be rescinded by written notice given to the Trustee by the Authority and the Trustee shall give notice of such rescission in the same manner which the notice was given.

Failure by the Trustee to give notice to any Notice Party or any one or more of the Repositories or failure of any Owner, any Notice Party or any Repository to receive notice or any defect in any such notice shall not affect the sufficiency or validity of the proceedings for redemption.

So long as DTC is the registered Owner of the Bonds, all such notices will be provided to DTC as the Owner, without respect to the beneficial ownership of the Bonds. See "APPENDIX E - THE BOOK-ENTRY SYSTEM."

**Selection of Bonds for Redemption.** Whenever provision is made in the Indenture for the redemption of less than all of the Bonds of a particular series and maturity, the Trustee shall select the Bonds to be redeemed from all Bonds of such series and maturity or such given portion thereof not previously called for redemption, by lot in any manner which the Trustee in its sole discretion shall deem appropriate and fair. For purposes of such selection, the Trustee shall treat each Bond as consisting of separate \$5,000 portions and each such portion shall be subject to redemption as if such portion were a separate Bond.

**Effect of Redemption.** Notice of redemption having been duly given, and moneys for payment of the redemption price of, together with interest accrued to the redemption date on, the 2019 Bonds (or portions thereof) so called for redemption being held by the Trustee, on the redemption date designated in such notice, the 2019 Bonds (or portions thereof) so called for redemption shall become due and payable at the redemption price specified in such notice together with interest accrued thereon to the redemption date, interest on the 2019 Bonds so called for redemption shall cease to accrue, the 2019 Bonds (or portions thereof) shall cease to be entitled to any benefit or security under the respective Indenture and the Owners of such 2019 Bonds shall have no rights in respect thereof except to receive payment of the redemption price and accrued interest to the date fixed for redemption from funds held by the Trustee for such payment.

**Partial Redemption.** Upon surrender of any 2019 Bond redeemed in part only, the Authority shall execute and the Trustee shall authenticate and deliver to the Owner thereof, at the expense of the Authority, a new 2019 Bond or 2019 Bonds of authorized denominations, and of the same series and maturity, equal in aggregate principal amount to the unredeemed portion of the 2019 Bond surrendered.



# **SECURITY AND SOURCES OF PAYMENT FOR THE 2019A BONDS**

## **General**

The 2019A Bonds are secured by a first lien on the Pledged Measure M Receipts that are derived from the Measure M Sales Tax imposed by the Los Angeles County Metropolitan Transit Authority (“MTA”) pursuant to Part 1.6 of Division 2 of the Revenue and Taxation Code of the State and the Measure M Ordinance, all as defined below (see “Measure M Sales Tax” below). The City has pledged the Pledged Measure M Receipts pursuant to the Measure M Pledge Agreement. The Authority has assigned its rights and remedies under the Measure M Pledge Agreement to the Trustee for the 2019A Bonds.

The 2019A Bonds are limited obligations of the Authority payable solely from the Pledged Measure M Receipts and certain amounts held under the 2019A Indenture. Neither the faith and credit nor the taxing power of the County, the State or any political subdivision or public agency thereof, other than the Authority, to the extent of the pledge of Pledged Measure M Receipts and other amounts held under the 2019A Indenture, is pledged to the payment of the principal of, redemption price or interest on the 2019A Bonds.

## **Measure M Sales Tax**

The term “Measure M Ordinance” means Ordinance No. 16-01, the Los Angeles County Traffic Improvement Plan, adopted by MTA on June 23, 2016, and approved by at least two-thirds of electors voting on such proposition in the November 8, 2016 election, as supplemented and amended.

The term “Measure M Sales Tax” is defined in the 2019A Indenture to mean a tax imposed by the Measure M Ordinance, beginning July 1, 2017, upon the sale of tangible personal property at retail at a rate of 1/2 of 1% of the gross receipts of the sale and a complementary tax upon the storage, use or other consumption in the County at a rate of 1/2 of 1% of the sales price of the property whose storage, use or other consumption is subject to the tax, with the rate increasing to 1% on July 1, 2039 (following the expiration of the Measure R Sales Tax as described herein). Authorization to collect Measure M Sales Tax has no termination date.

The term “Measure M Receipts” is defined in the 2019A Indenture to mean Measure M Sales Tax allocated and paid by the MTA to the City pursuant to the Measure M Ordinance from the Local Return Subfund established under the Measure M Ordinance.

The term “Measure M Project” to means a capital project for which Measure M Receipts may be expended. See the caption “THE FINANCING PLAN - The Projects.”

## **Flow of Funds Under the 2019A Indenture and Measure M Pledge Agreement**

**Measure M Pledge Agreement.** Pursuant to the Measure M Pledge Agreement, all Measure M Receipts will be deposited by the City immediately upon receipt in a special fund established by the City for deposit of Measure M Receipts, until such time in each Fiscal Year as the amount therein equals the amounts required for the payment of Bonds in that Fiscal Year. Such amount equals the “Pledged Measure M Receipts.” The City shall remit the Pledged Measure M Receipts to the Trustee on or before the 5<sup>th</sup> Business Day preceding each Interest Payment Date, in the amounts required by the 2019A Indenture.

Amounts of Measure M Receipts released from the pledge of the 2019A Indenture in each Bond Year may be used for any lawful purpose consistent with the Measure M Ordinance and the Measure M Guidelines (as defined herein).

**Pledged Measure M Receipts Fund.** So long as any 2019 Bond is Outstanding, the Trustee shall, as soon as possible following receipt of any Pledged Measure M Receipts from the City, deposit the Pledged Measure M Receipts in Pledged Measure M Receipts Fund. The Trustee shall establish, maintain and hold in trust for the benefit of Owners of the 2019 Bonds the respective funds and accounts described below and apply the Pledged Measure M Receipts in the manner and the order set forth in the 2019A Indenture.

**Interest Fund.** The Interest Fund, and within the Interest Fund the 2019 Interest Account, are created by the 2019A Indenture. Following deposit of the Pledged Measure M Receipts into the Pledged Measure M Receipts Fund, the Trustee shall transfer therefrom to and deposit into the Interest Fund and the applicable account therein as soon as practicable an amount equal to the aggregate amount of interest becoming due and payable on the Outstanding 2019A Bonds, until the requisite amount interest becoming due and payable on all such Outstanding 2019A Bonds on the next Interest Payment Date is on deposit in such account. All amounts in the Interest Fund shall be used and withdrawn by the Trustee solely for the purpose of paying interest on the 2019A Bonds as it shall become due and payable (including accrued interest on any 2019A Bonds redeemed prior to maturity pursuant to the 2019A Indenture). No deposit need be made into the Interest Fund if the amount contained therein is at least equal to the interest to become due and payable therefrom on the next Interest Payment Date. With respect to additional series of bonds to fund Measure M Projects and secured by Measure M Receipts on parity with the 2019A Bonds (“Additional Measure M Bonds”), the Trustee will establish a separate account within the Interest Fund for each respective series.

**Principal Fund; Principal Account; Sinking Account.** The Principal Fund, and within the Principal Fund, a 2019 Principal Account and a 2019 Sinking Account, are created by the 2019A Indenture. Following deposit of the Pledged Measure M Receipts into the Pledged Measure M Receipts Fund, the Trustee shall transfer therefrom to and deposit into the Principal Fund and thereafter into the 2019 Principal Account and 2019 Sinking Account as soon as practicable an amount equal to the aggregate amount of principal coming due and payable on the Outstanding 2019A Bonds, until the requisite amount principal becoming due and payable on all such Outstanding 2019A Bonds on the next Interest Payment Date is on deposit in such account. All amounts in the Principal Fund and any account therein shall be used and withdrawn by the Trustee solely for the purpose of paying principal on the Outstanding 2019A Bonds as it shall become due and payable. No deposit need be made into the Principal Fund or an account therein if the amount contained therein is at least equal to the principal to become due and payable therefrom on the next Interest Payment Date. With respect to any 2019A Bonds, all of the aforesaid deposits made in connection with future Mandatory Sinking Account Payments shall be made without priority of any payment into any one such Sinking Account over any other such payment. With respect to Additional Measure M Bonds, the Trustee will establish a separate accounts within the Principal Fund for each respective series.

If the Pledged Measure M Receipts are not sufficient to permit the Trustee to make the required deposits so that moneys in the Principal Fund on any principal or mandatory redemption date are equal to the amount of 2019A Bonds and Additional Measure M Bonds to become due and payable on such date, then such moneys shall be applied by the Trustee by lot in inverse order of maturity, after first deducting for such purposes from 2019A Term Bonds any of such 2019A Term Bonds required to be redeemed annually as shall have been redeemed or purchased during the preceding 12-month period and any of such 2019A Term Bonds required to be redeemed semiannually as shall have been redeemed or purchased during the six-month period ending on such date or the immediately preceding six month period. If the Pledged Measure M Receipts are not sufficient to permit the Trustee to deposit in full all Mandatory Sinking Account Payments required to be paid at any one time into all such Sinking Accounts for the 2019A Bonds and Additional Measure M Bonds, then payments into all such Sinking Accounts shall be made by the Trustee by lot in inverse order of maturity, in such proportion that the respective Mandatory Sinking Account Payments required to be made into each Sinking Account during the then current 12-month period bear to the aggregate of all of the Mandatory Sinking Account Payments required to be made into all such Sinking Accounts during such 12-month period for the 2019A Bonds and Additional Measure M Bonds.

**Bond Reserve Fund.** Upon the occurrence of any deficiency in any Bond Reserve Fund established for the 2019A Bonds or Additional Measure M Bonds, the Trustee shall make such deposit to such Bond Reserve Fund as is required pursuant to 2019A Indenture each such deposit to be made as soon as possible in each month, until the balance therein is at least equal to the applicable Bond Reserve Requirement. See “2019A Bond Reserve Fund” below.

**Amounts Payable to the 2019A Insurer.** The Authority shall pay any amounts then due and owing to the 2019A Insurer or Credit Enhancement Provider with respect to a series of Additional Measure M Bonds.

**Deficiencies.** If four (4) Business Days prior to any principal payment date, Interest Payment Date or mandatory redemption date the amounts on deposit in the Interest Fund, the Principal Fund, including the Sinking Accounts therein, and, as and to the extent applicable, any Bond Reserve Fund with respect to the payments to be made on such upcoming date are insufficient to make such payments, the Trustee shall immediately notify the Authority, in writing, of such deficiency and direct that the Authority transfer the amount of such deficiency to the Trustee on or prior to such payment date. The Authority has covenanted and agreed to transfer to the Trustee from any available Measure M Receipts in its possession, and amounts requested and received from the City, the amount of such deficiency on or prior to the principal payment date, Interest Payment Date or mandatory redemption date referenced in such notice.

**Release of Remaining Pledged Measure M Receipts.** Any Pledged Measure M Receipts remaining in the Pledged Measure M Receipts Fund after the foregoing transfers described in above, shall be transferred by the Trustee to the City on the same Business Day, or as soon as practicable thereafter, to be applied by the City for the purposes permitted under the Measure M Ordinance and the Measure M Guidelines. All Pledged Measure M Receipts released to the City shall no longer be pledged for the repayment of any Bonds and shall be released from and no longer subject to the lien created under the 2019A Indenture.

## **2019A Bond Reserve Fund**

The 2019A Bond Reserve Fund is established under the 2019A Indenture (the “Reserve Fund”) to be funded in an amount equal to the “Reserve Requirement.” As defined in the 2019A Indenture, the term “Reserve Requirement” as of any date of calculation, an amount equal to the least of (i) ten percent (10%) of the original par amount of the 2019A Bonds (or if the amount of original issue discount or original issue premium applicable to the 2019A Bonds exceeds two percent (2%), ten percent (10%) of the issue price of the 2019A Bonds), (ii) one hundred twenty-five percent (125%) of average Annual Debt Service on the 2019A Bonds, and (iii) Maximum Annual Debt Service on the 2019A Bonds. At closing, the Reserve Requirement is \$974,250.00.

Notwithstanding anything to the contrary set forth in the 2019A Indenture, amounts on deposit in the Reserve Fund shall be applied solely to the payment of principal and interest due with respect to the 2019A Bonds. If, on any Interest Payment Date, the moneys available in the Pledged Measure M Receipts Fund do not equal the amount of the principal, interest and redemption premium (if any) with respect to the 2019A Bonds then coming due and payable, the Trustee shall apply the moneys available in the Reserve Fund to the amount necessary for this purpose to the Pledged Measure M Receipts Fund or shall draw on the 2019A Reserve Policy (as defined below) and apply amounts received for such purpose.

The 2019A Indenture provides that in lieu of a cash deposit, the Authority may satisfy all or a portion of a 2019A Bond Reserve Requirement by means of a Reserve Facility (see “ - SUMMARY OF CERTAIN PROVISIONS OF THE MEASURE M AND MEASURE R INDENTURES AND FORMS OF PLEDGE AGREEMENTS - DEFINITIONS” herein). The Authority will satisfy the 2019A Bond Reserve Requirement for the 2019A Bonds by depositing the 2019A Reserve Policy in the face amount of \$974,250.00, to be issued by the 2019A Insurer concurrently with the issuance of the 2019A Bonds. See “APPENDIX A - SUMMARY OF CERTAIN PROVISIONS OF THE MEASURE M AND MEASURE R INDENTURES AND

FORMS OF PLEDGE AGREEMENTS - DEFINITIONS.” The 2019A Reserve Policy is not available to pay debt service on any Additional Measure M Bonds, if any.

The Authority is not required under the Indenture to replace the 2019A Reserve Policy with cash or a replacement instrument in the event the ratings of the 2019A Insurer decline or are withdrawn.

## **Measure M Pledge Agreement Covenants**

The City has made various representations and covenants under the Measure M Pledge Agreement, including the following. See also “APPENDIX A - SUMMARY OF CERTAIN PROVISIONS OF THE MEASURE M AND MEASURE R INDENTURES AND FORMS OF PLEDGE AGREEMENTS - FORM OF PLEDGE AGREEMENT (MEASURE M).”

**Maintenance of Effort.** The City shall maintain, at a minimum, the same level of local funding for transportation projects and services at the level that constitutes the maintenance of effort as determined by the MTA pursuant to the terms of the Measure M Ordinance and the Measure M Guidelines. The City covenants to include in each annual budget amounts sufficient to satisfy its annual maintenance of effort requirement.

**Assurances and Understanding Agreement.** The City represents that it has entered into an Assurances and Understanding Agreement with the MTA, and that such Assurances and Understanding Agreement is in full force and effect. The City covenants that it shall comply with terms of the Assurances and Understanding Agreement.

**Expenditure Plan.** The City covenants that by no later than August 1 of each year, or such other date as may be required, it shall submit an Expenditure Plan to the MTA that complies with the Measure M Guidelines.

**Expenditure Report.** The City covenants that by no later than October 15 of each year, or such other date as may be required, the City shall submit an Expenditure Report to the MTA that complies with the Measure M Guidelines.

**Audit Requirements; Maintenance of Financial Records.** The City covenants to assist the MTA in conducting an annual financial and compliance audit to verify the City’s adherence to the Measure M Guidelines. The audit shall be conducted as part of the MTA’s Consolidated Audit Program. The City shall maintain proper accounting records and documentation to facilitate the performance of the audit prescribed in the Measure M Guidelines. The City shall retain such records relating to the Measure M Receipts for at least four years following the year of allocation.

**Maintenance of Measure M Receipts.** The City will use its best efforts to comply with all provisions of law and any regulations issued thereunder relating to the Measure M Receipts, including but not limited to the Measure M Ordinance and the Measure M Guidelines, and will take any and all reasonable actions required in order to maintain the City’s ability to receive the Measure M Receipts and apply the same as provided in the 2019A Indenture; provided, that nothing in the 2019A Indenture shall require the City to take any action or expend any City funds to comply with any requirements deemed unreasonable in the sole discretion of the City, so long as failure to take such action or expend such funds (to the extent legally available therefor) will not cause the amount of estimated Measure M Receipts to be received by the City in the next Fiscal Year to be less than 150% of the Maximum Annual Debt Service on all Outstanding 2019A Bonds and any other Additional Measure M Bonds as of the date of calculation. If the Maximum Annual Debt Service on all Outstanding 2019A Bonds, Additional Measure M Bonds and other obligations payable from Measure M Receipts is attributable to the Fiscal Year beginning on July 1, 2039 (or in the event that the Measure M Ordinance is hereafter modified or amended, such Fiscal Year as specified in the Measure M Ordinance as amended or modified) or any Fiscal Year subsequent to the Fiscal Year beginning July 1, 2039, for purposes of the calculation to be made pursuant to this provision of the 2019A Indenture, the City,

in determining its estimated Measure M Receipts to be received by the City in the next Fiscal Year, shall be permitted to adjust the estimated Measure M Receipts to account for the increase in the Measure M Sales Tax from 1/2% to 1% (or in the event that the Measure M Ordinance is hereafter modified or amended, the estimated Measure M Receipts may be adjusted by the change in the Measure M Sales Tax specified in the Measure M Ordinance as amended or modified), which is scheduled to occur on July 1, 2039.

**Expenditure on Eligible Projects.** The City covenants to use proceeds of the 2019A Bonds and any Measure M Receipts received by the City only on projects eligible to be funded through the use of Measure M Sales Tax as provided in the Measure M Guidelines.

## **Additional Measure M Bonds Under the 2019A Indenture**

The City may establish one or more additional series of Additional Measure M Bonds, payable by the City from and secured by the pledge of the Measure M Receipts equally and ratably with the 2019A Bonds and any other Additional Measure M Bonds upon compliance with the following provisions:

- No Event of Default shall have occurred and then be continuing.
- If the Supplemental Indenture providing for the issuance of the Additional Measure M Bonds so requires, either (i) a Bond Reserve Fund is established to provide additional security for that series of Additional Measure M Bonds or (ii) the balance on deposit in an existing Bond Reserve Fund is increased to an amount at least equal to the Bond Reserve Requirement with respect to such series of Additional Measure M Bonds and all other series of Additional Measure M Bonds secured by that Bond Reserve Fund and then Outstanding, the Supplemental Indenture providing for the issuance of such additional series of Additional Measure M Bonds shall require deposit of the amount necessary. Such deposit shall be made as provided in the Supplemental Indenture providing for the issuance of such additional series of Additional Measure M Bonds and may be satisfied in whole or in part through the provision of a Reserve Facility as described above under the caption “2019A Bond Reserve Fund.”
- The aggregate principal amount issued shall not exceed any limitation imposed by law or by any Supplemental Indenture.
- The City shall place on file with the Trustee a Certificate of the City certifying that the amount of Measure M Receipts for a period of twelve (12) consecutive months (selected by the City) during the eighteen (18) months immediately preceding the date on which such Additional Measure M Bonds will become Outstanding would have been at least equal to 150% of Maximum Annual Debt Service, on all Outstanding 2019A Bonds, Additional Measure M Bonds and the additional series of Additional Measure M Bonds then proposed to be issued and any parity obligations payable from Measure M Receipts then outstanding, which Certificate shall also set forth the computations upon which such Certificate is based. If the Maximum Annual Debt Service is attributable to the Fiscal Year beginning on July 1, 2039 (or in the event that the Measure M Ordinance is hereafter modified or amended, such Fiscal Year as specified in the Ordinance as amended or modified) or any Fiscal Year subsequent to the Fiscal Year beginning July 1, 2039, for purposes of the calculation to be made pursuant to this Section, the City shall be permitted to adjust the Measure M Receipts to account for the increase in the Measure M Sales Tax from 1/2% to 1% (or in the event that the Measure M Ordinance is hereafter modified or amended, the Measure M Receipts may be adjusted by the change in the Measure M Sales Tax specified in the Measure M Ordinance as amended or modified), which is scheduled to occur on July 1, 2039.
- Principal payments of each additional series of Additional Measure M Bonds shall be due on June 1 in each year in which principal is to be paid if and to the extent deemed practical in the reasonable judgment of the City with regard to the type of bond to be issued, and, if the interest on such series of Additional Measure M Bonds is to be paid semiannually, such interest payments shall be due on

June 1 and December 1 in each year to the extent desired by the City with regard to the type of bond to be issued.

Nothing in the 2019A Indenture contained shall prevent or be construed to prevent the City through a Supplemental Indenture providing for the issuance of an additional series of Additional Measure M Bonds from pledging or otherwise providing, in addition to the security given or intended to be given by the 2019A Indenture, additional security for the benefit of such series of Additional Measure M Bonds or any portion thereof.

The City may also issue refunding bonds in accordance with the provisions of the 2019A Indenture. See “APPENDIX A - SUMMARY OF CERTAIN PROVISIONS OF THE MEASURE M AND MEASURE R INDENTURES AND FORMS OF PLEDGE AGREEMENTS - Issuance of Refunding Bonds.”

### **2019A Bonds Maximum Annual Debt Service Coverage**

The following table set forth the maximum annual debt service coverage with respect to the 2019A Bonds. The maximum annual debt service coverage is based upon Measure M Receipts paid to the City in the 12 months ending May 31, 2019.

**TABLE NO. 1  
2019A BONDS (MEASURE M)  
MAXIMUM ANNUAL DEBT SERVICE COVERAGE**

<u>Period</u>	<u>Measure M Receipts <sup>(1)</sup></u>	<u>Maximum Annual Debt Service</u>	<u>Debt Service Coverage</u>
June 2018 to May 2019	\$1,472,511	\$974,250	1.51X

<sup>(1)</sup> Source: City of Norwalk.

## **SECURITY AND SOURCES OF PAYMENT FOR THE 2019B BONDS**

### **General**

The 2019B Bonds are secured by a first lien on the Pledged Measure R Receipts that are derived from the Measure R Sales Tax imposed by the County pursuant to Part 1.6 of Division 2 of the Revenue and Taxation Code of the State and the Measure R Ordinance, all as defined below (see “Measure R Sales Tax” below). The City has pledged the Pledged Measure R Receipts pursuant to the Measure R Pledge Agreement. The Authority has assigned its rights and remedies under the Measure R Pledge Agreement to the Trustee for the 2019B Bonds.

The 2019B Bonds are limited obligations of the Authority payable solely from the Pledged Measure R Receipts and certain amounts held under the 2019B Indenture. Neither the faith and credit nor the taxing power of the County, the State of California or any political subdivision or public agency thereof, other than the Authority, to the extent of the pledge of Pledged Measure R Receipts and other amounts held under the 2019B Indenture, is pledged to the payment of the principal of, redemption price or interest on the 2019B Bonds.

## Measure R Sales Tax

The term “Measure R Ordinance” means Ordinance No. 08-01, the Traffic Relief and Rail Expansion Ordinance, adopted by the MTA on July 24, 2008, and approved by at least two-thirds of electors voting on such proposition in the November 4, 2008 election, as supplemented and amended.

The term “Measure R Sales Tax” is defined in the 2019B Indenture to mean a tax imposed by the Measure R Ordinance, for a period of 30 years beginning July 1, 2009, upon the sale of tangible personal property at retail at a rate of 1/2 of 1% of the gross receipts of the sale and a complementary tax upon the storage, use or other consumption in the County at a rate of 1/2 of 1% of the sales price of the property whose storage, use or other consumption is subject to the tax. Authorization to collect Measure R Sales Tax terminates on June 30, 2039.

The term “Measure R Receipts” is defined in the 2019B Indenture to mean Measure R Sales Tax allocated by the MTA to the City pursuant to the Measure R Ordinance from the Local Return Subfund established under the Measure R Ordinance.

The term “Measure R Project” means a capital project for which Measure R Receipts may be expended. See the caption “THE FINANCING PLAN - The Projects.”

## Flow of Funds Under the 2019B Indenture and Measure R Pledge Agreement

**Measure R Pledge Agreement.** Pursuant to the Measure R Pledge Agreement, all Measure R Receipts will be deposited by the City immediately upon receipt in a special fund established by the City for deposit of Measure R Receipts, until such time in each Fiscal Year as the amount therein equals the amounts required for the payment of Bonds in that Fiscal Year. Such amount equals the “Pledged Measure R Receipts.” The City shall remit the Pledged Measure R Receipts to the Trustee on or before the 5<sup>th</sup> Business Day preceding each Interest Payment Date, in the amounts required by the 2019B Indenture.

Amounts of Measure R Receipts released from the pledge of the Indenture in each Bond Year may be used for any lawful purpose consistent with the Ordinance and the Guidelines.

**Pledged Measure R Receipts Fund.** So long as any 2019B Bond is Outstanding, the Trustee shall, as soon as possible following receipt of any Pledged Measure R Receipts from the City, deposit the Pledged Measure R Receipts in Pledged Measure R Receipts Fund. The Trustee shall establish, maintain and hold in trust for the benefit of Owners of the 2019B Bonds the respective funds and accounts described below and apply the Pledged Measure R Receipts in the manner and the order set forth in the 2019B Indenture.

**Interest Fund.** The Interest Fund, and within the Interest Fund the 2019 Interest Account, are created by the 2019B Indenture. Following deposit of the Pledged Measure R Receipts into the Pledged Measure R Receipts Fund, the Trustee shall transfer therefrom to and deposit into the Interest Fund and the applicable account therein as soon as practicable an amount equal to the aggregate amount of interest becoming due and payable on the Outstanding 2019B Bonds, until the requisite amount interest becoming due and payable on all such Outstanding 2019B Bonds on the next Interest Payment Date is on deposit in such account. All amounts in the Interest Fund shall be used and withdrawn by the Trustee solely for the purpose of paying interest on the 2019B Bonds as it shall become due and payable (including accrued interest on any 2019B Bonds redeemed prior to maturity pursuant to the 2019B Indenture). No deposit need be made into the Interest Fund if the amount contained therein is at least equal to the interest to become due and payable therefrom on the next Interest Payment Date. With respect to additional series of bonds to fund Measure R Projects and secured by Measure R Receipts on parity with the 2019B Bonds (“Additional Measure R Bonds”), the Trustee will establish a separate account within the Interest Fund for each respective series.

**Principal Fund; Principal Account; Sinking Account.** The Principal Fund, and within the Principal Fund, a 2019 Principal Account and a 2019 Sinking Account, are created by the 2019B Indenture. Following deposit of the Pledged Measure R Receipts into the Pledged Measure R Receipts Fund, the Trustee shall transfer therefrom to and deposit into the Principal Fund and thereafter into the 2019 Principal Account and 2019 Sinking Account as soon as practicable an amount equal to the aggregate amount of principal coming due and payable on the Outstanding 2019B Bonds, until the requisite amount principal becoming due and payable on all such Outstanding 2019B Bonds on the next Interest Payment Date is on deposit in such account. All amounts in the Principal Fund and any account therein shall be used and withdrawn by the Trustee solely for the purpose of paying principal on the Outstanding 2019B Bonds as it shall become due and payable. No deposit need be made into the Principal Fund or an account therein if the amount contained therein is at least equal to the principal to become due and payable therefrom on the next Interest Payment Date. With respect to any 2019B Bonds, all of the aforesaid deposits made in connection with future Mandatory Sinking Account Payments shall be made without priority of any payment into any one such Sinking Account over any other such payment. With respect to Additional Measure R Bonds, the Trustee will establish separate accounts within the Principal Fund for each respective series.

If the Pledged Measure R Receipts are not sufficient to permit the Trustee to make the required deposits so that moneys in the Principal Fund on any principal or mandatory redemption date are equal to the amount of 2019B Bonds and Additional Measure R Bonds to become due and payable on such date, then such moneys shall be applied by the Trustee by lot in inverse order of maturity, after first deducting for such purposes from 2019B Term Bonds any of such 2019B Term Bonds required to be redeemed annually as shall have been redeemed or purchased during the preceding 12-month period and any of such 2019B Term Bonds required to be redeemed semiannually as shall have been redeemed or purchased during the six-month period ending on such date or the immediately preceding six month period. If the Pledged Measure R Receipts are not sufficient to permit the Trustee to deposit in full all Mandatory Sinking Account Payments required to be paid at any one time into all such Sinking Accounts for the 2019B Bonds and Additional Measure R Bonds, then payments into all such Sinking Accounts shall be made by the Trustee by lot in inverse order of maturity, in such proportion that the respective Mandatory Sinking Account Payments required to be made into each Sinking Account during the then current 12-month period bear to the aggregate of all of the Mandatory Sinking Account Payments required to be made into all such Sinking Accounts during such 12-month period for the 2019B Bonds and Additional Measure R Bonds.

**Bond Reserve Fund.** Upon the occurrence of any deficiency in any Bond Reserve Fund established for the 2019B Bonds or Additional Measure R Bonds, the Trustee shall make such deposit to such Bond Reserve Fund as is required pursuant to 2019B Indenture each such deposit to be made as soon as possible in each month, until the balance therein is at least equal to the applicable Bond Reserve Requirement. See “2019B Bond Reserve Fund” below.

**Amounts Payable to the 2019B Insurer.** The Authority shall pay any amounts then due and owing to the 2019B Insurer or Credit Enhancement Provider with respect to a series of Additional Measure R Bonds.

**Deficiencies.** If four (4) Business Days prior to any principal payment date, Interest Payment Date or mandatory redemption date the amounts on deposit in the Interest Fund, the Principal Fund, including the Sinking Accounts therein, and, as and to the extent applicable, any Bond Reserve Fund with respect to the payments to be made on such upcoming date are insufficient to make such payments, the Trustee shall immediately notify the Authority, in writing, of such deficiency and direct that the Authority transfer the amount of such deficiency to the Trustee on or prior to such payment date. The Authority has covenanted and agreed to transfer to the Trustee from any available Measure R Receipts in its possession, and amounts requested and received from the City, the amount of such deficiency on or prior to the principal payment date, Interest Payment Date or mandatory redemption date referenced in such notice.



**Release of Remaining Pledged Measure R Receipts.** Any Pledged Measure R Receipts remaining in the Pledged Measure R Receipts Fund after the foregoing transfers described in above, shall be transferred by the Trustee to the City on the same Business Day, or as soon as practicable thereafter, to be applied by the City for the purposes permitted under the Measure R Ordinance and the Guidelines. All Pledged Measure R Receipts released to the City shall no longer be pledged for the repayment of any Bonds and shall be released from and no longer subject to the lien created under the 2019B Indenture.

## **2019B Bond Reserve Fund**

The 2019B Bond Reserve Fund is established under the 2019B Indenture (the “Reserve Fund”) to be funded in an amount equal to the “Reserve Requirement.” As defined in the 2019B Indenture, the term “2019B Bond Reserve Requirement” as of any date of calculation, an amount equal to the least of (i) ten percent (10%) of the original par amount of the 2019B Bonds (or if the amount of original issue discount or original issue premium applicable to the 2019B Bonds exceeds two percent (2%), ten percent (10%) of the issue price of the 2019B Bonds), (ii) one hundred twenty-five percent (125%) of average Annual Debt Service on the 2019B Bonds, and (iii) Maximum Annual Debt Service on the 2019B Bonds. At closing, the 2019B Bond Reserve Requirement is \$863,850.00.

Notwithstanding anything to the contrary set forth in the 2019B Indenture, amounts on deposit in the Reserve Fund shall be applied solely to the payment of principal and interest due with respect to the 2019B Bonds. If, on any Interest Payment Date, the moneys available in the Pledged Measure R Receipts Fund do not equal the amount of the principal, interest and redemption premium (if any) with respect to the 2019B Bonds then coming due and payable, the Trustee shall apply the moneys available in the Reserve Fund to the amount necessary for this purpose to the Pledged Measure R Receipts Fund or shall draw on the 2019B Reserve Policy (as defined below) and apply amounts received for such purpose.

The 2019B Indenture provides that in lieu of a cash deposit, the Authority may satisfy all or a portion of a 2019B Bond Reserve Requirement by means of a Reserve Facility (see “APPENDIX A - SUMMARY OF CERTAIN PROVISIONS OF THE MEASURE M AND MEASURE R INDENTURES AND FORMS OF PLEDGE AGREEMENTS - DEFINITIONS” herein). The Authority will satisfy the Reserve Requirement for the 2019B Bonds by depositing the 2019B Reserve Policy in the face amount of \$863,850.00, to be issued by the 2019B Insurer concurrently with the issuance of the 2019B Bonds. See “APPENDIX A - SUMMARY OF CERTAIN PROVISIONS OF THE MEASURE M AND MEASURE R INDENTURES AND FORMS OF PLEDGE AGREEMENTS - DEFINITIONS.” The 2019B Reserve Policy is not available to pay debt service on any Additional Measure R Bonds, if any.

The Authority is not required under the Indenture to replace the 2019B Reserve Policy with cash or a replacement instrument in the event the ratings of the 2019B Insurer decline or are withdrawn.

## **Measure R Pledge Agreement Covenants**

The City has made various representations and covenants under the Measure R Pledge Agreement, including the following. See also “APPENDIX A - SUMMARY OF CERTAIN PROVISIONS OF THE MEASURE M AND MEASURE R INDENTURES AND FORMS OF PLEDGE AGREEMENTS - FORM OF PLEDGE AGREEMENT (MEASURE R).”

**Maintenance of Effort.** The City shall maintain, at a minimum, the same level of local funding for transportation projects and services at the level that constitutes the maintenance of effort as determined by the MTA pursuant to the terms of the Measure R Ordinance and the Measure R Guidelines. The City covenants to include in each annual budget amounts sufficient to satisfy its annual maintenance of effort requirement.

**Assurances and Understanding Agreement.** The City represents that it has entered into an Assurances and Understanding Agreement with the MTA, and that such Assurances and Understanding Agreement is in full force and effect. The City covenants that it shall comply with terms of the Assurances and Understanding Agreement.

**Expenditure Plan.** The City covenants that by no later than August 1 of each year, or such other date as may be required, it shall submit an Expenditure Plan to the MTA that complies with the Measure R Guidelines.

**Expenditure Report.** The City covenants that by no later than October 15 of each year, or such other date as may be required, the City shall submit an Expenditure Report to the MTA that complies with the Measure R Guidelines.

**Audit Requirements; Maintenance of Financial Records.** The City covenants to assist the MTA in conducting an annual financial and compliance audit to verify the City's adherence to the Measure R Guidelines. The audit shall be conducted as part of the MTA's Consolidated Audit Program. The City shall maintain proper accounting records and documentation to facilitate the performance of the audit prescribed in the Measure R Guidelines. The City shall retain such records relating to the Measure R Receipts for at least four years following the year of allocation.

**Maintenance of Measure R Receipts.** The City will use its best efforts to comply with all provisions of law and any regulations issued thereunder relating to the Measure R Receipts, including but not limited to the Measure R Ordinance and the Measure R Guidelines, and will take any and all reasonable actions required in order to maintain the City's ability to receive the Measure R Receipts and apply the same as provided in the 2019B Indenture; provided, that nothing in the 2019B Indenture shall require the City to take any action or expend any City funds to comply with any requirements deemed unreasonable in the sole discretion of the City, so long as failure to take such action or expend such funds (to the extent legally available therefor) will not cause the amount of estimated Measure R Receipts to be received by the City in the next Fiscal Year to be less than 150% of the Maximum Annual Debt Service on all Outstanding 2019B Bonds and any other Additional Measure R Bonds as of the date of calculation.

**Expenditure on Eligible Projects.** The City covenants to use proceeds of the 2019B Bonds and any Measure R Receipts received by the City only on projects eligible to be funded through the use of Measure R Sales Tax as provided in the Measure R Guidelines.

## **Additional Bonds Under the 2019B Indenture**

The City may establish one or more additional series of Additional Measure R Bonds, payable by the City from and secured by the pledge of the Measure R Receipts equally and ratably with the 2019B Bonds and any other Additional Measure R Bonds upon compliance with the following provisions:

- No Event of Default shall have occurred and then be continuing.
- If the Supplemental Indenture providing for the issuance of the Additional Measure R Bonds so requires, either (i) a Bond Reserve Fund is established to provide additional security for that series of Additional Measure R Bonds or (ii) the balance on deposit in an existing Bond Reserve Fund is increased to an amount at least equal to the Bond Reserve Requirement with respect to such series of Additional Measure R Bonds and all other series of Additional Measure R Bonds secured by that Bond Reserve Fund and then Outstanding, the Supplemental Indenture providing for the issuance of such additional series of Additional Measure R Bonds shall require deposit of the amount necessary. Such deposit shall be made as provided in the Supplemental Indenture providing for the issuance of such additional series of Additional Measure R Bonds and may be satisfied in whole or in part through the provision of a Reserve Facility as described above under the caption "2019B Bond Reserve Fund."

- The aggregate principal amount issued shall not exceed any limitation imposed by law or by any Supplemental Indenture.
- The City shall place on file with the Trustee a Certificate of the City certifying that the amount of Measure R Receipts for a period of twelve (12) consecutive months (selected by the City) during the eighteen (18) months immediately preceding the date on which such Additional Measure R Bonds will become Outstanding would have been at least equal to 150% of Maximum Annual Debt Service, on all Outstanding 2019B Bonds, Additional Measure R Bonds and the additional series of Additional Measure R Bonds then proposed to be issued and any parity obligations payable from Measure R Receipts then outstanding, which Certificate shall also set forth the computations upon which such Certificate is based.
- Principal payments of each additional series of Additional Measure R Bonds shall be due on June 1 in each year in which principal is to be paid if and to the extent deemed practical in the reasonable judgment of the City with regard to the type of bond to be issued, and, if the interest on such series of Additional Measure R Bonds is to be paid semiannually, such interest payments shall be due on June 1 and December 1 in each year to the extent desired by the City with regard to the type of bond to be issued.

Nothing in the 2019B Indenture contained shall prevent or be construed to prevent the City through a Supplemental Indenture providing for the issuance of an additional series of Additional Measure R Bonds from pledging or otherwise providing, in addition to the security given or intended to be given by the 2019B Indenture, additional security for the benefit of such series of Additional Measure R Bonds or any portion thereof.

The City may also issue refunding bonds in accordance with the provisions of the 2019B Indenture. See “APPENDIX A - SUMMARY OF CERTAIN PROVISIONS OF THE MEASURE M AND MEASURE R INDENTURES AND FORMS OF PLEDGE AGREEMENTS - Issuance of Refunding Bonds.”

## 2019B Bonds Maximum Annual Debt Service Coverage

The following table set forth the maximum annual debt service coverage with respect to the 2019B Bonds. The maximum annual debt service coverage is based upon Measure R Receipts paid to the City in the 12 months ending May 31, 2019.

**TABLE NO. 2**  
**2019B BONDS (MEASURE R)**  
**MAXIMUM ANNUAL DEBT SERVICE COVERAGE**

<u>Period</u>	<u>Measure R Receipts</u> <sup>(1)</sup>	<u>Maximum Annual Debt Service</u>	<u>Debt Service Coverage</u>
June 2018 to May 2019	\$1,303,176	\$863,850	1.51x

<sup>(1)</sup> Source: City of Norwalk.

# MUNICIPAL BOND INSURANCE

## Municipal Bond Insurance Policies

Concurrently with the issuance of the each series of 2019 Bonds, Assured Guaranty Municipal Corp. (“AGM” or the “Municipal Bond Insurer”) will issue its:

- (1) Municipal Bond Insurance Policy (the “2019A Policy”) for the 2019A Bonds maturing on June 1 of the years 2021 through 2034, (collectively, the “Insured 2019A Bonds”); and
- (2) Municipal Bond Insurance Policy (the “2019B Policy” and together with the 2019A Policy, the “Policies”) for the 2019B Bonds maturing on June 1 of the years 2021 through 2034, (collectively, the “Insured 2019B Bonds”).

The 2019A Policy guarantees the scheduled payment of principal of and interest on the Insured 2019A Bonds when due as set forth in the form of the 2019A Policy included as an appendix to this Official Statement.

The 2019B Policy guarantees the scheduled payment of principal of and interest on the Insured 2019B Bonds when due as set forth in the form of the 2019B Policy included as an appendix to this Official Statement.

The Policies are not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

## Assured Guaranty Municipal Corp.

AGM is a New York domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. (“AGL”), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol “AGO.” AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, infrastructure and structured finance markets. Neither AGL nor any of its shareholders or affiliates, other than AGM, is obligated to pay any debts of AGM or any claims under any insurance policy issued by AGM.

AGM’s financial strength is rated “AA” (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”), “AA+” (stable outlook) by Kroll Bond Rating Agency, Inc. (“KBRA”) and “A2” (stable outlook) by Moody’s Investors Service, Inc. (“Moody’s”). Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM’s long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

### *Current Financial Strength Ratings*

On June 27, 2019, S&P announced it had affirmed AGM's financial strength rating of "AA" (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

On December 21, 2018, KBRA announced it had affirmed AGM's insurance financial strength rating of "AA+" (stable outlook). AGM can give no assurance as to any further ratings action that KBRA may take.

On May 7, 2018, Moody's announced it had affirmed AGM's insurance financial strength rating of "A2" (stable outlook). AGM can give no assurance as to any further ratings action that Moody's may take.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2018.

### *Capitalization of AGM*

At March 31, 2019:

- The policyholders' surplus of AGM was approximately \$2,523 million.
- The contingency reserves of AGM and its indirect subsidiary Municipal Assurance Corp. ("MAC") (as described below) were approximately \$1,054 million. Such amount includes 100% of AGM's contingency reserve and 60.7% of MAC's contingency reserve.
- The net unearned premium reserves and net deferred ceding commission income of AGM and its subsidiaries (as described below) were approximately \$1,848 million. Such amount includes (i) 100% of the net unearned premium reserve and deferred ceding commission income of AGM, (ii) the net unearned premium reserves and net deferred ceding commissions of AGM's wholly owned subsidiary Assured Guaranty (Europe) plc ("AGE"), and (iii) 60.7% of the net unearned premium reserve of MAC.

The policyholders' surplus of AGM and the contingency reserves, net unearned premium reserves and deferred ceding commission income of AGM and MAC were determined in accordance with statutory accounting principles. The net unearned premium reserves and net deferred ceding commissions of AGE were determined in accordance with accounting principles generally accepted in the United States of America.

### *Incorporation of Certain Documents by Reference*

Portions of the following documents filed by AGL with the Securities and Exchange Commission (the "SEC") that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

- (i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2018 (filed by AGL with the SEC on March 1, 2019); and
- (ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2019 (filed by AGL with the SEC on May 10, 2019).

All consolidated financial statements of AGM and all other information relating to AGM included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof "furnished" under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the 2019 Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at <http://www.sec.gov>, at

AGL's website at <http://www.assuredguaranty.com>, or will be provided upon request to Assured Guaranty Municipal Corp.: 1633 Broadway, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL's website shall be deemed to be part of or incorporated in this Official Statement.

Any information regarding AGM included herein under the caption "MUNICIPAL BOND INSURANCE - Assured Guaranty Municipal Corp." or included in a document incorporated by reference herein (collectively, the "AGM Information") shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

#### *Miscellaneous Matters*

AGM makes no representation regarding the 2019 Bonds or the advisability of investing in the 2019 Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "MUNICIPAL BOND INSURANCE."

## **STATE SALES TAX**

In general, the State sales tax ("State Sales Tax") applies to the gross receipts of retailers from the sale of tangible personal property. The State use tax is imposed on the storage, use, or other consumption in the State of property purchased from a retailer for such storage, use, or other consumption. Because the use tax does not apply to cases where the sale of the property is subject to the sales tax, the application of the use tax generally is to purchases made outside of the State for use within the State. The current Statewide tax rate is 7.25%.

Many categories of transactions are exempt from the State Sales Tax. The most important of these exemptions are sales of food products for home consumption, prescription medicine, edible livestock and their feed, seed and fertilizer used in raising food for human consumption, and gas, electricity, and water when delivered to consumers through mains, lines and pipes. In addition, Occasional Sales (i.e., sales of property not held or used by a seller in the course of activities for which he or she is required to hold a seller's permit) are generally exempt from the State Sales Tax; however, the Occasional Sales exemption does not apply to the sale of an entire business and other sales of machinery and equipment used in a business. Sales of property to be used outside the County that are shipped to a point outside the County, pursuant to the contract of sale, by delivery to such point by the retailer, or by delivery by the retailer to a carrier for shipment to a consignee, at such point, are exempt from the State Sales Tax, the Measure M Sales Tax and the Measure R Sales Tax.

# MEASURE M SALES TAX

## Measure M Sales Tax

The Measure M Sales Tax commenced on July 1, 2017, is administered by MTA and is not limited in duration, and will increase subsequent to July 1, 2039 upon the expiration of the Measure R Sales Tax described below.

The Measure M Ordinance provides for the collection and allocation of revenues as follows: (i) 1% for regional rail; (ii) 2% for Metro State of Good Repair; (iii) 2% for Americans with Disabilities Act (“ADA”) Paratransit for Disabled and MTA discounts for seniors and students; (iv) 2% for Metro Active Transportation Program; (v) 5% for MTA rail operations; (vi) 17% for highway construction; (vii) 17% for local return; (viii) 20% for transit operations; and (ix) 35% for transit construction. The Measure M Receipts constitute the local return portion of such Measure M Sales Tax allocable to the City (as described in clause (vii) in the previous sentence).

The Measure M Sales Tax imposed in the County for transportation purposes and administered by MTA is in addition to the State Sales Tax. The Measure M Sales Tax is generally imposed upon the same transactions and items that are subject to the State Sales Tax, with generally the same exceptions.

The Measure M Sales Tax is also in addition to: (i) Measure R Sales Tax, (ii) a 0.5% sales tax imposed by the Los Angeles County Transportation Commission (the “Commission”), predecessor to the MTA, beginning in 1990 and currently imposed by MTA pursuant to Ordinance No. 49 of the Commission, known as the “Proposition C Sales Tax;” (iii) a 0.5% sales tax imposed by the Commission beginning in 1980 and currently imposed by MTA pursuant to Ordinance No. 16 of the Commission, known as the “Proposition A Sales Tax;” and (iv) sales taxes that apply only within certain cities within the County. The Measure R Sales Tax will terminate on July 1, 2039 and the Measure M Sales Tax will increase to a 1.0% sales tax.

Action by the State Legislature or by voter initiative could change the transactions and items upon which the State Sales Tax and the Measure M Sales Tax are imposed. Such changes or amendments could have either an adverse or beneficial effect on Measure M Revenues. Neither the Authority nor the City is currently aware of any proposed legislative change that would have a material adverse effect on Measure M Revenues.

For information related to MTA, see the caption “LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY.”

## Collection and Allocation of Measure M Revenues

Collection of the Measure M Sales Tax began on July 1, 2017, and is administered by the California Department of Tax and Fee Administration, which imposes a charge for administration. Such charge is based on the actual costs incurred by the California Department of Tax and Fee Administration in connection with the administration of the collection of the Measure M Sales Tax. In accordance with the Measure M Ordinance, MTA is required to allocate the proceeds of the Measure M Sales Tax as follows:

<u>Uses</u>	<u>Percentage of Allocation</u> <sup>(2)</sup>
Metro Rail Operations (including Metro Rail State of Good Repair)	5%
Transit Operations (Metro and Municipal Providers)	20%
ADA Paratransit for Disabled; Metro discounts for seniors and students	2%
Transit Construction (includes system connectivity projects – airports, Union Station, and Countywide BRT)	35%
Metro State of Good Repair	2%
Highway Construction (includes system connectivity projects – ports, highway congestion, good movement)	17%
Metro Active Transportation Program (bicycle, pedestrian, complete streets)	2%
Regional Rail	1%
Measure M Local Return <sup>(1)</sup>	<u>17%</u>
Total	100%

<sup>(1)</sup> 1% Administration supplements the Measure M Local Return, increasing the Measure M Local Return from 16% to 17% of net revenues, which amount will increase to 20% on July 1, 2039. 17% of the Measure M Sales Tax is allocated to incorporated cities within the County (including the City) and to the County for the unincorporated areas thereof on a per capita basis for streets and roads improvements; a comprehensive, integrated transportation network with infrastructure and design that allows safe and convenient travel along and across streets for all users, including pedestrians, users and operators of public transit, bicyclist, persons with disabilities, seniors, children, motorists, users of green modes, and movers of commercial goods, and commonly referred to as “Complete Streets;” urban transportation rights-of-way integrated with stormwater treatment techniques that use natural processes and landscaping and quantitatively demonstrate that they capture and treat stormwater runoff from their tributary watershed through infiltration or other means and are included within respective Enhanced Watershed Management Plans, and commonly referred to as “Green Streets;” storm drains; traffic control measures; active transportation; public transit services and capital, transit oriented community investments; transit marketing; congestion management program (planning, engineering and/or study); transportation administration; or as matching funds for other federal, state or local sources used to fund transportation projects.

<sup>(2)</sup> Does not sum due to inclusion of 1% Administration to supplement Measure M Local Return. See Footnote <sup>(1)</sup> above.

The Measure M Ordinance specifies that 17% of the Measure M Sales Tax, which includes a 1% Administration supplement (the “Measure M Local Return”) be allocated to incorporated cities within the County (including the City) and to the County for the unincorporated areas each on a per capita basis, which amount will increase to 20% on July 1, 2039. The California Department of Tax and Fee Administration, after deducting the costs of administering the Measure M Sales Tax, has agreed to remit all Measure M Sales Tax revenues to any trustee for MTA’s outstanding bond issues that are secured by Measure M Sales Tax revenues (collectively, the “MTA Measure M Bonds”). Such trustee would thereafter immediately disburse the Measure M Local Return to the MTA. The Measure M Local Return does not serve as security for any of the MTA Measure M Bonds. At this time, MTA has not issued any MTA Measure M Bonds, but may do so in the future.



Currently, apportionments of the Measure M Local Return are being made to 88 cities and the County for the unincorporated areas (each, a “Jurisdiction” and, collectively, the “Jurisdictions”). The Measure M Local Return allocations to the Jurisdictions are based on the population shares from the projected populations as derived from annual estimates made by the California State Department of Finance. The projected populations are revised annually in the formula allocation procedure established by the MTA Board. Before any Jurisdiction can receive any allocations of the Measure M Local Return, such Jurisdiction must sign an assurances and understanding agreement with MTA. Measure M Local Return funds are then automatically allocated monthly on a per capita basis to such Jurisdiction. In addition, to continue receiving Measure M Local Return funds, the governing body of each Jurisdiction must annually adopt a resolution approving such Jurisdiction’s five year plan regarding the expenditure of its Measure M Receipts and demonstrate its compliance with the required uses of its Measure M Receipts pursuant to an annual audit. See “RISK FACTORS - Non-Compliance with MTA Guidelines.”

## Measure M Allocation

The following table sets forth the portion of the Measure M Receipts that were distributed by MTA to the City since September 2017.

**TABLE NO. 3  
CITY OF NORWALK  
MEASURE M RECEIPTS**

	<u>2017-18</u>	<u>2018-19</u>
July	\$ -	\$ 122,770
August	-	111,804
September	80,747	156,103
October	80,354	142,315
November	107,139	89,198
December	154,177	128,168
January	90,592	120,827
February	120,789	139,168
March	144,913	125,728
April	85,210	119,762
May	133,707	108,521
June	<u>108,146</u>	<u>(1)</u>
Total	\$1,105,774	\$1,364,364

(1) To be remitted to the City in the month of June 2019.

Source: City of Norwalk.

For the 12 months ending May 31, 2019, MTA distributed a total of \$1,472,511 of measure M Receipts. The City is unable to predict whether annual Measure M Receipts will increase or decrease or what portion, if any, of such Measure M Receipts it will receive. For a summary of historical taxable retail sales within the City and the County, see the table entitled “City of Norwalk and Los Angeles County Total Taxable Transactions” in “CITY OF NORWALK - Retail Sales” herein.

The following tables present the Balance Sheet and the Schedule of Revenues, Expenditures and Changes in Fund Balance relating to the City’s Measure M Fund for the Fiscal Year 2017-18.

**TABLE NO. 4  
MEASURE M FUND  
BALANCE SHEET  
AS OF JUNE 30, 2018**

ASSETS	
Assets:	
Cash and investments	<u>\$1,109,805</u>
TOTAL ASSETS	<u>\$1,109,805</u>
FUND BALANCE	
Fund balance:	
Restricted	<u>\$1,109,805</u>
Total fund balance	<u>\$1,109,805</u>

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Source: City of Norwalk Comprehensive Annual Financial Report.

**TABLE NO. 5  
MEASURE M FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 2018**

Revenues:	
Use of money and property	\$ 4,031
Intergovernmental	<u>1,105,774</u>
Total revenues	\$1,109,805
Expenditures	<u>-</u>
Change in fund balance	1,109,805
Beginning fund balance	<u>-</u>
Ending fund balance	<u>\$1,109,805</u>

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Source: City of Norwalk Comprehensive Annual Financial Report.

# MEASURE R SALES TAX

## Measure R Sales Tax

In an election on November 4, 2008, more than two-thirds of the voters in the County approved the Measure R Ordinance, thereby imposing a 0.5% retail transactions and use tax on the gross receipts of retailers from the sale of tangible personal property sold in the County and a use tax at the same rate upon the storage, use, or other consumption in the County of such property purchased from any retailer for storage, use, or other consumption in the County, subject to certain limited exceptions described below (the “Measure R Sales Tax”). The Measure R Sales Tax commenced on July 1, 2009, is administered by MTA and will terminate after 30 years on June 30, 2039.

The Measure R Ordinance provides for the collection and allocation of revenues as follows: (i) 2% for MTA rail capital improvements; (ii) 3% for Metrolink capital improvements; (iii) 5% for rail operations for new transit projects; (iv) 15% for local return (the “Measure R Local Return”); (v) 20% for bus operations allocated using MTA’s formula allocation procedure; (vi) 20% for highway capital projects; and (vii) 35% for specific transit capital projects. The Measure R Receipts constitute the local return portion of such Measure R Revenues allocable to the City (as described in clause (iv) in the previous sentence).

The Measure R Sales Tax imposed in the County for transportation purposes and administered by MTA is in addition to the State Sales Tax. The Measure R Sales Tax is generally imposed upon the same transactions and items that are subject to the State Sales Tax, with generally the same exceptions. The Measure R Sales Tax is also in addition to (i) the Measure M Sales Tax; (ii) the Proposition C Sales Tax; (iii) the Proposition A Sales Tax; and (iv) sales taxes that apply only within certain cities within the County.

Action by the State Legislature or by voter initiative could change the transactions and items upon which the State Sales Tax and the Measure R Sales Tax are imposed. Such changes or amendments could have either an adverse or beneficial effect on Measure R Sales Tax. Neither the Authority nor the City is currently aware of any proposed legislative change that would have a material adverse effect on Measure R Sales Tax.

## Collection and Allocation of Measure R Revenues

Collection of the Measure R Sales Tax began on July 1, 2009, and is administered by the California Department of Tax and Fee Administration, which imposes a charge for administration. Such charge is based on the actual costs incurred by the California Department of Tax and Fee Administration in connection with the administration of the collection of the Measure R Sales Tax. In accordance with the Measure R Ordinance, MTA is required to allocate the proceeds of the Measure R Sales Tax as follows:

<u>Uses</u>	<u>Percentage of Allocation</u>
New Rail and/or Bus Rapid Transit	35%
Metrolink Capital Improvement Projects within the County	3%
Metro Rail Capital – System Improvements, Rail Yards and Rail Cars	2%
Carpool Lanes, Highways, Goods Movement, Grade Separations and Soundwalls	20%
Rail Operations	5%
Bus Operations	20%
Measure R Local Return <sup>(1)</sup>	<u>15%</u>
Total	100%

<sup>(1)</sup> 15% of the Measure R Sales Tax is allocated to incorporated cities within the County (including the City) and to the County for the unincorporated areas thereof on a per capita basis for major street resurfacing, rehabilitation and reconstruction; pothole repair; left turn signals; bikeways; pedestrian improvements; streetscapes; signal synchronization; and transit.

The Measure R Ordinance specifies that 15% of the Measure R Sales Tax (the “Measure R Local Return”) be allocated to incorporated cities within the County (including the City) and to the County for the unincorporated areas each on a per capita basis. The California Department of Tax and Fee Administration, after deducting the costs of administering the Measure R Sales Tax, has agreed to remit all Measure R Sales Tax revenues to any trustee for MTA’s outstanding bond issues that are secured by Measure R Sales Tax revenues (collectively, the “MTA Measure R Bonds”). Such trustee would thereafter immediately disburse the Measure R Local Return to the MTA.

Currently, apportionments of the Measure R Local Return are being made to 88 cities and the County for the unincorporated areas (each, a “Jurisdiction” and, collectively, the “Jurisdictions”). The Measure R Local Return allocations to the Jurisdictions are based on the population shares from the projected populations as derived from annual estimates made by the California State Department of Finance. The projected populations are revised annually in the formula allocation procedure established by the MTA Board. Before any Jurisdiction can receive any allocations of the Measure R Local Return, such Jurisdiction must sign an assurances and understanding agreement with MTA. Measure R Local Return funds are then automatically allocated monthly on a per capita basis to such Jurisdiction. In addition, to continue receiving Measure R Local Return funds, the governing body of each Jurisdiction must annually adopt a resolution approving such Jurisdiction’s five year plan regarding the expenditure of its Measure R Receipts and demonstrate its compliance with the required uses of its Measure R Receipts pursuant to an annual audit. See “RISK FACTORS - Non-Compliance with MTA Guidelines.”

## Measure R Allocation

The following table sets forth the portion of the Measure R Receipts that were distributed by MTA to the City since the Measure R Sales Tax commenced in 2009.

**TABLE NO. 6  
CITY OF NORWALK  
MEASURE R RECEIPTS**

<u>Fiscal Year</u>	<u>Measure R Receipts</u>	<u>Annual Increase</u>
2009-10	\$ 696,576	
2010-11	918,769	31.9%
2011-12	991,867	8.0%
2012-13	1,054,411	6.3%
2013-14	1,114,618	5.7%
2014-15	1,167,512	4.7%
2015-16	1,198,089	2.6%
2016-17	1,216,818	1.6%
2017-18	1,220,193	0.3%

<sup>(1)</sup> Measure R Sales Tax was distributed starting in September 2009, during in Fiscal Year 2009-10.

Source: City of Norwalk.

The City is unable to predict whether annual Measure R Receipts will increase or decrease or what portion, if any, of such Measure R Receipts it will receive. For a summary of historical taxable retail sales within the City and the County, see the table entitled “City of Norwalk and Los Angeles County Total Taxable Transactions” in “CITY OF NORWALK - Retail Sales” herein.

For the 12 months ending May 31, 2019, MTA distributed \$1,303,176 of Measure R Receipts to the City.

The following tables present the Balance Sheet and the Schedule of Revenues, Expenditures and Changes in Fund Balance relating to the City's Measure R Fund for the Fiscal Year 2013-14 through 2017-18.

**TABLE NO. 7  
MEASURE R FUND  
BALANCE SHEET  
AS OF JUNE 30**

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
ASSETS					
Assets:					
Cash and investments	<u>\$1,967,329</u>	<u>\$2,756,131</u>	<u>\$2,669,348</u>	<u>\$3,411,690</u>	<u>\$3,371,045</u>
Total assets	<u>\$1,967,329</u>	<u>\$2,756,131</u>	<u>\$2,669,348</u>	<u>\$3,411,690</u>	<u>\$3,371,045</u>
LIABILITIES AND FUND BALANCE					
Liabilities:					
Accounts payable	<u>\$ 40,335</u>	<u>\$ 149,870</u>	<u>\$ 63,056</u>	<u>\$ 225,455</u>	<u>\$ 114,187</u>
Total liabilities	<u>40,335</u>	<u>149,870</u>	<u>63,056</u>	<u>225,455</u>	<u>114,187</u>
Fund balance:					
Restricted	<u>1,926,994</u>	<u>2,606,261</u>	<u>2,606,292</u>	<u>3,186,235</u>	<u>3,256,858</u>
Total fund balance	<u>1,926,994</u>	<u>2,606,261</u>	<u>2,606,292</u>	<u>3,186,235</u>	<u>3,256,858</u>
Total liabilities and fund balance	<u>\$1,967,329</u>	<u>\$2,756,131</u>	<u>\$2,669,348</u>	<u>\$3,411,690</u>	<u>\$3,371,045</u>

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Source: City of Norwalk Comprehensive Annual Financial Report.

**TABLE NO. 8  
MEASURE R FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED JUNE 30**

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Revenues:					
Use of money and property	\$ 9,044	\$ 15,289	\$ 25,068	\$ 24,852	\$ 48,758
Intergovernmental	<u>1,114,618</u>	<u>1,167,512</u>	<u>1,198,089</u>	<u>1,216,818</u>	<u>1,220,193</u>
Total revenues	<u>1,123,662</u>	<u>1,182,801</u>	<u>1,223,157</u>	<u>1,241,670</u>	<u>1,268,951</u>
Expenditures:					
Current:					
Urban development	5,000	12,239	56,833	-	-
Public works	386,897	334,580	232,246	551,068	449,374
Capital outlay and improvement	<u>22,293</u>	<u>156,715</u>	<u>934,047</u>	<u>110,659</u>	<u>748,954</u>
Total expenditures	<u>414,190</u>	<u>503,534</u>	<u>1,223,126</u>	<u>661,727</u>	<u>1,198,328</u>
Excess of revenues over expenditures	<u>709,472</u>	<u>679,267</u>	<u>31</u>	<u>579,943</u>	<u>70,623</u>
Change in fund balance	709,472	679,267	31	579,943	70,623
Beginning fund balance	<u>1,217,522</u>	<u>1,926,994</u>	<u>2,606,261</u>	<u>2,606,292</u>	<u>3,186,235</u>
Ending fund balances	<u>\$1,926,994</u>	<u>\$2,606,261</u>	<u>\$2,606,292</u>	<u>\$3,186,235</u>	<u>\$3,256,858</u>

Source: City of Norwalk Comprehensive Annual Financial Report.

## **LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY**

MTA was established in 1993 pursuant to the provisions of Section 130050.2 et seq. of the California Public Utilities Code. MTA is the consolidated successor entity to both the Southern California Rapid Transit District (the “District”) and the Commission. As the consolidated successor entity, MTA succeeded to all powers, duties, rights, obligations, liabilities, indebtedness (bonded or otherwise), immunities, and exemptions of the Commission and the District, including the Commission’s responsibility for planning, engineering, and constructing a county-wide rail transit system. The Commission was authorized, subject to approval by the electorate of the County, to adopt a retail transactions and use tax ordinance, with the revenues of such tax to be used for public transit purposes.

MTA is governed by a 14-member Board of Directors (the “MTA Board”). The MTA Board is composed of the five members of the County of Los Angeles Board of Supervisors, the Mayor of the City of Los Angeles, two public members, and one member of the City Council of the City of Los Angeles appointed by the Mayor of the City of Los Angeles, four members who are either a mayor or a member of a city council of a city in the County (other than the City of Los Angeles) and who have been appointed by the Los Angeles County City Selection Committee, and a nonvoting member appointed by the Governor.

The MTA Board exclusively exercises and discharges the following powers and responsibilities: (i) establishment of overall goals and objectives; (ii) adoption of the aggregate budget for all of its organizational units; (iii) designation of additional municipal bus operators under criteria enumerated in the California Public Utilities Code; (iv) approval of all final rail corridor selections; (v) final approval of labor contracts covering employees of MTA and its organizational units; (vi) establishment of MTA’s organizational structure; (vii) conducting hearings and setting fares for the operating organizational units; (viii) approval of transportation zones; (ix) approval of any debt instrument with a maturity date exceeding the end of the fiscal year in which it is issued; (x) approval of benefit assessment districts and assessment rates; and (xi) approval of contracts for construction and transit equipment acquisition which exceed \$5,000,000 and making findings in connection with certain procurement decisions.



## CITY OF NORWALK

The City of Norwalk encompasses approximately 9.8 square miles and is located 17 miles southeast of downtown Los Angeles. It is located near the northern boundary of Orange County, adjacent to the cities of Santa Fe Springs, Downey, Cerritos, Artesia and La Mirada. Other neighboring cities include Bellflower and Buena Park.

### General Organization

The City was incorporated as a general law city August 26, 1957. The City operates under the City Council/Manager form of government. The City is governed by a five-member council currently consisting of five members each elected at large for four-year alternating terms and a Mayor selected among the members for a 4-year term. Positions of City Manager and City Attorney are filled by appointments of the City Council.

The current members of the City Council, the expiration dates of their terms and key administrative personnel are set forth below.

#### CITY COUNCIL

<u>Council Member</u>	<u>Term Expires</u>
Margarita L. Rios, <i>Mayor</i>	March 2020
Luigi Vernola, <i>Vice Mayor</i>	March 2020
Tony Ayala, <i>Councilmember</i>	March 2022
Jennifer Perez, <i>Councilmember</i>	March 2022
Leonard Shryock, <i>Councilmember</i>	March 2020

#### ADMINISTRATIVE PERSONNEL

Jesus M. Gomez, *City Manager*  
Kevin R. Gano, *Deputy City Manager/Director of Public Services*  
Jana Stuard, *Director of Finance/Treasurer*  
Michael L. Garcia, *Director of Community Development*  
Christine Roberto, *Public Services Manager*  
Theresa Devoy, *City Clerk*

### Governmental Services

The City's Fiscal Year 2019-20 budget provides for 255 full-time equivalent positions and more than 180 part-time positions under the direction of the City Manager.

Policing and public safety is provided under a contract with the Los Angeles County Sheriff. Fire protection and flood control is provided by the Los Angeles County Fire Protection District and the Los Angeles County Flood Control District.

Other City services include building permit and inspection, planning and zoning, landscape and infrastructure maintenance, street cleaning, traffic signal maintenance, municipal code compliance and parks and recreation programs and facilities.

The City also offers a wide range of emergency and support services to residents in crisis situations through its Social Services Department. The Norwalk Transit System provides fixed route and dial-a-ride service throughout the City and in some adjacent communities.

Students living in the City are served primarily by the Norwalk-La Mirada Unified School District. There are several junior and state colleges and universities within commuting distance from the City.

## Transportation

The City enjoys easy access to the Los Angeles Freeway System. One of the State’s major north-south freeways, Interstate 5, bisects the City. The City is also bisected on the west by the San Gabriel Freeway (I-605) and serves as the terminus of the Glenn Anderson/Century Freeway (I-105) that provides connection between the I-605 and Los Angeles International Airport 14 miles northwest of the City. The Artesia Freeway (State Route 91) is located to the south of the City.

## Population

The following table provides population growth for the City of Norwalk and Los Angeles County between 2015 and 2019.

**TABLE NO. 9  
POPULATION  
NORWALK AND LOS ANGELES COUNTY  
2015 – 2019**

As of January 1 <u>Year</u>	<u>NORWALK</u>		<u>LOS ANGELES COUNTY</u>	
	<u>Population</u>	<u>Percentage Change</u>	<u>Population</u>	<u>Percentage Change</u>
2015	107,092		10,155,753	
2016	106,917	(0.2%)	10,185,851	0.3%
2017	106,834	(0.1%)	10,226,920	0.4%
2018	106,888	0.1%	10,254,658	0.3%
2019	106,744	(0.1%)	10,253,716	0.0%
% Change Between 2015 - 2019		(0.3%)	1.0%	

Source: State of California, Department of Finance, “E-4 Population Estimates for Cities, Counties and the State, 2011-2019, with 2010 Census Benchmark” Sacramento, California, May 2019.

## Employment and Industry

As of March 2019, the civilian labor force for the City was approximately 50,700 of whom 48,500 were employed. The unadjusted unemployment rate as of March 2019 was 4.4% for the City as compared to 4.4% for the County and 4.6% for the State. Civilian labor force, employment and unemployment statistics for the City, County, the State and the nation, for the years 2014 through 2018 are shown in the following table:

**TABLE NO. 10**  
**CITY OF NORWALK, LOS ANGELES COUNTY, STATE OF CALIFORNIA**  
**AND UNITED STATES**  
**CIVILIAN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT**

<u>Year</u>	<u>Civilian Labor Force</u>	<u>Employment</u>	<u>Unemployment</u>	<u>Unemployment Rate</u>
<u>2014</u>				
City of Norwalk	50,300	46,000	4,200	8.4%
Los Angeles County	4,992,600	4,580,300	412,300	8.3%
California	18,714,700	17,310,900	1,403,800	7.5%
United States	155,922,000	146,305,000	9,617,000	6.2%
<u>2015</u>				
City of Norwalk	50,000	46,600	3,400	6.8%
Los Angeles County	4,989,800	4,659,700	330,100	6.6%
California	18,851,100	17,681,800	1,169,200	6.2%
United States	157,130,000	148,834,000	8,296,000	5.3%
<u>2016</u>				
City of Norwalk	50,200	47,500	2,700	5.4%
Los Angeles County	5,041,400	4,776,700	264,800	5.3%
California	19,044,500	18,002,800	1,041,700	5.5%
United States	159,187,000	151,436,000	7,751,000	4.9%
<u>2017</u>				
City of Norwalk	50,600	48,100	2,500	4.9%
Los Angeles County	5,096,500	4,853,800	242,700	4.8%
California	19,205,300	18,285,500	919,800	4.8%
United States	160,320,000	153,337,000	6,982,000	4.4%
<u>2018</u>				
City of Norwalk	50,900	48,500	2,300	4.6%
Los Angeles County	5,136,300	4,896,500	239,800	4.7%
California	19,398,200	18,582,800	815,400	4.2%
United States	162,075,000	155,761,000	6,314,000	3.9%

Note: The unemployment rate is calculated using unrounded data. Data may not add due to rounding.

Source: State of California Employment Development Department and United States Bureau of Labor Statistics.

The City is located in the Los Angeles-Long Beach-Glendale Metropolitan Division (the “Metropolitan Division”). Wage and salary workers by industry statistics for the Metropolitan Division as of March for the years 2015 through 2019 are shown in the following table.

**TABLE NO. 11**  
**LOS ANGELES-LONG BEACH-GLENDALE METROPOLITAN DIVISION**  
**WAGE AND SALARY WORKERS BY INDUSTRY <sup>(1)</sup>**  
**(in thousands)**

<b><u>Industry</u></b>	<b><u>2015</u></b>	<b><u>2016</u></b>	<b><u>2017</u></b>	<b><u>2018</u></b>	<b><u>2019</u></b>
Government	574.2	583.8	594.2	596.7	601.6
Other Services	150.5	151.2	154.1	157.9	163.8
Leisure and Hospitality	474.0	495.6	514.6	527.8	533.0
Educational and Health Services	742.3	769.1	798.4	823.3	840.3
Professional and Business Services	583.3	590.5	601.8	612.5	627.1
Financial Activities	212.2	218.3	219.3	222.2	216.4
Information	205.8	229.4	212.9	225.9	215.7
Transportation, Warehousing and Utilities	175.2	183.9	195.3	199.4	206.4
Service Producing					
Retail Trade	415.4	417.8	418.9	421.4	415.8
Wholesale Trade	222.0	221.0	220.7	222.5	223.1
Manufacturing					
Nondurable Goods	160.3	158.9	150.3	143.2	138.9
Durable Goods	207.9	205.7	202.0	202.3	205.5
Goods Producing					
Construction	121.7	131.5	135.0	142.5	147.6
Mining and Logging	<u>3.0</u>	<u>2.6</u>	<u>2.0</u>	<u>1.9</u>	<u>2.0</u>
Total Nonfarm	4,247.8	4,359.3	4,419.5	4,499.5	4,537.2
Farm	<u>5.5</u>	<u>5.4</u>	<u>5.7</u>	<u>4.3</u>	<u>5.2</u>
Total (all industries)	<u>4,253.3</u>	<u>4,364.7</u>	<u>4,425.2</u>	<u>4,503.8</u>	<u>4,542.4</u>

<sup>(1)</sup> Annually, as of March.

Source: State of California Employment Development Department, Labor Market Information Division, “*Industry Employment & Labor Force - by month March 2018 Benchmark.*”

**TABLE NO. 12  
COUNTY OF LOS ANGELES  
LARGEST INDUSTRIES <sup>(1)</sup>**

The following table shows the largest industries located in the County as of June 30, 2018.

<u>Industry</u>	<u>Employment</u>
Trade, Transportation and Utilities	828,400
Educational & Health Services	804,800
Professional & Business Services	629,100
Government	594,400
Leisure & Hospitality	552,200
Manufacturing	350,400
Financial Activities	222,200
Information	211,900
Other Services	155,300
Construction	144,300

<sup>(1)</sup> Employment by industry presented because County has been unable to obtain employment numbers for individual employers.

Source: County of Los Angeles Comprehensive Annual Financial Report for the year ending June 30, 2018.

## **Personal Income**

Personal income is the income that is received by all persons from all sources. It is calculated as the sum of wage and salary disbursements, supplements to wages and salaries, proprietors' income with inventory valuation and capital consumption adjustments, rental income of persons with capital consumption adjustment, personal dividend income, personal interest income, and personal current transfer receipts, less contributions for government social insurance.

The personal income of an area is the income that is received by, or on behalf of, all the individuals who live in the area; therefore, the estimates of personal income are presented by the place of residence of the income recipients.

Total personal income in the County increased by approximately 94% between 2002 and 2017. The following tables summarize personal income for the County for the years 2002 through 2017, and per capita personal income for the County, the State of California and the United States for the years 2002 through 2017. Per capita income is calculated as the personal income of the residents of the area divided by the resident population of the area.

**TABLE NO. 13**  
**LOS ANGELES COUNTY**  
**PERSONAL INCOME**  
**(in thousands)**

<u>Year</u>	<u>Personal Income</u>	<u>Annual Percent Change</u>
2002	\$306,397,603	
2003	322,159,168	5.1%
2004	342,751,135	6.4%
2005	365,284,999	6.6%
2006	395,200,509	8.2%
2007	412,140,913	4.3%
2008	422,807,196	2.6%
2009	409,793,204	(3.1)%
2010	428,045,182	4.5%
2011	459,098,093	7.3%
2012	492,424,430	7.3%
2013	491,016,518	(0.3)%
2014	525,088,691	6.9%
2015	560,484,548	6.7%
2016	577,071,787	3.0%
2017	593,741,110	2.9%

Source: U.S. Department of Commerce, Bureau of Economic Analysis; revised as of November 2018.

**TABLE NO. 14**  
**LOS ANGELES COUNTY, STATE OF CALIFORNIA AND THE UNITED STATES**  
**PER CAPITA PERSONAL INCOME**

<u>Year</u>	<u>Los Angeles County</u>	<u>California</u>	<u>United States</u>
2002	\$31,568	\$34,233	\$31,832
2003	32,984	35,452	32,681
2004	34,999	37,364	34,251
2005	37,326	39,326	35,849
2006	40,584	42,139	38,114
2007	42,487	43,669	39,844
2008	43,431	43,895	40,904
2009	41,869	42,050	39,284
2010	43,569	43,609	40,545
2011	46,439	46,145	42,727
2012	49,459	48,751	44,582
2013	49,010	49,173	44,826
2014	52,130	52,237	47,025
2015	55,366	55,679	48,940
2016	56,851	57,497	49,831
2017	58,419	59,796	51,640

Source: U.S. Department of Commerce, Bureau of Economic Analysis; revised as of November 2018.

## Retail Sales

The following table summarizes the volume of retail sales and taxable transactions for the City of Norwalk and Los Angeles County for 2008 through 2017 (the most recent year for which statistics are available from the California State Board of Equalization for the full year).

**TABLE NO. 15**  
**CITY OF NORWALK AND LOS ANGELES COUNTY**  
**TOTAL TAXABLE TRANSACTIONS**  
**(in thousands)**

<u>Year</u>	<u>City of Norwalk</u>		<u>Los Angeles County</u>	
	<u>Permits</u>	<u>Taxable Transactions</u>	<u>Permits</u>	<u>Taxable Transactions</u>
2008	1,618	\$819,087	289,802	\$131,881,744
2009	1,509	712,778	264,928	112,744,727
2010	1,554	733,920	271,293	116,942,334
2011	1,531	778,321	266,868	126,440,737
2012	1,460	827,283	266,414	135,295,582
2013	1,346	820,931	263,792	140,079,708
2014	1,388	850,151	272,733	147,446,927
2015	1,583	836,616	310,063	151,033,781
2016	1,597	854,313	311,295	154,208,333
2017	1,649	905,318	313,226	159,259,356

Source: California State Board of Equalization, "Taxable Sales in California."

## **RISK FACTORS**

*The purchase of the Bonds involves investment risk. If a risk factor materializes to a sufficient degree, it could delay or prevent payment of principal of and/or interest on the Bonds. Such risk factors include, but are not limited to, the following matters and should be considered, along with other information in this Official Statement, by potential investors.*

### **Pledged Measure M Receipts**

As described under the caption “MEASURE M SALES TAX - Measure M Sales Tax,” the Measure M Sales Tax commenced on July 1, 2017 and there is only a short history of collection and allocation of the Measure M Local Return, which constitutes Measure M Receipts allocable to the City for the payment of the 2019A Bonds under the Measure M Pledge Agreement. No assurances can be made as to the sufficiency of Measure M Receipts to pay the principal of and interest on the 2019A Bonds.

### **Passive Revenue Source**

The payment of principal of and interest on the 2019A Bonds is secured solely by a pledge of the Pledged Measure M Receipts and the payment of principal of and interest on the 2019B Bonds is secured solely by a pledge of the Pledged Measure R Receipts, and certain funds pledged under the respective Indentures. The City does not have any control over the amount of Measure M Receipts and Measure R Receipts to be received by the City because: (i) Measure M Sales Tax and Measure R Sales Tax constitute revenues of MTA derived from a retail transactions and use tax imposed in the County pursuant to the Measure M Ordinance and Measure R Ordinance, respectively, and the City has no ability to control the number of transactions and revenues generated by the tax; and (ii) the City does not have any control over the collection or distribution procedures related to any State taxes or local retail transactions and use taxes.

There can be no assurance that future Measure M Receipts and Measure R Receipts will be available in the historical amounts shown in this Official Statement. A decrease in Measure M Sales Tax and Measure R Sales Tax would adversely affect the amount and/or availability of Measure M Receipts and Measure R Receipts. In addition, the City must continuously meet certain requirements set forth in the Measure M Ordinance and Measure R Ordinance, respectively, in order to be eligible to receive Measure M Receipts and Measure R Receipts from MTA and apply the Pledged Measure M Receipts and Pledged Measure R Receipts to pay debt service on the respective series of 2019 Bonds. Such requirements include the annual adoption by the City of a resolution approving the City’s Five-Year Capital Improvement Plan and compliance by the City with a maintenance of effort requirement. See the caption “Non-Compliance with MTA Guidelines” below.

### **Increased Internet Use May Reduce Sales Tax Revenues**

The increasing use of the Internet to conduct electronic commerce may affect the levels of Measure M Sales Tax and Measure R Sales Tax. Internet sales of physical products by businesses that are located in the State, and Internet sales of physical products delivered to the State by businesses that are located outside of the State, are generally subject to sales taxes. As a result, the more that the Internet is used to conduct electronic commerce, along with the failure to collect sales taxes on such Internet purchases, the more that the City may experience reductions in Measure M Receipts and Measure R Receipts. On September 23, 2011, Governor Brown signed into law a settlement with Amazon.com Inc., one of the largest internet retailers in the State. As a result, beginning in September 2012, Amazon.com began collecting taxes from its Internet sales in the State to remit to the Board of Equalization.

On June 21, 2018, in the case of *South Dakota v. Wayfair*, the Supreme Court of the United States ruled that states can require online sellers to collect sales taxes. As a result of this ruling, states will be able to require retailers to collect state sales tax on their transactions, whether or not the retailer has a physical presence



within the state. The Authority cannot predict the degree that the ruling in *South Dakota v. Wayfair* will affect the collection of the Measure M Sales Tax and Measure R Sales Tax on a going forward basis. However, on April 25, 2019, Governor Gavin Newsom signed AB 147 in law to implement the *Wayfair* decision, which obligates retailers, whether inside or outside California, to collect applicable sales and use tax on all sales made for delivery in any city or county that imposes such tax, if annual sales in California by the retailer exceed \$500,000.

## **Allocation of Measure M Receipts and Measure R Receipts to the City**

The California Department of Tax and Fee Administration administers collection of the Measure M Sales Tax and Measure R Sales Tax. The California Department of Tax and Fee Administration, after deducting the costs of administering the Measure M Sales Tax, has agreed to remit all Measure M Sales Tax revenues to any trustee for MTA Bonds to be secured by Measure M Sales Tax. Such trustee would thereafter immediately disburse the Measure M Local Return to the MTA. The Measure M Local Return does not serve as security for any MTA Bonds that may be issued. Amounts constituting the Measure M Local Return are transferred to the MTA for allocation of the Measure M Receipts to the City as described herein. The trustee for the MTA Bonds would thereafter disburse moneys designated for local agencies to MTA, which allocates such Measure M Receipts to the City as described herein. See the caption “MEASURE M SALES TAX - Collection and Allocation of Measure M Revenues.”

The California Department of Tax and Fee Administration, after deducting the costs of administering the Measure R Sales Tax, has agreed to remit all Measure R Sales Tax revenues to any trustee for MTA Bonds to be secured by Measure R Sales Tax. Such trustee would thereafter immediately disburse the Measure R Local Return to the MTA. The Measure R Local Return does not serve as security for any MTA Bonds that may be issued. Amounts constituting the Measure R Local Return are transferred to the MTA for allocation of the Measure M Receipts to the City as described herein. The trustee for the MTA Bonds would thereafter disburse moneys designated for local agencies to MTA, which allocates such Measure M Receipts to the City as described herein. See the caption “MEASURE R SALES TAX - Collection and Allocation of Measure R Revenues.”

There can be no assurance that changes in the foregoing procedures or other actions undertaken or not undertaken by the California Department of Tax and Fee Administration, the trustee for any MTA Bonds to be secured by Measure M Sales Tax or any MTA Bonds secured or to be secured by Measure R Sales Tax or by MTA will not adversely affect the City’s receipt of Measure M Receipts or Measure R Receipts.

## **Project Eligibility**

The projects to be constructed by the City must be designated by MTA as qualified projects for purposes of the local streets and roads program established under the Measure M Ordinance and the Measure R Ordinance. Only such Measure M Projects are eligible to be financed from Measure M Receipts and only such Measure R Projects are eligible to be financed from Measure R Receipts. Although the MTA has approved the Measure M Projects and Measure R Projects to be funded with proceeds of the 2019A Bonds and 2019B Bonds, respectively, there can be no assurance as to the continuing eligibility of such projects.

## **Non-Compliance with MTA Guidelines**

**Measure M Guidelines.** In connection with the Measure M Ordinance, on June 22, 2017 MTA approved guidelines relating to the administration and use of the Measure M Sales Tax (the “Measure M Guidelines”). The Measure M Guidelines include a number of provisions that must be complied with by the City to ensure continued eligibility to receive Measure M Sales Tax distributions. Failure to follow these provisions could result in the suspension of distributions of Measure M Sales Tax, the return of such tax to MTA or the requirement of the City to replenish its “Measure M Local Return” account with available funds other than

Measure M Sales Tax. MTA performs annual audits to monitor compliance with the provisions of the Measure M Guidelines.

Under the Measure M Guidelines, the City is required to expend Measure M Sales Tax moneys only on those transportation purposes identified in the Measure M Guidelines. If the City is found to have expended funds without MTA's approval, the City will be required to reimburse its Measure M Sales Tax account for the amount of the unapproved expenditures. If MTA determines that Measure M Sales Tax was expended on projects that do not meet the Guidelines' definition of transportation purposes, then the City will be required to reimburse its Measure M Sales Tax account in an amount equal to the non-qualifying expenditures plus interest, and could also face a suspension of disbursements of Measure M Sales Tax for a period of three years. If such a suspension were imposed, the City would not receive any Measure M Sales Tax during the term of the suspension, which may have an adverse impact on the Authority's ability to pay the principal of and interest on the Bonds on a timely basis.

In addition, the failure of the City to properly verify that all Measure M Sales Tax related revenue, including Measure M Sales Tax allocations to the City, project generated revenues and interest income, was properly credited to its Measure M Sales Tax account, could result in the suspension of Measure M Sales Tax disbursements until the City has demonstrated to MTA that all such Measure M Sales Tax allocable to the City has been credited to the City's Measure M Sales Tax account. If the City fails to properly credit its Measure M Sales Tax related revenue to its Measure M Sales Tax account, MTA could suspend the distribution of Measure M Sales Tax until the City has demonstrated compliance with the Measure M Guidelines. During the duration of any suspension of Measure M Sales Tax disbursements, the City would not be receiving Measure M Receipts, which in turn, may affect the ability of the Authority to pay the principal of and debt service on the 2019A Bonds on a timely basis.

The Measure M Guidelines also require the local agencies, including the City, to maintain their individual local commitment of funds for transportation projects and services that was expended prior to the receipt of the Measure M Sales Tax (the "MOE"). If the local agency fails to maintain the MOE, then such local agency will be required to reimburse its account with available funds other than Measure M Sales Tax moneys.

The City is required to expend Measure M Sales Tax within five years of the last day of the fiscal year in which such funds were originally allocated or received (subject to certain exceptions). If the City fails to expend the Measure M Sales Tax allocated to the City, the City is required to return the lapsed Measure M Sales Tax, interest income and other earned income on such lapsed amount, to MTA for reallocation to the other local agencies based on population. In certain circumstances, the City, with the approval of MTA, may be able to obtain additional time beyond the five year term limit to expend its allocation of Measure M Sales Tax.

The Measure M Guidelines additionally require that the City annually submit an expenditure plan and an expenditure report to MTA to remain legally eligible to receive Measure M Sales Tax. If the City fails to submit to submit these items to MTA, the City may be determined to be legally ineligible to receive Measure M Sales Tax. During any period when the City is not legally eligible to receive Measure M Sales Tax, the City would not be receiving Measure M Receipts, which in turn, may affect the ability of the Authority to pay the principal of and debt service on the 2019A Bonds on a timely basis.

The Measure M Guidelines also gives MTA the right to suspend or revoke allocation to local agencies that are found to be in gross violation of the Measure M Guidelines, or repeatedly committing violations, or refusing to take corrective measures. During the duration of any suspension of Measure M Sales Tax disbursements or revocation of Measure M Sales Tax allocation, the City would not be receiving M Receipts, which in turn, may affect the ability of the Authority to pay the principal of and debt service on the 2019A Bonds on a timely basis.

**Measure R Guidelines.** MTA has also adopted Measure R Guidelines. The Measure R Guidelines include a number of provisions that must be complied with by the City to ensure continued eligibility to receive Measure R Sales Tax distributions. Failure to follow these provisions could result in the suspension of distributions of Measure R Sales Tax, the return of such tax to MTA or the requirement of the City to replenish its “Measure R Local Return” account with available funds other than Measure R Sales Tax. MTA performs annual audits to monitor compliance with the provisions of the Measure R Guidelines.

Under the Measure R Guidelines, the City is required to expend Measure R Sales Tax moneys only on those transportation purposes identified in the Measure R Guidelines. If the City is found to have expended funds without MTA’s approval, the City will be required to reimburse its Measure R Sales Tax account for the amount of the unapproved expenditures. If MTA determines that Measure R Sales Tax was expended on projects that do not meet the Measure R Guidelines’ definition of transportation purposes, then the MTA has the right to suspend of disbursements of Measure R Sales Tax to the City for a period of three years. If such a suspension were imposed, the City would not receive any Measure R Sales Tax during the term of the suspension, which may have an adverse impact on the Authority’s ability to pay the principal of and interest on the 2019B Bonds on a timely basis.

In addition, the failure of the City to properly verify that all Measure R Sales Tax related revenue, including Measure R Sales Tax allocations to the City, project generated revenues and interest income, was properly credited to its Measure R Sales Tax account, could result in the suspension of Measure R Sales Tax disbursements until the City has demonstrated to MTA that all such Measure R Sales Tax allocable to the City has been credited to the City’s Measure R Sales Tax account. If the City fails to properly credit its Measure R Sales Tax related revenue to its Measure R Sales Tax account, MTA could suspend the distribution of Measure R Sales Tax until the City has demonstrated compliance with the Measure R Guidelines. During the duration of any suspension of Measure R Sales Tax disbursements, the City would not be receiving Measure R Receipts, which in turn, may affect the ability of the Authority to pay the principal of and debt service on the 2019B Bonds on a timely basis.

Like the Measure M Guidelines, the Measure R Guidelines also require the local agencies, including the City, to maintain their MOE. If the local agency fails to maintain the MOE, then such local agency will be required to reimburse its account with available funds other than Measure R Sales Tax moneys.

The City is required to expend Measure R Sales Tax within five years of the last day of the fiscal year in which such funds were originally allocated or received (subject to certain exceptions). If the City fails to expend the Measure R Sales Tax allocated to the City, the City is required to return the lapsed Measure R Sales Tax, interest income and other earned income on such lapsed amount, to MTA for reallocation to the other local agencies based on population. In certain circumstances, the City, with the approval of MTA, may be able to obtain additional time beyond the five-year term limit to expend its allocation of Measure R Sales Tax.

The Measure R Guidelines additionally require that the City annually submit an expenditure plan and an expenditure report to MTA to remain legally eligible to receive Measure R Sales Tax. If the City fails to submit these items to MTA, the City may be determined to be legally ineligible to receive Measure R Sales Tax. During any period when the City is not legally eligible to receive Measure R Sales Tax, the City would not be receiving Measure R Receipts, which in turn, may affect the ability of the Authority to pay the principal of and debt service on the 2019B Bonds on a timely basis.

The Measure R Guidelines also give MTA the right to suspend or revoke allocation to local agencies that are found to be in gross violation of the Measure R Guidelines, or repeatedly committing violations, or refusing to take corrective measures. During the duration of any suspension of Measure R Sales Tax disbursements or revocation of Measure R Sales Tax allocation, the City would not be receiving Measure R Receipts, which in turn, may affect the ability of the Authority to pay the principal of and debt service on the 2019B Bonds on a timely basis.

## Natural Disasters and Other Hazards

The occurrence of any natural disaster in or near the boundaries of the City or the County, including, without limitation, fire, earthquake, high winds, drought or flood, could have a material adverse impact on the economy within the City and/or the County and the generation of Measure M Sales Tax and Measure R Sales Tax.

**Whittier Narrows Dam and Reservoir.** The Whittier Narrows Dam and Reservoir (the “Dam”) is situated in a highly urbanized area of Los Angeles County. It is located on the San Gabriel River and Rio Hondo, approximately 11 miles east of downtown Los Angeles and approximately 7.5 miles downstream from the Santa Fe Dam. The reservoir portion of the Dam, with a capacity of 67,060 acre-feet, is surrounded by the cities of South El Monte (to the north), Industry (to the east), Pico Rivera (to the south), and Montebello (to the south). The combined drainage area of the San Gabriel River watershed and the Rio Hondo sub-watershed is 556 square miles. The City and many other cities, are located within this combined drainage area.

The Dam was constructed in 1957 and is operated by the U.S. Army Corps of Engineers (“USACE”). USACE has determined that the Dam currently does not meet USACE tolerable risk guidelines (the “TRG”) with respect to the annual probability of failure and the societal incremental life safety risk, due to the Dam’s anticipated performance during very large, very infrequent floods. The Dam falls within Dam Safety Action Classification (DSAC 1) (very high risk). In USACE’s assessment, structural modifications are required to reduce the risk to below the TRG.

In December 2018, USACE released a draft Environmental Impact Statement (the “Draft EIS”) for the proposed Whittier Narrows Dam Safety Modification Project (the “Remediation Project”) to remediate potential internal erosion and potential overtopping concerns during very rare flood events. In the Draft EIS, USACE discussed alternative remediation plans and estimated that the project could cost between \$315.9 million to \$621.3 million. In March 2019, the County Board of Supervisors sent letters to various members of the United States House of Representatives requesting support for the allocation of funds to expedite the repairs and upgrades needed for the Dam.

Following public and agency review and comment on the Draft EIS, a Final Environmental Impact Statement is expected to be prepared for consideration by decision makers before the determination on whether to approve the Remediation Project.

USACE estimates in the Draft EIS that flooding in the City as a result of Dam breach could reach a depth of 8 feet. The City cannot predict when flood events will occur, when or whether the Remediation Project or other mitigation measures will be implemented, or the availability of FEMA or other funds in the event of flooding in the City. Significant flooding in the City as a result of overtopping or failure of the Dam could have materially adverse consequences for the City’s finances and operations, including the collection of or the ability to spend the Measure M Receipts and Measure R Receipts.

## Parity Obligations

Subject to certain restrictions, the City is permitted to incur additional obligations that constitute additional charges against the Measure M Receipts and Measure R Receipts without the consent of Owners of the Bonds. See the caption “SECURITY AND SOURCES OF PAYMENT FOR THE 2019A BONDS - Additional Bonds Under the 2019A Indenture” and “SECURITY AND SOURCES OF PAYMENT FOR THE 2019B BONDS - Additional Bonds Under the 2019B Indenture.” To the extent that other obligations are executed by the City, the funds available to pay the 2019A Bonds or 2019B Bonds, as the case may be, may be decreased.

## **Limitations on Remedies; Bankruptcy**

The rights of the Owners of the Bonds are subject to the limitations on legal remedies against municipalities in the State, including a limitation on enforcement of judgments against funds needed to serve the public welfare and interest. Additionally, enforceability of the rights and remedies of the Owners of the Bonds, and enforcement of the City's obligations under the Pledge Agreements, may become subject to 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 later in effect, equity principles that may limit the specific enforcement under State law of certain remedies, the exercise by the United States of America of the powers delegated to it by the federal Constitution, the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose and the limitations on remedies against cities in the State.

Bankruptcy proceedings under Chapter 9 of the Bankruptcy Code (Title 11, United States Code) which governs the bankruptcy proceedings for public agencies such as the City and MTA, or the exercise of powers by the federal or State government, if initiated, could subject the Owners of the 2019 Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation, or modification of their rights.

Bond Counsel has limited its opinion as to the validity and enforceability of the Pledge Agreements and the Indenture to the extent that enforceability may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance or transfer, moratorium, or other similar laws affecting generally the enforcement of creditor's rights, by equitable principles and by the exercise of judicial discretion.

The lack of availability of certain remedies or the limitation of remedies may entail risks of delay, limitation, or modification of the rights of the Owners of the 2019 Bonds.

## **Loss of Tax Exemption on the 2019 Bonds**

As discussed under the caption "TAX MATTERS" herein, interest on the 2019A Bonds or 2019B Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date the 2019A Bonds or 2019B Bonds were executed and delivered as a result of future acts or omissions of the Authority or the City in violation of its covenants contained in the applicable Indenture and the applicable Pledge Agreement. Should such an event of taxability occur, the 2019A Bonds or 2019B Bonds are not subject to special redemption or any increase in interest rate and will remain outstanding until maturity.

In addition, Congress has recently adopted and may consider in the future, legislative proposals, including some that carry retroactive effective dates, that, if enacted, would alter or eliminate the exclusion from gross income for federal income tax purposes of interest on municipal bonds, such as the 2019 Bonds. The introduction or enactment of any of such changes could adversely affect the market value or liquidity of the 2019 Bonds. Prospective purchasers of the 2019 Bonds should consult their own tax advisors regarding any pending or proposed federal tax legislation. The Authority and the City can provide no assurance that federal tax law will not change while the 2019 Bonds are outstanding or that any such changes will not adversely affect the exclusion of the interest on the 2019 Bonds from gross income for federal income tax purposes.

## **IRS Audit of Tax-Exempt Bond Issues**

The Internal Revenue Service ("IRS") has an ongoing program of auditing the tax-exempt status of the interest on municipal obligations. If an audit of the 2019A Bonds or 2019B Bonds is commenced, under current procedures, the IRS is likely to treat the Authority or the City as the "taxpayer," and the owners of the 2019A Bonds or the 2019B Bonds, as the case may be, would have no right to participate in the audit

process. In responding to or defending an audit of the tax-exempt status of the interest on the 2019 Bonds, the Authority or the City may have different or conflicting interests from the owners of the 2019 Bonds. Public awareness of any future audit of the 2019 Bonds could adversely affect the value and liquidity of the 2019 Bonds during the pendency of the audit, regardless of its ultimate outcome

## **Bond Insurance**

In the event of default of the payment of the scheduled principal of or interest on the Insured 2019A Bonds or Insured 2019B Bonds (collectively, the “Insured Bonds”) when all or some becomes due, the Trustee on behalf of any owner of the respective Insured Bonds shall have a claim under the respective 2019A Policy or 2019B Policy for such payments. The 2019A Insurer or 2019B Insurer (referred to herein as the “Municipal Bond Insurer”) may direct and must consent to any remedies with respect to the respective Insured Bonds and the Municipal Bond Insurer’s consent may be required in connection with amendments to any applicable documents relating to the respective Insured Bonds. See “APPENDIX A - SUMMARY OF CERTAIN PROVISIONS OF THE MEASURE M AND MEASURE R INDENTURES AND FORMS OF PLEDGE AGREEMENTS - Bond Insurance Provisions Relating to Each Respective Series of 2019 Bonds - Provisions Relating to 2019 Bond Insurance Policy.”

The Municipal Bond Insurer is expected to insure a majority of each series of the 2019 Bonds and may therefore have the ability to direct the actions of the Trustee, give consents and waivers and take other actions without regard to the views of the owners of the respective Uninsured Bonds of each series. As a result, Owners of Uninsured Bonds may be limited in the rights and remedies they are able to exercise in the event of a default by the Authority under the respective Indenture. The Municipal Bond Insurer may have different business and other interests than the Owners of the Uninsured Bonds.

The long-term ratings on the Insured Bonds are dependent in part on the financial strength of the Municipal Bond Insurer and its claims paying ability. The Municipal Bond Insurer’s financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of the Municipal Bond Insurer and the ratings on the Insured Bonds will not be subject to downgrade and such event could adversely affect the market price of the Insured Bonds or the marketability (liquidity) for the Insured Bonds. See “CONCLUDING INFORMATION - Ratings on the 2019 Bonds” herein.

The obligations of the Municipal Bond Insurer under the 2019A Policy, the 2019B Policy and each Reserve Policy are unsecured contractual obligations and in an event of default by the Municipal Bond Insurer, the remedies available may be limited by applicable bankruptcy law or state law related to insolvency of insurance companies.

Neither the Authority, the City, the Underwriter nor the Municipal Advisor has made independent investigation into the claims paying ability of the Municipal Bond Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Municipal Bond Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the City to transfer the Pledged Measure M Receipts and the Pledged Measure R Receipts, respectively, and the Authority to make the debt service payments on the respective Insured Bonds and the claims paying ability of the Municipal Bond Insurer, particularly over the life of the investment. See “MUNICIPAL BOND INSURANCE” herein for further information regarding the Municipal Bond Insurer, the 2019A Policy and the 2019B Policy, which includes further instructions for obtaining current financial information concerning the Municipal Bond Insurer.

## **Secondary Market Risk**

There can be no assurance that there will be a secondary market for purchase or sale of the 2019 Bonds, and from time to time there may be no market for them, depending upon prevailing market conditions, the financial condition or market position of firms who may make the secondary market and the financial condition of the City.

## **CONSTITUTIONAL PROVISIONS AFFECTING CITY REVENUES AND APPROPRIATIONS**

### **Article XIII B of the California Constitution – Limitations on Appropriations**

On November 6, 1979, State voters approved Proposition 4, the so-called Gann Initiative, which added Article XIII B to the State Constitution (“Article XIII B”). In June 1990, Article XIII B was amended by the voters through their approval of Proposition 111. Article XIII B limits the annual appropriations of the State and of any city, county, school district, authority or other political subdivision of the State to the level of appropriations for the prior fiscal year, as adjusted annually for changes in the cost of living, population and cost of services rendered by the governmental entity. The “base year” for establishing such appropriation limit is State fiscal year 1978-79 and the limit is to be adjusted annually to reflect changes in population and consumer prices. Adjustments in the appropriations limit of an entity may also be made if: (i) the financial responsibility for a service is transferred to another public entity or to a private entity; (ii) the financial source for the provision of services is transferred from taxes to other revenues; or (iii) the voters of the entity approve a change in the limit for a period of time not to exceed four years.

Appropriations of an entity of local government that are subject to Article XIII B include generally any authorization to expend during the fiscal year the proceeds of taxes levied by the State or other entity of local government, exclusive of certain State subventions, refunds of taxes, benefit payments from retirement, unemployment insurance and disability insurance funds. Appropriations that are subject to limitation pursuant to Article XIII B do not include debt service on indebtedness existing or legally authorized as of January 1, 1979 or on bonded indebtedness thereafter approved according to law by a vote of the electors of the issuing entity voting in an election for such purpose, appropriations required to comply with mandates of courts or the federal government, appropriations for qualified capital outlay projects and appropriations by the State of revenues derived from any increase in gasoline taxes and motor vehicle weight fees above January 1, 1990 levels. “Proceeds of taxes” include, but are not limited to, all tax revenues and the proceeds to any entity of government from: (i) regulatory licenses, user charges, and user fees to the extent such proceeds exceed the cost of providing the service or regulation; (ii) the investment of tax revenues; and (iii) certain State subventions received by local governments. Article XIII B includes a requirement that if an entity’s revenues in any year exceed the amount permitted to be spent, the excess must be returned by revising tax rates or fee schedules over the subsequent two fiscal years.

Article XIII B allows voters to approve a temporary waiver of a government’s Article XIII B limit. Such a waiver is often referred to as a “Gann limit waiver.” The length of any such waiver is limited to four years. The Gann limit waiver does not provide any additional revenues to a local government or allow a local government to finance additional services.

Measure M Receipts and Measure R Receipts are subject to the Article XIII B appropriations limitations. The City reports that it has never made appropriations that exceeded the limitation on appropriations under Article XIII B. The impact of the appropriations limit on the financial needs of the City in the future is unknown.

## **Articles XIIC and XIID of the California Constitution – The Right to Vote on Taxes**

On November 5, 1996, State voters approved Proposition 218, entitled the “Right to Vote on Taxes Act” (“Proposition 218”). Proposition 218 added Article XIIC (“Article XIIC”) and Article XIID (“Article XIID”) to the State Constitution, which Articles contain a number of provisions affecting the ability of local governments to levy and collect both existing and future taxes, assessments, fees and charges. The interpretation and application of certain provisions of Proposition 218 will ultimately be determined by the courts with respect to some of the matters discussed below. It is not possible at this time to predict with certainty the future impact of such interpretations. The provisions of Proposition 218, as so interpreted and applied, may affect the ability of the City to meet certain obligations.

Article XIIC requires that all new local taxes be submitted to the electorate before they become effective. Taxes for general governmental purposes require a majority vote and taxes for specific purposes, even if deposited in a general fund, require a two-thirds vote. Article XIIC further provides that any general purpose tax that is imposed, extended or increased without voter approval after December 31, 1994, may continue to be imposed only if approved by a majority vote in an election, which must be held within two years of November 5, 1996. The City reports that it has not imposed, extended or increased any such taxes that are currently in effect without voter approval.

Article XIIC also expressly extends the initiative power to give voters the power to reduce or repeal local taxes, assessments, fees and charges, regardless of the date that such taxes, assessments, fees and charges were imposed. Article XIIC expands the initiative power to include reducing or repealing assessments, fees and charges, which had previously been considered administrative rather than legislative matters and therefore beyond the initiative power. This extension of the initiative power is not limited by the terms of Article XIIC to fees imposed after November 6, 1996, and absent other legal authority could result in the retroactive reduction in any existing taxes, assessments, fees, or charges. No assurance can be given that the voters within the jurisdiction of the City will not, in the future, approve initiatives that reduce, repeal or prohibit the future imposition or increase of, local taxes, assessments, fees or charges that currently comprise a substantial part of the City’s general fund. The terms “local tax,” “assessments,” “fees” and “charges” are not defined in Article XIIC, and it is unclear whether these terms are intended to have the same meanings for purposes of Article XIIC as for Article XIID described below. If not, the scope of the initiative power under Article XIIC potentially could include any general fund local tax, assessment, or fee that is not received from or imposed by the federal or State government or derived from investment income. The City does not believe that it currently levies any property related “fees” or “charges” that it considers to be subject to challenge under Article XIIC.

The voter approval requirements of Proposition 218 reduce the flexibility of a local government to raise revenues for its general fund, and no assurance can be given that the City will be able to impose, extend, or increase taxes in the future to meet increased expenditure needs.

Article XIID also added several new provisions relating to how local governments may levy and maintain “assessments” for municipal services and programs. These provisions include, among other things: (i) a prohibition against assessments that exceed the reasonable cost of the proportional special benefit conferred on a parcel; (ii) a requirement that the assessment must confer a “special benefit,” as defined in Article XIID, over and above any general benefits conferred; and (iii) a majority protest procedure that involves the mailing of a notice and a ballot to the record owner of each affected parcel, a public hearing and the tabulation of ballots weighted according to the proportional financial obligation of the affected party. The term “Assessment” in Article XIID is defined to mean any levy or charge upon real property for a special benefit conferred upon the real property and applies to landscape and maintenance assessments for open space areas, street medians, street lights, and parks.



In addition, Article XIID added several provisions affecting “fees” and “charges,” defined for purposes of Article XIID 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 a user fee or charge 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 that: (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) are for a service not actually used by, or immediately available to, the owner of the property in question; or (iv) are used for general governmental services, including police, fire, ambulance or library services, where the service is available to the public at large in substantially the same manner as it is to property owners. Depending on the interpretation of what constitutes a “property related fee” under Article XIID, there could be future restrictions on the ability of the City to charge its respective enterprise funds for various services provided. 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.

The City does not believe that the provisions of Article XIIC or Article XIID will directly impact the Measure M Receipts or Measure R Receipts available to the City to make payments required pursuant to the Pledge Agreements.

## **Future Initiatives**

Article XIIB, Article XIIC and Article XIID were each adopted as measures that qualified for the ballot pursuant to the State’s Constitutional initiative process. From time to time other initiative measures could be adopted that affect the ability of the City to increase or apply revenues and to make or increase appropriations or the ability of MTA to levy, collect or allocate the Measure M Sales Tax, or Measure R Sales Tax, all of which could adversely impact the amount of Measure M Receipts or Measure R Receipts received by the City.

# **TAX MATTERS**

## **General**

The delivery of the 2019 Bonds is subject to delivery of the opinions of Bond Counsel, to the effect that interest on the 2019 Bonds for federal income tax purposes under existing statutes, regulations, published rulings, and court decisions (1) will be excludable from the gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date of initial delivery of the 2019 Bonds (the “Code”), of the owners thereof pursuant to section 103 of the Code, and (2) will not be included in computing the alternative minimum taxable income of the owners thereof. The delivery of the 2019 Bonds is also subject to the delivery of the opinions of Bond Counsel, based upon existing provisions of the laws of the State that interest on the 2019 Bonds is exempt from personal income taxes of the State. Forms of Bond Counsel’s anticipated opinions are included as Appendix D. The statutes, regulations, rulings, and court decisions on which such opinions will be based are subject to change.

In rendering the foregoing opinions, Bond Counsel will rely upon the representations and certifications of the Authority and the City made in certificates of even date with the initial delivery of the 2019 Bonds (the “Tax Certificates”) pertaining to the use, expenditure and investment of the proceeds of the 2019 Bonds and will assume continuing compliance with the provisions of the Indentures and the Pledge Agreements by the Authority and the City subsequent to the issuance of the 2019 Bonds. The Indentures, the Pledge Agreements and the Tax Certificates contain covenants by the Authority and the City with respect to, among other matters, the use of the proceeds of the 2019 Bonds and the facilities and equipment financed or refinanced therewith by persons other than state or local governmental units, the manner in which the

proceeds of the 2019 Bonds are to be invested, if required, the calculation and payment to the United States Treasury of any “arbitrage profits” and the reporting of certain information to the United States Treasury. Failure to comply with any of these covenants may cause interest on the 2019 Bonds to be includable in the gross income of the owners thereof from the date of the issuance of the 2019 Bonds.

Except as described above, Bond Counsel will express no other opinion with respect to any other federal, State or local tax consequences under present law, or proposed legislation, resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the 2019 Bonds. Prospective purchasers of the 2019 Bonds should be aware that the ownership of tax-exempt obligations such as the 2019 Bonds may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, S corporations with subchapter C earnings and profits, certain foreign corporations doing business in the United States, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a financial asset securitization investment trust (“FASIT”), and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

Bond Counsel’s opinions are not a guarantee of a result, but represent its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the Authority and the City described above. No ruling has been sought from the Internal Revenue Service (the “Service”) or the State with respect to the matters addressed in the opinions of Bond Counsel, and Bond Counsel’s opinions are not binding on the Service or the State. The Service has an ongoing program of auditing the tax-exempt status of the interest on municipal obligations. If an audit of the 2019 Bonds is commenced, under current procedures, the Service is likely to treat the Authority as the “taxpayer,” and the owners of the 2019 Bonds would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the 2019 Bonds, the Authority may have different or conflicting interests from the owners of the 2019 Bonds. Public awareness of any future audit of the 2019 Bonds could adversely affect the value and liquidity of the 2019 Bonds during the pendency of the audit, regardless of its ultimate outcome.

Existing law may change to reduce or eliminate the benefit to owners of the 2019 Bonds of the exclusion of interest on the 2019 Bonds from gross income for federal income tax purposes. Any proposed legislation or administrative action, whether or not taken, could also affect the value and marketability of the 2019 Bonds. Prospective purchasers of the 2019 Bonds should consult with their own tax advisors with respect to any proposed or future changes in tax law.

## **Tax Accounting Treatment of Discount and Premium on Certain 2019 Bonds**

The initial public offering of certain of the 2019 Bonds (the “Discount Bonds”) may be less than the amount payable on such 2019 Bonds at maturity. An amount equal to the difference between the initial public offering price of a Discount Bond (assuming that a substantial amount of the 2019A Bonds or the 2019B Bonds, as applicable, of that maturity are sold to the public at such price) and the amount payable at maturity constitutes original issue discount to the initial purchaser of such Discount Bond. A portion of such original issue discount, allocable to the holding period of such Discount Bond by the initial purchaser, will, upon the disposition of such Discount Bond (including by reason of its payment at maturity), be treated as interest excludable from gross income, rather than as taxable gain, for federal income tax purposes, on the same terms and conditions as those for other interest on the 2019 Bonds described above. Such interest is considered to be accrued actuarially in accordance with the constant interest method over the life of a Discount Bond taking into account the semiannual compounding of accrued interest at the yield to maturity on such Discount Bond, and generally will be allocated to an initial purchaser in a different amount from the amount of the payment denominated as interest actually received by the initial purchaser during the tax year.

However, such interest may be required to be taken into account in determining the amount of the branch profits tax applicable to certain foreign corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, “S” corporations with “subchapter C” earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit owners of an interest in a FASIT, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Moreover, in the event of the redemption, sale or other taxable disposition of a Discount Bond by the initial owner prior to maturity, the amount realized by such owner in excess of the basis of such Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Discount Bond was held) is includable in gross income.

Owners of Discount Bonds should consult with their own tax advisors with respect to the determination for federal income tax purposes of accrued original issue discount on Discount Bonds and with respect to the state and local tax consequences of owning and disposing of Discount Bonds. It is possible that, under applicable provisions governing determination of state and local income taxes, accrued interest on Discount Bonds may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment.

The initial offering price of certain 2019 Bonds (the “Premium Bonds”) may be greater than the amount payable on such bonds at maturity. An amount equal to the difference between the initial public offering price of a Premium Bond (assuming that a substantial amount of the 2019A Bonds or the 2019B Bonds, as applicable, of that maturity are sold to the public at such price) and the amount payable at maturity constitutes premium to the initial purchaser of such Premium Bonds. The basis for federal income tax purposes of a Premium Bond in the hands of such initial purchaser must be reduced each year by the amortizable bond premium, although no federal income tax deduction is allowed as a result of such reduction in basis for amortizable bond premium. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Bond. The amount of premium which is amortizable each year by an initial purchaser is determined by using such purchaser’s yield to maturity. Purchasers of the Premium Bonds should consult with their own tax advisors with respect to the determination of amortizable bond premium with respect to the Premium Bonds for federal income purposes and with respect to the state and local tax consequences of owning and disposing of Premium Bonds.

## **LEGAL MATTERS**

### **Enforceability of Remedies**

The remedies available to the Trustee and the Owners of the 2019 Bonds upon an event of default under the Indentures, the Pledge Agreements, or any other document described herein are in many respects dependent upon regulatory and judicial actions which are often subject to discretion and delay. Under existing law and judicial decisions, the remedies provided for under such documents may not be readily available or may be limited. In the case of any bankruptcy proceeding involving the City, the rights of the Owners could be modified at the direction of the court. The various legal opinions to be delivered concurrently with the delivery of the 2019 Bonds will be qualified to the extent that the enforceability of certain legal rights related to the Indentures, the Pledge Agreements and other pertinent documents is subject to limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally and by equitable remedies and proceedings generally.

## **Approval of Legal Proceedings**

Norton Rose Fulbright US LLP, Los Angeles, California, as Bond Counsel, will render an opinion with respect to the validity and enforceability of the Indentures and the Pledge Agreements, and as to the validity of the 2019 Bonds. See “APPENDIX D” hereto for the proposed forms of Bond Counsel’s opinion.

Certain legal matters will be passed on for the City and the Authority by Norton Rose Fulbright US LLP, Los Angeles, California, as Disclosure Counsel and by Richards, Watson & Gershon, A Professional Corporation, Los Angeles, California, as the City Attorney and Authority General Counsel. Fees payable to Bond Counsel and Disclosure Counsel are not contingent upon the sale and delivery of the 2019 Bonds.

## **Absence of Litigation**

The Authority and the City will each furnish a certificate dated as of the date of delivery of the 2019 Bonds that there is not now known to be pending or threatened any litigation restraining or enjoining the execution or delivery of the Indentures, the Pledge Agreements or the sale or delivery of the 2019 Bonds or in any manner questioning the proceedings and authority under which the Indentures and the Pledge Agreements are to be executed or delivered or the 2019 Bonds are to be delivered or affecting the validity thereof.

There exists lawsuits and claims against the City that are incidental to the ordinary course of the City’s operations. In the view of the City, there is no litigation, present or pending against the City, that will individually or in the aggregate impair the City’s ability to make the payments required under the Pledge Agreements when due.

## **CONCLUDING INFORMATION**

### **Ratings on the 2019 Bonds**

S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”) is expected to assign ratings of “AA” to the 2019A Insured Bonds (being all of the 2019A Bonds except the 2019A Bonds maturing June 1, 2020) and “AA” to the 2019B Insured Bonds (being all of the 2019B Bonds except the 2019B Bonds maturing June 1, 2020) with the understanding that the 2019A Policy insuring the payment when due of the principal of and interest on the 2019A Insured Bonds and the 2019B Policy insuring the payment when due of the principal of and interest on the 2019B Insured Bonds will be issued concurrently by the Municipal Bond Insurer with the delivery of the 2019 Bonds. S&P has also assigned underlying ratings of “A+” to the 2019A Bonds and the Uninsured 2019A Bonds, and “A+” to the 2019B Bonds and the Uninsured 2019B Bonds. Such ratings reflect only the views of S&P, and any desired explanation of the significance of such ratings may be obtained from S&P Global Ratings. 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 ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by the rating agency, if in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the 2019 Bonds. Except as otherwise required in the Continuing Disclosure Agreement, the City undertakes no responsibility either to bring to the attention of the owners of any 2019 Bonds any downward revision or withdrawal of any ratings obtained or to oppose any such revision or withdrawal. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time.

## **Financial Information**

Included in this Official Statement as Appendix B are the City's Comprehensive Annual Financial Report (the "CAFR") for the Year Ended June 30, 2018. The audited financial statements in the CAFR have been audited by White Nelson Diehl Evans LLP, certified public accountants (the "Auditor"), as stated in its report included in Appendix B. The Auditor did not review this Official Statement. Neither the Authority nor the City requested the consent of the Auditor to append the City's CAFR to this Official Statement. Accordingly, the Auditor did not perform any procedures relating to any of the information in this Official Statement and no opinion is expressed by the Auditor with respect to any event subsequent to its report dated December 12, 2018. See "APPENDIX B - CITY AUDITED FINANCIAL STATEMENTS."

## **Underwriting**

The 2019A Bonds are being sold at an aggregate purchase price of \$12,422,693.01 (representing the aggregate principal amount of the 2019A Bonds plus an original issue premium of \$2,061,631.30 and less an underwriting discount of \$73,938.29) and the 2019B Bonds are being sold at an aggregate purchase price of \$11,014,532.06 (representing the aggregate principal amount of the 2019B Bonds plus an original issue premium of \$1,827,206.40 and less an underwriting discount of \$62,674.34), each pursuant to a Bond Purchase Agreement (the "Purchase Agreement") entered into between the Authority and the City and Stifel, Nicolaus & Company, Incorporated (the "Underwriter.") The Purchase Agreement provides that the Underwriter will purchase all of the 2019A Bonds, if any are purchased, and/or all of the 2019B Bonds, if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in such Purchase Agreement, the approval of certain legal matters by counsel and certain other conditions.

The Underwriter will initially offer the 2019 Bonds for sale at the prices and yields set forth on the inside front cover page of this Official Statement. Such prices or yields may subsequently change. The Underwriter reserves the right to join with dealers and other investment banking firms in offering the 2019 Bonds for sale and may offer to sell 2019 Bonds to dealers at prices lower than the initial offering prices.

## **The Municipal Advisor**

The material contained in this Official Statement was prepared by the Authority and the City with the assistance of the Municipal Advisor who advised the Authority and the City as to the financial structure and certain other financial matters relating to the 2019 Bonds. The information set forth herein received from sources other than the City has been obtained by the Authority from sources which are believed to be reliable, but such information is not guaranteed by Municipal Advisor as to accuracy or completeness, nor has it been independently verified. Fees payable to the Municipal Advisor are not contingent upon the sale and delivery of the 2019 Bonds

Bond Counsel and Disclosure Counsel acts as compliance counsel to the Municipal Advisor in connection with their general regulatory obligations as a municipal advisor; however, such representation does not include representation with respect to the 2019 Bonds or any evaluation or opinion as to whether the Municipal Advisor is satisfying or has satisfied any fiduciary duty, fair dealing obligation or suitability analysis with respect to individual transactions or clients.

## **Continuing Disclosure**

The City will provide annually certain financial information and data relating to the City by not later than March 31 in each year commencing March 31, 2020 (the "Annual Report"), and to provide notices of the occurrence of certain other enumerated events in accordance with Rule 15c2-12 of the Securities Exchange Act of 1934 as amended (the "Rule"). The City will act as the Dissemination Agent.

Each Annual Report and notices of enumerated events will be filed by the City with the Municipal Securities Rulemaking Board's Electronic Municipal Market Access system (the "EMMA System"), for purposes of the Rule adopted by the U.S. Securities and Exchange Commission. These covenants have been made in order to assist the Underwriter in complying with the Rule.

The specific nature of the information to be contained in the Annual Report or the notices of enumerated events and certain other terms of the continuing disclosure obligation are found in the form of the City's Disclosure Agreement attached in "APPENDIX C - FORM OF CONTINUING DISCLOSURE AGREEMENT."

In the past five years, the City's dissemination agent for several series of outstanding obligations of the Authority failed to timely file the City's financial statements and certain operating data for fiscal years 2015, 2017 and 2018. However, the information was timely provided by the City to the dissemination agent. The City has since filed financial statements for fiscal years 2015, 2017 and 2018. Neither the dissemination agent nor the City filed notices of failure to provide annual financial information on or before the date specified in their prior continuing disclosure undertakings. The City has since filed notices of such failures to file annual financial information.

## **References**

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Authority and the purchasers or Owners of any of the 2019 Bonds.

## **Execution**

The execution of this Official Statement for the City by the City Manager and for the Authority by the Chief Administrative Officer has been duly authorized by the City and the Authority.

### **NORWALK COMMUNITY FACILITIES FINANCING AUTHORITY**

By: /s/ Jesus M. Gomez  
Chief Administrative Officer

### **CITY OF NORWALK**

By: /s/ Jesus M. Gomez  
City Manager

## APPENDIX A

### SUMMARY OF CERTAIN PROVISIONS OF THE MEASURE M AND MEASURE R INDENTURES AND FORMS OF PLEDGE AGREEMENTS

*The following is a brief summary of certain provisions of the Indentures, each dated as of July 1, 2019 (in this summary, the “Indenture”), each by and between the Norwalk Community Facilities Financing Authority (the “Issuer”) and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”). This summary is not intended to be complete or definitive, is supplemental to the summary of other provisions of the applicable Indenture contained elsewhere in the Official Statement, and is qualified in its entirety by reference to the full terms of the applicable Indenture. All capitalized terms used and not otherwise defined in the Official Statement shall have the meanings assigned to such terms in the applicable Indenture. This summary is to be understood as applying equally to the 2019A Bonds and the 2019B Bonds and each related Indenture, with appropriate changes in the references.*

### DEFINITIONS

**Accreted Value** means, with respect to any Capital Appreciation Bond, the principal amount thereof plus the interest accreted thereon, compounded at the approximate interest rate thereon on each date specified therein. The Accreted Value of any Capital Appreciation Bond at any date shall be the amount set forth in the Accreted Value Table as of such date, if such date is a compounding date, and if not, as of the immediately preceding compounding date.

**Accreted Value Table** means the table denominated as such which appears as an exhibit to, and to which reference is made in a Supplemental Indenture providing for Capital Appreciation Bonds issued pursuant to the Indenture.

**Act** means Article 1 through 4 (commencing with Section 6500) of Chapter 5, Division 7, Title 1 of the Government Code of the State, as in existence on the Delivery Date or as thereafter amended from time to time.

**Annual Debt Service**, in respect of the Bonds, means, for any Fiscal Year, the aggregate amount of principal of and interest on all Bonds becoming due and payable during such Fiscal Year calculated using the principles and assumptions set forth under the definition of Debt Service.

**Authorized Denomination** means \$5,000 or any integral multiple thereof.

**Authorized Representative of the City** means the City Manager, the Finance Director/Treasurer or any City employee authorized in writing by the City Manager to execute a Requisition on behalf of the City.

**Authorized Representative of the Issuer** means the President of the Authority, the Chief Administrative Officer of the Authority, the Treasurer of the Authority, or such other person as may be designated to act on behalf of the Issuer by a written certificate furnished to the Trustee containing the specimen signature of such person and signed on behalf of the Issuer by an Authorized Representative of the Issuer.

**Bankruptcy-Related Event of Default** means an Event of Default identified under the Indenture.

**Beneficial Owner** means any Person who has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of any Bond, including, without limitation, any Person holding Bonds through nominees or depositories, including the Securities Depository.

**Bond Obligation** means, as of any given date of calculation, (1) with respect to any Outstanding Current Interest Bond, the principal amount of such Bond, and (2) with respect to any Outstanding Capital Appreciation Bond, the Accreted Value thereof.

**Bond Reserve Fund** means a reserve fund for one or more Series of Bonds established pursuant to the Indenture.

**Bond Reserve Requirement** means the required amount to be on deposit in a Bond Reserve Fund established for a Series of Bonds.

**Bonds** means the Norwalk Community Facilities Authority Sales Tax Revenue Bonds (Limited Tax Bonds), authorized by, and at any time Outstanding under, the Indenture.

**Bond Counsel** means Norton Rose Fulbright US LLP, or any other firm of nationally recognized bond counsel selected by the Issuer.

**Business Day** means any day other than (1) a Saturday, Sunday, or a day on which banking institutions in the State or the State of New York are authorized or obligated by law or executive order to be closed, (2) for purposes of payments and other actions relating to Bonds secured by a Credit Enhancement, a day upon which commercial banks in the city in which is located the office of the Credit Enhancement Provider, at which demands for payment under the Credit Enhancement are to be presented, are authorized or obligated by law or executive order to be closed, (3) a day on which the New York Stock Exchange is closed, and (4) a day on which the Corporate Trust Office is closed.

**Capital Appreciation Bonds** means Bonds designated as Capital Appreciation Bonds in the Indenture and on which interest is compounded and paid at maturity or on prior redemption.

**Certificate, Statement, Request, Requisition or Order** of the Issuer means, respectively, a written certificate, statement, request, requisition or order signed in the name of the Issuer by an Authorized Representative of the Issuer. If and to the extent required by the Indenture, each such instrument shall include the statements provided for in the Indenture.

**City** means the City of Norwalk, California.

**Code** means the Internal Revenue Code of 1986, and the regulations applicable thereto or issued thereunder, or any successor to the Internal Revenue Code of 1986. Reference to any particular Code section shall, in the event of such a successor Code, be deemed to be reference to the successor to such Code section.

**Continuing Disclosure Agreement** means, with respect to a Series requiring an undertaking regarding disclosure under Rule 15c2-12, the Continuing Disclosure Agreement, dated the date of issuance of such Series, executed by the City and a Dissemination Agent, as the same may be supplemented, modified or amended in accordance with its terms.



**Corporate Trust Office** or **corporate trust office** means the corporate trust office of the Trustee in Los Angeles, California, or such other or additional offices as may be designated by the Trustee from time to time; provided, however, that with respect to presentation of Bonds for payment or for registration of transfer and exchange, such term shall mean the office or agency of the Trustee at which, at any particular time, its corporate trust agency business is then conducted.

**Costs of Issuance**, in respect of a Series, means all items of expense directly or indirectly payable by or reimbursable to the Issuer and allocable to the authorization, execution, sale and delivery of that Series, including but not limited to advertising and printing costs, costs of preparation and reproduction of documents, filing and recording fees, travel expenses and costs relating to rating agency meetings and other meetings concerning such Series, initial fees and charges of the Trustee and Trustee's Counsel, Bond Counsel and Disclosure Counsel legal fees and charges and other legal fees and charges, fees and disbursements of consultants and professionals, municipal advisor fees and expenses, rating agency fees, fees and charges for preparation, execution, transportation and safekeeping of Bonds, surety, insurance, credit enhancement and liquidity costs, and any other cost, charge or fee in connection with the initial delivery of the Series in respect thereof.

**County** means the County of Los Angeles, California.

**Credit Enhancement** means the 2019 Insurance Policy and, with respect to any other Series, any Insurance, letter of credit, line of credit, surety bond or other instrument, if any, that secures or guarantees the payment of principal of and interest on that Series, issued by an insurance company, commercial bank or other financial institution, and delivered or made available to the Trustee, as from time to time supplemented or amended pursuant to its terms.

**Credit Enhancement Provider** means, the 2019 Insurer, and with respect to a Series, any insurer, commercial bank or other financial institution issuing (or having primary obligation, or acting as agent for the financial institutions obligated, under) a Credit Enhancement then in effect with respect to such Series.

**Current Interest Bond** means a Bond designated as a Current Interest Bond in the Indenture and on which interest is paid to the Owners thereof on a periodic basis no less frequently than annually prior to maturity.

**Debt Service**, means, as of any date of calculation and with respect to any Fiscal Year, the sum of (1) the interest falling due on Bonds during such Fiscal Year and (2) the principal of or Mandatory Sinking Account Payments required with respect to Bonds becoming due during such Fiscal Year; computed on the assumption that no portion of any Bond will be retired during that Fiscal Year other than by reason of the application of such scheduled payments; provided, however, that for purposes of the calculation:

1. unless a different subsection of the definition in the Indenture applies for purposes of determining principal maturities or amortization, in determining the principal amount due in each Fiscal Year, payment is assumed to be made in accordance with any amortization schedule established for the Bonds, including any Mandatory Sinking Account Payment and any scheduled redemption or payment of any Capital Appreciation Bond on the basis of Accreted Value, and for such purpose, the redemption payment or payment of Accreted Value shall be deemed a principal payment and interest that is compounded and paid as Accreted Value shall be deemed due on the scheduled redemption or payment date of that Capital Appreciation Bond;

2. if twenty percent (20%) or more of the principal of the Bonds is not due until the Maturity Date of the Bonds, principal and interest on such Bonds may, at the option of the Issuer,

be treated as if such principal and interest were due based upon a level amortization of such principal and interest over the term of the Bonds; and

3. interest payments are excluded to the extent that such interest payments are to be paid from the proceeds of Bonds held by the Trustee or other fiduciary as capitalized interest specifically to pay such interest, and principal and interest payments on Bonds are excluded to the extent those payments are to be paid from amounts on deposit with the Trustee or other fiduciary in escrow specifically therefor or are to be paid from Pledged Measure Receipts, as applicable, then held on deposit by the Trustee.

**Dissemination Agent** means, with respect to each Series requiring an undertaking regarding disclosure under Rule 15c2-12(b)(5), the dissemination agent under the Continuing Disclosure Agreement delivered in connection with that Series, or any successor dissemination agent designated in writing by the City and that has entered into a Continuing Disclosure Agreement with the City.

**Event of Default** means any of the events specified in the Indenture.

**Fiscal Year** means the period beginning on July 1 of each year and ending on the next succeeding June 30, or any other 12-month period selected and designated as the official fiscal year period of the Issuer, which designation shall be provided to the Trustee in a Certificate delivered by the Issuer.

**Fitch** means Fitch Ratings, and its successors and assigns; provided, however, that if that corporation has been dissolved or liquidated or is no longer performing the functions of a securities rating agency, then the term “Fitch” means any other nationally recognized securities rating agency selected by the Issuer.

**Guidelines** has means guidelines prepared by the Issuer and disseminated to the Local Agencies, adopted on June 22, 2017.

**Indenture** means the Measure M/R Indenture, dated as of July 1, 2019, between the Issuer and the Trustee, as originally executed or as they may from time to time be supplemented or amended by any Supplemental Indenture delivered pursuant to the provision of the Indenture.

**Interest Fund** means the fund by that name established pursuant to each of the Indenture.

**Interest Payment Date** means each June 1 and December 1, commencing as set forth in each of the Indenture.

**Investment Securities** means any of the following:

- A. The following obligations may be used as Investment Securities for all purposes, including defeasance investments in refunding escrow accounts:
  - 1. Cash (insured at all times by the Federal Deposit Insurance Corporation or otherwise collateralized with obligations described in paragraph (2) below);
  - 2. Direct obligations of (including obligations issued or held in book entry form on the books of) the Department of the Treasury of the United States of America;
  - 3. Obligations of any of the following federal agencies which obligations represent the full faith and credit of the United States of America, including

- Export-Import Bank
  - Farm Credit System Financial Assistance Corporation
  - Rural Economic Community Development Administration (formerly the Farmers Home Administration)
  - General Services Administration
  - U.S. Maritime Administration
  - Small Business Administration
  - Government National Mortgage Association (GNMA)
  - U.S. Department of Housing & Urban Development (PHA’s)
  - Federal Housing Administration
  - Federal Financing Bank; and
4. Direct obligations of any of the following federal agencies which obligations are not fully guaranteed by the full faith and credit of the United States of America:
- Senior debt obligations rated “Aaa” by Moody’s and “AAA” by S&P issued by the Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC)
  - Obligations of the Resolution Funding Corporation (REFCORP)
  - Senior debt obligations of the Federal Home Loan Bank System
  - Senior debt obligations of other Government Sponsored Agencies approved by each Credit Enhancement Provider then providing Credit Enhancement or Liquidity Provider then providing a Liquidity Facility for a Series of Bonds.

The following obligations may be used as Investment Securities for all purposes other than defeasance investments in refunding escrow accounts:

1. U.S. dollar denominated deposit accounts, federal funds and bankers’ acceptances with domestic commercial banks (including the Trustee and its affiliates) which have a rating (ratings on holding companies are not considered as the rating of the banks) on their short-term certificates of deposit on the date of purchase of “A-1” or “A-1+” by S&P and “P-1” by Moody’s and maturing no more than three hundred sixty (360) days after the date of purchase;
2. Commercial paper which is rated at the time of purchase in the single highest classification, “A-1” by S&P or “P-1” by Moody’s and which matures not more than two hundred seventy (270) days after the date of purchase;
3. Investments in a money market fund rated “AAAm” or “AAAm-G” or better by S&P including funds for which the Trustee or an affiliate receives and returns a fee for services provided to the fund, whether as a custodian, transfer agent, investment advisor or otherwise;
4. Pre-refunded Municipal Obligations defined as follows: Any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and which are rated, based on an irrevocable escrow account or fund (the “escrow”), in the highest rating category of S&P and Moody’s or any successors thereto; or (i) which are fully secured as to principal and interest and prepayment premium, if any, by an escrow consisting only of cash or

obligations described in the Indenture, which escrow may be applied only to the payment of such principal of and interest and prepayment premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified prepayment date or dates pursuant to such irrevocable instructions, as appropriate, and (ii) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and prepayment premium, if any, on the bonds or other obligations described in the Indenture on the maturity date or dates specified in the irrevocable instructions in the Indenture, as appropriate;

5. General obligations of states with a rating of at least “A2/A” or higher by both Moody’s and S&P;

6. Any investment agreement with a financial institution or insurance company which has at the date of execution thereof an outstanding issue of unsecured, uninsured and unguaranteed debt obligations or a claims paying ability rated (or the parent company or guarantor of which is rated) in any of the three highest long-term Rating Categories by Moody’s or S&P;

7. Local Agency Investment Fund managed by the Treasurer of the State of California, as referred to in Section 16429.1 of the Government Code of the State but only to the extent such investment is registered in the name of the Trustee;

8. Shares in a common law trust, commonly referred to as CAMP, established pursuant to Title 1, Division 7, Charter 5 of the Government Code of the State which invests exclusively in investments permitted by Section 53601 of Title 5, Division 2, Chapter 4 of the Government Code of the State, as it may be amended;

9. The commingled investment fund of the County of Los Angeles, California, which is administered in accordance with the investment policy of the County, as permitted by Section 53601 of the Government Code of the State, copies of which policy are available upon written request to said County Auditor-Controller-Treasurer-Tax Collector;

10. Any other forms of investments, including repurchase agreements, approved in writing by each Credit Enhancement Provider then providing Credit Enhancement for a Series of Bonds; and

11. Any other investments which meet the criteria established by applicable published investment guidelines issued by a Rating Agency then rating the Bonds.

**Issuer** means the Norwalk Community Facilities Financing Authority, a joint powers authority duly established and existing under the laws of the State.

**Mandatory Sinking Account Payment** means, with respect to Term Bonds of a maturity, the amount required under the Indenture or any Supplemental Indenture to be deposited by the Issuer in a Sinking Account for the redemption of such Term Bonds.

**Maturity Date** means the date of maturity or maturities specified in the Indenture as it relates to the 2019 Bonds, and the date of maturity or maturities specified in a Supplemental Indenture establishing the terms and provisions of any other Bonds with respect to such Bonds.

**Maximum Annual Debt Service** means the maximum amount of Annual Debt Service becoming due and payable on all Bonds Outstanding during the period from the date of such calculation through the final maturity date of the Bonds, calculated utilizing the assumptions set forth under the definition of Debt Service.

**Measure Receipts** means the Measure M Receipts or Measure R Receipts under the respective Indenture.

**Moody's** means Moody's Investors Service, and its successors and assigns; provided, however, that if that corporation has been dissolved or liquidated or is no longer performing the functions of a securities rating agency, then the term "Moody's" means any other nationally recognized securities rating agency selected by the Issuer.

**Notice Parties** means, as and to the extent applicable, the Issuer, the Trustee, and, if applicable, each of the Credit Enhancement Provider and the Reserve Facility Provider.

**Opinion of Bond Counsel** means a written opinion of a law firm of national standing in the field of public finance selected by the Issuer.

**Outstanding**, when used as of any particular time with reference to Bonds, means (subject to the provisions of the Indenture) all Bonds theretofore, or thereupon being, authenticated and delivered by the Trustee under the Indenture except: (1) Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation; (2) Bonds with respect to which all liability of the Issuer shall have been discharged in accordance with the applicable Indenture, including Bonds (or portions of Bonds) referred to in the Indenture; and (3) Bonds for the transfer or exchange of or in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Trustee pursuant to the applicable Indenture; provided, however, that if the principal of or interest due on any Bonds shall be paid by the Credit Enhancement Provider pursuant to the Credit Enhancement issued in connection with such Bonds, such Bonds shall remain Outstanding for all purposes and shall not be considered defeased or otherwise satisfied or paid by the Issuer and the pledge of Pledged Measure Receipts and all covenants, agreements and other obligations of the Issuer to the Owners shall continue to exist and shall run to the benefit of such Credit Enhancement Provider and such Credit Enhancement Provider shall be subrogated to the rights of such Owners.

**Owner** means the person in whose name the Bond is registered pursuant to the applicable Indenture.

**Participating Underwriter** means any of the original underwriters of a Series of Bonds required to comply with Rule 15c2-12.

**Person** means an association, corporation, firm, partnership, trust, or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

**Pledged Measure Receipts** means the applicable Measure Receipts of the City pledged to the repayment of the applicable 2019 Bonds.

**Pledged Measure Receipts Fund** means the fund by that name established by the Trustee pursuant to the Indenture.

**Principal Fund** means the fund by that name established pursuant to each of the Indenture.

**Rating Agency** means each of Fitch, Moody's and S&P's then maintaining a rating on such Bonds at the request of the Issuer.

**Rating Category** means: (i) with respect to any long-term rating category, all ratings designated by a particular letter or combination of letters, without regard to any numerical modifier, plus or minus sign or other modifier; and (ii) with respect to any short-term or commercial paper rating category, all ratings designated by a particular letter or combination of letters and taking into account any numerical modifier, but not any plus or minus sign or other modifier.

**Rebate Fund** means that fund by that name established pursuant to each of the Indenture.

**Rebate Instructions** means, with respect to any Series of Bonds, those calculations and directions required to be delivered to the Trustee by the Issuer pursuant to the Tax Certificate delivered in connection with such Series of Bonds.

**Rebate Requirement** means, with respect to any Series of Bonds, the rebate requirement determined in accordance with section 1.148.3 of the Treasury Regulations.

**Record Date** means the fifteenth day of the calendar month prior to the calendar month in which an Interest Payment Date occurs, whether or not such day is a Business Day.

**Redemption Fund** means the fund by that name established pursuant to the Indenture.

**Redemption Price** means, with respect to any Bond (or portion thereof), the principal amount of such Bond (or portion thereof) plus the applicable premium, if any, payable upon redemption thereof pursuant to the provisions of such Bond, the Indenture.

**Refunding Bonds** means a Series of Bonds or a portion of a Series of Bonds issued pursuant to the provisions set forth in the Indenture.

**Repositories** means the Electronic Municipal Market Access System (referred to as "EMMA"), a facility of the Municipal Securities Rulemaking Board, at <http://emma.msrb.org>; provided, however, in accordance with then current guidelines of the Securities and Exchange Commission, Repositories shall mean such other organizations providing information with respect to called Bonds as the Issuer may designate in writing to the Trustee.

**Reserve Facility** means (i) the Reserve Facility for the applicable Series of 2019 Bonds; and (ii) any insurance policy, letter of credit or surety bond issued by a Reserve Facility Provider, meeting the requirements set forth in the Indenture, and delivered to the Trustee in satisfaction of all or a portion of the Bond Reserve Requirement applicable to any one or more other Series of Bonds.

**Reserve Facility Provider** means (i) the Insurer for the applicable Series of 2019 Bonds, and (ii) any other issuer of a Reserve Facility, for any other Series of Bonds.

**Rule 15c2-12** means Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as supplemented and amended from time to time.

**Securities Depository** means The Depository Trust Company, New York, New York, or, in accordance with then-current guidelines of the Securities and Exchange Commission, such other securities depository, or no such depositories, as the Issuer may designate in a request of the Issuer delivered to the Trustee.

**Serial Bonds** means Bonds, maturing in specified years, for which no Mandatory Sinking Account Payments are provided.

**Series**, whenever used in the Indenture with respect to Bonds, means all of the Bonds designated as being of the same series, authenticated and delivered in a simultaneous transaction regardless of variations in maturity, interest rate, redemption and other provisions, and any Bonds thereafter authenticated and delivered upon transfer or exchange or in lieu of or in substitution for (but not to refund) such Bonds as provided in the Indenture.

**Sinking Account** means an account by that name established in the Principal Fund pursuant to the Indenture for the payment of Term Bonds.

**S&P** means S&P Global Ratings, and its successors and assigns; provided, however, that if that corporation has been dissolved or liquidated or is no longer performing the functions of a securities rating agency, then the term “S&P” means any other nationally recognized securities rating agency selected by the Issuer.

**State** means the State of California.

**Supplemental Indenture** means any indenture duly executed and delivered, supplementing, modifying or amending the Indenture, but only if and to the extent that such supplemental indenture is specifically authorized under the Indenture.

**Tax Certificate**, in respect of a Series, means a federal tax certificate with respect to such Series delivered by the Issuer at the time of issuance and delivery of that Series, as the same may be amended or supplemented in accordance with its terms.

**Term Bonds** means Bonds payable at or before their specified maturity date or dates from Mandatory Sinking Account Payments established for that purpose and calculated to retire such Bonds on or before their specified maturity date or dates.

**Trustee** means The Bank of New York Mellon Trust Company, N.A., a national banking association duly organized under the laws of the United States of America, or its successor, as Trustee, as provided in the Indenture.

**2019 Costs of Issuance Fund** means the fund by that name established pursuant to the Indenture.

**2019 Insurer** means Assured Guaranty Municipal Corp.

**2019 Insurance Policy** means each municipal bond insurance policy issued by the 2019 Insurer for the Insured 2019A Bonds and the Insured 2019B Bonds, respectively.

**2019A Insurance Policy** means the insurance policy issued by the 2019A Insurer guaranteeing the scheduled payment of principal of and interest on the 2019A Insured Bonds when due.

**2019A Insurer** means Assured Guaranty Municipal Corp., a New York stock insurance company, or any successor thereto or assignee thereof.

**2019 Interest Account** means the account by that name established within the Interest Fund pursuant to the Indenture.

**2019 Principal Account** means the account by that name established within the Principal Fund pursuant to the Indenture.

**2019 Project** means an eligible project funded with the proceeds of the 2019 Bonds.

**2019 Project Fund** means the fund by that name established pursuant to the Indenture.

### **Pledge of Pledged Measure Receipts and Assignment of Pledge Agreement; Pledged Measure Receipts Fund**

As security for the payment of all amounts owing on the Bonds, there are irrevocably pledged to the Trustee, all (i) Pledged Measure Receipts and (ii) all amounts, including proceeds of the applicable 2019 Bonds, held on deposit in the funds and accounts established under the Indenture relating to the applicable 2019 Bonds (except for amounts held in the Rebate Fund), subject to the provision of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture. The Pledged Measure Receipts and the amount held pursuant to the preceding sentence shall immediately be subject to the pledges under the Indenture, and such pledge shall constitute first lien on and security interest in such collateral which shall immediately attach to the collateral and be effective, binding and enforceable against the Issuer and all others asserting the rights therein, to the extent set forth in, and in accordance with, the Indenture irrespective of whether those parties have notice of such pledge and without the need for any physical delivery, recordation, filing or further act. Any additional Bonds issued pursuant to the provisions of the Indenture shall be secured by the Pledged Measure Receipts, and the Pledged Measure Receipts shall be applied without priority or distinction of one over the other. The Issuer assigns to the Trustee all of the Issuer's rights and remedies under the Pledge Agreement.

So long as any Bonds are Outstanding, the Trustee shall, as soon as possible following receipt of Pledged Measure Receipts, deposit the Pledged Measure Receipts in the applicable funds established under the Indenture. The Trustee shall deposit in a fund, designated as the "Pledged Measure Receipts Fund" which fund the Trustee shall establish and maintain, all Pledged Measure Receipts, when and as received by the Trustee. The Pledged Measure Receipts Fund shall constitute trust funds for the security and payment of the Bonds. The Trustee shall thereafter transfer the Pledged Measure Receipts into the Interest Fund and the Principal Fund as provided under the Indenture.

The Pledged Measure Receipts shall be received and held in trust by the Trustee for the benefit of the Owners of the Bonds and shall be disbursed, allocated and applied solely for the uses and purposes set forth in the Indenture. All moneys at any time held in the Pledged Measure Receipts Fund shall be held in trust for the benefit of the Owners of the Bonds and shall be disbursed, allocated and applied solely for the uses and purposes set forth in the Indenture.

### **Allocation of Pledged Measure Receipts**

***Deposit of Measure Receipts.*** Pursuant to the Pledge Agreement, all Measure Receipts will be deposited by the City immediately upon receipt in a special fund established by the City for deposit of Measure Receipts, until such time in each Fiscal Year as the amount therein equals the amounts required for payment of Bonds in that Fiscal Year. So long as any Bond is Outstanding, the Trustee shall, as soon as possible following receipt of any Pledged Measure Receipts from the City on or before the fifth (5<sup>th</sup>) Business Day prior to each Interest Payment Date, as required by the Pledge Agreement, deposit the Pledged Measure Receipts in Pledged Measure Receipts Fund. The Trustee shall establish, maintain and hold in trust for the benefit of Owners of the Bonds the respective funds and accounts described in the Indenture and apply the Pledged Measure Receipts in the manner and the order set forth in therein.



**Interest Fund.** The Interest Fund, and within the Interest Fund the 2019 Interest Account, are created in the Indenture. Following the issuance of a Series of Bonds, the Trustee shall create a separate Interest Account for such Series. Following deposit of the Pledged Measure Receipts into the Pledged Measure Receipts Fund, the Trustee shall transfer therefrom to and deposit into the Interest Fund and the applicable account therein as soon as practicable an amount equal to the aggregate amount of interest becoming due and payable on the Outstanding Bonds that are Current Interest Bonds, until the requisite amount of interest becoming due and payable on all such Outstanding Current Interest Bonds on the next Interest Payment Date is on deposit in such account. All amounts in the Interest Fund shall be used and withdrawn by the Trustee solely for the purpose of paying interest on the Bonds as it shall become due and payable (including accrued interest on any Bonds redeemed prior to maturity pursuant to the Indenture). No deposit need be made into the Interest Fund if the amount contained therein is at least equal to the interest to become due and payable therefrom on the next Interest Payment Date.

**Principal Fund; Principal Account; Sinking Account.** The Principal Fund, and within the Principal Fund a 2019 Principal Account and a 2019 Sinking Account, are created by the Indenture. Following the issuance of a Series of Bonds, the Trustee shall create a separate Principal Account and Sinking Account, if applicable, for such Series. Following deposit of the Pledged Measure Receipts into the Pledged Measure Receipts Fund, the Trustee shall transfer therefrom to and deposit into the Principal Fund and thereafter into the 2019 Principal Account and 2019 Sinking Account as soon as practicable an amount equal to the aggregate amount of principal coming due and payable on the Outstanding Bonds that are Current Interest Bonds, until the requisite amount principal becoming due and payable on all such Outstanding Current Interest Bonds on the next Interest Payment Date is on deposit in such account. All amounts in the Principal Fund and any account therein shall be used and withdrawn by the Trustee solely for the purpose of paying principal on the Outstanding Bonds as it shall become due and payable. No deposit need be made into the Principal Fund or an account therein if the amount contained therein is at least equal to the principal to become due and payable therefrom on the next Interest Payment Date. With respect to any Bonds, all of the aforesaid deposits made in connection with future Mandatory Sinking Account Payments shall be made without priority of any payment into any one such Sinking Account over any other such payment.

If the Pledged Measure Receipts are not sufficient to permit the Trustee to make the required deposits so that moneys in the Principal Fund on any principal or mandatory redemption date are equal to the amount of Bond Obligation to become due and payable on the Outstanding Bonds that are Serial Bonds plus the Bond Obligation amount of and redemption premium on the applicable Outstanding Bonds that are Term Bonds required to be redeemed or paid at maturity on such date, then such moneys shall be applied by the Trustee by lot in inverse order of maturity, after first deducting for such purposes from Term Bonds any of such Term Bonds required to be redeemed annually as shall have been redeemed or purchased during the preceding 12-month period and any of such Term Bonds required to be redeemed semiannually as shall have been redeemed or purchased during the six-month period ending on such date or the immediately preceding six month period. If the Pledged Measure Receipts are not sufficient to permit the Trustee to deposit in full all Mandatory Sinking Account Payments required to be paid at any one time into all such Sinking Accounts for the Bonds, then payments into all such Sinking Accounts shall be made by the Trustee by lot in inverse order of maturity, in such proportion that the respective Mandatory Sinking Account Payments required to be made into each Sinking Account during the then current 12-month period bear to the aggregate of all of the Mandatory Sinking Account Payments required to be made into all such Sinking Accounts during such 12-month period for the Bonds.

**Bond Reserve Fund.** Subject in all respects to the provisions of the Indenture, upon the occurrence of any deficiency in any Bond Reserve Fund, the Trustee shall make such deposit to such Bond Reserve Fund as is required pursuant to the Indenture, each such deposit to be made as soon as possible in each month, until the balance therein is at least equal to the applicable Bond Reserve Requirement.

## **Establishment and Application of Funds; Reserve Funds**

***Interest Fund.*** On or before the Business Day prior to an Interest Payment Date, the Trustee shall transfer amounts in the Interest Fund to the Interest Accounts created therein. All amounts in an Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying interest on the Bonds of the applicable Series as it shall become due and payable (including accrued interest on any such Bonds purchased or redeemed prior to maturity pursuant to the Indenture).

***Principal Fund.*** On or before the Business Day prior to a principal payment date, the Trustee shall transfer amounts in the Principal Fund to the applicable Principal Accounts created therein. All amounts in the Principal Accounts shall be used and withdrawn by the Trustee solely for the purposes of paying the Bond Obligation of the Bonds of the applicable Series when due and payable, except that all amounts in the Sinking Accounts shall be used and withdrawn by the Trustee solely to purchase or redeem or pay at maturity Term Bonds, as provided in the Indenture.

The Trustee shall establish and maintain within the Principal Fund a separate account for the Term Bonds, designated as the “\_\_\_\_\_ Sinking Account,” inserting therein the Series and maturity designation of such Bonds. On or before the Business Day prior to any date upon which a Mandatory Sinking Account Payment is due, the Trustee shall transfer the amount of such Mandatory Sinking Account Payment (being the principal thereof, in the case of Current Interest Bonds, and the Accreted Value, in the case of Capital Appreciation Bonds) from the Pledged Measure Receipts Fund to the Sinking Account. With respect to each Sinking Account, on each Mandatory Sinking Account Payment date established for such Sinking Account, the Trustee shall apply the Mandatory Sinking Account Payment required on that date to the redemption (or payment at maturity, as the case may be) of Term Bonds and maturity for which such Sinking Account was established, in the manner provided in the Indenture or any Supplemental Indenture; provided, that at any time prior to giving such notice of such redemption, the Trustee shall, upon receipt of a Request of the Issuer, apply moneys in such Sinking Account to the purchase of Term Bonds and maturity at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Fund) as is directed by the Issuer, except that the purchase price (excluding accrued interest, in the case of Current Interest Bonds) shall not exceed the principal amount or Accreted Value thereof. If, during the 12-month period immediately preceding such Mandatory Sinking Account Payment date, the Trustee has purchased Term Bonds and maturity with moneys in such Sinking Account, or, during such period and prior to giving said notice of redemption, the Issuer has deposited Term Bonds and maturity with the Trustee, or Term Bonds and maturity were at any time purchased or redeemed by the Trustee from the Redemption Fund and allocable to such Mandatory Sinking Account Payment, such Term Bonds so purchased or deposited or redeemed shall be applied, to the extent of the full principal amount thereof, to reduce such Mandatory Sinking Account Payment. All Term Bonds purchased or deposited pursuant to the Indenture shall be cancelled by the Trustee and destroyed by the Trustee and a certificate of destruction shall be delivered to the Issuer by the Trustee. Any amounts remaining in a Sinking Account on June 1 of each year following the redemption as of such date of the Term Bonds for which such account was established shall be withdrawn by the Trustee and transferred as soon as practicable to the Issuer to be used for any lawful purpose. All Term Bonds purchased from a Sinking Account or deposited by the Issuer with the Trustee in a twelve month period ending May 1, and prior to the giving of notice by the Trustee for redemption from Mandatory Sinking Account Payments for such period shall be allocated first to the next succeeding Mandatory Sinking Account Payment and maturity of Term Bonds, if any, occurring on the next June 1 or December 1, then as a credit against such future Mandatory Sinking Account Payments and maturity of Term Bonds as may be specified in a Request of the Issuer. All Term Bonds redeemed by the Trustee from the Redemption Fund shall be credited to such future Mandatory Sinking Account Payments and maturity of Term Bonds as may be specified in a Request of the Issuer, which shall include a revised Mandatory Sinking Account Payment schedule.

***Funding and Application of Bond Reserve Funds; Establishment of the 2019 Bond Reserve Fund.*** The Issuer may at its sole discretion at the time of issuance of any Series of Bonds, or at any time thereafter by Supplemental Indenture, provide for the establishment of a Bond Reserve Fund as additional security for a Series of Bonds. Any Bond Reserve Fund so established by the Issuer shall be available to secure one or more Series of Bonds as the Issuer shall determine and shall specify in the Supplemental Indenture establishing such Bond Reserve Fund. Any Bond Reserve Fund established by the Issuer shall be held by the Trustee and shall comply with the requirements set forth in the Indenture. In lieu of making the Bond Reserve Requirement deposit applicable to one or more Series of Bonds in cash or in replacement of moneys then on deposit in any Bond Reserve Fund (which shall be transferred by the Trustee to the Issuer), or in substitution of any Reserve Facility comprising part of the Bond Reserve Requirement relating to one or more Series of Bonds, the Issuer may, at any time and from time to time, deliver to the Trustee an irrevocable letter of credit issued by a bank or other financial institution having unsecured debt obligations rated at the time of delivery of such letter of credit in one of the two highest Rating Categories of Moody's or S&P, in an amount, which, together with cash, Investment Securities or other Reserve Facilities, as described in the Indenture, then on deposit in such Bond Reserve Fund, will equal the Bond Reserve Requirement relating to the Bonds to which such Bond Reserve Fund relates. Such letter of credit shall have a term no less than three (3) years or, if less, the final maturity of the Bonds in connection with which such letter of credit was obtained and shall provide by its terms that it may be drawn upon as provided in the Indenture. At least one (1) year prior to the stated expiration of such letter of credit, the Issuer shall either (i) deliver a replacement letter of credit, (ii) deliver an extension of the letter of credit for at least one (1) additional year or, if less, the final maturity of the Bonds in connection with which such letter of credit was obtained, or (iii) deliver to the Trustee a Reserve Facility satisfying the requirements of the Indenture. Upon delivery of such replacement Reserve Facility, the Trustee shall deliver the then-effective letter of credit to or upon the order of the Issuer. If the Issuer shall fail to deposit a replacement Reserve Facility with the Trustee, the Issuer shall immediately commence to make monthly deposits with the Trustee so that an amount equal to the Bond Reserve Requirement relating to the Bonds to which such Bond Reserve Fund relates will be on deposit in such Bond Reserve Fund no later than the stated expiration date of the letter of credit. If an amount equal to the Bond Reserve Requirement relating to the Bonds to which such Bond Reserve Fund relates as of the date following the expiration of the letter of credit is not on deposit in such Bond Reserve Fund one (1) week prior to the expiration date of the letter of credit (excluding from such determination the existing letter of credit), the Trustee shall draw on the existing letter of credit to fund the deficiency resulting therefrom in such Bond Reserve Fund.

In lieu of making a Bond Reserve Requirement deposit in cash or in replacement of moneys then on deposit in a Bond Reserve Fund (which shall be transferred by the Trustee to the Issuer) or in substitution of any Reserve Facility comprising part of a Bond Reserve Requirement for any Bonds, the Issuer may, at any time and from time to time, deliver to the Trustee a surety bond or an insurance policy securing an amount which, together with moneys, Investment Securities, or other Reserve Facilities then on deposit in a Bond Reserve Fund, is no less than the Bond Reserve Requirement relating to the Bonds to which such Bond Reserve Fund relates. Such surety bond or insurance policy shall be issued by an insurance company whose unsecured debt obligations (or for which obligations secured by such insurance company's insurance policies) are rated at the time of delivery in one of the two highest Rating Categories of Moody's or S&P. Such surety bond or insurance policy shall have a term of no less than the final maturity of the Bonds in connection with which such surety bond or insurance policy is obtained. If such surety bond or insurance policy for any reason lapses or expires, the Issuer shall immediately implement (i) or (iii) of the preceding paragraph or make the required deposits to such Bond Reserve Fund.

Subject to the Indenture, all amounts in any Bond Reserve Fund (including all amounts which may be obtained from a Reserve Facility on deposit in such Bond Reserve Fund) shall be used and withdrawn by the Trustee, as provided in the Indenture: (i) for the purpose of making up any deficiency in the Interest Account or the Principal Account relating to the Bonds of the Series to which such Bond Reserve Fund

relates; or (ii) together with any other moneys available therefor, (x) for the payment of all of the Bonds then Outstanding of the Series to which such Bond Reserve Fund relates, (y) for the defeasance or redemption of all or a portion of the Bonds then Outstanding of the Series to which such Bond Reserve Fund relates; provided, however, that if funds on deposit in any Bond Reserve Fund are applied to the defeasance or redemption of a portion of the Series of Bonds to which such Bond Reserve Fund relates; the amount on deposit in the Bond Reserve Fund immediately subsequent to such partial defeasance or redemption shall equal the Bond Reserve Requirement applicable to all Bonds of such Series Outstanding immediately subsequent to such partial defeasance or redemption, or (z) for the payment of the final principal and interest payment of the Bonds of such Series. Unless otherwise directed in a Supplemental Indenture establishing the terms and provisions of a Series of Bonds, the Trustee shall apply amounts held in cash or Investment Securities in any Bond Reserve Fund prior to applying amounts held in the form of Reserve Facilities in any Bond Reserve Fund, and if there is more than one Reserve Facility being held on deposit in any Bond Reserve Fund, shall, on a pro rata basis with respect to the portion of a Bond Reserve Fund held in the form of a Reserve Facility (calculated by reference to the maximum amount of such Reserve Facility), draw under each Reserve Facility issued with respect to such Bond Reserve Fund, in a timely manner and pursuant to the terms of such Reserve Facility to the extent necessary in order to obtain sufficient funds on or prior to the date such funds are needed to pay the Bond Obligation of, Mandatory Sinking Account Payments with respect to, and interest on the Bonds of the Series to which such Bond Reserve Fund relates when due. If the Trustee has notice that any payment of principal of or interest on a Bond has been recovered from an Owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with the final, nonappealable order of a court having competent jurisdiction, the Trustee, pursuant to, and provided that the terms of the Reserve Facility, if any, securing the Bonds of such Series so provide, shall so notify the issuer thereof and draw on such Reserve Facility to the lesser of the extent required or the maximum amount of such Reserve Facility to pay to such Owners the principal of and interest so recovered.

The Trustee shall notify the Issuer of any deficiency in any Bond Reserve Fund (i) due to a withdrawal from such Bond Reserve Fund for purposes of making up any deficiency in the Interest Account or Principal Account relating to the Bonds of the Series to which such Bond Reserve Fund relates or (ii) resulting from a valuation of Investment Securities held on deposit in such Bond Reserve Fund pursuant to the Indenture and shall request that the Issuer replenish such deficiency or repay any and all obligations due and payable under the terms of any Reserve Facility comprising part of any Bond Reserve Requirement.

Unless the Issuer shall otherwise direct in writing, any amounts in any Bond Reserve Fund in excess of the Bond Reserve Requirement relating to the Bonds of the Series to which such Bond Reserve Fund relates shall be transferred by the Trustee to the respective Interest Account relating to such Series of Bonds on the Business Day following June 1 of each year; provided, that such amounts shall be transferred only from the portion of such Bond Reserve Fund held in the form of cash or Investment Securities. Upon the direction of the Issuer, amounts on deposit in any Bond Reserve Fund may be applied to the partial defeasance or redemption of the Series of Bonds to which such Bond Reserve Fund relates; provided, however, that if any such amounts are so applied, the amount on deposit in the Bond Reserve Fund immediately subsequent to such partial defeasance or redemption shall equal the Bond Reserve Requirement applicable to all Bonds of such Series Outstanding immediately subsequent to such partial defeasance or redemption. In addition, amounts on deposit in any Bond Reserve Fund shall be transferred by the Trustee to the Issuer upon the defeasance, retirement or refunding of all Bonds of the Series to which such Bond Reserve Fund relates or upon the replacement of cash on deposit in such Bond Reserve Fund with one or more Reserve Facilities in accordance with the Indenture.

There is established and maintained with the Trustee a fund designated as the “[inserting Series designation] Bond Reserve Fund.” All amounts in such Bond Reserve Fund (including all amounts which may be obtained from any applicable Reserve Facility on deposit in such Bond Reserve Fund) shall be used

and withdrawn by the Trustee solely: (i) for the purpose of making up any deficiency in the 2019 Interest Account, the 2019 Principal Account or Sinking Account relating to the applicable 2019 Bonds; or, (ii) together with any other moneys available therefor, (x) for the payment of all of the applicable 2019 Bonds then Outstanding, (y) for the defeasance or redemption of all or a portion of the applicable 2019 Bonds then Outstanding; provided, however, that if funds on deposit in the Bond Reserve Fund for the applicable Series of 2019 Bonds are applied to the defeasance or redemption of a portion of the applicable 2019 Bonds, the amount on deposit in the Bond Reserve Fund for the applicable 2019 Bonds immediately subsequent to a partial defeasance or redemption shall equal the applicable Bond Reserve Requirement applicable to all applicable 2019 Bonds Outstanding immediately subsequent to such partial defeasance or redemption, or (z) for the payment of the final principal and interest payment of the applicable 2019 Bonds.

***Establishment and Application of Redemption Fund and the 2019 Redemption Account.*** Upon receipt of instructions to redeem bonds pursuant to the Indenture, the Trustee shall establish, maintain and hold in trust a special fund designated as the “Redemption Fund.” In the Redemption Fund, the Trustee shall establish an account for each Series of Bonds. All moneys deposited by the Issuer with the Trustee for the purpose of optionally redeeming Bonds of any Series shall, unless otherwise directed by the Issuer, be deposited in the applicable Redemption Account. All amounts deposited in a Redemption Account shall be used and withdrawn by the Trustee solely for the purpose of redeeming Bonds of such Series and maturity as shall be specified by the Issuer in a Request to the Trustee, in the manner, at the times and upon the terms and conditions specified in the Indenture or a Supplemental Indenture pursuant to which the Series of Bonds was created; provided that, at any time prior to giving such notice of redemption, the Trustee shall, upon receipt of a Request of the Issuer, apply such amounts to the purchase of Bonds of such Series at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding, in the case of Current Interest Bonds, accrued interest, which is payable from the respective Interest Account) as is directed by the Issuer, except that the purchase price (exclusive of any accrued interest) may not exceed the Redemption Price or Accreted Value then applicable to such Bonds. All Term Bonds purchased or redeemed from the Redemption Fund shall be allocated to Mandatory Sinking Account Payments applicable to such Series and maturity of Term Bonds as may be specified in a Request of the Issuer. Upon receipt of instructions to redeem Bonds pursuant to the Indenture, there is established and maintained with the Trustee an account to be designated as the “2019 Redemption Account” established under the Redemption Fund that shall be administered by the Trustee pursuant to the Indenture. Amounts in the 2019 Redemption Account shall be applied pursuant to the Indenture.

***Rebate Fund.*** Upon receipt of funds to be applied to the Rebate Requirement, the Trustee shall establish and maintain a fund separate from any other fund established and maintained under the Indenture designated as the Rebate Fund. Within the Rebate Fund, the Trustee shall maintain such accounts as shall be necessary in order to comply with the terms and requirements of the Indenture and each Tax Certificate as directed in writing by the Issuer. Subject to the transfer provisions provided in the Indenture, all money at any time deposited in the Rebate Fund shall be held by the Trustee in trust, to the extent required to satisfy the Rebate Requirement, for payment to the federal government of the United States of America, and neither the Trustee nor any Credit Enhancement Provider, nor any Owner nor any other Person shall have any rights in or claim to such money. All amounts deposited into or on deposit in the Rebate Fund shall be governed by the Indenture and by the applicable Tax Certificates. Under the Indenture, the Issuer covenants to comply with the directions contained in each Tax Certificate and the Trustee covenants to comply with all written instructions of the Issuer delivered to the Trustee pursuant to each Tax Certificate (which instructions shall state the actual amounts to be deposited in or withdrawn from the Rebate Fund and shall not require the Trustee to make any calculations with respect thereto). The Trustee shall be deemed conclusively to have complied with the provisions of the Indenture if it follows such instructions of the Issuer, and the Trustee shall have no liability or responsibility to enforce compliance by the Issuer with the terms of any Tax Certificate nor to make computations in connection therewith.

With respect to each Series of Bonds, an amount shall be deposited in the Rebate Fund by the Issuer so that the balance of the amount on deposit thereto shall be equal to the Rebate Requirement applicable to the Series of Bonds. Computations of each Rebate Requirement shall be furnished by or on behalf of the Issuer to the Trustee in accordance with the Indenture and the applicable Tax Certificate. The Trustee shall invest all amounts held in the Rebate Fund, pursuant to written instructions of the Issuer, in Investment Securities. Money shall not be transferred from the Rebate Fund except as provided in the Indenture.

Upon receipt of Rebate Instructions, the Trustee shall remit part or all of the balances in the Rebate Fund to the United States of America, as so directed. In addition, if the Rebate Instructions so direct, the Trustee will deposit moneys into or transfer moneys out of the Rebate Fund from or into such accounts or funds as directed by the Rebate Instructions. Any funds remaining in the Rebate Fund after redemption and payment of all of a Series of Bonds and payment and satisfaction of any Rebate Requirement applicable to such Series of Bonds, shall be withdrawn and remitted to the Issuer in accordance with a Request of the Issuer.

Notwithstanding any other provision of the Indenture, the obligation to remit the Rebate Requirement applicable to each Series of Bonds to the federal government of the United States of America and to comply with all other requirements of the Indenture and each Tax Certificate shall survive the defeasance or payment in full of the Bonds.

### **Investment in Funds and Accounts**

All moneys in any of the funds and accounts held by the Trustee and established pursuant to the Indenture shall be invested, as directed by the Issuer, solely in Investment Securities. All Investment Securities shall, as directed by the Issuer in writing, be acquired subject to the limitations set forth in the Indenture, the limitations as to maturities in the Indenture set forth and such additional limitations or requirements consistent with the foregoing as may be established by Request of the Issuer. If and to the extent the Trustee does not receive investment instructions from the Issuer with respect to the moneys in the funds and accounts held by the Trustee pursuant to the Indenture, such moneys shall be invested in Investment Securities described in clause (B)(3) of the definition thereof and the Trustee shall thereupon request investment instructions from the Issuer for such moneys; provided, however, that any such investment shall be made by the Trustee only if, prior to the date on which such investment is to be made, the Trustee shall have received a direction in writing from the Issuer specifying a specific money market fund and, if no such direction in writing from the Issuer is so received, the Trustee shall hold such moneys uninvested. Moneys in any Bond Reserve Fund shall be invested in Investment Securities available on demand for the purpose of payment of the Bonds to which such Bond Reserve Fund relates as provided in the Indenture. Moneys in the remaining funds and accounts shall be invested in Investment Securities maturing or available on demand not later than the date on which it is estimated that such moneys will be required by the Trustee.

Unless otherwise provided in a Supplemental Indenture establishing the terms and provisions of a Series of Bonds: (i) all interest, profits and other income received from the investment of moneys in the Interest Account representing accrued interest or capitalized interest shall be retained in such Interest Account; (ii) all interest, profits and other income received from the investment of moneys in a Bond Reserve Fund shall be retained in such Bond Reserve Fund to the extent of any deficiency therein, and otherwise shall be transferred to the Interest Account established in connection with the Series of Bonds to which such Bond Reserve Fund relates; (iii) all interest, profits and other income received from the investment of moneys in a Costs of Issuance Fund shall be retained in such Costs of Issuance Fund until such time as such Costs of Issuance Fund is closed, and any earnings received on a Costs of Issuance Fund subsequent to the closure of such Costs of Issuance Fund shall be transferred to the Interest Fund; (iv) all interest, profits and other income received from the investment of moneys in a Project Fund shall be retained

in such Project Fund, unless the Issuer shall direct that such earnings be transferred to the Rebate Fund or applicable Interest Fund; (v) all interest, profits and other income received from the investment of moneys in the Rebate Fund shall be retained in the Rebate Fund, except as otherwise provided in the Indenture; and (vi) all interest, profits and other income received from the investment of moneys in any other fund or account shall be transferred to the Pledged Measure Receipts Fund. Notwithstanding anything to the contrary contained in the Indenture, an amount of interest received with respect to any Investment Security equal to the amount of accrued interest, if any, paid as part of the purchase price of such Investment Security shall be credited to the fund or account from which such accrued interest was paid.

All Investment Securities credited to any Bond Reserve Fund shall be valued (at market value) as of June 1 of each year (or the next succeeding Business Day if such day is not a Business Day), such market value to be determined by the Trustee in the manner then currently employed by the Trustee or in any other manner consistent with corporate trust industry standards. Notwithstanding anything to the contrary in the Indenture, in making any valuations of investments under the Indenture, the Trustee may utilize and rely on computerized securities pricing services that may be available to it, including those available through its regular accounting system. The Trustee may commingle any of the funds or accounts established pursuant to the Indenture (except the Rebate Fund) into a separate fund or funds for investment purposes only, provided that all funds or accounts held by the Trustee under the Indenture shall be accounted for separately as required by the Indenture. The Trustee may act as principal or agent in the making or disposing of any investment and, with the prior written consent of the Issuer, may impose its customary charge therefor. The Trustee may sell or present for redemption, any Investment Securities so purchased whenever it shall be necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund or account to which such Investment Security is credited. The Trustee shall not be liable or responsible for any loss resulting from any investment made in accordance with the Indenture.

The Issuer acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grants the Issuer the right to receive brokerage confirmations of security transactions as they occur, the Issuer specifically waives receipt of such confirmations to the extent permitted by law. The Trustee will furnish the Issuer periodic cash transaction statements which include detail for all investment transactions made by the Trustee under the Indenture.

### **Requirements for Issuance of Additional Series of Bonds**

Subsequent to the issuance of the applicable 2019 Bonds, the Issuer may establish one or more additional Series of Bonds, payable by the Issuer from and secured by the pledge of the Measure Receipts equally and ratably with any other Series of Bonds, and the Issuer may issue, and the Trustee may authenticate and deliver to the purchasers thereof, Bonds of such additional Series so established, in such principal amount as shall be determined by the Issuer upon compliance by the Issuer with the following provisions of the Indenture and any additional requirements set forth in any applicable Supplemental Indenture and subject to the specific conditions set forth below, each of which pursuant to the Indenture is made a condition precedent to the issuance of any such additional Series of Bonds:

- (a) No Event of Default shall have occurred and then be continuing.
- (b) Subject to the provisions of the Indenture, if the Supplemental Indenture providing for the issuance of the additional Series so requires, either (i) a Bond Reserve Fund is established to provide additional security for that Series of Bonds or (ii) the balance on deposit in an existing Bond Reserve Fund is increased to an amount at least equal to the Bond Reserve Requirement with respect to such Series and all other Series secured by that Bond Reserve Fund and then Outstanding, the Supplemental Indenture providing for the issuance of such additional Series of Bonds shall require deposit of the amount necessary. Such deposit shall be made as provided in the Supplemental Indenture providing for the issuance of such

additional Series and may be made from the proceeds of the sale of such additional Series or from other funds and may be satisfied in whole or in part through the provision of a Reserve Facility as provided in the Indenture.

(c) The aggregate principal amount of Bonds issued under the Indenture shall not exceed any limitation imposed by law or by any Supplemental Indenture.

(d) The Issuer shall place on file with the Trustee a Certificate of the Issuer certifying that the amount of Measure Receipts for a period of twelve (12) consecutive months (selected by the Issuer) during the eighteen (18) months immediately preceding the date on which such additional Series will become Outstanding would have been at least equal to the ratio set forth in the Indenture, on all Outstanding Bonds and the additional Series of Bonds then proposed to be issued and any parity obligations payable from Measure Receipts then outstanding, which Certificate shall also set forth the computations upon which such Certificate is based. If the Maximum Annual Debt Service is attributable to the Fiscal Year beginning on July 1, 2039 (or in the event that the Ordinance is modified or amended, such Fiscal Year as specified in the Ordinance as amended or modified) or any Fiscal Year subsequent to the Fiscal Year beginning July 1, 2039, for purposes of the calculation to be made pursuant to the Indenture, the Issuer shall be permitted to adjust the Measure Receipts to account for the increase in the Measure M/R Sales Tax from 1/2% to 1% (or in the event that the Ordinance is modified or amended, the Pledged Measure Receipts may be adjusted by the change in the Measure M/R Sales Tax specified in the Ordinance as amended or modified), which is scheduled to occur on July 1, 2039.

(e) Principal payments of each additional Series of Bonds shall be due on June 1 in each year in which principal is to be paid if and to the extent deemed practical in the reasonable judgment of the Issuer with regard to the type of Bond to be issued, and, if the interest on such Series of Bonds is to be paid semiannually, such interest payments shall be due on June 1 and December 1 in each year to the extent desired by the Issuer with regard to the type of Bond to be issued.

Nothing in the Indenture contained shall prevent or be construed to prevent the Issuer through a Supplemental Indenture providing for the issuance of an additional Series of Bonds from pledging or otherwise providing, in addition to the security given or intended to be given by the Indenture, additional security for the benefit of such additional Series of Bonds or any portion thereof.

### **Proceedings for Issuance of Additional Bonds**

Subsequent to the issuance of the 2019 Bonds, before any additional Bonds may be issued and delivered, the Issuer shall have filed each of the documents identified below with the Trustee (upon which documents the Trustee may conclusively rely in determining whether the conditions precedent to the issuance of such Series have been satisfied).

(a) A Supplemental Indenture authorizing such Series executed by the Issuer;

(b) A Certificate of the Issuer certifying: (i) that no Event of Default with respect to any Outstanding Bonds payable from the Pledged Measure Receipts to be pledged to such additional Series of Bonds has occurred and is then continuing; and (ii) that the requirements specified in the Indenture have been satisfied by the Issuer;

(c) A Certificate of the Issuer certifying (on the basis of computations made no later than the date of sale of such additional Series) that the requirement of the Indenture are satisfied; and



(d) An Opinion of Bond Counsel to the effect that execution of the Supplemental Indenture has been duly authorized by the Issuer in accordance with the Indenture and that such Series of Bonds, when duly executed by the Issuer and authenticated and delivered by the Trustee, will be valid and binding obligations of the Issuer.

### **Issuance of Refunding Bonds**

Refunding Bonds may be authorized and issued by the Issuer without compliance with the provisions of the Indenture; provided, that Maximum Annual Debt Service on all Outstanding Bonds following the issuance of such Refunding Bonds is less than or equal to Maximum Annual Debt Service on all Outstanding Bonds prior to the issuance of such Refunding Bonds. Such Refunding Bonds may be issued in an aggregate principal amount sufficient (together with any additional funds available or to become available) to provide funds for the payment of all or a portion of the following:

- (a) the principal or Redemption Price of the Outstanding Bonds to be refunded;
- (b) all expenses incident to the calling, retiring or paying of such Outstanding Bonds and the Costs of Issuance of such Refunding Bonds;
- (c) interest on all respective Outstanding Bonds to be refunded to the date such Bonds will be called for redemption or paid at maturity;
- (d) interest on the Refunding Bonds from the date thereof to the date of payment or redemption of the Outstanding Bonds to be refunded; and
- (e) funding a Bond Reserve Fund for the Refunding Bonds, if required.

Before such Series of Refunding Bonds shall be issued and delivered pursuant to the Indenture, the Issuer shall file each of the documents identified below with the Trustee (upon which documents the Trustee may conclusively rely in determining whether the conditions precedent to the issuance of such Series of Refunding Bonds have been satisfied):

- (a) A Supplemental Indenture authorizing such Series of Refunding Bonds executed by the Issuer.
- (b) A Certificate of the Issuer certifying: (i) that Maximum Annual Debt Service on all Bonds which will be Outstanding following the issuance of such Series of Refunding Bonds secured by the same Pledged Measure Receipts is less than or equal to Maximum Annual Debt Service on all Outstanding Bonds prior to the issuance of such Refunding Bonds; and (ii) that the requirements of the Indenture are satisfied.
- (c) An Opinion of Bond Counsel to the effect that execution of the Supplemental Indenture has been duly authorized by the Issuer in accordance with the Indenture and that such Series of Refunding Bonds, when duly executed by the Issuer and authenticated and delivered by the Trustee, will be valid and binding obligations of the Issuer.

The proceeds of the sale of the Refunding Bonds shall be applied by the Trustee according to the written direction of the Issuer to the retirement of the respective Outstanding Bonds for the refunding of which the Refunding Bonds are issued. All Bonds purchased, redeemed or retired by use of funds received from the sale of Refunding Bonds, and all Bonds surrendered to the Trustee against the issuance of Refunding Bonds, shall be canceled and shall not be reissued.

## **Certain Covenants of Issuer**

***Punctual Payments.*** The Issuer will punctually pay or cause to be paid the principal or Redemption Price of and interest on all the Bonds, in strict conformity with the terms of the Bonds and of the Indenture, according to the true intent and meaning thereof, and shall punctually pay or cause to be paid all Mandatory Sinking Account Payments, but in each case only out of Pledged Measure Receipts and the other assets pledged for such Bonds or Mandatory Sinking Account Payments as provided in the Indenture.

***Against Encumbrances.*** The Issuer will not create any pledge, lien or charge upon any of the Pledged Measure Receipts having priority over or having parity with the lien of the Bonds except only as permitted in the Indenture.

***Accounting Records.*** The Issuer will at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with generally accepted accounting principles, in which complete and accurate entries shall be made of all transactions relating to the Pledged Measure M/R Sales Tax Receipts. Such books of record and account shall be available for inspection by the Trustee at reasonable hours and under reasonable circumstances.

***Tax Covenants.*** The Issuer covenants in the Indenture to abide by certain tax covenants with respect to the Bonds and the proceeds of the Bonds and will enter into a Tax Certificate in connection with the Bonds. Complete copies of the Indenture and the Tax Certificate are available upon request to the Issuer.

## **Events of Default and Remedies**

***Events of Default.*** The following events shall be Events of Default in respect of any Series of Bonds:

(a) default in the due and punctual payment of the principal or Redemption Price of any Bond when and as the same becomes due and payable, whether at maturity as therein expressed, by proceedings for redemption, by declaration or otherwise, or default in the redemption from any Sinking Account of any Bonds in the amounts and at the times provided therefor;

(b) default in the due and punctual payment of any installment of interest on any Bond when and as such interest installment shall become due and payable;

(c) failure of the Issuer to observe or perform any covenant, condition, agreement or provision in the Indenture on its part to be observed or performed, other than as referred to in the Indenture, for a period of thirty (30) days after written notice, specifying such failure and requesting that it be remedied, has been given to the Issuer by the Trustee or by any Credit Enhancement Provider in respect of that Series; except that, if such failure can be remedied but not within such thirty (30) day period and if the Issuer has taken all action reasonably possible to remedy such failure within such thirty (30) day period, such failure shall not become an Event of Default for so long as the Issuer shall diligently proceed to remedy the same in accordance with and subject to any directions or limitations of time established by the Trustee, subject to the provisions of the Indenture;

(d) the filing by the Issuer of a petition in voluntary bankruptcy, for the composition of its affairs or for its corporate reorganization under any state or federal bankruptcy or insolvency law, or an assignment by the Issuer for the benefit of creditors, or the admission by the Issuer in writing to its insolvency or inability to pay debts as they mature or the consent by the Issuer in writing to the appointment of a trustee or receiver for itself;

(e) the entry by a court of competent jurisdiction of an order, judgment or decree declaring the Issuer insolvent, or adjudging it bankrupt, or appointing a trustee or receiver of the Issuer, or approving a petition filed against the Issuer seeking reorganization of the Issuer under any applicable law or statute of the United States of America or any state thereof, and such order, judgment or decree shall not be vacated or set aside or stayed within sixty (60) days from the date of the entry thereof;

(f) under the provisions of any other law for the relief or aid of debtors, the assumption by any court of competent jurisdiction of custody or control of the Issuer or of Pledged Measure Receipts, which custody or control is not terminated within sixty (60) days from the date of assumption of such custody or control;

(g) the occurrence of any default under the Pledge Agreement that continues beyond any applicable grace period.

Except as expressly provided in the Indenture, in each and every instance of a Bankruptcy-Related Event of Default, the Trustee or the Owners of not less than a majority in the aggregate principal amount of the Bonds at the time Outstanding shall be entitled, upon notice to the Issuer, to declare the principal of all of the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, anything in the Indenture other than as provided in the Section or in the Bonds contained to the contrary notwithstanding. These provisions, however, are subject to the condition that if, at any time after the principal of the Bonds shall have been so declared due and payable because of a Bankruptcy-Related Event of Default, the Issuer shall pay to or deposit with the Trustee a sum sufficient to pay all principal on such Bonds matured prior to such declaration and all interest accrued (if any) upon all Bonds, the reasonable fees and expenses of the Trustee, and any and all other defaults known to the Trustee shall have been cured to the satisfaction of the Trustee, or provision deemed by the Trustee to be adequate shall have been made therefor, then, the Owners of not less than a majority in the aggregate principal amount of the Bonds at the time Outstanding, by written notice to the Issuer and to the Trustee, may, on behalf of the Owners of all the Bonds, rescind and annul such declaration and its consequences; but no such rescission and annulment shall extend to or shall affect any subsequent default, or shall impair or exhaust any right or power consequent thereon.

### **Application of Pledged Measure Receipts and Other Funds After Default**

If an Event of Default occurs and is continuing in respect of any Bonds, the Issuer shall immediately transfer to the Trustee all Pledged Measure Receipts held by it, if any, and the Trustee shall apply all Pledged Measure Receipts and any other funds then held or thereafter received by the Trustee under any of the provisions of the Indenture (excluding the Rebate Fund except as otherwise provided in the Indenture) as follows and in the following order: (i) to the payment of any expenses necessary in the opinion of the Trustee to protect the interests of the Owners in respect thereof, including the costs and expenses of the Trustee in declaring such Event of Default, and payment of reasonable fees and expenses of the Trustee (including reasonable fees and disbursements of its counsel and other agents) incurred in and about the performance of its powers and duties under the Indenture and then the costs and expenses of the Owners in declaring such Event of Default; (ii) to the payment of the whole amount of Bond Obligation and accrued interest then due on the Bonds (upon presentation of such Bonds to be paid, and stamping thereon of the payment if only partially paid, or surrender thereof if fully paid) subject to the provisions of the Indenture, with interest on such Bond Obligation and accrued interest, at the rate or rates of interest borne by the Bonds, to the payment to the persons entitled thereto of all installments of interest then due and the unpaid principal or Redemption Price of any Bonds which has become due, whether at maturity, by call for redemption or otherwise, in the order of their due dates, with interest on the overdue Bond Obligation at the rate borne by the Bonds, and, if the amount available is not sufficient to pay in full all the applicable Bonds due on any date, together with such interest, then to the payment thereof ratably, according to the

amounts of principal or Accreted Value (plus accrued interest) due on such date to the persons entitled thereto, without any discrimination or preference.

### **Trustee to Represent Owners**

The Trustee is irrevocably appointed (and the successive Owners of the Bonds, by taking and holding the same, shall be conclusively deemed to have so appointed the Trustee) as trustee and true and lawful attorney-in-fact of the Owners of the Bonds for the purpose of exercising and prosecuting on their behalf such rights and remedies as may be available to the Owners under the provisions of the Bonds, the Indenture, the Act and applicable provisions of any other law. Upon the occurrence and continuance of an Event of Default or other occasion giving rise to a right in the Trustee to represent the Owners, the Trustee in its discretion may, and, with respect to any Series of Bonds for which a Credit Enhancement has been provided, upon the written request of the Credit Enhancement Provider providing such Credit Enhancement or if such Credit Enhancement Provider is then failing to make a payment required pursuant to such Credit Enhancement, upon the written request of the Owners of not less than a majority in aggregate amount of Bond Obligation of the Bonds then Outstanding, and upon being indemnified to its satisfaction therefor, shall proceed to protect or enforce its rights or the rights of such Owners by such appropriate action, suit, mandamus or other proceedings as it shall deem most effectual to protect and enforce any such right, at law or in equity, either for the specific performance of any covenant or agreement contained in the Indenture, or in aid of the execution of any power granted under the Indenture, or for the enforcement of any other appropriate legal or equitable right or remedy vested in the Trustee or in such Owners under the Indenture, the Act or any other law; and upon instituting such proceeding, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver of the Pledged Measure Receipts and other assets pledged under the Indenture, pending such proceedings; provided, however, that, with respect to any Series of Bonds for which a Credit Enhancement has been provided, the Trustee may only act with the consent of the Credit Enhancement Provider providing such Credit Enhancement. All rights of action under the Indenture or the Bonds or otherwise may be prosecuted and enforced by the Trustee without the possession of any of the Bonds or the production thereof in any proceeding relating thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in the name of the Trustee for the benefit and protection of all the Owners of such Bonds, subject to the provisions of the Indenture.

### **Owners' Direction of Proceedings**

Notwithstanding anything in the Indenture to the contrary (except provisions relating to the rights of a Credit Enhancement Provider to direct proceedings for a respective Series of Bonds as set forth in the Indenture, the Owners of a majority in aggregate amount of Bond Obligation of the Bonds then Outstanding shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee and upon furnishing the Trustee with indemnification satisfactory to it, to direct the method of conducting all remedial proceedings taken by the Trustee under the Indenture, provided that such direction shall not be otherwise than in accordance with law and the provisions of the Indenture, that the Trustee may take any other action deemed proper by the Trustee that is not inconsistent with such direction, and that the Trustee shall have the right to decline to follow any such direction that in the opinion of the Trustee would be unjustly prejudicial to Owners that are not parties to such direction.

### **Limitation on Owners' Right to Sue**

No Owner of any Bond has the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under the Indenture, the Act or any other applicable law with respect to such Bond, unless: (1) that Owner has given to the Trustee written notice of the occurrence of an Event of Default with respect to such Bond; (2) the Owners of not less than a majority in aggregate amount of Bond Obligation of the Bonds then Outstanding have made written request upon the

Trustee to exercise the powers granted in the Indenture or to institute such suit, action or proceeding in its own name; (3) such Owner or said Owners have tendered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; and (4) the Trustee has refused or omitted to comply with such request for a period of sixty (60) days after such written request was received by, and said tender of indemnity was made to, the Trustee; provided further, however, that no Owner shall have any right to institute any such suit, action or proceeding at law or in equity unless each Credit Enhancement Provider providing a Credit Enhancement with respect to that Series of Bonds, which Credit Enhancement is in full force and effect and under which the Credit Enhancement Provider providing such Credit Enhancement is not then failing to make a payment as required in connection therewith, has first provided its written consent to such action.

Such notification, request, tender of indemnity and refusal or omission are declared by the Indenture, in every case, to be conditions precedent to the exercise by any Owner of Bonds of any remedy under the Indenture or under law; it being understood and intended that no one or more Owners of Bonds shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the Indenture or the rights of any other Owners of Bonds, or to enforce any right under the Indenture, the Act or other applicable law with respect to the Bonds, except in the manner provided in the Indenture, and that all proceedings at law or in equity to enforce any such right shall be instituted, had and maintained in the manner provided in the Indenture and for the benefit and protection of all Owners of the Outstanding Bonds, subject to the provisions of the Indenture.

#### **Modification or Amendment of the Indenture**

The Indenture and the rights and obligations of the Issuer, the Owners of the Bonds and the Trustee may be modified or amended from time to time and at any time by a Supplemental Indenture, which the Issuer and the Trustee may enter into with the written consent of: (i) each Credit Enhancement Provider then providing a Credit Enhancement for any Series of Bonds; provided, that the Credit Enhancement provided by such Credit Enhancement Provider is in full force and effect and the Credit Enhancement Provider is not then failing to make a payment as required in connection therewith; or (ii) the Owners of a majority in aggregate amount of Bond Obligation of the Bonds then Outstanding shall have been filed with the Trustee; provided, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any particular maturity remain Outstanding, the consent of the Owners of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Bonds Outstanding under the Indenture; and provided further, that if the Credit Enhancement provided for any Series of Bonds is in full force and effect and if the Credit Enhancement Provider providing such Credit Enhancement is not failing to make a payment as required in connection therewith, such Credit Enhancement Provider shall also consent in writing to such modification or amendment, which consent shall not be unreasonably withheld.

No such modification or amendment shall (a) extend the fixed maturity of any Bond, or reduce the amount of principal thereof, or extend the time of payment or reduce the amount of any Mandatory Sinking Account Payment provided for the payment of any Bond, or reduce the rate of interest thereon, or extend the time of payment of interest thereon, or reduce any redemption premium payable upon the redemption thereof, without the consent of the Owner of each Bond so affected, or (b) reduce the percentage of Bond Obligation the consent of the Owners of which is required to effect any such modification or amendment, or permit the creation of any lien on the applicable Pledged Measure Receipts and other assets pledged under the Indenture prior to or on a parity with the lien created by the Indenture, or deprive the Owners of such Bonds of the lien created by the Indenture on such Pledged Measure Receipts and other assets (in each case, except as expressly provided in the Indenture), without the consent of the Owners of all of the Bonds then Outstanding. It shall not be necessary for the consent of the Owners to approve the particular form of any Supplemental Indenture, but it shall be sufficient if such consent shall approve the substance thereof.

Promptly after the execution and delivery by the Issuer and the Trustee of any Supplemental Indenture pursuant to the Indenture, the Trustee shall mail a notice, setting forth in general terms the substance of such Supplemental Indenture to the Owners of the Bonds at the addresses shown on the registration books of the Trustee. Any failure to give such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such Supplemental Indenture.

The Indenture and the rights and obligations of the Issuer, of the Trustee and of the Owners of the Bonds may also be modified or amended from time to time and at any time by a Supplemental Indenture, which the Issuer may adopt without the consent of any Owners, Credit Enhancement Provider, but only to the extent permitted by law and only for any one or more of the following purposes:

(a) to add to the covenants and agreements of the Issuer in the Indenture contained other covenants and agreements thereafter to be observed, to pledge or assign additional security for the Bonds (or any portion thereof), or to surrender any right or power reserved to or conferred upon the Issuer in the Indenture;

(b) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision, contained in the Indenture, or in regard to matters or questions arising under the Indenture, as the Issuer may deem necessary or desirable, and which shall not materially and adversely affect the interests of the Owners;

(c) to modify, amend or supplement the Indenture in such manner as to permit the qualification of the Indenture under the Trust Indenture Act of 1939, as amended, or any similar federal statute in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute, and which shall not materially and adversely affect the interests of the Owners;

(d) to provide for the issuance of an additional Series of Bonds pursuant to the provisions of Article III;

(e) to make modifications or adjustments necessary, appropriate or desirable to provide for the issuance or incurrence, as applicable, of Capital Appreciation Bonds, with such interest rate, payment, maturity and other terms as the Issuer may deem desirable; subject to the provisions specified in the Indenture;

(f) to make modifications or adjustments necessary, appropriate or desirable to accommodate Credit Enhancements and Reserve Facilities;

(g) to provide for any additional covenants or agreements necessary to maintain the tax-exempt status of interest on any Series of Bonds;

(h) if the Issuer agrees in a Supplemental Indenture to maintain the exclusion of interest on a Series of Bonds from gross income for purposes of federal income taxation, to make such provisions as are necessary or appropriate to ensure such exclusion;

(i) to provide for the issuance of Bonds in book-entry form and/or to modify or eliminate the book-entry registration system for any Series of Bonds;

(j) to modify, alter, amend or supplement the Indenture in any other respect, including amendments which would otherwise be described in the Indenture, if the effective date of such amendments is a date on which all Bonds affected thereby are subject to mandatory tender for purchase pursuant to the provisions of the Indenture or if notice of the proposed amendments is given to Owners

of the affected Bonds at least thirty (30) days before the proposed effective date of such amendments and, on or before such effective date, such Owners have the right to demand purchase of their Bonds pursuant to the provisions of the Indenture or if all Bonds affected thereby are in an auction mode and a successful auction is held following notice of such amendment; and

(k) for any other purpose that does not materially and adversely affect the interests of the Owners upon delivery of an opinion of Bond Counsel to such effect.

Any Supplemental Indenture entered into pursuant to the Indenture shall be deemed not to materially adversely affect the interest of the Owners of a Series of Bonds so long as (i) all Bonds in such Series of Bonds are secured by a Credit Enhancement and (ii) each affected Credit Enhancement Provider shall have given its written consent to such Supplemental Indenture as provided in the Indenture. The Trustee may in its discretion, but shall not be obligated to, enter into any such Supplemental Indenture authorized by the Indenture which materially adversely affects the Trustee's own rights, duties or immunities under the Indenture or otherwise. Prior to the Trustee entering into any Supplemental Indenture hereunder, the Issuer shall deliver to the Trustee an opinion of Bond Counsel stating, in substance, that such Supplemental Indenture has been adopted in compliance with the requirements of this Indenture.

### **Effect of Supplemental Indenture**

From and after the time any Supplemental Indenture becomes effective, the Indenture shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under the Indenture of the Issuer, the Trustee and all Owners of Bonds shall thereafter be determined, exercised and enforced under the Indenture subject in all respects to such modification and amendment, and as to each such Bond all the terms and conditions of each Supplemental Indenture shall be deemed to be part of the terms and conditions of the Indenture for any and all purposes.

### **Defeasance**

*Defeasance.* Any Bonds or a portion thereof may be paid and defeased by the Issuer in any of the following ways:

- (a) by paying or causing to be paid the Bond Obligations of and interest on such Outstanding Bonds, as and when the same become due and payable;
- (b) by depositing with the Trustee, an escrow agent or other fiduciary, in trust, at or before maturity, money or securities in the necessary amount (as provided in the Indenture) to pay or redeem such Outstanding Bonds; or
- (c) by delivering to the Trustee, for cancellation by it, such Outstanding Bonds.

If the Issuer shall pay all Series for which any Bonds are Outstanding and also pay or cause to be paid all other sums payable under the Indenture by the Issuer, then and in that case, at the election of the Issuer (evidenced by a Certificate of the Issuer, filed with the Trustee, signifying the intention of the Issuer to discharge all such indebtedness and the Indenture), and notwithstanding that any Bonds shall not have been surrendered for payment, the Indenture and the pledge of Pledged Measure Receipts relating to such Bonds and other assets made under the Indenture and all covenants, agreements and other obligations of the Issuer under the Indenture shall cease, terminate, become void and be completely discharged and satisfied. In such event, upon Request of the Issuer, the Trustee shall cause an accounting for such period or periods as may be requested by the Issuer to be prepared and filed with the Issuer and shall execute and deliver to the Issuer all such instruments as may be necessary or desirable to evidence such discharge and

satisfaction, and the Trustee shall pay over, transfer, assign or deliver to the City all moneys or securities or other property held by it pursuant to the Indenture that are not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption.

***Discharge of Liability on a Bond.*** Upon the deposit with the Trustee, escrow agent or other fiduciary, in trust, at or before maturity, of money or securities in the necessary amount (as provided in the Indenture) to pay or redeem any Outstanding Bond (whether upon or prior to its maturity or the redemption date of such Bond), then all liability of the Issuer in respect of such Bond shall cease, terminate and be completely discharged; provided that if such Bond is to be redeemed prior to maturity, notice of such redemption has been given as in the Indenture provided or provision satisfactory to the Trustee has made for the giving of such notice, and provided further that the Owner of such Bond shall thereafter be entitled to the payment of the principal of, premium, if any, and interest on such Bond, and the Issuer shall remain liable for such payment, but only out of such money or securities deposited with the Trustee for their payment.

The Issuer may at any time surrender to the Trustee for cancellation by it any Bonds previously issued and delivered, which the Issuer may have acquired in any manner whatsoever, and such Bonds, upon such surrender and cancellation, shall be deemed to be paid and retired.

Notwithstanding anything in the Indenture to the contrary, if the Bond Obligation of or interest on a Series of Bonds shall be paid by a Credit Enhancement Provider pursuant to the Credit Enhancement issued in connection with such Series of Bonds, the obligations of the Issuer shall not be deemed to be satisfied or considered paid by the Issuer by virtue of such payments, and the right, title and interest of the Issuer in the Indenture and the obligations of the Issuer under the Indenture shall not be discharged and shall continue to exist and to run to the benefit of such Credit Enhancement Provider, and such Credit Enhancement Provider shall be subrogated to the rights of the Owners of the Bonds of such Series.

***Deposit of Money or Securities.*** Whenever in the Indenture it is provided or permitted that there be deposited with or held in trust money or securities in the necessary amount to pay or redeem any Bond, the money or securities so to be deposited or held may include money or securities held by the Trustee in the funds and accounts established pursuant to the Indenture and shall be:

(a) lawful money of the United States of America in an amount equal to the principal amount of that Bond and all unpaid interest thereon to maturity, except that, in the case of any Bond that is to be redeemed prior to maturity and in respect of which notice of such redemption has been given as provided in the Indenture, or provision satisfactory to the Trustee has been made for the giving of such notice, the amount to be deposited or held shall be the principal amount or Redemption Price of that Bond and all unpaid interest thereon to the redemption date; or

(b) Investment Securities described in clause (a) of the definition thereof the principal of and interest on which when due will, together with any cash on deposit therein, in the opinion of an independent certified public accountant delivered to the Trustee (as confirmed by a verification report upon which verification report the Trustee may conclusively rely), will provide money sufficient to pay the principal or Redemption Price of and all unpaid interest to maturity, or to the redemption date, as the case may be, on that Bond as each payment of such principal, Redemption Price or interest becomes due; provided that, in the case of any Bond that is to be redeemed prior to the maturity thereof, notice of such redemption has been given as provided in the Indenture, or provision satisfactory to the Trustee has been made for the giving of such notice; provided, in each case, that the Trustee has been irrevocably instructed (by the terms of the Indenture or by Request of the Issuer) to apply such money to the payment of such principal or Redemption Price and interest with respect to such Bonds.



***Payment of Bonds After Discharge of Indenture.*** Any moneys held by the Trustee in trust for the payment of the principal, Redemption Price, or interest on any Bond and remaining unclaimed for one (1) year after such principal, Redemption Price, or interest has become due and payable (whether at maturity or upon call for redemption as provided in the Indenture), if such moneys were so held at such date, or one (1) year after the date of deposit of moneys for the payment of such principal, Redemption Price or interest on any Bond if such moneys were deposited after the date when such Bond became due and payable, shall be repaid to the Issuer free from the trusts created by the Indenture, and all liability of the Trustee with respect to such moneys shall thereupon cease; provided, however, that before the repayment of such moneys to the Issuer as aforesaid, the Trustee may (at the cost of the Issuer) first mail to the Owners of any Bonds remaining unpaid at the addresses shown on the registration books maintained by the Trustee a notice, in such form as may be deemed appropriate by the Trustee, with respect to the Bonds so payable and not presented and with respect to the provisions relating to the repayment to the Issuer of the moneys held for the payment thereof. All moneys held by or on behalf of the Trustee for the payment of principal or Accreted Value of or interest or redemption premium on any Bond, whether at redemption or maturity, shall be held in trust for the account of the Owner thereof and the Trustee shall not be required to pay Owner any interest on, or be liable to the Owner or any other person (other than the Issuer) interest earned on, moneys so held. Any interest earned thereon shall belong to the City and shall be deposited upon receipt by the Trustee into the Pledged Measure Receipts Fund.

#### **Bond Insurance Provisions Relating to each respective Series of 2019 Bonds**

***Provisions Relating to 2019 Bond Insurance Policy.*** So long as the 2019 Insurance Policy is in effect or amounts are owed to the 2019 Insurer, the following provisions will govern the Insured 2019 Bonds notwithstanding anything to the contrary set forth in the Indenture:

***Reserve Fund; Insurer Consent.*** The prior written consent of the 2019 Insurer shall be a condition precedent to the deposit of any credit instrument provided in lieu of a cash deposit into the 2019 Bond Reserve Fund. Notwithstanding anything to the contrary set forth in the Indenture, amounts on deposit in the 2019 Bond Reserve Fund shall be applied solely to the payment of debt service due on the Insured 2019 Bonds.

***Insurer as Sole Holder of Insured 2019 Bonds.*** The 2019 Insurer shall be deemed to be the sole Owner of the Insured 2019 Bonds for the purpose of exercising any voting right or privilege or giving any consent or direction or taking any other action that the Owners of the Insured 2019 Bonds are entitled to take pursuant to the Indenture pertaining to (i) defaults and remedies and (ii) the duties and obligations of the Trustee. In furtherance thereof and as a term of the Indenture and each Insured 2019 Bond, each Owner of the Insured 2019 Bonds appoints the 2019 Insurer as its agent and attorney-in-fact with respect to the Insured 2019 Bonds and agrees that the 2019 Insurer may at any time during the continuation of any proceeding by or against the Issuer or the City under the United States Bankruptcy Code or any other applicable bankruptcy, insolvency, receivership, rehabilitation or similar law (an "Insolvency Proceeding") direct all matters relating to such Insolvency Proceeding, including without limitation, (A) all matters relating to any claim or enforcement proceeding in connection with an Insolvency Proceeding (a "Claim"), (B) the direction of any appeal of any order relating to any Claim, (C) the posting of any surety, supersedes or performance bond pending any such appeal, and (D) the right to vote to accept or reject any plan of adjustment. In addition, each Owner of the Insured 2019 Bonds delegates and assigns to the 2019 Insurer, to the fullest extent permitted by law, the rights of each Owner of the Insured 2019 Bonds with respect to the Insured 2019 Bonds in the conduct of any Insolvency Proceeding, including, without limitation, all rights of any party to an adversary proceeding or action with respect to any court order issued in connection with any such Insolvency Proceeding. The Trustee acknowledges such appointment, delegation and assignment by each Owner of the Insured 2019 Bonds for the 2019 Insurer's benefit, and agrees to cooperate with the 2019 Insurer in taking any action reasonably necessary or appropriate in connection with such

appointment, delegation and assignment. Remedies granted to the Owners shall expressly include mandamus.

***Covenant Default Period.*** No grace period for a covenant default shall exceed 30 days or be extended for more than 60 days, without the prior written consent of the 2019 Insurer.

***Insurer as Third Party Beneficiary.*** To the extent that the Indenture confers upon or gives or grants to the 2019 Insurer any right, remedy or claim under or by reason of the Indenture, the 2019 Insurer is explicitly recognized as being a third party beneficiary under the Indenture and may enforce any such right, remedy or claim conferred, given or granted under the Indenture.

***Insurer Consent to Amendments.*** Any amendment, supplement, modification to, or waiver of, the Indenture, the Pledge Agreement or any other transaction document, including any underlying security agreement (each a “Related Document”), that requires the consent of Owners of the Insured 2019 Bonds or adversely affects the rights and interests of the 2019 Insurer shall be subject to the prior written consent of the 2019 Insurer.

***Insurer’s Right to Direct Actions.*** The rights granted to the 2019 Insurer under the Indenture or any other Related Document to request, consent to or direct any action are rights granted to the 2019 Insurer in consideration of its issuance of the 2019 Insurance Policy. Any exercise by the 2019 Insurer of such rights is merely an exercise of the 2019 Insurer’s contractual rights and shall not be construed or deemed to be taken for the benefit, or on behalf, of the Owners of the Insured 2019 Bonds and such action does not evidence any position of the 2019 Insurer, affirmative or negative, as to whether the consent of the Owners of the Insured 2019 Bonds or any other person is required in addition to the consent of the 2019 Insurer.

***Defeasance.*** To accomplish defeasance of the Insured 2019 Bonds, the Issuer shall cause to be delivered (i) a report of an independent firm of nationally recognized certified public accountants or such other accountant as shall be acceptable to the 2019 Insurer (“Accountant”) verifying the sufficiency of the escrow established to pay the Insured 2019 Bonds in full on the maturity or redemption date (“Verification”), (ii) an escrow deposit agreement or other irrevocable instructions to the Trustee (which shall be acceptable in form and substance to the 2019 Insurer) and (iii) an opinion of nationally recognized bond counsel to the effect that the Insured 2019 Bonds are no longer “Outstanding” under the Indenture; each Verification and defeasance opinion shall be acceptable in form and substance, and addressed, to the Issuer, the Trustee and the 2019 Insurer. The 2019 Insurer shall be provided with final drafts of the above referenced documentation not less than five business days prior to the funding of the escrow. Insured 2019 Bonds shall be deemed “Outstanding” under the Indenture unless and until they are in fact paid and retired or the above criteria are met.

***Amounts Paid by 2019 Insurer.*** Amounts paid by the 2019 Insurer under the 2019 Insurance Policy shall not be deemed paid for purposes of the Indenture and the Insured 2019 Bonds relating to such payments shall remain Outstanding and continue to be due and owing until paid by the Issuer in accordance with the Indenture. The Indenture shall not be discharged unless all amounts due or to become due to the 2019 Insurer have been paid in full or duly provided for.

***Claims Upon the 2019 Insurance Policy and Payments by and to the 2019 Insurer.*** If, on the third Business Day prior to the related scheduled interest payment date or principal payment date (“Payment Date”) there is not on deposit with the Trustee, after making all transfers and deposits required under the Indenture, moneys sufficient to pay the principal of and interest on the Insured 2019 Bonds due on such Payment Date, the Trustee shall give notice to the 2019 Insurer and to its designated agent (if any) (the “Insurer’s Fiscal Agent”) by telephone or telecopy of the amount of such deficiency by 12:00 noon, New York City time, on such Business Day. If, on the second Business Day prior to the related Payment Date,

there continues to be a deficiency in the amount available to pay the principal of and interest on the Insured 2019 Bonds due on such Payment Date, the Trustee shall make a claim under the 2019 Insurance Policy and give notice to the 2019 Insurer and the Insurer's Fiscal Agent (if any) by telephone of the amount of such deficiency, and the allocation of such deficiency between the amount required to pay interest on the Insured 2019 Bonds and the amount required to pay principal of the Insured 2019 Bonds, confirmed in writing to the 2019 Insurer and the Insurer's Fiscal Agent by 12:00 noon, New York City time, on such second Business Day by filling in the form of Notice of Claim and Certificate delivered with the 2019 Insurance Policy.

The Trustee shall designate any portion of payment of principal on Insured 2019 Bonds paid by the 2019 Insurer, whether by virtue of mandatory sinking fund redemption, maturity or other advancement of maturity, on its books as a reduction in the principal amount of Insured 2019 Bonds registered to the then current Owner of the Insured 2019 Bonds, whether DTC or its nominee or otherwise, and shall issue a replacement Insured 2019 Bond to the 2019 Insurer, in a principal amount equal to the amount of principal so paid (without regard to authorized denominations); provided that the Trustee's failure to so designate any payment or issue any replacement Insured 2019 Bond shall have no effect on the amount of principal or interest payable by the Issuer on any Insured 2019 Bond or the subrogation rights of the 2019 Insurer.

The Trustee shall keep a complete and accurate record of all funds deposited by the 2019 Insurer into the Policy Payments Account (defined below) and the allocation of such funds to payment of interest on and principal of any Insured 2019 Bond. The 2019 Insurer shall have the right to inspect such records at reasonable times upon reasonable notice to the Trustee.

Upon payment of a claim under the 2019 Insurance Policy, the Trustee shall establish a separate special purpose trust account for the benefit of Owners of the Insured 2019 Bonds referred to in the Indenture as the "Policy Payments Account" and over which the Trustee shall have exclusive control and sole right of withdrawal. The Trustee shall receive any amount paid under the 2019 Insurance Policy in trust on behalf of Owners of the Insured 2019 Bonds and shall deposit any such amount in the Policy Payments Account and distribute such amount only for purposes of making the payments for which a claim was made. Such amounts shall be disbursed by the Trustee to Owners of the Insured 2019 Bonds in the same manner as principal and interest payments are to be made with respect to the Insured 2019 Bonds under the sections of the Indenture regarding payment of Insured 2019 Bonds. It shall not be necessary for such payments to be made by checks or wire transfers separate from the check or wire transfer used to pay debt service with other funds available to make such payments. Notwithstanding anything in the Indenture to the contrary, the Issuer agrees to pay, or cause the City to pay, to the 2019 Insurer (i) a sum equal to the total of all amounts paid by the 2019 Insurer under the 2019 Insurance Policy (the "2019 Insurer Advances"); and (ii) interest on such 2019 Insurer Advances from the date paid by the 2019 Insurer until payment thereof in full, payable to the 2019 Insurer at the Late Payment Rate per annum (collectively, the "2019 Insurer Reimbursement Amounts"). "Late Payment Rate" means the lesser of (a) the greater of (i) the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank at its principal office in The City of New York, as its prime or base lending rate (any change in such rate of interest to be effective on the date such change is announced by JPMorgan Chase Bank) plus 3%, and (ii) the then applicable highest rate of interest on the Insured 2019 Bonds and (b) the maximum rate permissible under applicable usury or similar laws limiting interest rates. The Late Payment Rate shall be computed on the basis of the actual number of days elapsed over a year of 360 days. Pursuant to the Indenture, the Issuer covenants and agrees that the 2019 Insurer Reimbursement Amounts are secured by a lien on and pledge of the Pledged Allocable Sales Tax Revenues of the City and payable from such Pledged Allocable Sales Tax Revenues of the City on a parity with debt service due on the Insured 2019 Bonds.

Funds held in the Policy Payments Account shall not be invested by the Trustee and may not be applied to satisfy any costs, expenses or liabilities of the Trustee. Any funds remaining in the Policy Payments Account following a Payment Date shall promptly be remitted to the 2019 Insurer.

**Subrogation of Rights.** The 2019 Insurer shall, to the extent it makes any payment of principal of or interest on the Insured 2019 Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the 2019 Insurance Policy (which subrogation rights shall also include the rights of any such recipients in connection with any Insolvency Proceeding). Each obligation of the Issuer to the 2019 Insurer under the Related Documents shall survive discharge or termination of such Related Documents.

**Reimbursement of Insurer.** The Issuer shall pay or reimburse, or cause the City to pay or reimburse, from the Pledged Measure Receipts, the 2019 Insurer any and all charges, fees, costs and expenses that the 2019 Insurer may reasonably pay or incur in connection with (i) the administration, enforcement, defense or preservation of any rights or security in any Related Document; (ii) the pursuit of any remedies under the Indenture or any other Related Document or otherwise afforded by law or equity, (iii) any amendment, waiver or other action with respect to, or related to, the Indenture or any other Related Document whether or not executed or completed, or (iv) any litigation or other dispute in connection with the Indenture or any other Related Document or the transactions contemplated thereby, other than costs resulting from the failure of the 2019 Insurer to honor its obligations under the 2019 Insurance Policy. The 2019 Insurer reserves the right to charge a reasonable fee as a condition to executing any amendment, waiver or consent proposed in respect of the Indenture or any other Related Document.

**Application of Funds Upon Default.** After payment of reasonable fees and expenses of the Trustee, the application of funds realized upon default shall be applied to the payment of expenses of the Issuer or rebate only after the payment of past due and current debt service on the Insured 2019 Bonds and amounts required to restore the 2019 Bond Reserve Fund to the 2019 Bond Reserve Requirement.

**Payment on the Insured 2019 Bonds.** The 2019 Insurer shall be entitled to pay principal or interest on the Insured 2019 Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer (as such terms are defined in the 2019 Insurance Policy), whether or not the 2019 Insurer has received a Notice of Nonpayment (as such terms are defined in the 2019 Insurance Policy) or a claim upon the 2019 Insurance Policy.

**Amendments.** In determining whether any amendment, consent, waiver or other action to be taken, or any failure to take action, under the Indenture would adversely affect the security for the Insured 2019 Bonds or the rights of the Bondholders, any such amendment, consent, waiver, action or inaction shall be considered as if there were no 2019 Insurance Policy.

**Acceleration.** The Insured 2019 Bonds shall not be accelerated without the consent of the 2019 Insurer and in the event that the Insured 2019 Bonds are accelerated, the 2019 Insurer may elect, in its sole discretion, to pay accelerated principal, and interest accrued on such principal, to the date of acceleration (to the extent unpaid by the Issuer) and the Trustee shall be required to accept such amounts. Upon payment of such accelerated principal and interest accrued to the acceleration date as provided above, the 2019 Insurer's obligations under the 2019 Insurance Policy with respect to the Insured 2019 Bonds shall be fully discharged.

## Provisions Relating to 2019 Reserve Policy

So long as the 2019 Reserve Policy is in effect, the following provisions will govern the 2019 Bonds notwithstanding anything to the contrary set forth in the Indenture:

(A) The Issuer shall repay, or cause the City to repay, from Pledged Measure Receipts any draws under the 2019 Reserve Policy and pay all related reasonable expenses incurred by the 2019 Insurer and shall pay interest thereon from the date of payment by the 2019 Insurer at the Late Payment Rate. “Late Payment Rate” means the lesser of (x) the greater of (i) the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank at its principal office in the City of New York, as its prime or base lending rate (“Prime Rate”) (any change in such Prime Rate to be effective on the date such change is announced by JPMorgan Chase Bank) plus 3%, and (ii) the then applicable highest rate of interest on the 2019 Bonds and (y) the maximum rate permissible under applicable usury or similar laws limiting interest rates. The Late Payment Rate shall be computed on the basis of the actual number of days elapsed over a year of 360 days. In the event JPMorgan Chase Bank ceases to announce its Prime Rate publicly, Prime Rate shall be the publicly announced prime or base lending rate of such national bank as the 2019 Insurer shall specify. If the interest provisions of this subparagraph (A) shall result in an effective rate of interest which, for any period, exceeds the limit of the usury or any other laws applicable to the indebtedness created in the Indenture, then all sums in excess of those lawfully collectible as interest for the period in question shall, without further agreement or notice between or by any party to the Indenture, be applied as additional interest for any later periods of time when amounts are outstanding under the Indenture to the extent that interest otherwise due under the Indenture for such periods plus such additional interest would not exceed the limit of the usury or such other laws, and any excess shall be applied upon principal immediately upon receipt of such moneys by the 2019 Insurer, with the same force and effect as if the Issuer had specifically designated such extra sums to be so applied and the 2019 Insurer had agreed to accept such extra payment(s) as additional interest for such later periods. In no event shall any agreed-to or actual exaction as consideration for the indebtedness created in the Indenture exceed the limits imposed or provided by the law applicable to this transaction for the use or detention of money or for forbearance in seeking its collection.

Repayment of draws and payment of expenses and accrued interest thereon at the Late Payment Rate (collectively, “Policy Costs”) shall commence in the first month following each draw, and each such monthly payment shall be in an amount at least equal to 1/12 of the aggregate of Policy Costs related to such draw.

Amounts in respect of Policy Costs paid to the 2019 Insurer shall be credited first to interest due, then to the expenses due and then to principal due. As and to the extent that payments are made to the 2019 Insurer on account of principal due, the coverage under the 2019 Reserve Policy will be increased by a like amount, subject to the terms of the 2019 Reserve Policy. The obligation to pay Policy Costs shall be secured by a valid lien on the Pledged Measure Receipts (subject only to the priority of payment provisions set forth under the Indenture). All cash and investments in the 2019 Bond Reserve Fund shall be transferred to the 2019 Interest Account and the 2019 Principal Account for payment of debt service on 2019 Bonds before any drawing may be made on the 2019 Reserve Policy or any other credit facility credited to the 2019 Bond Reserve Fund in lieu of cash (“Credit Facility”). Payment of any Policy Costs shall be made prior to replenishment of any such cash amounts. Draws on all Credit Facilities (including the 2019 Reserve Policy) on which there is available coverage shall be made on a pro-rata basis (calculated by reference to the coverage then available thereunder) after applying all available cash and investments in the 2019 Bonds Reserve Fund. Payment of Policy Costs and reimbursement of amounts with respect to other Credit Facilities shall be made on a pro-rata basis prior to replenishment of any cash drawn from the 2019 Bonds Reserve Fund. For the avoidance of doubt, “available coverage” means the coverage then available for disbursement pursuant to the terms of the applicable alternative credit instrument without regard to the legal

or financial ability or willingness of the provider of such instrument to honor a claim or draw thereon or the failure of such provider to honor any such claim or draw.

(B) If the Issuer shall fail to pay any Policy Costs in accordance with the requirements of subparagraph (A) above, the 2019 Insurer shall be entitled to exercise any and all legal and equitable remedies available to it, including those provided under the Indenture other than remedies which would adversely affect Owners of the 2019 Bonds.

(C) The Indenture shall not be discharged until all Policy Costs owing to the 2019 Insurer shall have been paid in full. The Issuer's obligation to pay such amounts shall expressly survive payment in full of the 2019 Bonds.

(D) The Issuer shall include any Policy Costs then due and owing the 2019 Insurer in the calculation of the additional bonds test in the Indenture.

(E) The Trustee shall ascertain the necessity for a claim upon the 2019 Reserve Policy in accordance with the provisions of subparagraph (A) above and provide notice to the 2019 Insurer in accordance with the terms of the 2019 Reserve Policy at least five business days prior to each date upon which interest or principal is due on the 2019 Bonds. Where deposits are required to be made by the Issuer with the Trustee to the 2019 Interest Account and the 2019 Principal Account for the 2019 Bonds more often than semi-annually, the Trustee shall be instructed to give notice to the 2019 Insurer of any failure of the Issuer to make timely payment in full of such deposits within two business days of the date due.

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FORM OF PLEDGE AGREEMENT  
(MEASURE M)

By and between

NORWALK COMMUNITY FACILITIES FINANCING AUTHORITY

and

CITY OF NORWALK

Dated as of July 1, 2019

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THIS PLEDGE AGREEMENT (MEASURE M), dated as of July 1, 2019 (this “Agreement”), by and between the NORWALK COMMUNITY FACILITIES FINANCING AUTHORITY, a joint powers authority duly established and existing under the law of the State of California (the “Authority”), and the CITY OF NORWALK, a general law city duly organized and existing under the Constitution and the laws of the State of California (the “City”), as set forth herein,

WITNESSETH:

WHEREAS, the Authority is a joint powers authority duly organized and existing under and pursuant to that certain Joint Exercise of Powers Agreement, dated as of August 1, 1989, as amended, by and between the City and the Norwalk Parking Authority, and under the provisions of Articles 1 through 4 (commencing with Section 6500) of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (the “Act”), and is authorized pursuant to Article 4 of the Act (the “Bond Law”) to, among other purposes, borrow money for the purpose of financing the capital improvement needs of the City; and

WHEREAS, the Los Angeles County Metropolitan Transportation Authority (“LACMTA”) is authorized by Section 130350.7 of the California Public Utilities Code to impose a retail transactions and use tax that is applicable in the incorporated and unincorporated areas of the County of Los Angeles, California (the “County”), at a rate that, when combined with the rate of the sales tax authorized by voter approval of Measure R (the “Measure R Sales Tax”) during any period when the Measure R Sales Tax is in effect and upon expiration of the Measure R Sales Tax, shall not exceed one percent, if authorized by at least two-thirds of the electors voting on the issue; and

WHEREAS, in accordance with such provision, LACMTA, on July 23, 2016, adopted Ordinance No. 16-01, known as the Los Angeles County Traffic Improvement Plan (the “Ordinance”), imposing a transactions and use tax for transportation purposes subject to approval by the electors of the County; and

WHEREAS, the Ordinance was submitted to the electors of the County in the form of Measure M and approved by greater than a two-thirds vote at an election held on November 8, 2016; and

WHEREAS, the Ordinance, as so approved, imposes a tax, beginning July 1, 2017, upon the sale of tangible personal property at retail at a rate of 1/2 of 1% of the gross receipts of the sale and a complementary tax upon the storage, use or other consumption in the County at a rate of 1/2 of 1% of the sales price of the property whose storage, use or other consumption is subject to the tax, with the rate increasing to 1% on July 1, 2039, following the expiration of the Measure R Sales Tax (the “Measure M Sales Tax”); and

WHEREAS, a portion of the Measure M Sales Tax revenues are allocated and paid by LACMTA to the County and cities located within the County (the “Local Agencies”), including the City, for the purpose of financing eligible projects pursuant to the Ordinance and the guidelines prepared by LACMTA and disseminated to the Local Agencies, adopted on June

22, 2017 (as amended from time to time, the “Guidelines”), relating to the administration and use of the Measure M Sales Tax; and

WHEREAS, the Authority now intends to assist the City in financing certain transportation projects of the City that are eligible, pursuant to the Ordinance and the Guidelines, to be undertaken with Measure M Receipts (the “Project”), by issuing its Norwalk Community Facilities Financing Authority Sales Tax Revenue Bonds (Limited Tax Bonds) (Measure M), Series 2019A (the “2019A Bonds”), which shall be payable only from the Measure M Receipts (as defined in the Indenture (as defined below));

NOW, THEREFORE, in consideration of the mutual covenants herein contained, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto, intending to be legally bound, agree as follows:

## **ARTICLE I**

### **DEFINITIONS; RULES OF CONSTRUCTION**

Section 1.01. Definitions. Unless otherwise defined herein, capitalized terms used herein shall have the meanings assigned to them in the Indenture, dated as of July 1, 2019 (the “Indenture”), by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”).

Section 1.02. Rules of Construction. Unless the context clearly indicates to the contrary, the following rules shall apply to the construction of this Agreement:

- (a) Words importing the singular number shall include the plural number and vice versa.
- (b) Words importing the feminine, masculine and neuter genders shall each include correlative words of the other genders.
- (c) All approvals, consents and acceptances required to be given or made by any person or party hereunder shall be at the sole discretion of the person or party whose approval, consent or acceptance is required.
- (d) All references herein to particular articles or sections are references to articles or sections of this Agreement.
- (e) The captions and headings and table of contents herein are solely for convenience of reference and shall not constitute a part of this Agreement nor shall they affect its meaning, construction or effect.
- (f) References to any document, agreement, certificate or other instrument shall refer to the provisions of such instrument, as the same may be amended and supplemented from time to time.

- (g) Words permitting discretion shall mean that the Person having such discretion may take such action but is not obligated to do so.

## ARTICLE II

### PLEDGE OF MEASURE M RECEIPTS

Section 2.01. Special Fund; Pledge of Pledged Measure M Receipts; Transfer of Pledged Measure M Receipts to the Trustee.

(a) The City hereby represents that it has established a special fund for deposit of all Measure M Receipts. The City covenants to hold Measure M Receipts in such special fund until such time in each Fiscal Year as the amount equals all amounts required for the payment of 2019A Bonds and any additional Bonds in that Fiscal Year. The City covenants to maintain sufficient Measure M Receipts thereafter to make the transfer required by Section 2.01(b).

(b) The City hereby pledges and assigns on a first priority basis all amounts transferred to the Trustee as Pledged Measure M Receipts unconditionally and irrevocably for the payment of debt service on the 2019A Bonds and any additional Bonds until released from the lien of the Indenture pursuant to Section 5.02(C) thereof. The City hereby approves the Indenture and the issuance of the Series 2019A Bonds thereunder by the Authority, the assignment thereunder to the Trustee of the right, title and interest of the Authority in this Agreement.

Amounts released from the pledge of the Indenture and disbursed to the City, interest earnings received on such released Measure M Receipts and any other income earned (such as fare revenues, revenue from advertising among other revenue sources) attributable to the Measure M Receipts shall be deposited into the special fund and then applied for any lawful purpose consistent with the Ordinance and the Guidelines.

(c) The City shall on the fifth (5<sup>th</sup>) Business Day prior to each Interest Payment Date transfer to the Trustee, in the amounts specified under the Indenture, Measure M Receipts for deposit in the Pledged Measure M Receipts Fund for application in accordance with the Indenture. The failure to make any portion of such payment by the Interest Payment Date shall be an event of default under this Agreement. Measure M Receipts once deposited in the Pledged Measure M Receipts Fund shall become Pledged Measure M Receipts under the Indenture.

Section 2.02. City to Pay Authority Costs. The City hereby agrees to pay the reasonable out-of-pocket costs and expenses of the Authority directly related to the costs of issuance for the 2019A Bonds including, without limitation, (i) any amounts due to the Trustee pursuant to Section 8.06 of the Indenture for all services rendered under the Indenture and for all reasonable expenses, charges, costs, liabilities, legal fees and other disbursements incurred in and about the performance of its powers and duties under the Indenture; (ii) any amounts due to the Trustee pursuant to Sections 5.07 and 6.07 of the Indenture; (iii) any reasonable fees and expenses of such accountants, consultants, attorneys and other experts as may be engaged by the Authority or the Trustee to prepare audits, financial statements, reports, opinions or provide such

other services required under this Agreement or the Indenture; (iv) any Policy Costs, and (v) any reasonable out-of-pocket expenses of the Authority in connection with the execution and delivery of this Agreement, the Indenture, or in connection with the issuance of the 2019A Bonds, including any and all expenses incurred in connection with the authorization, issuance, sale and delivery of the 2019A Bonds, or incurred by the Authority in connection with any litigation which may at any time be instituted involving this Agreement, the 2019A Bonds, the Indenture or any of the other documents contemplated hereby or thereby, or otherwise incurred in connection with the administration hereof or thereof. The payment of such costs and expenses shall not be a general fund obligation of the City and shall be payable from solely from Measure M Receipts and/or the proceeds of the 2019A Bonds.

### **ARTICLE III**

#### **REMEDIES**

Section 3.01. Remedies. Each of the parties hereto may take whatever action at law or in equity may appear necessary or desirable to exercise its rights or enforce the obligations of the other parties hereunder.

### **ARTICLE IV**

#### **TERM**

Section 4.01. Term. The pledge granted by the City in accordance with Section 2.01 hereof shall continue irrevocably, in full force and effect, until the payment or defeasance in full of all Outstanding Bonds.

### **ARTICLE V**

#### **REPRESENTATIONS AND COVENANTS**

Section 5.01. Compliance with the Borrowing Guidelines. The City hereby represents that it has complied with the (i) the Ordinance, (ii) the Guidelines and (iii) the Borrowing Guidelines for Prop A, Prop C, Measure R and Measure M Local Return Programs, dated March 1, 2018.

Section 5.02. 3% Local Contribution. If, pursuant to the Ordinance and the Guidelines, LACMTA determines that the City is required to contribute 3% of the total costs of a major transit project, the City shall use its best efforts to enter into an agreement with LACMTA regarding such 3% contribution (the "Contribution Agreement") in a timely manner. On an annual basis, the City shall adopt all necessary budgets and make all necessary appropriations for the payment of the 3% contribution pursuant to the terms of the Contribution Agreement.

Section 5.03. Maintenance of Effort. The City shall maintain, at a minimum, the same level of local funding for transportation projects and services at the level that constitutes the maintenance of effort as determined by LACMTA pursuant to the terms of the Ordinance and the Guidelines. The City hereby covenants to include in each annual budget amounts sufficient to satisfy its annual maintenance of effort requirement.

Section 5.04. Assurances and Understanding Agreement. The City hereby represents that it has entered into an Assurances and Understanding Agreement with LACMTA, and that such Assurances and Understanding Agreement is in full force and effect. The City covenants that it shall comply with terms of the Assurances and Understanding Agreement, as the same may be amended from time to time.

Section 5.05. Expenditure Plan. The City covenants that by no later than August 1 of each year, or such other date as may be required, it shall submit an Expenditure to LACMTA. The Expenditure Plan shall comply with the Guidelines.

Section 5.06. Expenditure Report. The City covenants that by no later than October 15 of each year, or such other date as may be required, the City shall submit an Expenditure Report to LACMTA. The Expenditure Report shall comply with the Guidelines.

Section 5.07. Audit Requirements; Maintenance of Financial Records. The City covenants to assist LACMTA in conducting an annual financial and compliance audit to verify the City's adherence to the Guidelines. The audit shall be conducted as part of LACMTA's Consolidated Audit Program. The City shall maintain proper accounting records and documentation to facilitate the performance of the audit prescribed in the Guidelines. The City shall retain such records relating to the Measure M Receipts for at least four years following the year of allocation.

Section 5.08. Maintenance of Measure M Receipts. The City will use its best efforts to comply with all provisions of law and any regulations issued thereunder relating to the Measure M Receipts, including but not limited to the Ordinance and the Guidelines, and will take any and all reasonable actions required in order to maintain the City's ability to receive the Measure M Receipts and apply the same as provided herein; provided, that nothing herein shall require the City to take any action or expend any City funds to comply with any requirements deemed unreasonable in the sole discretion of the City, so long as failure to take such action or expend such funds (to the extent legally available therefor) will not cause the amount of estimated Measure M Receipts to be received by the City in the next Fiscal Year to be less than 150% of the Maximum Annual Debt Service on all Outstanding Bonds and any other obligations payable from Measure M Receipts as of the date of calculation. If the Maximum Annual Debt Service on all Outstanding Bonds and other obligations payable from Measure M Receipts is attributable to the Fiscal Year beginning on July 1, 2039 (or in the event that the Ordinance is hereafter modified or amended, such Fiscal Year as specified in the Ordinance as amended or modified) or any Fiscal Year subsequent to the Fiscal Year beginning July 1, 2039, for purposes of the calculation to be made pursuant to this Section 5.08, the City, in determining its estimated Measure M Receipts to be received by the City in the next Fiscal Year, shall be permitted to adjust the estimated Measure M Receipts to account for the increase in the Measure M Sales Tax from 1/2% to 1% (or in the event that the Ordinance is hereafter modified or amended, the

estimated Measure M Receipts may be adjusted by the change in the Measure M Sales Tax specified in the Ordinance as amended or modified), which is scheduled to occur on July 1, 2039.

Section 5.09. Expenditure on Eligible Projects. The City hereby covenants to use proceeds of the 2019A Bonds and any Measure M Receipts received by the City only on eligible projects.

Section 5.10. Expenditure of Measure M Receipts Within Five Years. The City hereby covenants to expend Measure M Receipts within five years from the last day of the Fiscal Year in which such Measure M Receipts were originally allocated or received; provided that if LACMTA approves a request of the City to have additional time to expend Measure M Receipts beyond the five year term limit, the City shall expend such Measure M Receipts within the term limit prescribed by LACMTA in its approval of the City's request to have additional time to expend the Measure M Receipts.

Section 5.11. Administrative Expenditures. The City hereby covenants, in any year, not to apply greater than 20% of the City's total expenditures payable from Measure M Receipts on administrative expenditures authorized under the Guidelines.

Section 5.12. Corrective Action Following Annual Financial and Compliance Audit. If following the performance of the annual financial and compliance audit by LACMTA, the City is notified that certain corrective action is required to be taken by the City, the City covenants to take all such corrective action as soon as practicably possible.

Section 5.13. Continuing Disclosure. Upon the issuance of any Series of Bonds requiring an undertaking under Rule 15c2-12, the City hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Agreement executed and delivered in connection with such Series of Bonds. Notwithstanding any other provision of this Agreement to the contrary, failure of the City to comply with the provisions of any Continuing Disclosure Agreement shall not be considered an event of default hereunder; however, the Trustee shall, at the written request of any Participating Underwriter or of the Owners of at least twenty-five (25%) aggregate principal amount of a Series of Bonds then Outstanding (but only to the extent funds in an amount satisfactory to the Trustee have been provided to it or it has been otherwise indemnified to its satisfaction from any cost, liability, expense or additional charges and fees of the Trustee whatsoever, including, without limitation, reasonable fees and expenses of its attorneys), or any Owner or beneficial owner may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under this Agreement.

Section 5.14. Compliance with Tax Covenants; Observance of Other Covenants.  
(a) In addition to the covenants set forth herein, the City covenants to assist the Authority in complying with all covenants of the Authority set forth in Section 6.07 of the Indenture and the Tax Certificate, which are hereby incorporated by reference as though fully set forth herein and to comply with all covenants in the Tax Certificate applicable to the City. The City hereby covenants that it shall not take any action or fail to take any action which, if made or omitted, respectively, would cause the interest on any Bond to become includable in the gross income, as

defined in section 61 of the Code, of the owner thereof for federal income tax purposes. On the delivery date of the 2019A Bonds, the City will provide a Certificate of Professional Engineer in substantially the form attached as Appendix A hereto.

(b) The City hereby covenants that it shall not take any action or fail to take any action that would have a material adverse effect on the Authority's ability to comply with the covenants and obligations of the Authority provided in the Indenture, including Sections 3.05, 3.06, 3.07, 3.08 and 3.09.

Section 5.15. Issuance of Obligations Payable from Measure M Receipts on a Parity with the Bonds. The City will not create any pledge, lien or charge upon the Measure M Receipts having priority over the lien of the 2019A Bonds and any additional Bonds. The City hereby covenants that it shall not issue any debt or incur any obligations that are payable from Pledged Measure M Receipts on a parity with the 2019A Bonds, other than additional Bonds issued by the Authority in accordance with the terms of the Indenture.

Section 5.16. Protection of Security. The City agrees to contest any assertion by any officer of any governmental entity or any other person with respect to the enforceability of the City's obligations hereunder. From and after the issuance of the 2019A Bonds, the City's obligations hereunder shall be incontestable by the City.

Section 5.17. Payment of Claims. The City will pay and discharge, or cause to be paid and discharged, any and all lawful claims for labor, materials or supplies which, if unpaid, might become a lien or charge upon the properties owned by the City or upon the Measure M Receipts or any part thereof, or which might impair the security for the City's obligations under Article II hereof. Nothing in this Agreement contained shall require the City to make any such payment so long as the City in good faith shall contest the validity of such claims.

Section 5.18. Agreement to Pay Attorneys' Fees and Expenses. If either party to this Agreement should default under any of the provisions hereof and the non-defaulting party or the Trustee should employ attorneys or incur other expenses for the collection of moneys or the enforcement or performance or observance of any obligation or agreement on the part of the defaulting party herein contained, the defaulting party agrees that it will on demand therefor pay to the non-defaulting party or the Trustee, as the case may be, the reasonable fees of such attorneys and such other expenses so incurred.

## ARTICLE VI

### MISCELLANEOUS

Section 6.01. Severability. In case any one or more of the provisions of this Agreement, shall, for any reason, be held to be illegal or invalid, such illegality or invalidity shall not affect any other provision of this Agreement, and this Agreement shall be construed and enforced as if such illegal or invalid provision had not been contained therein.



Section 6.02. No Individual Liability. No covenant or agreement contained in this Agreement shall be deemed to be the covenant or agreement of any member, agent, or employee of the Authority or the City nor any official executing this Agreement shall be liable personally hereon or be subject to any personal liability or accountability by reason of the issuance thereof.

Section 6.03. Notices. All notices, certificates, requests or other communications hereunder shall be sufficiently given, and shall be deemed given, when received by hand or by first class mail, postage prepaid, addressed as follows:

(a) Authority:

Norwalk Community Facilities Financing Authority  
c/of City of Norwalk  
12700 Norwalk Boulevard  
Norwalk, CA 90650  
Attention: Chief Administrative Officer  
Telephone: (562) 929-5772  
E-mail: [jgomez@ci.norwalk.ca.us](mailto:jgomez@ci.norwalk.ca.us)

(b) City:

City of Norwalk  
12700 Norwalk Boulevard  
Norwalk, CA 90650  
Attention: City Manager  
Telephone: (562) 929-5772  
E-mail: [jgomez@ci.norwalk.ca.us](mailto:jgomez@ci.norwalk.ca.us)

Any of the foregoing parties may designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent, by notice in writing given to the others.

Section 6.04. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California.

Section 6.05. Third-Party Beneficiaries. To the extent that this Agreement confers upon or gives or grants the Trustee any right, remedy or claim under or by reason of this Agreement, the Trustee is hereby explicitly recognized as being a third-party beneficiary hereunder and may enforce any such right, remedy or claim conferred, given or granted hereunder. The 2019A Insurer and the Owners of the 2019A Bonds are hereby recognized as third-party beneficiaries and the 2019A Insurer and the Owners of a majority in aggregate amount of Bond Obligation of the 2019A Bonds then Outstanding may enforce any right, remedy or claim conferred, given or granted to the Authority hereunder.

Section 6.06. Amendments. This Agreement may be modified or amended from time to time and at any time in a manner not inconsistent with the purposes of amendment in the Indenture and, in particular, for any purpose that does not materially and adversely affect the interests of the Owners and the 2019A Insurer upon delivery of an opinion of Bond Counsel to such effect.

Section 6.07. Effective Date. This Agreement shall become effective upon its execution by each of the parties hereto.

Section 6.08. Counterparts. This Agreement may be executed in several counterparts, all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the Authority and the City have caused this Agreement to be executed and delivered, all as of the date first above written.

NORWALK COMMUNITY FACILITIES  
FINANCING AUTHORITY

By \_\_\_\_\_  
President

CITY OF NORWALK

By \_\_\_\_\_  
City Manager

**APPENDIX A**

**§ \_\_\_\_\_  
NORWALK COMMUNITY FACILITIES FINANCING AUTHORITY  
SALES TAX REVENUE BONDS (LIMITED TAX BONDS) (MEASURE M)  
SERIES 2019A**

**CERTIFICATE OF PROFESSIONAL ENGINEER**

This certificate is being provided to Norton Rose Fulbright US LLP, as Bond Counsel to the Norwalk Community Facilities Financing Authority (the “*Authority*”), on behalf of the City of Norwalk, California (the “*City*”). This certificate is being delivered in connection with the issuance and delivery of the above-captioned series of revenue bonds (the “*Bonds*”), which were sold for the purpose of financing a portion of the costs of certain transportation projects (each, a “*Project*”) described in the Tax Exemption Certificate with respect to the Bonds (the “*Tax Certificate*”) being delivered by the Authority. This certificate shall be an attachment to the Tax Certificate.

I, \_\_\_\_\_, am the Director of the Public Services Department (the “*Director*”) of the City, and I hereby certify that:

- i) I am a Professional Engineer;
- ii) I am employed by the City and am providing this certificate in connection with the Project(s), the major components of which are described on Exhibit A hereto, being financed with the proceeds of the Bonds;
- iii) I am aware that, and intend that, the Authority and the City will rely in part upon this certificate in demonstrating that its expectations set forth in the Tax Certificate with regard to the weighted average economic life of the Project(s) are reasonable, and am aware that, and intend that, Norton Rose Fulbright US LLP, as Bond Counsel to the Authority, will rely upon the City’s representations on that question in reaching its opinion that interest on the Bonds is excluded pursuant to section 103(a) of the Internal Revenue Code of 1986 from the gross income of the owners thereof for federal income tax purposes, all as more particularly described in the Tax Certificate;
- iv) I have reviewed the Tax Certificate and related attachments, and am familiar with each of the Projects. In my capacity as the Director, I have been and will be involved in the design, planning, budgeting, acquiring and implementing of each of the Projects. I am personally familiar with the types of road, highway or other improvements comprised by each of the Projects; and

- v) On Exhibit A for each Project I have set forth a description of that Project, and for each major component thereof I have set forth: (i) my understanding of the presently estimated amount of proceeds of the Bonds to be allocated to capital expenditures for that component; (ii) if the component has not yet been placed in service, then the date on which I reasonably expect that the component will be placed in service; and (iii) the economic life of the component that, in my professional opinion, is reasonably expected (in each case measured from the later of the date hereof or the expected in service date of that component). In reaching my opinion as to economic lives, I have considered my experience with the acquisition and construction of comparable facilities owned and operated by the City, and my knowledge of the maintenance procedures customarily followed by the City with respect to such facilities, and I have assumed that the City will acquire, construct and maintain the component in accordance with those historic practices. I have no reason to believe that these assumptions are not reasonable.

Based upon the foregoing, it is my professional opinion that the average economic life of the improvements comprised by the Project(s) (weighted in accordance with the amount of proceeds of the Bonds that I expect will be allocated to such improvements, and in each case measured from the later of the date of issuance of the Bonds or the date on which I reasonably expect such improvement will be placed in service) is not less than \_\_\_ years.

IN WITNESS WHEREOF, I have hereunto set my hand on \_\_\_\_\_, 2019.

CITY OF NORWALK

By: \_\_\_\_\_  
Director of Public Services Department

**EXHIBIT A TO CERTIFICATE OF PROFESSIONAL ENGINEER**

**PROJECT DESCRIPTIONS**

Description of Projects:

*(textual description of project, including accounting, City Council authorization or other identifying information, location, purpose, major components and other material information):*

<u>Description of Project Component</u>	Aggregate Amount of Component Capital Expenditures to be <u>Financed</u>	Expected <u>In-Service Date</u>	Expected <u>Economic Life</u>
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FORM OF PLEDGE AGREEMENT  
(MEASURE R)

By and between

NORWALK COMMUNITY FACILITIES FINANCING AUTHORITY

and

CITY OF NORWALK

Dated as of July 1, 2019

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THIS PLEDGE AGREEMENT (MEASURE R), dated as of July 1, 2019 (this “Agreement”), by and between the NORWALK COMMUNITY FACILITIES FINANCING AUTHORITY, a joint powers authority duly established and existing under the law of the State of California (the “Authority”), and the CITY OF NORWALK, a general law city duly organized and existing under the Constitution and the laws of the State of California (the “City”), as set forth herein,

WITNESSETH:

WHEREAS, the Authority is a joint powers authority duly organized and existing under and pursuant to that certain Joint Exercise of Powers Agreement, dated as of August 1, 1989, as amended, by and between the City and the Norwalk Parking Authority, and under the provisions of Articles 1 through 4 (commencing with Section 6500) of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (the “Act”), and is authorized pursuant to Article 4 of the Act (the “Bond Law”) to, among other purposes, borrow money for the purpose of financing the capital improvement needs of the City; and

WHEREAS, the Los Angeles County Metropolitan Transportation Authority (“LACMTA”) is authorized by Section 130350.7 of the California Public Utilities Code to impose a retail transactions and use tax that is applicable in the incorporated and unincorporated areas of the County of Los Angeles, California (the “County”), at a rate that, when combined with the rate of the sales tax authorized by voter approval of Measure R (the “Measure R Sales Tax”) during any period when the Measure R Sales Tax is in effect and upon expiration of the Measure R Sales Tax, shall not exceed one percent, if authorized by at least two-thirds of the electors voting on the issue; and

WHEREAS, in accordance with such provision, LACMTA, on July 24, 2008, adopted Ordinance No. 08-01, known as the Traffic Relief and Rail Expansion Ordinance, Imposing a Transactions and Use Tax to be Administered by the State Board of Equalization (the “Ordinance”) imposing the transactions and use tax for a period of 30 years, and the Ordinance was submitted to the electors of the County in the form of Measure R and approved by greater than a two-thirds vote at an election held on November 4, 2008; and

WHEREAS, the Ordinance, as so approved, imposed for a period of 30 years, beginning July 1, 2009, a tax upon the sale of tangible personal property at retail at a rate of 1/2 of 1% of the gross receipts of the sale and a complementary tax upon the storage, use or other consumption in the County at a rate of 1/2 of 1% of the sales price of the property whose storage, use or other consumption is subject to the tax (the “Measure R Sales Tax”); and

WHEREAS, a portion of the Measure R Sales Tax revenues are allocated and paid by LACMTA to the cities in the County (the “Local Agencies”), including the City, for the purpose of financing eligible projects pursuant to the Ordinance and the Guidelines prepared by LACMTA and disseminated to the Local Agencies, approved by the LACMTA Board on October 22, 2009 (as amended from time to time, the “Guidelines”), relating to the administration and use of the Measure R Sales Tax; and

WHEREAS, the Authority now intends to assist the City in financing certain transportation projects of the City that are eligible, pursuant to the Ordinance and the Guidelines, to be undertaken with Measure R Receipts (the “Project”), by issuing its Norwalk Community Facilities Financing Authority Sales Tax Revenue Bonds (Limited Tax Bonds) (Measure R), Series 2019B (the “2019B Bonds”), which shall be payable only from the Measure R Receipts (as defined in the Indenture (as defined below));

NOW, THEREFORE, in consideration of the mutual covenants herein contained, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto, intending to be legally bound, agree as follows:

## ARTICLE I

### DEFINITIONS; RULES OF CONSTRUCTION

Section 1.01. Definitions. Unless otherwise defined herein, capitalized terms used herein shall have the meanings assigned to them in the Indenture, dated as of July 1, 2019 (the “Indenture”), by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”).

Section 1.02. Rules of Construction. Unless the context clearly indicates to the contrary, the following rules shall apply to the construction of this Agreement:

- (a) Words importing the singular number shall include the plural number and vice versa.
- (b) Words importing the feminine, masculine and neuter genders shall each include correlative words of the other genders.
- (c) All approvals, consents and acceptances required to be given or made by any person or party hereunder shall be at the sole discretion of the person or party whose approval, consent or acceptance is required.
- (d) All references herein to particular articles or sections are references to articles or sections of this Agreement.
- (e) The captions and headings and table of contents herein are solely for convenience of reference and shall not constitute a part of this Agreement nor shall they affect its meaning, construction or effect.
- (f) References to any document, agreement, certificate or other instrument shall refer to the provisions of such instrument, as the same may be amended and supplemented from time to time.
- (g) Words permitting discretion shall mean that the Person having such discretion may take such action but is not obligated to do so.

## ARTICLE II

### PLEDGE OF MEASURE R RECEIPTS

Section 2.01. Special Fund; Pledge of Pledged Measure R Receipts; Transfer of Pledged Measure R Receipts to the Trustee.

(a) The City hereby represents that it has established a special fund for deposit of all Measure R Receipts. The City covenants to hold Measure R Receipts in such special fund until such time in each Fiscal Year as the amount equals all amounts required for the payment of 2019B Bonds and any additional Bonds in that Fiscal Year. The City covenants to maintain sufficient Measure R Receipts thereafter to make the transfer required by Section 2.01(b).

(b) The City hereby pledges and assigns on a first priority basis all amounts transferred to the Trustee as Pledged Measure R Receipts unconditionally and irrevocably for the payment of debt service on the 2019B Bonds and any additional Bonds until released from the lien of the Indenture pursuant to Section 5.02(C) thereof. The City hereby approves the Indenture and the issuance of the Series 2019B Bonds thereunder by the Authority, the assignment thereunder to the Trustee of the right, title and interest of the Authority in this Agreement.

Amounts released from the pledge of the Indenture and disbursed to the City, interest earnings received on such released Measure R Receipts and any other income earned (such as fare revenues, revenue from advertising among other revenue sources) attributable to the Measure R Receipts shall be deposited into the special fund and then applied for any lawful purpose consistent with the Ordinance and the Guidelines.

(c) The City shall on the fifth (5<sup>th</sup>) Business Day prior to each Interest Payment Date transfer to the Trustee, in the amounts specified under the Indenture, Measure R Receipts for deposit in the Pledged Measure R Receipts Fund for application in accordance with the Indenture. The failure to make any portion of such payment by the Interest Payment Date shall be an event of default under this Agreement. Measure R Receipts once deposited in the Pledged Measure R Receipts Fund shall become Pledged Measure R Receipts under the Indenture.

Section 2.02. City to Pay Authority Costs. The City hereby agrees to pay the reasonable out-of-pocket costs and expenses of the Authority directly related to the costs of issuance for the 2019B Bonds including, without limitation, (i) any amounts due to the Trustee pursuant to Section 8.06 of the Indenture for all services rendered under the Indenture and for all reasonable expenses, charges, costs, liabilities, legal fees and other disbursements incurred in and about the performance of its powers and duties under the Indenture; (ii) any amounts due to the Trustee pursuant to Sections 5.07 and 6.07 of the Indenture; (iii) any reasonable fees and expenses of such accountants, consultants, attorneys and other experts as may be engaged by the Authority or the Trustee to prepare audits, financial statements, reports, opinions or provide such other services required under this Agreement or the Indenture; (iv) any Policy Costs, and (v) any reasonable out-of-pocket expenses of the Authority in connection with the execution and delivery of this Agreement, the Indenture, or in connection with the issuance of the 2019B Bonds, including any and all expenses incurred in connection with the authorization, issuance,

sale and delivery of the 2019B Bonds, or incurred by the Authority in connection with any litigation which may at any time be instituted involving this Agreement, the 2019B Bonds, the Indenture or any of the other documents contemplated hereby or thereby, or otherwise incurred in connection with the administration hereof or thereof. The payment of such costs and expenses shall not be a general fund obligation of the City and shall be payable from solely from Measure R Receipts and/or the proceeds of the 2019B Bonds.

### **ARTICLE III**

#### **REMEDIES**

Section 3.01. Remedies. Each of the parties hereto may take whatever action at law or in equity may appear necessary or desirable to exercise its rights or enforce the obligations of the other parties hereunder.

### **ARTICLE IV**

#### **TERM**

Section 4.01. Term. The pledge granted by the City in accordance with Section 2.01 hereof shall continue irrevocably, in full force and effect, until the payment or defeasance in full of all Outstanding Bonds.

### **ARTICLE V**

#### **REPRESENTATIONS AND COVENANTS**

Section 5.01. Compliance with the Borrowing Guidelines. The City hereby represents that it has complied with the (i) the Ordinance, (ii) the Guidelines and (iii) the Borrowing Guidelines for Prop A, Prop C, Measure R and Measure R Local Return Programs, dated March 1, 2018.

Section 5.02. Maintenance of Effort. The City shall maintain, at a minimum, the same level of local funding for transportation projects and services at the level that constitutes the maintenance of effort as determined by LACMTA pursuant to the terms of the Ordinance and the Guidelines. The City hereby covenants to include in each annual budget amounts sufficient to satisfy its annual maintenance of effort requirement.

Section 5.03. Assurances and Understanding Agreement. The City hereby represents that it has entered into an Assurances and Understanding Agreement with LACMTA, and that such Assurances and Understanding Agreement is in full force and effect. The City covenants that it shall comply with terms of the Assurances and Understanding Agreement, as the same may be amended from time to time.

Section 5.04. Expenditure Plan. The City covenants that by no later than August 1 of each year, or such other date as may be required, it shall submit an Expenditure to LACMTA. The Expenditure Plan shall comply with the Guidelines.

Section 5.05. Expenditure Report. The City covenants that by no later than October 15 of each year, or such other date as may be required, the City shall submit an Expenditure Report to LACMTA. The Expenditure Report shall comply with the Guidelines.

Section 5.06. Audit Requirements; Maintenance of Financial Records. The City covenants to assist LACMTA in conducting an annual financial and compliance audit to verify the City's adherence to the Guidelines. The audit shall be conducted as part of LACMTA's Consolidated Audit Program. The City shall maintain proper accounting records and documentation to facilitate the performance of the audit prescribed in the Guidelines. The City shall retain such records relating to the Measure R Receipts for at least four years following the year of allocation.

Section 5.07. Maintenance of Measure R Receipts. The City will use its best efforts to comply with all provisions of law and any regulations issued thereunder relating to the Measure R Receipts, including but not limited to the Ordinance and the Guidelines, and will take any and all reasonable actions required in order to maintain the City's ability to receive the Measure R Receipts and apply the same as provided herein; provided that nothing herein shall require the City to take any action or expend any City funds to comply with any requirements deemed unreasonable in the sole discretion of the City, so long as failure to take such action or expend such funds (to the extent legally available therefor) will not cause the amount of estimated Measure R Receipts to be received by the City in the next Fiscal Year to be less than 150% of the Maximum Annual Debt Service on all Outstanding Bonds and any other obligations payable from Measure R Receipts as of the date of calculation.

Section 5.08. Expenditure on Eligible Projects. The City hereby covenants to use proceeds of the 2019B Bonds and any Measure R Receipts received by the City only on eligible projects.

Section 5.09. Expenditure of Measure R Receipts Within Five Years. The City hereby covenants to expend Measure R Receipts within five years from the last day of the Fiscal Year in which such Measure R Receipts were originally allocated or received; provided that if LACMTA approves a request of the City to have additional time to expend Measure R Receipts beyond the five year term limit, the City shall expend such Measure R Receipts within the term limit prescribed by LACMTA in its approval of the City's request to have additional time to expend the Measure R Receipts.

Section 5.10. Administrative Expenditures. The City hereby covenants, in any year, not to apply greater than 20% of the City's total expenditures payable from Measure R Receipts on administrative expenditures authorized under the Guidelines.

Section 5.11. Corrective Action Following Annual Financial and Compliance Audit. If following the performance of the annual financial and compliance audit by LACMTA, the City is notified that certain corrective action is required to be taken by the City, the City covenants to take all such corrective action as soon as practicably possible.

Section 5.12. Continuing Disclosure. Upon the issuance of any Series of Bonds requiring an undertaking under Rule 15c2-12, the City hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Agreement executed and delivered in connection with such Series of Bonds. Notwithstanding any other provision of this Agreement to the contrary, failure of the City to comply with the provisions of any Continuing Disclosure Agreement shall not be considered an event of default hereunder; however, the Trustee shall, at the written request of any Participating Underwriter or of the Owners of at least twenty-five (25%) aggregate principal amount of a Series of Bonds then Outstanding (but only to the extent funds in an amount satisfactory to the Trustee have been provided to it or it has been otherwise indemnified to its satisfaction from any cost, liability, expense or additional charges and fees of the Trustee whatsoever, including, without limitation, reasonable fees and expenses of its attorneys), or any Owner or beneficial owner may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under this Agreement.

Section 5.13. Compliance with Tax Covenants; Observance of Other Covenants.

(a) In addition to the covenants set forth herein, the City covenants to assist the Authority in complying with all covenants of the Authority set forth in Section 6.07 of the Indenture and the Tax Certificate, which are hereby incorporated by reference as though fully set forth herein and to comply with all covenants in the Tax Certificate applicable to the City. The City hereby covenants that it shall not take any action or fail to take any action which, if made or omitted, respectively, would cause the interest on any Bond to become includable in the gross income, as defined in section 61 of the Code, of the owner thereof for federal income tax purposes. On the delivery date of the 2019B Bonds, the City will provide a Certificate of Professional Engineer in substantially the form attached as Appendix A hereto.

(b) The City hereby covenants that it shall not take any action or fail to take any action that would have a material adverse effect on the Authority's ability to comply with the covenants and obligations of the Authority provided in the Indenture, including Sections 3.05, 3.06, 3.07, 3.08 and 3.09.

Section 5.14. Issuance of Obligations Payable from Measure R Receipts on a Parity with the Bonds. The City will not create any pledge, lien or charge upon the Measure R Receipts having priority over the lien of the 2019B Bonds and any additional Bonds. The City hereby covenants that it shall not issue any debt or incur any obligations that are payable from Pledged Measure R Receipts on a parity with the 2019B Bonds, other than additional Bonds, issued by the Authority in accordance with the terms of the Indenture.

Section 5.15. Protection of Security. The City agrees to contest any assertion by any officer of any governmental entity or any other person with respect to the enforceability of the City's obligations hereunder. From and after the issuance of the 2019B Bonds, the City's obligations hereunder shall be incontestable by the City.

Section 5.16. Payment of Claims. The City will pay and discharge, or cause to be paid and discharged, any and all lawful claims for labor, materials or supplies which, if unpaid, might become a lien or charge upon the properties owned by the City or upon the Measure R Receipts or any part thereof, or which might impair the security for the City's obligations under Article II hereof. Nothing in this Agreement contained shall require the City to make any such payment so long as the City in good faith shall contest the validity of such claims.

Section 5.17. Agreement to Pay Attorneys' Fees and Expenses. If either party to this Agreement should default under any of the provisions hereof and the non-defaulting party or the Trustee should employ attorneys or incur other expenses for the collection of moneys or the enforcement or performance or observance of any obligation or agreement on the part of the defaulting party herein contained, the defaulting party agrees that it will on demand therefor pay to the non-defaulting party or the Trustee, as the case may be, the reasonable fees of such attorneys and such other expenses so incurred.

## ARTICLE VI

### MISCELLANEOUS

Section 6.01. Severability. In case any one or more of the provisions of this Agreement, shall, for any reason, be held to be illegal or invalid, such illegality or invalidity shall not affect any other provision of this Agreement, and this Agreement shall be construed and enforced as if such illegal or invalid provision had not been contained therein.

Section 6.02. No Individual Liability. No covenant or agreement contained in this Agreement shall be deemed to be the covenant or agreement of any member, agent, or employee of the Authority or the City nor any official executing this Agreement shall be liable personally hereon or be subject to any personal liability or accountability by reason of the issuance thereof.

Section 6.03. Notices. All notices, certificates, requests or other communications hereunder shall be sufficiently given, and shall be deemed given, when received by hand or by first class mail, postage prepaid, addressed as follows:

(a) Authority:

Norwalk Community Facilities Financing Authority  
c/of City of Norwalk  
12700 Norwalk Boulevard  
Norwalk, CA 90650  
Attention: Chief Administrative Officer  
Telephone: (562) 929-5772  
E-mail: [jgomez@ci.norwalk.ca.us](mailto:jgomez@ci.norwalk.ca.us)



(b) City:

City of Norwalk  
12700 Norwalk Boulevard  
Norwalk, CA 90650  
Attention: City Manager  
Telephone: (562) 929-5772  
E-mail: [jgomez@ci.norwalk.ca.us](mailto:jgomez@ci.norwalk.ca.us)

Any of the foregoing parties may designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent, by notice in writing given to the others.

Section 6.04. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California.

Section 6.05. Third-Party Beneficiaries. To the extent that this Agreement confers upon or gives or grants the Trustee any right, remedy or claim under or by reason of this Agreement, the Trustee is hereby explicitly recognized as being a third-party beneficiary hereunder and may enforce any such right, remedy or claim conferred, given or granted hereunder. The 2019B Insurer and the Owners of the 2019B Bonds are hereby recognized as third-party beneficiaries and the 2019B Insurer and the Owners of a majority in aggregate amount of Bond Obligation of the 2019B Bonds then Outstanding may enforce any right, remedy or claim conferred, given or granted to the Authority hereunder.

Section 6.06. Amendments. This Agreement may be modified or amended from time to time and at any time in a manner not inconsistent with the purposes of amendment in the Indenture and, in particular, for any purpose that does not materially and adversely affect the interests of the Owners or the 2019B Insurer upon delivery of an opinion of Bond Counsel to such effect.

Section 6.07. Effective Date. This Agreement shall become effective upon its execution by each of the parties hereto.

Section 6.08. Counterparts. This Agreement may be executed in several counterparts, all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the Authority and the City have caused this Agreement to be executed and delivered, all as of the date first above written.

NORWALK COMMUNITY FACILITIES  
FINANCING AUTHORITY

By \_\_\_\_\_  
President

CITY OF NORWALK

By \_\_\_\_\_  
City Manager

**APPENDIX A**

§ \_\_\_\_\_  
**NORWALK COMMUNITY FACILITIES FINANCING AUTHORITY  
SALES TAX REVENUE BONDS (LIMITED TAX BONDS) (MEASURE R)  
SERIES 2019B**

**CERTIFICATE OF PROFESSIONAL ENGINEER**

This certificate is being provided to Norton Rose Fulbright US LLP, as Bond Counsel to the Norwalk Community Facilities Financing Authority (the “*Authority*”), on behalf of the City of Norwalk, California (the “*City*”). This certificate is being delivered in connection with the issuance and delivery of the above-captioned series of revenue bonds (the “*Bonds*”), which were sold for the purpose of financing a portion of the costs of certain transportation projects (each, a “*Project*”) described in the Tax Exemption Certificate with respect to the Bonds (the “*Tax Certificate*”) being delivered by the Authority. This certificate shall be an attachment to the Tax Certificate.

I, \_\_\_\_\_, am the Director of the Public Services Department (the “*Director*”) of the City, and I hereby certify that:

- i) I am a Professional Engineer;
- ii) I am employed by the City and am providing this certificate in connection with the Project(s), the major components of which are described on Exhibit A hereto, being financed with the proceeds of the Bonds;
- iii) I am aware that, and intend that, the Authority and the City will rely in part upon this certificate in demonstrating that its expectations set forth in the Tax Certificate with regard to the weighted average economic life of the Project(s) are reasonable, and am aware that, and intend that, Norton Rose Fulbright US LLP, as Bond Counsel to the Authority, will rely upon the City’s representations on that question in reaching its opinion that interest on the Bonds is excluded pursuant to section 103(a) of the Internal Revenue Code of 1986 from the gross income of the owners thereof for federal income tax purposes, all as more particularly described in the Tax Certificate;
- iv) I have reviewed the Tax Certificate and related attachments, and am familiar with each of the Projects. In my capacity as the Director, I have been and will be involved in the design, planning, budgeting, acquiring and implementing of each of the Projects. I am personally familiar with the types of road, highway or other improvements comprised by each of the Projects; and

- v) On Exhibit A for each Project I have set forth a description of that Project, and for each major component thereof I have set forth: (i) my understanding of the presently estimated amount of proceeds of the Bonds to be allocated to capital expenditures for that component; (ii) if the component has not yet been placed in service, then the date on which I reasonably expect that the component will be placed in service; and (iii) the economic life of the component that, in my professional opinion, is reasonably expected (in each case measured from the later of the date hereof or the expected in service date of that component). In reaching my opinion as to economic lives, I have considered my experience with the acquisition and construction of comparable facilities owned and operated by the City, and my knowledge of the maintenance procedures customarily followed by the City with respect to such facilities, and I have assumed that the City will acquire, construct and maintain the component in accordance with those historic practices. I have no reason to believe that these assumptions are not reasonable.

Based upon the foregoing, it is my professional opinion that the average economic life of the improvements comprised by the Project(s) (weighted in accordance with the amount of proceeds of the Bonds that I expect will be allocated to such improvements, and in each case measured from the later of the date of issuance of the Bonds or the date on which I reasonably expect such improvement will be placed in service) is not less than \_\_\_ years.

IN WITNESS WHEREOF, I have hereunto set my hand on \_\_\_\_\_, 2019.

CITY OF NORWALK

By: \_\_\_\_\_  
Director of the Public Services Department

**EXHIBIT A TO CERTIFICATE OF PROFESSIONAL ENGINEER**

**PROJECT DESCRIPTIONS**

Description of Projects:

*(textual description of project, including accounting, City Council authorization or other identifying information, location, purpose, major components and other material information):*

<u>Description of Project Component</u>	Aggregate Amount of Component Capital Expenditures to be <u>Financed</u>	Expected <u>In-Service Date</u>	Expected <u>Economic Life</u>
---	---	------------------------------------	----------------------------------

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**APPENDIX B**  
**CITY AUDITED FINANCIAL STATEMENTS**

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# COMPREHENSIVE ANNUAL FINANCIAL REPORT





**Comprehensive Annual Financial Report  
City of Norwalk, California  
For the Fiscal Year Ended June 30, 2018**

Prepared by the Finance Department

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**CITY OF NORWALK  
CALIFORNIA**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**YEAR ENDED JUNE 30, 2018**

**NORWALK City Council**

**Jennifer Perez**

Mayor

**Margarita L. Rios**

Vice Mayor

**Tony Ayala**

Councilmember

**Leonard Shyrock**

Councilmember

**Luigi Vernola**

Councilmember

**Jesus M. Gomez**

City Manager

**Jana Stuard**

Director of Finance/City Treasurer

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December 12, 2018

**Honorable Mayor, Members of the Governing Council  
and the Citizens of the City of Norwalk, California:**

The Comprehensive Annual Financial Report (CAFR) of the City of Norwalk, California, for the fiscal year ended June 30, 2018, is hereby respectfully submitted as mandated by both local ordinances and state statutes. These ordinances and statutes require that the City of Norwalk issue annually a report on its financial position and activities, and that this report be audited by an independent firm of certified public accountants.

**REPORT PURPOSE AND ORGANIZATION**

**Purpose and Management Responsibility.** This report consists of management's representations concerning the finances of the City of Norwalk (City). Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report to provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with the U.S. generally accepted accounting principles (GAAP).

Because cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

**Audited Financial Statements.** The City's financial statements have been audited by White, Nelson, Diehl, Evans, LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2018, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the overall accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City's financial statements for the fiscal year ended June 30, 2018, are fairly presented in conformity with GAAP.

The independent auditors' report is presented as the first component of the financial section of this report.

**Organization.** This report is presented in three sections: introductory, financial and statistical.

1. The **Introductory** section includes this transmittal letter and other information to familiarize the reader with the City: a directory of officials, the City's organization chart and organizational values.
2. The **Financial** section consists of five parts: the independent auditors' report; management's discussion and analysis; the basic financial statements; required supplementary information; additional statements and schedules for nonmajor governmental funds and agency funds.
3. The **Statistical** section includes selected financial and demographic information, generally presented in multi-year basis.

**Transmittal letter.** GAAP require that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). As noted above, the MD&A appears in the Financial Section. This letter of transmittal is designated to complement MD&A and should be read in conjunction with it.

#### **"Single Audit" for Federal Grant Programs**

The independent audit of the financial statements of the City was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and legal requirements involving the administration of federal awards. This separately prepared report is available from the Finance Department upon request.

#### **PROFILE OF THE CITY OF NORWALK**

**History.** Norwalk, as we know it today, was once known as New River, Siete Alisos (Seven Sycamores), Sycamore Grove and Corazon de los Valles (Heart of the Valleys). Shortened to "Corvalles" by Easterners who had difficulty pronouncing the Spanish language, Norwalk actually carried a dual name for several years during the 1800's. Development in the community began in 1874 when railroad tracks crossed the "North-Walk" or "Trail from Anaheim Landing" for the very first time. Concurrently, the railroad surveyed a town site and established the "Norwalk Station." The town site was recorded in 1877 and Norwalk, California, was born.

At the turn of the century, Norwalk had become established as the dairy "Heart of the Valleys." It was also the home of some of the largest sugar beet farmers in all of Southern California during that era. As the years passed, the community continued to grow. Over 50 years later, the need for control over local affairs became so great that a special incorporation election was called.

On August 26, 1957, Norwalk was certified by the Secretary of State as California's 15th largest city. The City is 9.8 square miles in area with a current population of 107,251. Operating as a General Law City, Norwalk is governed by a five-member City Council, which sets policy under the Council-Manager form of government.

**Geography and Climate.** Located in the midst of some of Southern California's most accessible highways in the greater Los Angeles area, and located only 17 miles southeast of Los Angeles, the City of Norwalk has become one of the most rapidly developing and growing communities anywhere in the state of California. The City of Norwalk is approximately 95 feet above sea level, has an average temperature of 63 degrees, and averages an estimated 10 inches of rainfall per year.

Norwalk sits at the heart of an expanding regional transportation network that is an outstanding convenience to residents that work anywhere in Los Angeles or Orange Counties. The community is served by four freeways: the 91 (Riverside) Freeway borders the City to the south, the 605 (San Gabriel) Freeway is at the City's western border and the Interstate 5 (Santa Ana) Freeway passes through the community and Interstate 105 (Century) Freeway which runs from Norwalk to the Los Angeles International Airport, thereby providing additional access to even more important business and recreational points throughout the Los Angeles County. Two commuter rail lines serve Norwalk: the Metro Green Line, with connections to downtown Los Angeles, Long Beach, and LAX; and the MetroLink system, with connections to Orange, San Bernardino, Ventura, Riverside, San Diego counties, and the Union Station in Los Angeles County. Norwalk's access to regional transportation is unparalleled in Los Angeles County.

**City Services.** Norwalk is a contract city which provides various municipal services to its residents: street maintenance, public transportation, recreation, planning, landscape/park maintenance, lighting, as well as various youth, senior and other community service programs. The City contracts for services in law enforcement with the Los Angeles County Sheriff's Department and for fire protection services with the Los Angeles County Fire Department. Library, sanitation, and health services are provided by the County and County assessments districts.

The Norwalk Transit System (NTS) provides fixed route and dial-a-ride service to Norwalk and surrounding communities. Currently, the fixed route service consists of routes that service Norwalk and adjacent communities, the Santa Fe Springs Tram and rail feeder shuttle service. The NTS Route 4 rail feeder shuttle service provides a direct connection between the Norwalk Santa Fe Springs Transportation Center (Metrolink Commuter Rail Station) and the Metro Green Line Studebaker Station (Light Rail). In November 1974, NTS's demand-responsive transit service for persons with disabilities was initiated. Dial-a-Ride service is available for persons with disabilities and senior citizens.

Social Services Department provides another distinctive City service. The City is among the very few cities that have a Social Service Department offering a wide range of emergency and support services to residents in crisis situations. Services include information and referral, assistance with completion of forms (DPSS, EDD, Medical, Jury Summons, Social Security, Housing, etc.), immediate emergency food and shelter assistance, emergency transportation, senior daily nutrition program, child care and dental care programs for children of low-income families, and special events. The goal is to assist those whose resources have been exhausted, stabilize their situation, and seek long-term solutions.

Norwalk's Recreation and Park Services Department provides residents with a variety of year-round recreational activities and boasts several outstanding facilities. Additionally, Norwalk's Parks system consists of 14 public parks and a total of 93.5 acres of open space. Some of the more distinguished facilities include a state of the art Aquatic Pavilion, located in Norwalk Park, and featuring a competition and lap pool, wading pool, and picnic areas. The 72,000 square foot Norwalk Arts & Sports Complex has a modern fitness center, full-size basketball gym, racquetball/handball courts, youth activity room, boxing gym, full-service banquet and meeting facilities, classrooms, and the Mary

Paxon Art Gallery. The Norwalk Golf Center is a par three nine-hole course spread out over 11 lush acres. These and other amenities are available to residents from January through December.

## **THE REPORTING ENTITY**

The financial reporting entity (the government) includes all the funds and account groups of the primary government (i.e., the City of Norwalk, California, as legally defined), as well as all of its component units. Component units are legally separate entities for which the primary government is financially accountable. The government provides a full range of services, including public safety and contracted police protection; sanitation and water services; the construction and maintenance of highways, streets and infrastructure; housing and social services; and recreational and cultural events.

The City of Norwalk's component units are the Norwalk Housing Authority and the Norwalk Community Facilities Financing Authority. Since City Council serves as the governing board for these component units, all of the component units are considered to be blended component units. Blended component units, although legally separate entities are, in substance, part of the primary government's operations. Accordingly, the component unit's financial activities have been included in the appropriate combining schedules.

### **Norwalk Housing Authority**

The Norwalk Housing Authority was established in 1976 to provide safe, sanitary and decent housing to low-income residents. With funding provided by the U.S. Department of Housing and Urban Development, the Housing Authority administers the Housing Choice Voucher Program, offering rental assistance to approximately 705 households, and the Family Self-Sufficiency Program, which assists rental assistance recipients with achieving economic self-reliance.

### **Successor Agency to the Norwalk Redevelopment Agency**

Pursuant to AB 26 X1, the Redevelopment Agency was dissolved as of February 1, 2012 and the Successor Agency was constituted. The City of Norwalk became the successor agency to the former Norwalk Redevelopment Agency's housing and non-housing activities. The Successor Agency's assets and liabilities are reported under City's Trust/Agency funds.

### **Norwalk Community Facilities Financing Authority**

The City Council approved the creation of the Norwalk Community Facilities Financing Authority in August of 1989. It provides a tool the City may use to arrange favorable bond financing for construction of community facilities. Under this concept, the Authority provides a single agency, which may combine current and future revenue streams of various City agencies. The combined revenue streams provide the funds needed to meet debt service requirements for bonds, which may be issued.

## **FINANCIAL CONDITION OVERVIEW**

Financial results for the year compare favorably with budget estimates in virtually all areas of the City's operations. For General Fund, financial results for the year were on target for revenues, and better than estimated for expenditures and other sources.

This results in an ending General Fund unassigned fund balance of \$12.7 million, which is \$3.4 million higher than budgetary estimates. However, it is consistent with the interim results reported to the City Council in June 2018. It also complies with the City's policy of maintaining a minimum unassigned General Fund balance that is at least 20% of operating expenditures.

The City's conservative approach in budgeting for revenue and a stringent expenditure policy has positioned the City in a sound financial standing to weather economic uncertainties. City management continues to strive to manage unanticipated economic fluctuations by working towards an adequate reserve accumulation, renewed focus on a proactive economic development effort, and a continued focus on human development effort to reshape and retrain its work force to keep up with the changing times.

The City's outlook, however, is cautious in light of the steadily slow economic growth. The City's fiscal year 2018-19 adopted operating budget continues to be both balanced and fiscally responsible. This spending plan maintains essential services for the community and continues to look for means to stimulate local economy through various development and beautification projects throughout the City.

## **MAJOR ACCOMPLISHMENTS FOR THE YEAR**

### **Public Safety:**

- Public Safety Officers responded to and handled approximately 30,558 calls for service and incidents. The types of calls and incidents range from illegal parking and abandoned vehicles to graffiti incidents, Sheriff's Department assistance and resolving safety hazards or quality of life issues in neighborhoods, parks and shopping centers. Many times, Public Safety Officers are able to address a matter prior to law enforcement being necessary or in lieu of law enforcement resources being called out.
- Public Safety Officers responded to approximately 254 crime scenes to provide latent fingerprinting services resulting in numerous criminals being identified and apprehended. The involved crime include burglaries, robberies, stolen vehicles and thefts.
- Community Safety Partnership Team continued to provide public outreach with a focus on park patrols and youth services in collaboration with the Parks and Recreation Department staff.
- A total of 45 Neighborhood Watch meetings, two Neighborhood Watch Association meetings, four 'Night Out in the Park' events, and one National Night Out event were held during the year to give residents an opportunity to meet with Public Safety and Sheriff's officials to learn about various services, share concerns, and have questions answered about crime and safety in their neighborhood.
- The Public Safety Department implemented the Transient Camp Abatement Team (TCAT) in order to address transient encampments and mitigate criminal activity throughout the City.

- Continued to provide the community with an opportunity to meet with law enforcement personnel at Coffee with a Cop events. Three events were held at different establishments in the city to provide an informal setting for community members to talk to Public Safety, City staff and Sheriff's Deputies about a variety of issues.

### **Public Services:**

- The Public Services Department received a 90% "Pleased Response" for the first quarter and a 96% "Pleased Response" for the second quarter of FY 2017-18 from residents and businesses requesting service from various sections of the department. The surveys were discontinued at the end of December 2017.
- Conducted on-call Emergency Duty training for Public Services staff. Updated and revised the Emergency Duty manual.
- Fifth grade students from Cesar Chavez Elementary assisted the Tree Section on October 26<sup>th</sup>, for the 2<sup>nd</sup> annual Neighbor Woods event to educate the benefits of trees. Thirteen (13) trees were planted in the parkways on the Walnut St. in front of the school.
- Approximately 20 participants from the Norwalk Sheriff's PRIDE Program, including participants and mentors, worked alongside City staff on landscaping planter upgrades at Sara Mendez Park on October 28<sup>th</sup>.
- The City, in collaboration with Southern California Edison, held a ribbon cutting ceremony on October 30<sup>th</sup> for the unveiling of the twelve (12) Electric Vehicle Charging Stations at the Norwalk Metrolink Station.
- City Departments, along with SCE, SoCal Gas, Golden State Water and Liberty Utilities, hosted the first Community Connect event at Snowfest on December 2<sup>nd</sup>. Representatives from each company highlighted ways to lower monthly bills through energy saving programs, and SCE and SoCal Gas gave income qualifying households the opportunity to sign up on the spot to receive discounts on their electric and gas bills and receive free solar panels. City staff provided information to the public regarding services and 200 boxes of energy efficient LED holiday lights were distributed to residents.
- The City was designated a Tree City USA for the 4<sup>th</sup> year by the National Arbor Day Foundation for its dedication and solid commitment to Urban Forestry. The City also received a Tree City USA Growth Award which recognizes an increased commitment to urban forestry through innovative programs and projects.
- Department staff attended NFPA70E electrical safety training. This training was developed by the Occupational Safety and Health Administration (OSHA) as the industry-recognized standard for electrical workplace safety.
- In March, the City was notified that a grant was approved by the South Coast AQMD the amount of \$75,000 toward the cost to install a methane detection system in the Public Services vehicle bays. Total project cost of approximately \$225,000.
- Hosted the City's 5<sup>th</sup> Annual Arbor Day Event at Sara Mendez Park. Approximately 50 volunteers came out and helped Public Services staff plant 50 trees in the park.
- In observance of Arbor Day, students from Morrison Elementary School helped Public Services staff plant 14 trees in the parkway along Maidstone Ave. at the school.
- Staff attended a hands-on training for Calsense irrigation controllers. Calsense technology allows irrigation to be weather-based and controlled remotely.



- In recognition of National Public Works week, May 20-28, the Public Services Department hosted an expo for 3<sup>rd</sup> and 4<sup>th</sup> grade students from Studebaker Elementary School at Lakeside Park on May 24<sup>th</sup>.
- Installed Service Organization banners at ten entry points to the City. These banners are on display year round for a three-year period.
- Twelve Mini Mr. Sun events were held at various locations throughout the City. Public Safety Cadets and TAP volunteers, as well as Public Services staff, were onsite to help residents disposing of large, bulky items to keep neighborhoods clean and looking their best.
- Installed 45 Hometown Heroes banners for military servicemen and women.

### **Park Rehabilitation Projects**

- Gerdes, Glazier, Hermosillo, New River, Ramona, Sara Mendez, and Zimmerman Parks had a total of 106 new LED light fixtures installed along walkways, which equates to approximately 74,100 kWh savings per year. The City received approximately \$12,500 in incentives through Southern California Edison to complete these installations.
- Bob White Park - created new planters containing drought tolerant plants and refurbished horseshoe game area.
- Gerdes Park - installed a new monument on Mapledale Street side of the park.
- Hermosillo Park – completed design plans for ADA improvements and remodel of restrooms.
- Lakeside Park - installed new LED light fixtures near baseball fields.
- Norwalk Park - replaced existing light poles and fixtures with new light poles and LED light fixtures throughout park.
- Ramona Park - installed new bench seats in ballfield dugout areas and installed new electrical panel.
- Sara Mendez Park - created new planters containing drought tolerant plants; installed a new concrete pad, barbeque, two picnic tables, and bicycle rack.
- Vista Verde Park - installed new planters containing drought tolerant plants.

### **Facilities**

#### City Hall

- Refurbished the Jesus Garcia Corona statue in the courtyard and memorial plaques.
- Installed new electrical panel.

#### Transportation/Public Services Facility and Metrolink Station

- Installed new LED lighting fixtures in the facility yard, commuter parking lot and the stairwells for the Metrolink bridge.
- Refurbished the Metrolink Station sign at the entrance to the facility.
- Painted the entire exterior and interior of the parking structure and stairways.

#### Senior Center

- Installed new cabinets and quartz countertops at the coffee stations.
- Refurbished front desk area.

### Social Services

- Installed new wallpaper and baseboards in front lobby and main hallway.
- Installed new LED light fixtures at the exterior entry, parking lot and MPR entry.
- Replaced the entry awning.
- Replaced flooring in the staff kitchen.
- Replaced carpet in the Child Care offices.
- Refurbished the wall table in the employee's breakroom.

### NASC/CAC/Aquatics Pavilion

- Refinished wood floors in the gymnasium, boxing room and dance floor.
- Installed new skylights in the gymnasium.
- Replaced the laminate flooring throughout the 1<sup>st</sup> floor hallways and Check-Out Room; and 2<sup>nd</sup> floor hallways and viewing deck of the racquetball courts.
- Replaced the laminate flooring in the First Aid Room, Check-Out Room and front office in the Aquatics Pavilion.
- Installed fourteen new air conditioning units, applied for Edison's HVAC Early Retirement Program and received a \$40,000 incentive check due to the replacements. Approximately 138,000 kWh were saved, which translated to more than \$20,000 in annual savings on energy bills.
- Created new planters containing drought tolerant plants in front of building.

### Trees/Greenscape

- Trimmed 6,195 trees, as part of City's three year trimming cycle
- Responded to 1,715 residential requests for tree related concerns including: inspections, roots, trimming, and/or planting.
- Planted 254 trees in parkways citywide.
- Removed 222 trees in response to addressing hazards or nuisance conditions.

### Graffiti

- Removed graffiti from over 9,928 locations citywide, as follow-up to 5,580 requests received from the community.

### Streets

- Responded to 479 sidewalk, curb & gutter and pothole requests.
- Responded to 3,365 community requests for pickup of litter/illegally dumped items in right-of-way.
- Completed annual citywide Sidewalk Concrete Repair and Replacement Project - Repaired concrete including curb and gutter, sidewalks, and drive aprons raised by tree roots in eight (8) City zones.

### Traffic

- Completed replacement of a variety of damaged/missing traffic/parking signs.
- Painted crosswalks citywide.
- Restriped road lanes, including City facility/parks parking lots.
- Painted traffic legends citywide.

- Continued the design phase for 3 federal HSIP grant funded traffic signal corridor improvements to include the upgrade of traffic signals and curb ramps.
- Received 4 more federal HSIP grant funded traffic signal corridor improvements to include the upgrade of traffic signals and curb ramps.
- Replaced 1 signal cabinet for the intersection of Excelsior Drive and Elmcroft Avenue.

### **Water/Sewer**

- Coordinated with contractor for the annual cleaning of 1/2 of the City's sewer system.
- Continued monitoring operations at Norwalk Park Well #10.
- Coordinated with contractor to complete Phase 8 of the annual CCTV sewer line inspection program.
- Implemented the Water Master Plan Update to initiate system improvements for the Norwalk Municipal Water System.
- Continued the design phase to install Norwalk Park Well #10 standby emergency generator project.
- Initiated AMI/AMR program using Bureau of Reclamation grant funds to replace 869 water meters in East, Southeast, and Central Service Areas.
- Completed construction of the phosphate treatment facility at Well #10 in Norwalk Park.
- Completed construction of distribution main pipeline replacement in the Central Service Area.
- Completed the design phase and initiated construction of a new transmission pipeline to connect the Central Service Area with both the West Service Area and South Service Area.
- Completed the design phase of emergency water connection project at Southeast Service Area.
- Completed the design phase of water main replacement project along Alondra Boulevard from Maidstone Avenue to Pioneer Boulevard and along Pioneer Boulevard from Alondra Avenue to 160th Street.
- Completed construction to repair 28 high priority sanitary sewer pipeline "hot spots".
- Initiated the condition assessment of 300 sewer manhole citywide.
- Replaced 322 water meters as a part of annual water meter replacement program.
- Replaced 141 water connections as a part of annual water service replacement program.
- Responded to emergency 64 water main and 153 service connection leaks.

### **Parks and Recreation:**

- Organized and conducted the Community Congress that brought City Stakeholders together to help develop a plan to better City services.
- Coordinated the Las Posadas program providing the community with another City wide event.
- Won the California Parks and Recreation Society's Award of Excellence for the Miniachis De Norwalk program.
- Conducted "Concert Share" bringing over 100 bands to share information with city representatives throughout Southern California generating close to \$8,000 in revenue for the one day event.
- Coordinated a new Beach Bus Program taking youth to the beach during the summer
- Added two additional summer concerts providing the community with more evening entertainment and a wider variety of music.

- Purchased two new departmental vehicles to ensure passenger safety.
- Arranged for new playground equipment at Hermosillo Park to provide the community with state of the art equipment.
- Improved community outreach by mailing a Department Schedule of Activities to all residents.
- Purchased new Youth Miniachi uniforms to give youth musicians a professional appearance.
- Purchased new tables for the Sproul Room at the Norwalk Arts & Sports Complex.
- Purchased an energy efficient insulated pool cover for the Aquatic Pavilion.

## **Community Development:**

### Community Development Administration

- Norwalk Education Alliance successfully conducted its 3<sup>rd</sup> Annual “Mock Interview” event, in which 185 students from six local high schools participated. Local government officials, school district professionals, and local business owners served as interview panelists. The event gives students the unique opportunity to prepare for future job and college interviews.
- Norwalk Education Alliance and Norwalk-La Mirada Unified School District held a joint “Career Exploration Night” where approximately 486 students and residents participated in career workshops and had the opportunity to speak with industry professionals to help them discover a future career.
- Norwalk Education Alliance, Cerritos College, and the Norwalk-La Mirada Unified School District collaborated to honor 53 Norwalk students who have achieved academic success by installing street banners with their picture and college choice throughout the city. This project should be completed by mid-November 2018.
- Presented draft of Economic Development Opportunities Plan to City Council.

### Building & Safety

- Issued 3,512 building permits
- Conducted 6,744 inspections
- Performed 625 plan checks

### Planning

- On a daily basis, Planning Division staff assisted the public with inquiries about zoning requirements and processed administrative approvals, such as Animal Permits, Home Occupation Permits, Temporary Sign Permits, Site Plan approvals for new residences, Artificial Turf, Business License, and Building Plan Check approvals.
- Planning Division staff processed entitlements, which require Planning Commission approval, for development plans, conditional use permits, and signs, some of which include:
  - Allow establishment of a medical business through a parking study
  - Construct 5 single-family residences on substandard sized lots
  - Remodel the façade of a building and allow establishment of a non-acute outpatient medical clinic and consultation office within that building through a parking study
  - Allow establishment of a restaurant through a parking study
  - Allow the installation of 2 statues at St. John of God Church

- Modify the existing master sign programs at Alondra Center, Norwalk Plaza and Norwalk Town Square to allow a greater amount of signage
- Update signage at 2 existing gasoline stations
- Allow for a land subdivision at a single-family residential (R-1) zoned property
- Replacement of an emergency back-up generator and legalization of a trailer at the Norwalk Community Hospital
- Establish a new massage business at Paddison Square
- Establish a trucking business
- Allow on-site beer and wine at Ella's Café
- Remodel the façade of Wendy's Restaurant
- Remodel the façade and modify the drive-through lane of McDonald's restaurant
- Allow a mural at Norwalk Town Square
- Remodel and expand the McKenna BMW auto dealership
- An annual report and Text Amendments and that were considered by the Planning Commission and City Council include:
  - ✓ 2017 Norwalk General Plan and Housing Element Annual Progress Report, which was transmitted to HCD and HUD
  - ✓ Amended the NMC regulations for accessory dwelling units
  - ✓ Held discussion with the Planning Commission regarding the personal cultivation of marijuana

#### Engineering

- Work was completed on the following projects:
  - ✓ Project No. 7189 – Completed Bus Stop at Imperial Highway and Jersey Street.
  - ✓ Project No. 7786 – Completed Norwalk transportation Municipal Yard, Phase 1.
- Awarded the following contracts:
  - ✓ Project No. 7149 – Construction and Construction Management Contract for Pioneer Median from Rosecrans Avenue to Alondra Boulevard.
  - ✓ Project No. 7197 – Construction and Construction Management for Foster Road Side Panel from Studebaker Road to Pioneer Boulevard
  - ✓ Project No. 7232 – Assisted the award of Design Contract for traffic signal upgrades for Alondra Boulevard from Studebaker Road to Shoemaker Road.
  - ✓ Project No. 7233 – Assisted the award of Design Contract for traffic signal upgrades for Firestone Boulevard from San Gabriel River to Rosecrans Avenue.
  - ✓ Project No. 7234 – Assisted the award of Design Contract for traffic signal upgrades for Studebaker Road from Rosecrans Avenue to north city limits.
  - ✓ Project No. 7904 – Design Contract for Foster Road Rehabilitation from Studebaker Road to Pioneer Boulevard.
  - ✓ Project No. 7518 – Design Contract for Nordesta Storm Drain Analysis.
- Issued a total of 672 permits:
  - ✓ 283 Construction/Excavation/Encroachment permits
  - ✓ 123 Traffic Control Plan
  - ✓ 68 Trash Bin Permits
  - ✓ 198 Oversized permits

### Code Compliance

- Staff continued to provide code compliance service 7 days a week.
- Issued 1,117 yard sale permits.
- Removed 459 signs from the public right-of-way.
- Received 275 Code Compliance complaint reports, 162 of which became violation cases.
- Closed 431 code enforcement complaint and violation cases.

### Storm Water Compliance

- Worked with the City's consultant, 141 businesses were inspected and 13 follow up inspection was completed for storm water compliance as required by the Municipal Separate Storm Sewer System (MS4) Permit.

### Housing Authority

- Received a "High Performer" rating under the United States Department of Housing and Urban Development's Section 8 Management Assessment Program (SEMAP), which scores housing authority performance based upon 14 key indicators. This is the 12th consecutive year that the Housing Authority has received the "High Performer" rating.
- Conducted over 96 eligibility interviews from the Section 8 and Soroptimist Village waiting lists and provided housing assistance to an average of 665 households per month.
- Conducted two landlord outreach meetings in Norwalk, staffed booths at four residential rental management trade shows, and participated in the Southern California Landlord Outreach Committee to educate the landlord community and promote greater participation in the Section 8 program.
- Assisted in the development of the City's Plan to Prevent and Combat Homelessness adopted by the City Council on April 10, 2018.

### CDBG and HOME Programs

- Rehabilitated 48 homes for low-income households using CDBG and HOME funds.
- One triplex on Rosecrans was rehabilitated by the City's Community Housing Development Organization (CHDO) to provide affordable housing to four developmentally disabled individuals.
- Completed development and adoption of the FY18/19 Annual Action Plan.
- Provided job training scholarships to ten students.
- Completed monitoring of 126 deferred loans under the Home Improvement Program and down payment assistance program and 3 Neighborhood Stabilization Program (NSP) loans. The monitoring included a homeowner certification and proof of owner occupancy and monitoring of taxes, insurance and title. NSP monitoring also includes property inspections.
- Completed inspections of three HOME assisted rental housing developments and comprehensive monitoring review of one HOME development.

### **Norwalk Transit System:**

- Amendment to Late Evening Weekday Dial A Ride Service
- Amendment to Interagency Transfer Policy
- On-Board Video Surveillance Cameras
- Fare Revenue Retrieval Vault
- Received \$1.2 million in Bus and Bus Facilities Grant to purchase two Electric Buses
- Completed Bus Stop Improvement Project at Imperial Highway and Jersey

### **Other Accomplishments:**

- Continued prefunding the other post-employment benefits (OPEB) through the annual contributions to the irrevocable trust fund.
- The initial deposit of \$1.0 million established Pension Stabilization Trust Account with PARS.
- Secured \$4.3 million in fifteen-year financing to purchase approximately 4,156 street light poles from Southern California Edison and their retrofit to LED, energy efficient fixtures.
- Organized Community Congress with community stakeholders.
- Concluded the competitive selection process to select new trash hauler provider, lowering the residential rates, and increasing the franchise fee from 5%, on commercial accounts only, to all-inclusive 15% franchise fees. The new franchise agreement will take effect on August 1, 2018.
- Received the financial reporting excellence award from the Government Finance Officers Association (GFOA) for the Comprehensive Annual Financial Report (CAFR).

## **LONG-TERM FINANCIAL PLANNING**

### **Budget**

The City adopts its financial plan annually. The budget preparation process starts by the end of February. The City Manager leads the budget team, which reviews, discusses and revises departmental appropriation requests, supporting data and revenue estimates for all City funds, functions and departments, including component units and capital improvement projects. The City Manager submits the proposed budget to the Finance Committee and the City Council. During multiple study sessions, the City Council reviews the proposed budget document and directs staff to make revisions. The annual budget is adopted during a public hearing no later than June 30<sup>th</sup>.

### **Capital Asset Replacement and Renovation Reserves**

Funds are set aside annually for the replacement and renovation of City-owned facilities and capital assets. The balance in Capital Asset Replacement and Renovation Reserves at June 30, 2018 was \$4.7 million.

## **ECONOMIC OUTLOOK**

The City's finances and its ability to pay for essential services are dependent on the local economy and legislative actions of the Federal and State governments. In the presence of fiscal difficulty, or for other politically driven agendas, both the Federal and State governments have cut funding to local governments. The State, in particular has shown historically that it can and will unilaterally take and shift local governments' revenues to balance its budget or meet other financial obligations.

As the national economy continues to grow in its 10<sup>th</sup> year of expansion there is a question whether the growth is sustainable. Currently operating at full employment and benefiting from the massive tax cut and spending increases, the economic stimulus coming from that combination will likely run out in 2020, with deficits that it created lingering for another decade. In spite of concerns about the risk of a full-blown trade war with China, the forecast for the U.S. economy is one of growth.

The U.S. economic outlook is healthy according to the key economic indicators. The most critical indicator is the gross domestic product (GDP), which measures the nation's production output. The GDP growth is anticipated to be 2.4% in fiscal year 2018-19 and 2% in 2019-20. The national unemployment rate is anticipated to drop to 3.5%, from 4.4% in prior year, and should remain at 3.5% in 2020. Most job growth is expected in health care and other forms of social assistance as the American population ages. Inflation is expected to increase to 2.4% by the end of 2019, unchanged from the end of 2018.

California's economy continues revealing a mixed picture in 2018 and 2019 as solid job and wage growth are anticipated against a backdrop of unaffordable housing and weakened worker mobility. State economy will continue maturing in the near term before noticeably downshifting by 2019. The State's GDP is anticipated at 3% growth in late 2018, but eventually drop to 2% by early 2019 and 1.5% thereafter. Job base and personal incomes will continue their modest expansion. The fastest growing sectors include construction, health/education services, information and technology, warehousing and logistics, state/local government, and professional services. California's housing affordability is handicapping its economy as jobs go unfilled due to worker mobility and living costs.

The near-term budget outlook of the State of California is positive. Under the 2018-19 budget estimates, the state would have \$19.3 billion in total reserves, including \$7.5 billion in discretionary reserves, assuming that the Legislature makes no additional budget commitments. The state has made significant progress in preparing for the next recession.

Locally, Los Angeles County Economic Development Corporation foresees continuous improvement in the economy of the Los Angeles County. The wage growth is expected to grow moderately, labor market is growing across most industries; consumers, businesses, and tourists continue to spend; the outlook for new construction is also good. However there are the geopolitical risks related to future of trade policy; political gridlock causes policy uncertainty; rising energy prices and inflation risks, as well housing shortage that may cause restraints in the growth of local economy.



## **MAJOR INITIATIVES FOR THE FUTURE**

Following its Strategic Plan, the City continues working diligently in the areas of:

### **Public Safety:**

- Apply innovative law enforcement and public safety services;
- Promote park safety and work in partnership with park staff in order to provide activities for the residents;
- Utilize technology and social media to ensure community is up to date with current events and public safety alerts;
- Address public safety concerns through a collaborative relationship between Public Safety, law enforcement, and residents;
- Law enforcement substations and mobile units and community outreach.

### **Capital Improvement Projects:**

- Improve City's aging infrastructure focusing on rehabilitating the City's streets, traffic signal upgrades, sidewalks, median refurbishment and repair, and parks renovation;
- Replace water mains and meters, address the infrastructure needs of the Norwalk Water Municipal System;
- Replace damaged and undersized sewer mains as required by Waste Discharge Requirements;
- Improve various City facilities, including: bus stops; lighting at public parking facilities;
- Upgrade street light fixtures on poles owned by the City from high pressure sodium to LED fixtures;
- Develop Parks Master Plan citywide.

### **Transportation:**

- Micro transportation assessment;
- Shuttle services and Greenline/Metrolink Station express service.

### **Other Initiatives:**

- Continue the implementation of the Economic Development Strategy and supporting programs to strengthen existing businesses and attract new business development;
- Acquisition of governmental agencies' properties for potential development;
- Code amendment to facilitate development;
- Participate in programs that provide support and resources to local small businesses and veterans;
- Implementation of City's Geographical Information System (GIS);
- Continue conducting a positive property maintenance education and improving the quality of neighborhoods and well maintained properties;
- Department-wide team building and succession planning;
- Continue to maintain accurate financial records for the successful completion of financial and special compliance audits, including the City, Norwalk Community Facilities Financing Authority, Propositions A, C, Measures R and M, Transportation Development Act (TDA) Article 3, and federal grants;
- Operate within a structurally balanced budget adhering to the highest standards of ethics and accountability.

## **AWARDS AND ACKNOWLEDGEMENTS**

### **Awards**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report for fiscal year ended June 30, 2017. That was the 31<sup>st</sup> year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized comprehensive annual financial report. This report satisfied both generally accepted accounting principles and applicable legal requirements.

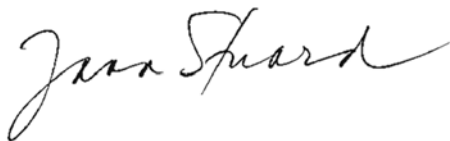
A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

### **Acknowledgments**

The continued dedicated and efficient service of the Finance Department staff is appreciated by all levels of City Management. Our independent auditors, White, Nelson, Diehl, Evans, CPA's, provided expertise and advice in preparing an outstanding financial report for the fiscal year ended June 30, 2018.

Members of the City Council have continued to express interest and extend support to the Finance Department in the planning of responsible and proactive financial operations for the City of Norwalk. Through the team efforts of its Council members, management and employees, the City expects to continue the current high level of service which is provided to the citizens of our community. Due to the consistent policies of the City Council and each employee's commitment to maintain superior service level standards, the City of Norwalk has been able to maintain a sound financial base from which to operate.

Respectfully submitted,

A handwritten signature in cursive script that reads "Jana Stuard". The signature is written in black ink and is positioned above the printed name and title.

Jana Stuard  
Finance Director / City Treasurer

**City of Norwalk, California**  
**List of Elected Officials and Management Personnel**  
**June 30, 2018**

**ELECTED OFFICIALS**

Jennifer Perez, Mayor  
Margarita L. Rios, Vice Mayor  
Tony Ayala, Councilmember  
Leonard Shryock, Councilmember  
Luigi Vernola, Councilmember

**CITY MANAGER AND DEPARTMENT HEADS**

City Manager .....	Jesus M. Gomez
Deputy City Manager.....	Gary DiCorpo
Deputy City Manager.....	Kevin Gano
City Clerk.....	Theresa Devoy
Director of Community Development .....	Michael L. Garcia
Director of Finance/City Treasurer .....	Jana Stuard
Director of Human Resources/Risk Manager .....	Catherine R. Thompson
Director of Public Safety .....	Grissel Chavez
Director of Recreation and Park Services .....	Bill Kearns
Director of Transportation .....	James C. Parker

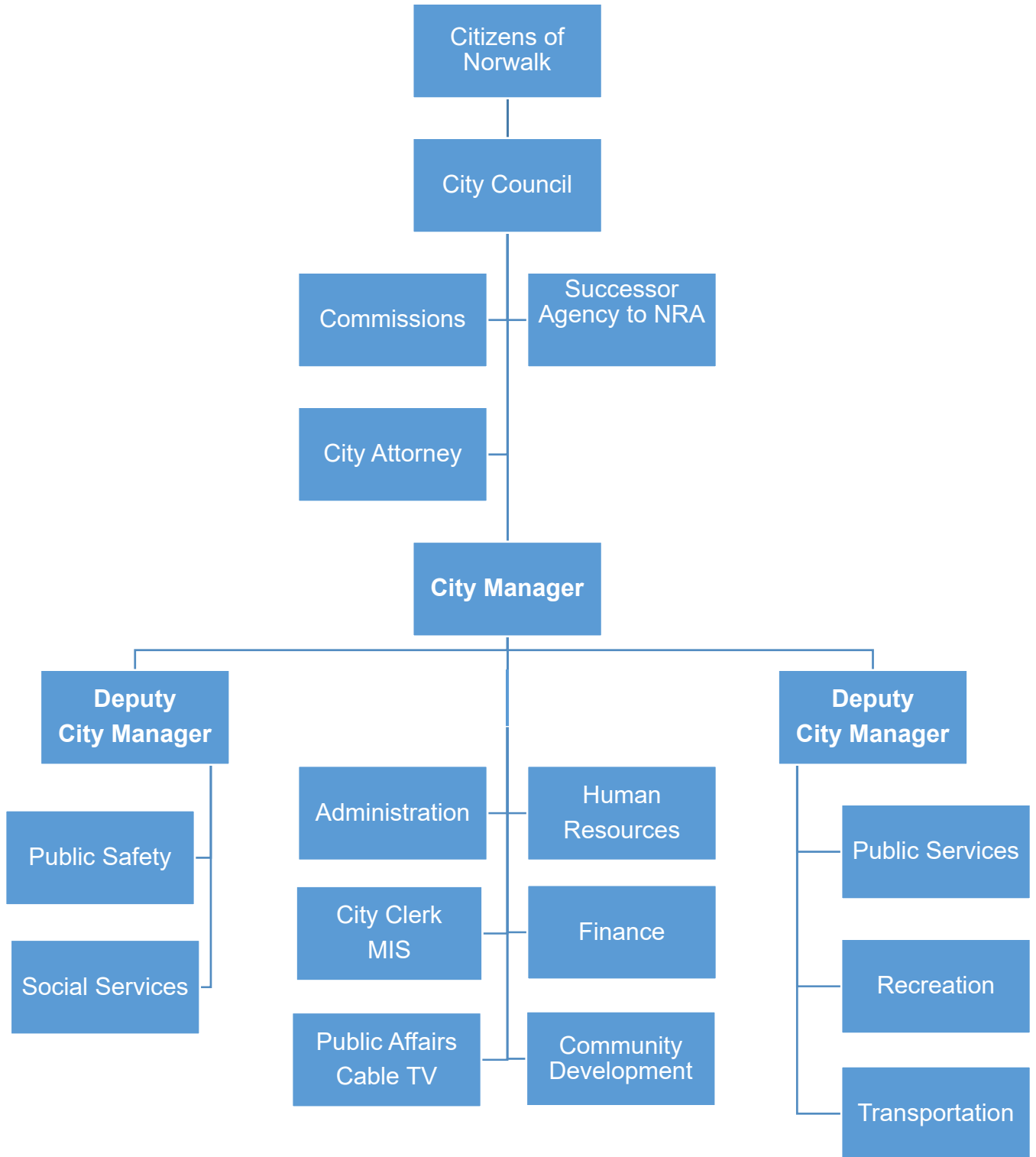
**RECOGNITION**

To the Finance/Accounting staff who have contributed their efforts and expertise in maintaining the program of “Excellence in Financial Reporting”.

**SPECIAL THANKS**

To the individuals of various departments who have supported and contributed vital information for this report.

# CITY OF NORWALK ORGANIZATIONAL CHART





Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**City of Norwalk  
California**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2017**

*Christopher P. Morill*

Executive Director/CEO

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## INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and  
Members of the City Council  
of the City of Norwalk  
Norwalk, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Norwalk (the City), as of and for the year ended June 30, 2018, and the related notes to the basic financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

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

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Norwalk, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As discussed in Notes 1B and 18 to the financial statements, the City adopted Governmental Accounting Standards Board's Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which required retrospective application resulting in a reduction of previously reported net position. Our opinions are not modified with respect to this matter.

## **Other Matters**

### *Report on Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of changes in the net pension liability and related ratios, the schedule of contributions - CalPERS, the annual money-weighted rate of return on investments for the OPEB, the schedule of changes in the net OPEB liability and related ratios, the schedule of contributions - OPEB, and the budgetary comparison schedules for the General Fund, Housing and Community Development Special Revenue Fund, and Housing Authority Special Revenue Fund, identified as Required Supplementary Information (RSI) in the accompanying table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the RSI in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during the audit of the basic financial statements. We do not express an opinion or provide any assurance on the RSI because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, the Debt Service Fund - Major Fund, the Special Projects Capital Projects Funds - Major Fund, the Economic Development Capital Projects Fund - Major Fund, the Housing Successor Fund Capital Projects Fund - Major Fund, and the Other Federal Grants Capital Projects Fund - Major Fund budgetary comparison schedules, combining and individual other governmental funds fund financial statements and schedules, and statistical section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.



## **Other Matters (Continued)**

### *Other Information (Continued)*

The Debt Service Fund - Major Fund, the Special Projects Capital Projects Funds - Major Fund, the Economic Development Capital Projects Fund - Major Fund, the Housing Successor Fund Capital Projects Fund - Major Fund, and the Other Federal Grants Capital Projects Fund - Major Fund budgetary comparison schedules, and the combining and individual fund financial statements and schedules (other supplementary information), as listed in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements.

Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion or provide any assurance.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2018, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*White Nelson Dick Evans LLP*

Irvine, California  
December 12, 2018

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The management of the City of Norwalk offers the readers of the City's statements this narrative overview, summary and analysis of the financial activities for the fiscal year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with the additional information furnished in our letter of transmittal and the City's financial statements.

## **FINANCIAL HIGHLIGHTS**

During the fiscal year ended June 30, 2018, the City continued to maintain its stable financial position, enabling delivery of appropriate services to the community and undertaking necessary economic development and infrastructure projects.

### **Long-term Economic Resource (Government-wide) Focus:**

- At June 30, 2018, the City's total assets and deferred outflows of resources were \$336.8 million and total liabilities and deferred inflows of resources were \$133.4 million, resulting in net position of \$203.4 million. The majority of the City's net position is invested in capital assets or restricted for specific purposes. The City's total net position decreased by \$26.4 million or 11% from the prior fiscal year. This decrease is mainly due to the implementation of GASB 75, which increased the unfunded liabilities of other post-employment benefits by \$22.4 million.
- The net position of City's governmental activities decreased by \$19.8 million. This decrease is due to the implementation of GASB 75, \$15.1 million and the issuance of debt \$4.4 million. The net position of the City's business-type activities decreased by a \$6.6 million, \$7.2 million of this decrease is related to the implementation of GASB75.
- The City's long-term liabilities of \$113.5 million increased by \$35.1 million and include: \$20.2 million of outstanding bonded debt to fund various capital improvements of governmental and enterprise activities; \$4.3 million outstanding debt recently issued to finance the acquisition of capital assets (light poles) and their subsequent retrofit to energy saving fixtures; \$52.5 million of net pension liability; and \$35.4 million of net other post-employment benefit liability.
- The total of the City's capital assets at the end of fiscal year amounted to \$218.2 million. Out of this amount \$34.4 million, 16%, are non-depreciable assets, and \$183.9 million, or approximately 84%, are depreciable capital assets. Significant portion of the capital assets are infrastructure assets that have been funded through various funding sources since the City's incorporation.

### **Short-term Financial Resource (Fund) Focus:**

- At the close of current fiscal year, the City's Governmental Funds reported a combined ending fund balance of \$68.3 million, an increase of \$3.1 million; approximately \$10.7 million of this balance is unassigned.
- At June 30, 2018, the General Fund balance was \$24.0 million, this is consistent with the prior year. The unassigned fund balance increased by \$0.2 million to a total of \$12.7 million.

- The actual General Fund revenues and transfers in totaled \$46.5 million represented an increase of \$2.1 million, and were \$0.5 million higher than final budget.
- The actual General Fund expenditures and transfers out of \$46.6 million represented an increase of \$0.7 million from the prior year actual of \$45.9 million. This was \$3 million under the final budget of \$49.6 million.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the City of Norwalk's basic financial statements. The City's basic financial statements are comprised of three components: 1) Government-wide financial statements; 2) Fund financial statements; and 3) Notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

### **Government-wide Financial Statements**

The Government-wide Financial Statements are designed to provide readers with a broad overview of the City's financial position, in a manner similar to that of private-sector business. These statements are reported on the full accrual basis of accounting. Thus, revenues and expenses are reported for some items that will not affect cash flows until future periods.

The Government-wide Financial Statements separate Governmental Activities that are principally supported by taxes and revenues from other agencies, from Business-type Activities that are intended to recover all, or a significant portion of their costs, through user fees and charges. The Governmental Activities of the City include General Government, Public Safety, Urban Development, Public Works, Culture and Leisure and Health and Welfare. The City's Business-type activities include Water Utility Services, Sewer Services, and Transit System.

The Government-wide Financial Statements include not only the City, but also, all legal entities for which the City is financially accountable. Accordingly, the financial information for the City's Housing Authority (HA) and the Norwalk Community Facilities Financing Authority are included as integral part of the City's financial statements and reported as blended component unit. The Successor Agency to the Norwalk Redevelopment Agency is reported under fiduciary funds.

The Statement of Net Position presents information on all of the City's assets and deferred outflows of resources, liabilities and deferred inflows of resources; the difference between the four is reported as net position. These assets include infrastructure and all assets previously included in the General Fixed Asset Account Group. The liabilities include all obligations previously reported in the General Long Term Debt Account Group. Evaluating increases or decreases in net position over time will serve as a useful indicator of whether the financial position of the City is improving or declining.

The Statement of Activities presents information on the net cost of each governmental function (activity) during the fiscal year. This statement also identifies the amount of general revenues needed to fully fund each governmental function.

## **Fund Financial Statements**

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

Governmental Funds (General Fund, Special Revenue, Debt Service and Capital Projects Funds) are used to account for the same functions reported as Governmental Activities in the Government-wide Financial Statements. However, unlike Government-wide Financial Statements, Fund Financial Statements focus on short-term inflows and outflows of spendable resources. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. This information may be useful in evaluating the City's short-term financing requirements.

The focus of the Fund Financial Statements is narrower than that of the Government-wide Financial Statements. The governmental funds Balance Sheet and the Statement of Revenues, Expenditures, and Changes in Fund Balances, require a reconciliation to facilitate the comparison between fund statements and the government-wide statements. This reconciliation is required because the government-wide statements are prepared on the full accrual basis of accounting while the fund statements are prepared on the modified accrual basis of accounting. The reconciliation can be found on pages 31 and 35, immediately following the Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances for Governmental Funds.

Proprietary Funds are Enterprise and Internal Service Funds. The City uses an Enterprise Fund to account for its Water Utility Services, Sewer Services, and Transit System. Internal Service Funds are used to accumulate and allocate costs internally to various functions. The City uses Internal Service Fund to allocate fleet maintenance and medical and workers' compensation insurance costs.

The proprietary fund statements provide information for the Water, Sewer and Transit funds. All of the Internal Service Funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the Internal Service Funds is provided in the form of combining statements.

Fiduciary Funds are used to account for resources held for the benefit of parties outside of the City. Fiduciary Funds are not reflected in the government-wide and primary governmental fund financial statements because the resources of those funds are not available to support the City's own programs. Fiduciary Funds are reported in the financial section.

Notes to the Financial Statements: The notes provide additional information that is essential to the reader for a full understanding of the data provided in the Government-wide and Fund financial statements.

Other Information: In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's changes in the net pension liability and related ratios, and contributions to the CalPERS pension plans, annual money-

weighted rate of return on investment - OPEB, changes in the net OPEB liability and related ratios, schedule of contributions - OPEB and information on the budget to actual comparisons for major funds.

The other supplementary information provides combining statements that were referred to earlier in connection with the non-major governmental funds, the non-major proprietary funds and the Internal Service funds. The inclusion of the Statistical Section provides useful historical trend data on the City.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

**Net Position** - Net position may serve over time as a useful indicator of a government's financial position. The City's combined net position for the year ended June 30, 2018, as shown in Table 1, was \$203.4 million.

**Table 1**  
**Net Position**  
**(in Thousands)**

	Governmental Activities		Business-type activities		Total	
	2018	2017	2018	2017	2018	2017
<b>Assets:</b>						
Current and other assets	\$ 87,880	\$ 83,469	\$ 14,952	\$ 14,282	\$ 102,832	\$ 97,751
Capital assets	154,118	156,284	64,155	63,830	218,273	220,114
Total assets	<u>241,998</u>	<u>239,753</u>	<u>79,107</u>	<u>78,112</u>	<u>321,105</u>	<u>317,865</u>
Deferred outflows of resources	11,597	7,793	4,122	2,553	15,719	10,346
<b>Liabilities:</b>						
Long-term liabilities	79,613	54,305	33,858	24,083	113,470	78,388
Other liabilities	15,435	14,872	3,174	3,784	18,609	18,656
Total liabilities	<u>95,048</u>	<u>69,177</u>	<u>37,031</u>	<u>27,867</u>	<u>132,079</u>	<u>97,044</u>
Deferred inflows of resources	989	1,033	357	344	1,346	1,377
<b>Net position:</b>						
Net investment in capital assets	143,866	145,020	55,392	54,862	199,258	199,882
Restricted	36,621	35,568	-	-	36,621	35,568
Unrestricted	(22,929)	(3,252)	(9,552)	(2,408)	(32,480)	(5,660)
Total net position	<u>\$ 157,558</u>	<u>\$ 177,336</u>	<u>\$ 45,841</u>	<u>\$ 52,454</u>	<u>\$ 203,399</u>	<u>\$ 229,790</u>

The City's Government-wide total assets and deferred outflows of resources of \$336.8 million, liabilities and deferred inflows of resources of \$133.4 million. The net investment in capital assets was \$199.3 million. Another portion of the City's net position, \$36.6 million, represents resources that are subject to external restrictions in how they may be used. The remaining negative balance of \$32.5 million resulted from the increase of long-term liabilities, namely pension and other post-employment liabilities.

**City of Norwalk**  
**Management's Discussion and Analysis**  
**June 30, 2018**

**Table 2**  
**Changes in Net Position**  
**(in thousands)**

	Governmental Activities		Business-type activities		Government-Wide Totals	
	2018*	2017	2018*	2017	2018	2017
Revenues:						
Program Revenues:						
Charges for services	\$ 7,875	\$ 7,911	\$ 9,869	\$ 9,226	\$ 17,744	\$ 17,137
Operating grants and capital contributions	24,891	21,307	9,021	7,613	33,912	28,920
Capital grants and contributions	312	129	2,820	1,603	3,132	1,732
General Revenues:						
Taxes:						
Sales taxes	11,079	10,265	-	-	11,079	10,265
Property taxes	8,390	7,481	-	-	8,390	7,481
Property tax in-lieu of VLF	10,968	10,430	-	-	10,968	10,430
Utility users taxes	4,849	5,093	-	-	4,849	5,093
Business operations taxes	881	857	-	-	881	857
Transient occupancy taxes	1,593	1,545	-	-	1,593	1,545
Franchise Fee	1,837	1,786	-	-	1,837	1,786
Investment income	211	399	192	118	404	517
Other	-	-	-	-	-	-
Total Revenues	<u>72,886</u>	<u>67,203</u>	<u>21,903</u>	<u>18,560</u>	<u>94,789</u>	<u>85,763</u>
Expenses:						
General government	11,784	10,754	-	-	11,784	10,754
Public safety	15,176	14,000	-	-	15,176	14,000
Urban development	6,473	6,690	-	-	6,473	6,690
Public works	18,386	17,733	-	-	18,386	17,733
Culture and leisure	8,744	8,602	-	-	8,744	8,602
Health and welfare	14,900	13,683	-	-	14,900	13,683
Interest and fiscal charges	387	427	-	-	387	427
Bond issue costs	-	-	-	-	-	-
Transit	-	-	15,722	14,616	15,722	14,616
Water	-	-	5,254	4,723	5,254	4,723
Sewer	-	-	1,974	1,777	1,974	1,777
Golf Course	-	-	-	-	-	-
Total Expenses	<u>75,850</u>	<u>71,889</u>	<u>22,950</u>	<u>21,116</u>	<u>98,800</u>	<u>93,005</u>
Transfers	<u>(1,951)</u>	<u>(2,026)</u>	<u>1,951</u>	<u>2,026</u>	<u>-</u>	<u>-</u>
Change in net position	(4,916)	(6,712)	904	(530)	(4,012)	(7,242)
Net position - beginning of year, as restated	<u>162,473</u>	<u>184,048</u>	<u>44,937</u>	<u>52,984</u>	<u>207,410</u>	<u>237,032</u>
Net position - ending of year	<u>\$ 157,558</u>	<u>\$ 177,336</u>	<u>\$ 45,841</u>	<u>\$ 52,454</u>	<u>\$ 203,399</u>	<u>\$ 229,790</u>

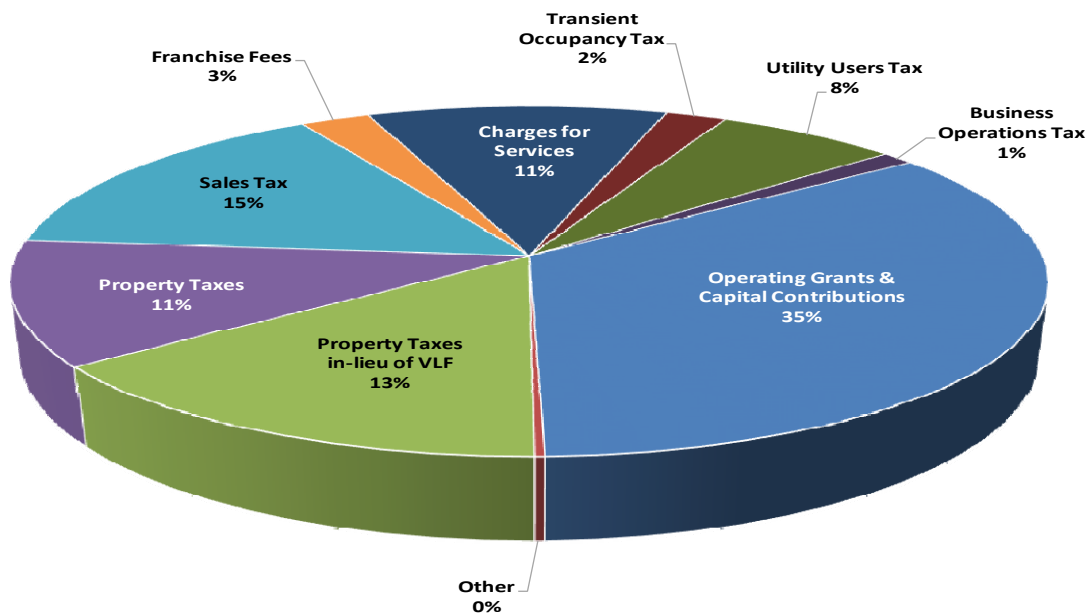
\*FY 2018 - Net position includes implementation of GASB 75

**Governmental Activities**

Revenues for the City's governmental activities increased \$5.7 million or 8.5%, from \$67.2 million last fiscal year to \$72.9 million in this fiscal year. Key elements of significant changes are as follows:

- The largest revenue source was operating grants and capital contributions at \$24.9 million, which increased \$3.6 million, or 16.8%, from the preceding fiscal year.
- The second largest revenue source was sales tax at \$11.1 million. It increased \$0.8 million, or 7.9%, from the preceding fiscal year.
- The third largest revenue source was property taxes in-lieu of VLF. The City received \$11.0 million, an increase of \$0.5 million, or 5.2%, from the prior fiscal year.
- Property taxes were the fourth largest revenue, at \$8.4 million, an increase of \$0.9 million or 12.2% from the prior fiscal year.
- The fifth largest revenue source was charges for services at \$7.9 million, which was consistent with the preceding fiscal year.

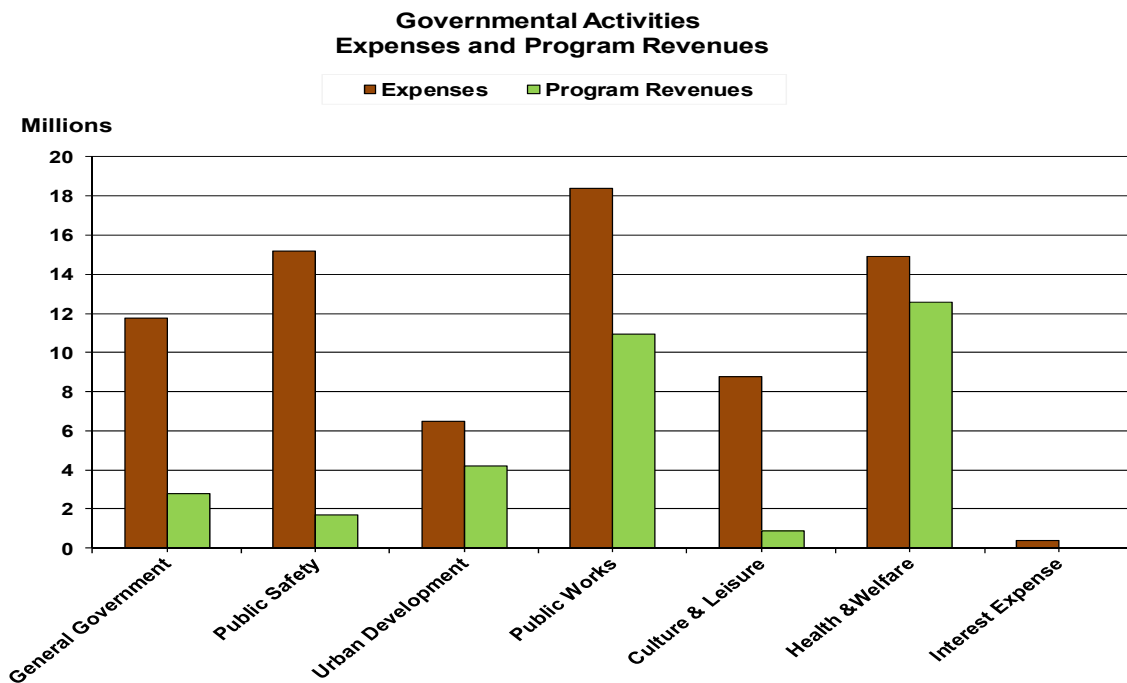
**Governmental Activities - Revenues by Source**



The cost of all governmental activities this year was \$75.8 million. Program revenues funded \$33.1 million, or 44% of governmental activities. The remaining portion of governmental activities was paid with general revenues.



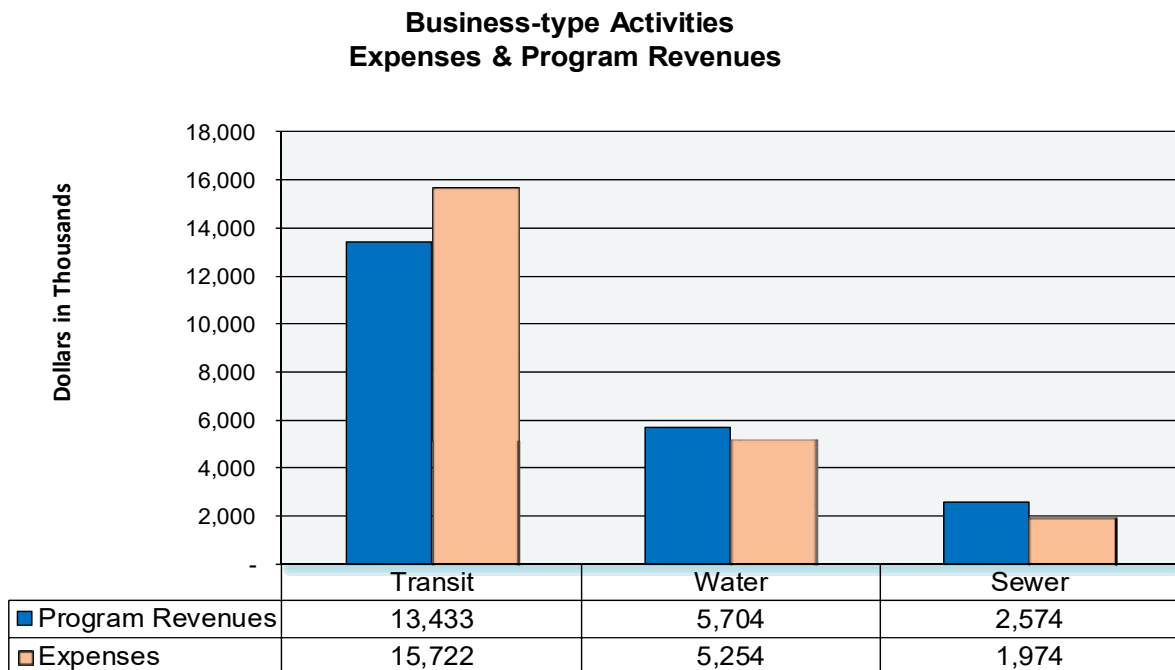
- Public Works, was the largest category of governmental activities, at \$18.4 million, it represented 24% of the total expenses; increasing \$0.7 million from the prior fiscal year. Approximately \$10.9 million in expense was funded with program revenues.
- Public Safety expense category was the second largest at \$15.2 million, or 20% of governmental activities, of which approximately \$1.7 million was funded with program revenues. Expenses for this category increased by \$1.2 million, or 8% from the prior fiscal year.
- Health and Welfare was the third largest expense category. During fiscal year ended June 30, 2018, these expenses represented \$14.9 million, or 19.6% of governmental activities. Approximately \$12.6 million was funded with program revenues. Expenses increased from the preceding fiscal year by \$1.2 million, or 9%.
- General Government, the fourth largest category of governmental activities recorded expenses at \$11.8 million; it represented 15.5% of total governmental expenses. Program revenues funded \$2.8 million. Expenses in this category recorded an increase of \$1.0 million, or 10% compared to preceding fiscal year.
- Culture and Leisure was the fifth largest governmental activity with \$8.7 million in expenses, or 11.5% of governmental activities. Approximately \$0.9 million was funded with program revenues. Expenses were consistent with the prior fiscal year.



**Business-type Activities**

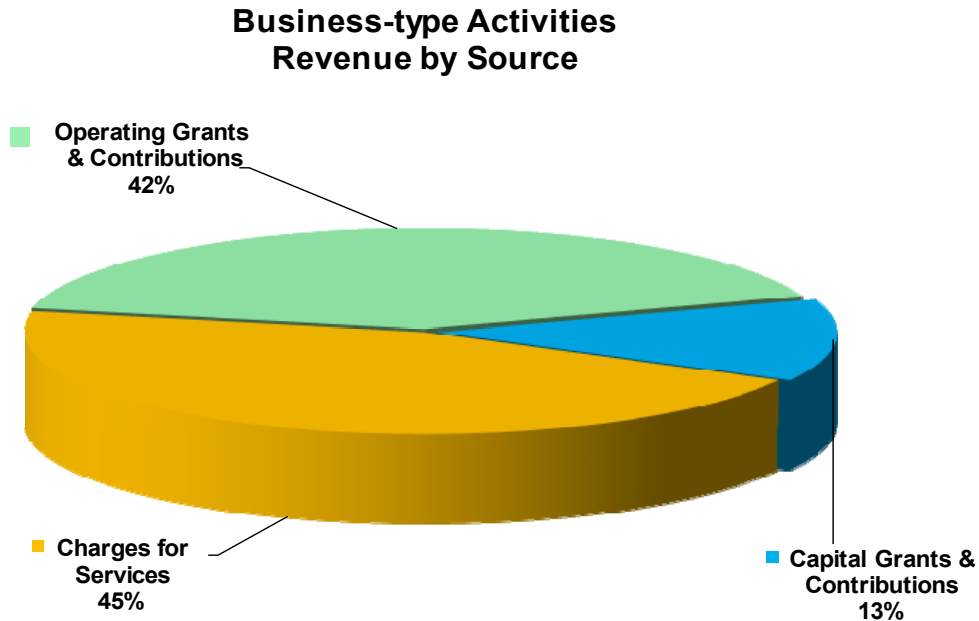
The City's business type activities, which are Transit, Water, and Sewer, account for services to the general public. As of June 30, 2018, total net position of Business-type activities was \$45.8 million, out of which, the unrestricted net position represented a negative \$9.6 million; net investment in capital assets represented \$55.4 million. Total net position decreased \$6.6 million from the prior year's balance of \$52.5 million. This decrease can be attributed to the implementation of GASB 75, which increased net liability of other post-employment benefits by \$7.2 million.

The graph below presents the costs of business activities and associated program revenues.



Total program revenues of Business-type activities were \$21.7 million; an increase of \$3.3 million, or 17.7% from the prior year's program revenues. The majority of this increase is related to higher operating grants and contribution revenues and capital grant funding received under Transit activity.

As shown in the pie chart below, Charges for Services represent 45% of program revenues of Business-type activities. Water and Sewer are 100% funded through service charges. The Operating Grants and Contributions received by Transit represent 42% of the total program revenues received by Business-type activities.



### Transit System

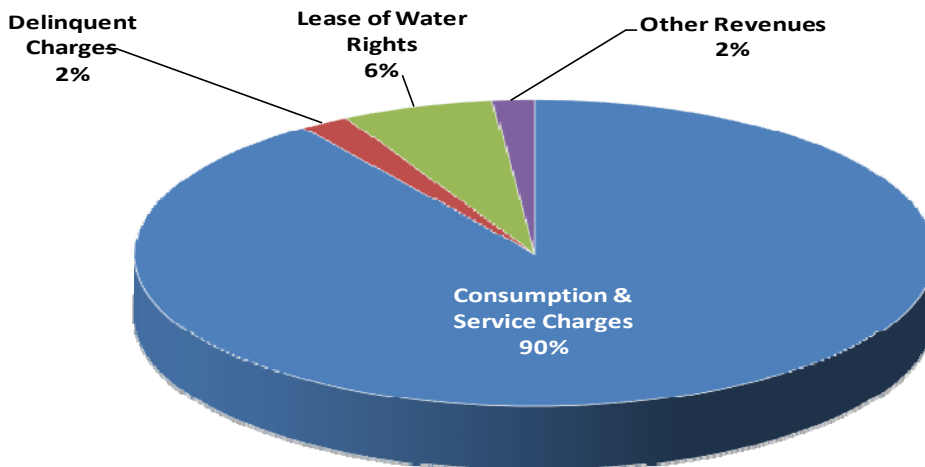
Charges for services, \$1.6 million, remained flat from the prior fiscal year. Operating grants and contributions were \$11 million, an increase of \$1.3 million. This increase is due in large part to Measure M funds, \$1.1 million, which is a new revenue source in fiscal year 2018. Capital grants and contributions of \$2.8 million recorded an increase of \$1.2 million from prior year. This increase is due to the purchase of three CNG buses, \$1 million. Combined revenues increased by \$2.6 million, or 24%, when compared to the prior fiscal year. Total expenses of \$15.7 million recorded an increase of \$1.1 million, or 8%, from the previous fiscal year.

Transit's net position decreased by \$6.9 million primarily due to the implementation of GASB 75 (\$6.4 million)

Water System

Revenues totaled \$5.8 million; an increase of \$0.6 million, or 11%, from the preceding year. As demonstrated in the chart below, consumption and service charges at \$5.2 million represented 90% of total revenues.

**Water Total Revenues - \$5,786,439**



Total expenses of \$5.3 million increased from the prior year by \$0.5 million, or 11 %.

Water Funds total net position of \$15.4 million remained consistent with the prior fiscal year, despite an increase in net other post-employment benefits liability of \$0.7 million due to the implementation of GASB 75.

Information about water sources, service connections, charges for services, top ten largest customers, as well as historic balance sheets, and operating results is detailed under the statistical section of this report.

Sewer

In fiscal year 2017-18, operating revenues totaled \$2.6 million, while operating expenses were \$2.0 million. Total net position of the Sewer Fund is \$24.8 million, out of which, \$5.1 million is unrestricted.

## FINANCIAL ANALYSIS OF THE GOVERNMENTAL FUNDS

The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. In compliance with GASB No. 54 "*Fund Balance Reporting and Governmental Fund Type Definitions*" which establishes accounting and financial reporting standards for all governments that report governmental funds, fund balances are classified into fund balance information. It hopes to provide more transparent fund balance information and improve the comparability of governmental fund financial statements. With the implementation of GASB No. 54, the City's governmental funds fund balances are classified into *nonspendable, restricted, committed, assigned and unassigned*. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of *spendable* resources. These *spendable* resources are *restricted, committed, assigned and unassigned* fund balances. Detailed discussion of each fund classifications can be found under the Notes to Financial Statements.

As of the end of the current fiscal year, the City of Norwalk reported a combined ending Governmental Funds fund balance of \$68.3 million, an increase of \$3.1 million, or 4.7%, from the prior year's combined fund balance of \$65.2 million.

The nonspendable portion of Governmental Funds fund balance totaled \$7.5 million, a decrease of \$0.7 million or 8.3% from last year.

Total restricted fund balance was \$41.8 million, an increase of \$5.2 million. This significant increase resulted from debt issuance to fund street light project. The restricted balance comprises of \$11 million under Special Revenue Funds, restricted by their funding nature; \$24.3 million is restricted for Capital Projects, \$5.4 million for Debt Service; and \$1.0 million for pension stabilization fund.

Total committed fund balance was \$7.6 million: \$4.7 million to finance replacement of City assets, \$0.8 million to fund Parking Structure operations and capital improvement, and \$2.1 million is committed to cover future potential loss of revenues and the increase of pension cost.

The City assigned \$0.6 million for future capital improvement projects. The combined unassigned fund balance of Governmental Funds is \$10.7 million and is available for spending to meet the future needs of the City.

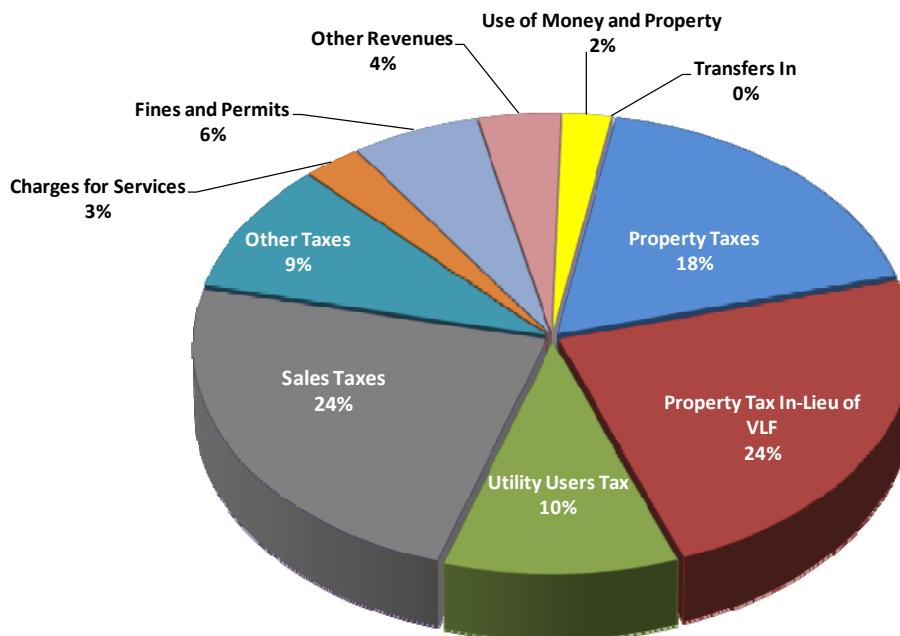
Revenues of governmental funds for the fiscal year ended June 30, 2018 were \$71.9 million. This is an increase of \$2.3 million, or 3.3%, from the prior fiscal year's total of \$69.6 million. The primary contributor to this increase is sales and property value related taxes, \$2.1 million.

Expenditures of governmental funds were \$71.5 million. This is an increase of \$3.4 million, or 5% from the prior fiscal year. This overall increase in expenditures can be contributed to combination of increases under street projects funded from special revenue funds, \$3.0 million; Los Angeles County Sheriff's contract, \$0.7 million.

*The General Fund* is the principal operating fund of the City. It is used to account for all discretionary revenues and expenditures necessary to carryout basic government functions that are not accounted for through other special revenue and grant funds. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$12.7 million, assigned fund balance was \$0.6 million, restricted fund balance \$1.0 million, non-spendable fund balance was \$7.5 million, while committed fund balance was \$2.1 million. These resulted in total General fund balance of \$24.0 million. The key factors affecting the General Fund's financial position are as follows:

General Fund revenues and transfers in for the fiscal year totaled \$46.5 million, an increase of \$2.1 million or 4.8%, from the prior year's total of \$44.4 million.

### General Fund Revenues (by Sources)

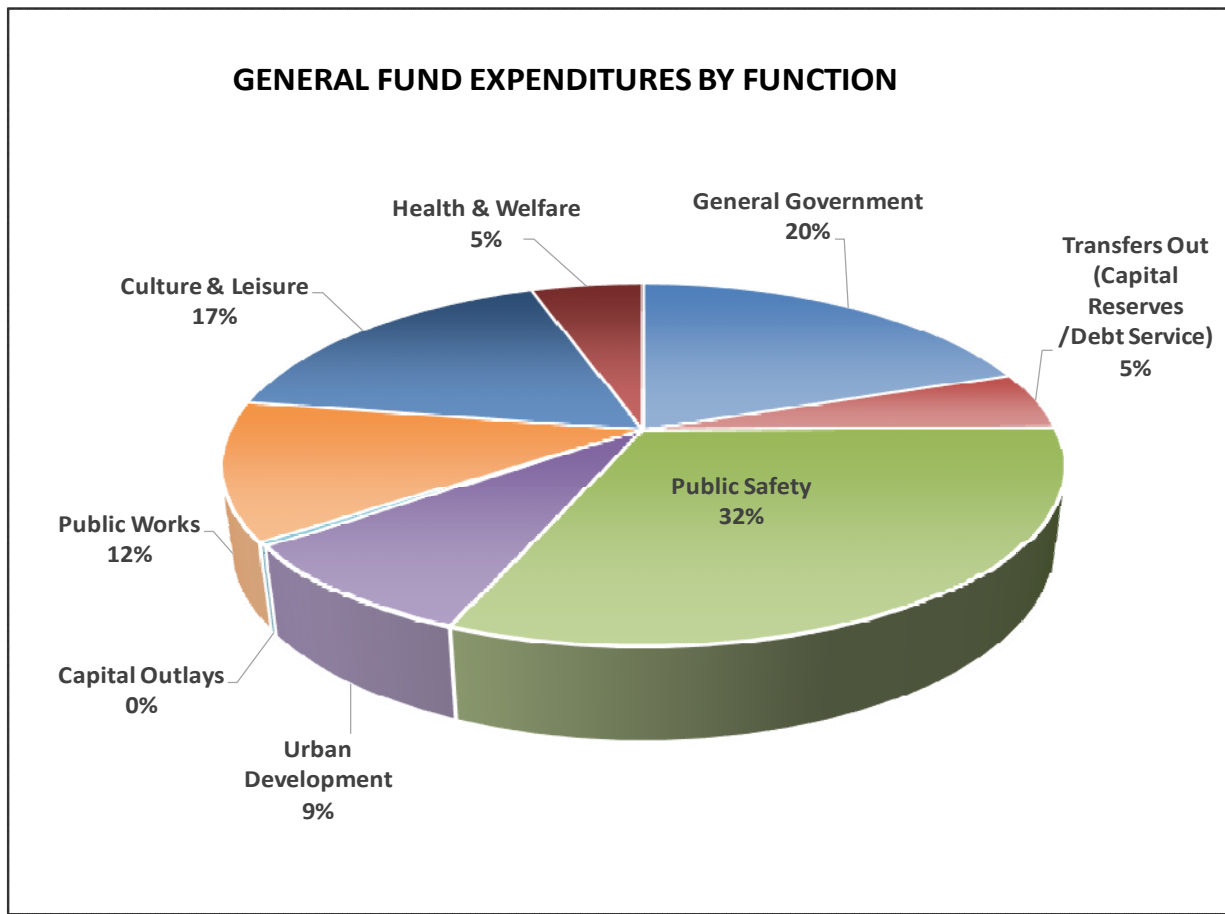


Taxes represent 85% of the General Fund revenues and are the largest revenue source. They include following categories: sales tax, property tax in-lieu of vehicle license fees (VLF), property taxes, utility users' tax and other taxes.

- Sales tax represented the largest revenue source at \$11.1 million, or 23.8% of General Fund revenues. This revenue source increased \$0.8 million, 7.9%, from fiscal year 2017. City recorded increases mainly under fuel and service stations, autos and transportation, business and industry, and general consumer goods categories. This trend was in line with state-wide results.

- The second largest revenue source, 23.6% of General Fund revenues, was property tax in-lieu of VLF at \$11.0 million. This is an increase of \$0.5 million, or 5.2% from prior year.
- Property taxes came in third at \$8.4 million, representing 18% of the General Fund revenues, an increase of \$0.9 million, from last year's total. Majority of these real property value derived revenues came from No/Low property tax and property tax apportionment from the Los Angeles County for the South-East Recreation Park Area.
- Utility users tax came in fourth at \$4.8 million or 10% of the total General Fund revenues, a decrease of \$0.2 million from last year's total. This revenue is based on telephone, wireless, electricity and gas utilities.
- Other taxes were the fifth largest revenue source at \$4.3 million, or 9% of General Fund revenues. This revenue was flat compared to the prior fiscal year results.

General Fund expenditures and transfers out totaled \$46.6 million, an increase of \$0.7 million, or 1.6%, from the prior year's total of \$45.9 million. Expenditures by function from highest to lowest are summarized as follows:



- Public Safety was the largest General Fund function at \$14.7 million, or 31% of General Fund expenditures and transfers out, an increase of \$0.9 million, or 6.5%, from the preceding fiscal year. This increase is related to the rising cost of Los Angeles County Sheriff's contract.
- General Government (City Council, City Commissions, Administration, City Attorney, Management Services, Public Affairs, Cable TV, City Clerk's Office, Human Resources and Risk Management, Finance, and Management Information Systems) was the second largest General Fund function at \$9.2 million, or 19.7%, of the General Fund expenditures and transfers out. This function remained flat from prior year.
- The Culture and Leisure expenditures represented the third largest expenditure category at \$8.1 million, or 17.3%, of the General Fund expenditures and transfers out. This category increased \$0.4 million or 5.6% from prior year due to realignment of maintenance staff cost. Expenditures were re-categorized from Public Works to better reflect the cost of maintaining Culture and Leisure facilities.
- Public Works ranked fourth at \$5.7 million, or 12.2% of the General Fund expenditures and transfers out. This category increased \$0.2 million or 2.7% from prior year
- Fifth in rank is Urban Development function at \$4.0 million, representing 8.7% of the General Fund expenditures and transfers out. This expense decreased by \$0.5 million, or 11.2% from the prior year, which was a result of savings in personnel cost due to vacancies.

Housing and Community Development Special Revenue Fund accounts for the City's entitlements of the Federal Community Development Block Grant (CDBG) and HOME program. The U.S. Department of Housing and Urban Development (HUD) provides annual allocations of CDBG and HOME funds that can be used to revitalize neighborhoods, prevent or eliminate slums or blight, expand affordable housing and economic opportunities, and improve community facilities and services, principally to benefit low and moderate income households.

In fiscal year 2017-18, CDBG received entitlement grant in the amount of \$0.9 million and program income (proceeds of repayments of HUD funded loans) of \$0.4 million. In addition, the City also received HOME grant entitlement in the amount of \$175 thousand, and the program income generated by the repayment of HOME funded loans, \$29 thousand.

The City expended \$1.3 million of CDBG funds on 30 activities. HOME expenditures totaled \$208 thousand for the year, out of which \$149 thousand was spent for home repairs.

Special Projects Capital Projects Funds account for capital projects funded by federal and county grants. These funds are reimbursed by the granting agencies, as expenses are incurred. During fiscal year 2017-18, there were 11 capital projects in various stages of completion. Change in fund balance was a net decrease of \$101 thousand, due to the reimbursement of expenses received after the accrual period.



**General Fund Budgetary Highlights**

The following table displays the General Fund's original budget, final budget and actual results for 2018 revenues, expenditures and transfers. Actual revenues and transfers in were \$476 thousand, 1% higher than the City's final budget, of \$46.0 million. Expenditures and transfers out were lower by \$2.9 million than the final budget of \$49.6 million, or 6% under budget. The budget savings resulted mainly from savings under: personnel costs (\$1.2 million), capital projects (\$0.7 million), and other operating cost (\$1.0 million).

The final revenue budget reflects an increase of \$333 thousand (0.7%) from the original revenue estimates.

Differences between the original and final expenditures budgets reflect an increase of \$1.1 million, or 2.4%.

**Table 3**  
**General Fund Budgetary Comparison**  
**(in thousands)**

	Original Budget	Final Budget	Actual Amount
Revenues	\$ 45,710	\$ 46,043	\$ 46,533
Expenditures	(46,129)	(47,233)	(44,287)
Other Financing Sources (Uses):			
Transfers in	22	22	9
Transfers out	(2,339)	(2,339)	(2,354)
Net Change in Fund Balance	\$ (2,736)	\$ (3,507)	\$ (98)

**Capital Assets and Debt Administration**

Capital Assets. The City's investment in a broad range of capital assets for Governmental and Business-type Activities decreased \$1.8 million, or 1%, mainly due to current year depreciation. As of June 30, 2018 capital assets net depreciation totaled \$218.3 million.

Additional information on the City's capital assets can be found in Note 6 of the Notes to the Basic Financial Statements.

**Table 4**  
**Capital Assets – Net of Depreciation**  
**June 30, 2018 and 2017**

	Governmental Activities		Business-type activities		Total	
	2018	2017	2018	2017	2018	2017
Capital assets not being depreciated:						
Land	\$ 6,964,636	\$ 6,964,626	\$ 23,125	\$ 23,125	\$ 6,987,761	\$ 6,987,751
Construction in progress	10,327,879	8,309,754	8,665,348	7,060,222	18,993,227	15,369,976
Water rights			8,396,581	8,396,581	8,396,581	8,396,581
Total capital assets not being depreciated	17,292,515	15,274,380	17,085,054	15,479,928	34,377,569	30,754,308
Capital assets being depreciated:						
Buildings and improvements	52,135,596	50,069,293	13,111,819	12,770,445	65,247,415	62,839,738
Distribution system	-	-	13,439,105	13,439,105	13,439,105	13,439,105
Machinery and equipment	6,810,256	6,840,192	-	-	6,810,256	6,840,192
Office equipment	-	-	822,297	822,297	822,297	822,297
Vehicles	-	-	19,160,074	18,602,760	19,160,074	18,602,760
Tools and equipment	-	-	2,435,530	2,479,837	2,435,530	2,479,837
Infrastructure	270,302,314	267,324,957	47,408,051	47,408,051	317,710,365	314,733,008
Miscellaneous	-	-	144,559	144,559	144,559	144,559
Total capital assets being depreciated	329,248,166	324,234,442	96,521,435	95,667,054	425,769,601	419,901,496
Less: Total accumulated depreciation	(192,422,909)	(183,225,119)	(49,451,102)	(47,316,543)	(241,874,011)	(230,541,662)
Net Capital Assets, being depreciated	136,825,257	141,009,323	47,070,333	48,350,511	183,895,590	189,359,834
Net Capital Assets	\$154,117,772	\$ 156,283,703	\$ 64,155,387	\$63,830,439	\$218,273,159	\$ 220,114,142

Non-Current Liabilities. At June 30, 2018, the City had \$115.5 million in outstanding long-term liabilities for governmental and business-type activities.

**Table 5  
Non-Current Liabilities as of June 30, 2018 and 2017  
(In thousands)**

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Compensated absences	\$ 2,502	\$ 2,432	\$ 561	\$ 522	\$ 3,063	\$ 2,954
Other post-employment benefits	23,620	6,002	11,735	3,281	35,355	9,284
Lease payable	4,337	-	-	-	4,337	-
Bond indebtedness	11,469	12,552	8,766	8,971	20,235	21,523
Net pension liability	39,401	34,783	13,134	11,594	52,535	46,377
Total non current liabilities	\$ 81,329	\$ 55,769	\$34,195	\$ 24,369	\$115,524	\$ 80,138

The City's total non-current liabilities increased by \$35.4 million or 44% during fiscal year 2017-2018. The majority of this increase can be attributed to the implementation of GASB 75, which increased other post-employment benefits liability by \$26.1 million or 281%; pension liabilities increased by \$6.2 million, or 13% due to changes in assumptions made by CalPERS. In addition the City issued \$4.3 million debt to acquire and retrofit street light poles. Bond indebtedness decreased by the amount of the annual principal payment of \$1.3 million. The City's credit rating remained unchanged.

Additional information on the City's long-term liabilities can be found in Note number 7, 8 and 11 of the Notes to the Basic Financial Statements.

Economic Factors and Outlook for Next Fiscal Year

The City's finances and the ability to pay for essential services are heavily dependent on local economy and legislative actions of the Federal and State governments, as a substantial portion of the City's revenues are intergovernmental grants and pass-through revenues. The latest "California Fiscal Outlook", published by the State of California Legislative Analyst Office (LAO) in November 2018 states that State of California's Budget is in remarkably good shape and long-term outlook is also positive, as 2019-20 general fund reserves should reach \$14.5 billion, assuming the Legislature makes no additional budget commitments.

The City will continue to monitor Federal and State budget development as they affect a substantial portion of the City's intergovernmental funding sources.

The City adopted fiscal year 2018-19 operating budget, which is both balanced and fiscally responsible. This spending plan maintains essential services to the community and continues to provide funding to stimulate local economy through various development and beautification projects throughout the City.

The key assumptions in the General Fund forecast for the fiscal year 2018-19 Budget are:

- The adopted operating budget is balanced with no use of reserves. The available fund balance is planned to be used for one-time expenditures: special studies, capital outlays, capital projects, transfers to capital reserve funds, and contributions to post-employment benefit irrevocable trust fund. 2018-19 Budget maintains General Fund reserves within the City's reserve policy, at 20% of operating expenditures.
- The General Fund Unassigned Budgetary Fund Balance is projected to be \$10.2 million as of June 30, 2019. This amounts represent 22% of the operational & minor capital outlays expenditures.

The following table summarizes the General Fund 2018-19 Adopted Budget.

General Fund Balance	Budget
Unassigned Balance, Start of Year	12,668,547
Estimated Revenues	47,024,280
Change in Reserve Balances	122,987
<b>Available Resources</b>	<b>47,147,267</b>
Less Expenditures:	
<b>Operations</b>	<b>47,062,313</b>
Minor Capital Outlays	96,840
Other Sources (Uses)	(1,645,200)
<b>Unassigned Balance, Year to Date</b>	<b>11,011,461</b>

### **Request for Information**

This financial report is designed to provide a general overview of the City of Norwalk's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Norwalk, Finance Department, 12700 Norwalk Blvd., Norwalk, California, 90650, or by phone at (562) 929-5750.

## **BASIC FINANCIAL STATEMENTS**

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**City of Norwalk**  
**Statement of Net Position**  
**June 30, 2018**

	Governmental Activities	Business-type Activities	Total
<b>ASSETS:</b>			
Cash and investments	\$ 54,791,429	\$ 14,744,339	\$ 69,535,768
Cash and investments with fiscal agents	5,433,302	2,706	5,436,008
Cash and investments held by trust for pension	1,002,530	-	1,002,530
Accounts receivable	1,259,634	1,007,451	2,267,085
Interest receivable	679,998	-	679,998
Other receivables	13,606	-	13,606
Due from other governments	6,097,800	1,513,850	7,611,650
Due from Successor Agency	61,199	-	61,199
Advances to Successor Agency	8,496,088	-	8,496,088
Internal balances	2,527,498	(2,527,498)	-
Inventory	96,760	210,337	307,097
Prepaid items and deposits	59,543	739	60,282
Loans receivable	7,360,746	-	7,360,746
Capital assets:			
Non-depreciable	17,292,515	17,085,054	34,377,569
Depreciable, net of accumulated depreciation	136,825,257	47,070,333	183,895,590
<b>Total assets</b>	<u>241,997,905</u>	<u>79,107,311</u>	<u>321,105,216</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
Deferred amounts from OPEB plans	1,999,166	962,821	2,961,987
Deferred amounts from pension plans	9,477,069	3,159,024	12,636,093
Unamortized loss on bond defeasance	120,958	-	120,958
<b>Total deferred outflows of resources</b>	<u>11,597,193</u>	<u>4,121,845</u>	<u>15,719,038</u>
<b>LIABILITIES:</b>			
Accounts payable	5,310,237	1,086,623	6,396,860
Accrued expenses	80,119	321,806	401,925
Interest payable	49,410	43,164	92,574
Other liabilities	24,947	24,706	49,653
Due to other governments	8,189,632	-	8,189,632
Deposits payable	58,051	153,075	211,126
Unearned revenue	6,860	1,207,072	1,213,932
Noncurrent liabilities:			
Due within one year	1,716,477	337,254	2,053,731
Due in more than one year:			
Other long-term liabilities	16,591,603	8,988,915	25,580,518
Net OPEB liability	23,619,723	11,735,124	35,354,847
Net pension liability	39,401,205	13,133,736	52,534,941
<b>Total liabilities</b>	<u>95,048,264</u>	<u>37,031,475</u>	<u>132,079,739</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Deferred amounts from OPEB plans	113,006	65,166	178,172
Deferred amounts from pension plans	875,875	291,959	1,167,834
<b>Total deferred inflows of resources</b>	<u>988,881</u>	<u>357,125</u>	<u>1,346,006</u>
<b>NET POSITION:</b>			
Net investment in capital assets	143,865,804	55,392,470	199,258,274
Restricted:			
Pension	1,002,530	-	1,002,530
Public safety	342,227	-	342,227
Urban development	23,939,822	-	23,939,822
Public works	10,918,965	-	10,918,965
Public art	169,253	-	169,253
Culture & leisure	111,762	-	111,762
Health & welfare	136,135	-	136,135
Unrestricted	(22,928,545)	(9,551,914)	(32,480,459)
<b>Total net position</b>	<u>\$ 157,557,953</u>	<u>\$ 45,840,556</u>	<u>\$ 203,398,509</u>

See accompanying notes to basic financial statements.

Functions/programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental activities:</b>				
General government	\$ 11,784,341	\$ 2,595,457	\$ 199,738	\$ -
Public safety	15,175,568	1,500,144	205,036	-
Urban development	6,472,762	2,363,844	1,843,066	-
Public works	18,386,470	339,800	10,278,909	311,635
Culture and leisure	8,743,561	637,317	240,149	-
Health and welfare	14,900,082	438,658	12,123,742	-
Interest expense	387,397	-	-	-
<b>Total governmental activities</b>	<b>75,850,181</b>	<b>7,875,220</b>	<b>24,890,640</b>	<b>311,635</b>
<b>Business-type activities:</b>				
Transit system	15,722,272	1,590,908	9,021,190	2,820,413
Water	5,254,018	5,704,279	-	-
Sewer	1,973,782	2,573,946	-	-
<b>Total business-type activities</b>	<b>22,950,072</b>	<b>9,869,133</b>	<b>9,021,190</b>	<b>2,820,413</b>
<b>Total primary government</b>	<b>\$ 98,800,253</b>	<b>\$ 17,744,353</b>	<b>\$ 33,911,830</b>	<b>\$ 3,132,048</b>

**General revenues:**

Taxes:

Property taxes

Utility users taxes

Business operation taxes

Transient occupancy taxes

Franchise fees

Unrestricted intergovernmental

Intergovernmental revenue - sales taxes

Investment income

**Transfers**

**Total general revenues and transfers**

**Changes in net position**

**Net position - beginning of year, as restated**

**Net position - end of year**



City of Norwalk  
Statement of Activities  
For the year ended June 30, 2018

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-type Activities	Total
\$ (8,989,146)	\$ -	\$ (8,989,146)
(13,470,388)	-	(13,470,388)
(2,265,852)	-	(2,265,852)
(7,456,126)	-	(7,456,126)
(7,866,095)	-	(7,866,095)
(2,337,682)	-	(2,337,682)
(387,397)	-	(387,397)
<u>(42,772,686)</u>	<u>-</u>	<u>(42,772,686)</u>
-	(2,289,761)	(2,289,761)
-	450,261	450,261
-	600,164	600,164
<u>-</u>	<u>(1,239,336)</u>	<u>(1,239,336)</u>
<u>(42,772,686)</u>	<u>(1,239,336)</u>	<u>(44,012,022)</u>
8,390,338	-	8,390,338
4,848,872	-	4,848,872
880,709	-	880,709
1,593,203	-	1,593,203
1,836,980	-	1,836,980
10,967,928	-	10,967,928
11,078,771	-	11,078,771
211,385	192,254	403,639
(1,951,033)	1,951,033	-
<u>37,857,153</u>	<u>2,143,287</u>	<u>40,000,440</u>
(4,915,533)	903,951	(4,011,582)
<u>162,473,486</u>	<u>44,936,605</u>	<u>207,410,091</u>
<u>\$ 157,557,953</u>	<u>\$ 45,840,556</u>	<u>\$ 203,398,509</u>

<b>ASSETS</b>	General Fund	Housing and Community Development Special Revenue Fund	Housing Authority Special Revenue Fund	Debt Service Fund
<b>ASSETS</b>				
Assets:				
Cash and investments	\$ 13,108,055	\$ 450,544	\$ 1,384,501	\$ 230
Cash and investments with fiscal agents	-	-	-	5,433,302
Cash and investments held by trust for pension	1,002,530	-	-	-
Accounts receivable, net	1,087,696	5,763	74,199	-
Interest receivable	232,896	447,102	-	-
Other receivable	13,606	-	-	-
Due from other funds	2,647,182	-	-	-
Due from other governments	2,577,763	142,938	2,375	-
Inventory	6,273	-	-	-
Prepaid items	57,924	69	-	-
Loans receivable	-	7,360,746	-	-
Due from Successor Agency	61,199	-	-	-
Advances to Successor Agency	8,496,088	-	-	-
Advances to other funds	2,527,498	-	-	-
<b>Total assets</b>	<b>\$ 31,818,710</b>	<b>\$ 8,407,162</b>	<b>\$ 1,461,075</b>	<b>\$ 5,433,532</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICITS)</b>				
Liabilities:				
Accounts payable	\$ 3,890,748	\$ 107,872	\$ -	\$ 3,000
Due to other funds	-	-	172,434	-
Due to other governments	381,453	7,807,848	-	-
Deposits payable	-	-	58,051	-
Other liabilities	24,947	-	-	-
Unearned revenue	-	-	-	-
<b>Total liabilities</b>	<b>4,297,148</b>	<b>7,915,720</b>	<b>230,485</b>	<b>3,000</b>
Deferred inflows of resources:				
Unavailable revenues	3,564,751	-	82,443	-
<b>Total deferred inflows of resources</b>	<b>3,564,751</b>	<b>-</b>	<b>82,443</b>	<b>-</b>
Fund balances (deficits):				
Nonspendable	7,524,734	69	-	-
Restricted	1,002,530	491,373	1,148,147	5,430,532
Committed	2,120,000	-	-	-
Assigned	641,000	-	-	-
Unassigned	12,668,547	-	-	-
<b>Total fund balances (deficits)</b>	<b>23,956,811</b>	<b>491,442</b>	<b>1,148,147</b>	<b>5,430,532</b>
<b>Total liabilities, deferred inflows of resources and fund balances (deficits)</b>	<b>\$ 31,818,710</b>	<b>\$ 8,407,162</b>	<b>\$ 1,461,075</b>	<b>\$ 5,433,532</b>

See accompanying notes to basic financial statements.

**City of Norwalk  
Balance Sheet  
Governmental Funds  
June 30, 2018**

Special Projects Capital Projects Funds	Economic Development Capital Projects Fund	Housing Successor Fund Capital Projects Fund	Other Federal Grants Capital Projects Fund	Other Governmental Funds	Totals
\$ 271,459	\$ 10,766,708	\$ 11,477,193	\$ -	\$ 17,148,660	\$ 54,607,350
-	-	-	-	-	5,433,302
-	-	-	-	-	1,002,530
-	-	-	-	91,976	1,259,634
-	-	-	-	-	679,998
-	-	-	-	-	13,606
-	-	-	-	-	2,647,182
352,403	-	-	1,862,260	1,158,099	6,095,838
-	-	-	-	-	6,273
-	-	-	-	1,550	59,543
-	-	-	-	-	7,360,746
-	-	-	-	-	61,199
-	-	-	-	-	8,496,088
-	-	-	-	-	2,527,498
<u>\$ 623,862</u>	<u>\$ 10,766,708</u>	<u>\$ 11,477,193</u>	<u>\$ 1,862,260</u>	<u>\$ 18,400,285</u>	<u>\$ 90,250,787</u>
\$ 70,264	\$ 25,713	\$ 398	\$ 231,261	\$ 932,938	\$ 5,262,194
386,771	-	-	1,646,777	439,238	2,645,220
-	-	-	-	331	8,189,632
-	-	-	-	-	58,051
-	-	-	-	-	24,947
3,360	-	-	-	3,500	6,860
<u>460,395</u>	<u>25,713</u>	<u>398</u>	<u>1,878,038</u>	<u>1,376,007</u>	<u>16,186,904</u>
318,803	-	-	1,569,245	236,026	5,771,268
<u>318,803</u>	<u>-</u>	<u>-</u>	<u>1,569,245</u>	<u>236,026</u>	<u>5,771,268</u>
-	-	-	-	1,550	7,526,353
-	10,740,995	11,476,795	-	11,510,925	41,801,297
-	-	-	-	5,511,717	7,631,717
-	-	-	-	-	641,000
(155,336)	-	-	(1,585,023)	(235,940)	10,692,248
<u>(155,336)</u>	<u>10,740,995</u>	<u>11,476,795</u>	<u>(1,585,023)</u>	<u>16,788,252</u>	<u>68,292,615</u>
<u>\$ 623,862</u>	<u>\$ 10,766,708</u>	<u>\$ 11,477,193</u>	<u>\$ 1,862,260</u>	<u>\$ 18,400,285</u>	<u>\$ 90,250,787</u>

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**City of Norwalk**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Statement of Net Position**  
**June 30, 2018**

Fund balances - total governmental funds		\$ 68,292,615
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Deferred outflows of resources represent loss on bond defeasance which is deferred and amortized over the life of the debt. This is reported as an expenditure of current financial resources in the governmental funds at the time of defeasance.		120,958
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet.		
Capital assets	\$ 346,433,969	
Accumulated depreciation	<u>(192,316,197)</u>	154,117,772
Accrued interest on long-term debt is not due and payable in the current period and is not reported in the governmental funds.		(49,410)
Certain revenues in the governmental funds are unavailable because they are not collected within the prescribed time period after year-end. Those revenues are recognized on the accrual basis in the government-wide statements.		5,771,268
Long-term liabilities applicable to the City governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the Statement of Net Position. Balances as of June 30, 2018 are:		
Compensated absences (this amount does not include \$146,404 of internal service fund compensated absences)	(2,355,448)	
Lease revenue bonds	(11,020,000)	
Lease payable	(4,337,008)	
Bond premium	<u>(449,220)</u>	(18,161,676)
Pension and OPEB related debt applicable to the City governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Deferred outflows of resources and deferred inflows of resources related to pensions and OPEB are only reported in the Statement of Net Position as the changes in these amounts effects only the government-wide statements for governmental activities:		
Deferred outflows of resources related to OPEB	1,999,166	
Deferred inflows of resources related to OPEB	(113,006)	
Net OPEB liability	(23,619,723)	
Deferred outflows of resources related to pensions	9,477,069	
Deferred inflows of resources related to pensions	(875,875)	
Net pension liability	<u>(39,401,205)</u>	<u>(52,533,574)</u>
Net position of governmental activities		<u>\$ 157,557,953</u>

See accompanying notes to basic financial statements.

	General Fund	Housing and Community Development Special Revenue Fund	Housing Authority Special Revenue Fund	Debt Service Fund
<b>Revenues:</b>				
Taxes	\$ 39,596,801	\$ -	\$ -	\$ -
Licenses and permits	1,329,636	-	-	-
Fines, forfeitures and penalties	1,453,258	-	-	-
Use of money and property	166,861	4,692	1,262	17,621
Intergovernmental	585,085	1,038,354	7,323,811	-
Charges for services	1,265,339	-	-	-
Rental income	909,372	-	-	-
Other	1,226,664	433,126	48,019	-
<b>Total revenues</b>	<b>46,533,016</b>	<b>1,476,172</b>	<b>7,373,092</b>	<b>17,621</b>
<b>Expenditures:</b>				
Current:				
General government	9,193,871	-	-	5,220
Public safety	14,661,522	-	-	-
Urban development	4,036,097	1,465,833	-	-
Public works	5,723,769	50,309	-	-
Culture and leisure	8,052,244	-	-	-
Health and welfare	2,428,155	34,910	7,169,963	-
Capital outlay and improvement	190,843	1,403	-	-
Debt service:				
Bond issue costs	-	-	-	74,144
Principal retirement	-	-	-	1,025,000
Interest and fiscal charges	-	-	-	436,281
<b>Total expenditures</b>	<b>44,286,501</b>	<b>1,552,455</b>	<b>7,169,963</b>	<b>1,540,645</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>2,246,515</b>	<b>(76,283)</b>	<b>203,129</b>	<b>(1,523,024)</b>
<b>Other financing sources (uses):</b>				
Issuance of debt	-	-	-	4,337,008
Transfers in	8,520	-	-	1,463,502
Transfers out	(2,353,518)	-	-	-
<b>Total other financing sources (uses)</b>	<b>(2,344,998)</b>	<b>-</b>	<b>-</b>	<b>5,800,510</b>
<b>Change in fund balances</b>	<b>(98,483)</b>	<b>(76,283)</b>	<b>203,129</b>	<b>4,277,486</b>
<b>Beginning fund balances (deficits), as restated</b>	<b>24,055,294</b>	<b>567,725</b>	<b>945,018</b>	<b>1,153,046</b>
<b>Ending fund balances (deficits)</b>	<b>\$ 23,956,811</b>	<b>\$ 491,442</b>	<b>\$ 1,148,147</b>	<b>\$ 5,430,532</b>

See accompanying notes to basic financial statements.

City of Norwalk  
**Statement of Revenues, Expenditures and Changes in Fund Balances -  
Governmental Funds**  
**For the year ended June 30, 2018**

Special Projects Capital Projects Funds	Economic Development Capital Projects Fund	Housing Successor Fund Capital Projects Fund	Other Federal Grants Capital Projects Fund	Other Governmental Funds	Totals
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 39,596,801
-	-	-	-	-	1,329,636
-	-	-	-	-	1,453,258
-	23,352	35,180	-	236,500	485,468
573,890	-	-	719,063	13,758,721	23,998,924
-	-	-	-	992,052	2,257,391
-	-	-	-	-	909,372
-	-	-	-	138,487	1,846,296
<u>573,890</u>	<u>23,352</u>	<u>35,180</u>	<u>719,063</u>	<u>15,125,760</u>	<u>71,877,146</u>
-	-	-	-	616,808	9,815,899
-	-	-	-	254,653	14,916,175
96,968	-	57,633	-	25,068	5,681,599
-	-	-	-	3,288,807	9,062,885
-	-	-	-	81,426	8,133,670
-	-	-	-	4,882,059	14,515,087
578,735	59,859	-	2,248,392	4,723,203	7,802,435
-	-	-	-	-	74,144
-	-	-	-	-	1,025,000
-	-	-	-	-	436,281
<u>675,703</u>	<u>59,859</u>	<u>57,633</u>	<u>2,248,392</u>	<u>13,872,024</u>	<u>71,463,175</u>
<u>(101,813)</u>	<u>(36,507)</u>	<u>(22,453)</u>	<u>(1,529,329)</u>	<u>1,253,736</u>	<u>413,971</u>
-	-	-	-	-	4,337,008
-	-	199,042	-	946,881	2,617,945
-	-	-	-	(2,215,460)	(4,568,978)
-	-	199,042	-	(1,268,579)	2,385,975
(101,813)	(36,507)	176,589	(1,529,329)	(14,843)	2,799,946
<u>(53,523)</u>	<u>10,777,502</u>	<u>11,300,206</u>	<u>(55,694)</u>	<u>16,803,095</u>	<u>65,492,669</u>
<u>\$ (155,336)</u>	<u>\$ 10,740,995</u>	<u>\$ 11,476,795</u>	<u>\$ (1,585,023)</u>	<u>\$ 16,788,252</u>	<u>\$ 68,292,615</u>

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**City of Norwalk**  
**Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and**  
**Changes in Fund Balances to the Statement of Activities**  
**For the year ended June 30, 2018**

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Net change in fund balances - total governmental funds		\$ 2,799,946
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.		
Depreciation expense	\$ (9,422,634)	
Loss on retirement of assets	(10,623)	
Capital outlay	<u>7,267,326</u>	(2,165,931)
Certain revenues in the governmental funds are unavailable if they are not collected within the prescribed time period after year-end. Those revenues are recognized on the accrual basis in the government-wide statements.		
		1,008,535
Long-term debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		
Issuance of debt	(4,337,008)	
Principal bond repayments	1,025,000	
Net change in compensated absences	<u>(56,018)</u>	(3,368,026)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		
Change in accrued interest on long-term debt	5,125	
Amortization of bond premium	57,598	
Amortization of loss on bond refunding	<u>(13,839)</u>	48,884
OPEB expense reported in the governmental funds includes the insurance premiums paid. In the Statement of Activities, OPEB expense includes the change in the OPEB liability, and related change in OPEB amounts for deferred outflows of resources and deferred inflows of resources.		
		(596,686)
Pension expense reported in the governmental funds includes the annual required contributions. In the Statement of Activities, pension expense includes the change in the net pension liability, and related change in pension amounts for deferred outflows of resources and deferred inflows of resources		
		<u>(2,642,255)</u>
Change in net position of governmental activities		<u><u>\$ (4,915,533)</u></u>

See accompanying notes to basic financial statements.

	Business-type Activities	
	Enterprise Funds	
	Transit System Fund	Water Fund
<b>ASSETS:</b>		
Current assets:		
Cash and investments	\$ 2,711,278	\$ 6,115,383
Cash and investments with fiscal agents	-	2,706
Accounts receivable	169,542	829,583
Inventory	210,337	-
Prepaid items	739	-
Due from other governments	1,227,251	226,000
<b>Total current assets</b>	<b>4,319,147</b>	<b>7,173,672</b>
Capital assets:		
Not being depreciated	522,061	15,291,347
Being depreciated, net of accumulated depreciation	21,166,997	7,509,340
<b>Total capital assets</b>	<b>21,689,058</b>	<b>22,800,687</b>
<b>Total assets</b>	<b>26,008,205</b>	<b>29,974,359</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>		
Deferred amounts from OPEB plans	890,349	61,234
Deferred amounts from pension plans	2,653,580	379,083
<b>Total deferred outflows of resources</b>	<b>3,543,929</b>	<b>440,317</b>
<b>LIABILITIES:</b>		
Current liabilities:		
Accounts payable	183,093	752,698
Accrued expenses	274,926	35,486
Interest payable	-	43,164
Deposits payable	-	153,075
Other liabilities	-	24,706
Due to other funds	-	-
Advances from other funds	-	117,130
Unearned revenue	1,207,072	-
Compensated absences payable, current portion	108,754	19,800
Bonds payable, current portion	-	200,000
<b>Total current liabilities</b>	<b>1,773,845</b>	<b>1,346,059</b>
Noncurrent liabilities:		
Advances from other funds	-	2,410,368
Bonds payable	-	8,565,623
Compensated absences payable, long-term portion	303,253	94,905
Net other post-employment benefits (OPEB) liability	10,462,252	1,015,032
Net pension liability	11,032,338	1,576,048
<b>Total noncurrent liabilities</b>	<b>21,797,843</b>	<b>13,661,976</b>
<b>Total liabilities</b>	<b>23,571,688</b>	<b>15,008,035</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>		
Deferred amounts from OPEB plans	59,218	4,758
Deferred amounts from pension plans	245,245	35,035
<b>Total deferred inflows of resources</b>	<b>304,463</b>	<b>39,793</b>
<b>NET POSITION:</b>		
Net investment in capital assets	21,689,058	14,037,770
Unrestricted	(16,013,075)	1,329,078
<b>Total net position</b>	<b>\$ 5,675,983</b>	<b>\$ 15,366,848</b>

See accompanying notes to basic financial statements.

City of Norwalk  
Statement of Net Position  
Proprietary Funds  
June 30, 2018

Business-type Activities Enterprise Funds (Continued)		Governmental Activities
Sewer Fund	Totals	Internal Service Funds
\$ 5,917,678	\$ 14,744,339	\$ 184,079
-	2,706	-
8,326	1,007,451	-
-	210,337	90,487
-	739	-
60,599	1,513,850	1,962
<u>5,986,603</u>	<u>17,479,422</u>	<u>276,528</u>
1,271,646	17,085,054	-
18,393,996	47,070,333	-
<u>19,665,642</u>	<u>64,155,387</u>	<u>-</u>
<u>25,652,245</u>	<u>81,634,809</u>	<u>276,528</u>
11,238	962,821	-
126,361	3,159,024	-
<u>137,599</u>	<u>4,121,845</u>	<u>-</u>
150,832	1,086,623	48,043
11,394	321,806	80,119
-	43,164	-
-	153,075	-
-	24,706	-
-	-	1,962
-	117,130	-
-	1,207,072	-
8,700	137,254	41,100
-	200,000	-
<u>170,926</u>	<u>3,290,830</u>	<u>171,224</u>
-	2,410,368	-
-	8,565,623	-
25,134	423,292	105,304
257,840	11,735,124	-
525,350	13,133,736	-
<u>808,324</u>	<u>36,268,143</u>	<u>105,304</u>
<u>979,250</u>	<u>39,558,973</u>	<u>276,528</u>
1,190	65,166	-
11,679	291,959	-
<u>12,869</u>	<u>357,125</u>	<u>-</u>
19,665,642	55,392,470	-
5,132,083	(9,551,914)	-
<u>\$ 24,797,725</u>	<u>\$ 45,840,556</u>	<u>\$ -</u>

	Business-type Activities	
	Enterprise Funds	
	Transit System Fund	Water Fund
<b>Operating revenues:</b>		
Charges for services	\$ 1,274,177	\$ 5,704,279
<b>Total operating revenues</b>	<u>1,274,177</u>	<u>5,704,279</u>
<b>Operating expenses:</b>		
Administrative	716,908	421,376
Utilities	118,866	75,218
Salaries and benefits	10,202,104	1,133,317
Contractual services	892,794	524,343
Cost of water	-	2,177,554
Maintenance and repairs	673,294	57,199
Supplies and materials	133,512	-
Insurance	711,222	-
Depreciation	1,982,268	398,170
<b>Total operating expenses</b>	<u>15,430,968</u>	<u>4,787,177</u>
<b>Operating income (loss)</b>	<u>(14,156,791)</u>	<u>917,102</u>
<b>Nonoperating revenues (expenses):</b>		
Proposition "A" taxes	2,174,235	-
Proposition "C" taxes	810,241	-
State and local grants	6,036,714	-
Investment income	36,102	82,160
Interest expense	-	(466,841)
Loss on disposition of capital assets	(291,304)	-
Other	316,731	-
<b>Total nonoperating revenues (expenses)</b>	<u>9,082,719</u>	<u>(384,681)</u>
<b>Net income (loss) before capital contributions and transfers</b>	<u>(5,074,072)</u>	<u>532,421</u>
<b>Capital contributions and transfers:</b>		
Capital contributions	2,820,413	-
Transfers in	1,951,033	-
<b>Total capital contributions and transfers</b>	<u>4,771,446</u>	<u>-</u>
<b>Change in net position</b>	(302,626)	532,421
<b>Net position - beginning of year, as restated</b>	<u>5,978,609</u>	<u>14,834,427</u>
<b>Net position - end of year</b>	<u>\$ 5,675,983</u>	<u>\$ 15,366,848</u>

See accompanying notes to basic financial statements.

City of Norwalk  
**Statement of Revenues, Expenses and Changes in Net Position**  
**Proprietary Funds**  
**For the year ended June 30, 2018**

Business-type Activities Enterprise Funds (Continued)		Governmental Activities
Sewer Fund	Totals	Internal Service Funds
\$ 2,573,946	\$ 9,552,402	\$ 14,452,811
<u>2,573,946</u>	<u>9,552,402</u>	<u>14,452,811</u>
99,143	1,237,427	30,805
8,860	202,944	35,761
179,552	11,514,973	13,773,988
853,832	2,270,969	-
-	2,177,554	-
-	730,493	612,257
-	133,512	-
-	711,222	-
832,395	3,212,833	-
<u>1,973,782</u>	<u>22,191,927</u>	<u>14,452,811</u>
<u>600,164</u>	<u>(12,639,525)</u>	<u>-</u>
-	2,174,235	-
-	810,241	-
-	6,036,714	-
73,992	192,254	-
-	(466,841)	-
-	(291,304)	-
-	316,731	-
<u>73,992</u>	<u>8,772,030</u>	<u>-</u>
<u>674,156</u>	<u>(3,867,495)</u>	<u>-</u>
-	2,820,413	-
-	1,951,033	-
-	4,771,446	-
674,156	903,951	-
<u>24,123,569</u>	<u>44,936,605</u>	<u>-</u>
<u>\$ 24,797,725</u>	<u>\$ 45,840,556</u>	<u>\$ -</u>

	Business-type Activities Enterprise Funds	
	Transit System Fund	Water Fund
<b>Cash flows from operating activities:</b>		
Receipts from tenants, customers and users	\$ 1,125,914	\$ 5,404,272
Payments to suppliers	(3,300,250)	(3,440,747)
Payments to employees	(9,187,398)	(984,050)
<b>Net cash provided (used) by operating activities</b>	<b>(11,361,734)</b>	<b>979,475</b>
<b>Cash flows from capital and related financing activities:</b>		
Purchases and construction of capital assets	(2,476,400)	(513,043)
Capital contributions received	2,820,413	-
Payment of bonds payable	-	(195,000)
Interest paid	-	(477,066)
<b>Net cash used by capital and related financing activities</b>	<b>344,013</b>	<b>(1,185,109)</b>
<b>Cash flows from noncapital financing activities</b>		
Cash contributions from other governments	8,775,964	-
Cash received from other funds	1,951,033	-
Cash transferred to other funds	-	(111,553)
<b>Net cash provided (used) by noncapital financing activities</b>	<b>10,726,997</b>	<b>(111,553)</b>
<b>Cash flows from investing activities:</b>		
Investment income	36,102	82,160
<b>Net cash provided by investing activities</b>	<b>36,102</b>	<b>82,160</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(254,622)</b>	<b>(235,027)</b>
<b>Cash and cash equivalents - beginning of year</b>	<b>2,965,900</b>	<b>6,353,116</b>
<b>Cash and cash equivalents - end of year</b>	<b>\$ 2,711,278</b>	<b>\$ 6,118,089</b>

See accompanying notes to basic financial statements.

City of Norwalk  
Statement of Cash Flows  
Proprietary Funds  
For the year ended June 30, 2018

Business-type Activities Enterprise Funds (Continued)		Governmental Activities
Sewer Fund	Totals	Internal Service Funds
\$ 2,558,968	\$ 9,089,154	\$ 14,450,849
(870,328)	(7,611,325)	(702,243)
(114,151)	(10,285,599)	(13,760,831)
<u>1,574,489</u>	<u>(8,807,770)</u>	<u>(12,225)</u>
(839,642)	(3,829,085)	-
-	2,820,413	-
-	(195,000)	-
-	(477,066)	-
<u>(839,642)</u>	<u>(1,680,738)</u>	<u>-</u>
-	8,775,964	-
-	1,951,033	1,962
-	(111,553)	-
<u>-</u>	<u>10,615,444</u>	<u>1,962</u>
<u>73,992</u>	<u>192,254</u>	<u>-</u>
<u>73,992</u>	<u>192,254</u>	<u>-</u>
808,839	319,190	(10,263)
<u>5,108,839</u>	<u>14,427,855</u>	<u>194,342</u>
<u>\$ 5,917,678</u>	<u>\$ 14,747,045</u>	<u>\$ 184,079</u>

	Business-type Activities	
	Enterprise Funds	
	Transit System Fund	Water Fund
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>		
Operating income (loss)	\$ (14,156,791)	\$ 917,102
Depreciation	1,982,268	398,170
Changes in operating assets, deferred outflows of resources, liabilities, and deferred inflows of resources:		
(Increase) decrease in accounts receivable	(148,263)	(76,217)
(Increase) decrease in inventory	6,713	-
(Increase) decrease in prepaid items	(739)	-
(Increase) decrease in due from other governments	-	(226,000)
(Increase) decrease in deferred outflows of resources from OPEB plans	(890,349)	(61,234)
(Increase) decrease in deferred outflows of resources from pension plans	(509,313)	(72,759)
Increase (decrease) in accounts payable	(78,287)	78,291
Increase (decrease) in accrued expenses	18,659	(3,697)
Increase (decrease) in deposits payable	-	2,210
Increase (decrease) in other liabilities	-	(259,651)
Increase (decrease) in net OPEB liability	1,077,203	104,541
Increase (decrease) in compensated absences payable	28,801	(4,489)
Increase (decrease) in net pension liability	1,293,111	184,730
Increase (decrease) in deferred inflows of resources from OPEB plans	59,218	4,758
Increase (decrease) in deferred inflows of resources from pension plans	(43,965)	(6,280)
<b>Net cash provided (used) by operating activities</b>	<b><u><u>\$ (11,361,734)</u></u></b>	<b><u><u>\$ 979,475</u></u></b>
<b>Noncash investing, capital and related financing activities:</b>		
Amortization related to long-term debt	<u><u>\$ -</u></u>	<u><u>\$ 10,225</u></u>

See accompanying notes to basic financial statements.



City of Norwalk  
Statement of Cash Flows (Continued)  
Proprietary Funds  
For the year ended June 30, 2018

Business-type Activities Enterprise Funds (Continued)		Governmental Activities	
Sewer Fund	Totals	Internal Service Funds	
\$ 600,164	\$ (12,639,525)	\$ -	
832,395	3,212,833	-	
(2,171)	(226,651)	-	
-	6,713	(12,412)	
-	(739)	-	
(12,807)	(238,807)	(1,962)	
(11,238)	(962,821)	-	
(24,252)	(606,324)	-	
88,185	88,189	(14,878)	
3,322	18,284	3,189	
-	2,210	-	
-	(259,651)	-	
26,135	1,207,879	-	
14,083	38,395	13,838	
61,577	1,539,418	-	
1,190	65,166	-	
(2,094)	(52,339)	-	
<u>\$ 1,574,489</u>	<u>\$ (8,807,770)</u>	<u>\$ (12,225)</u>	
<u>\$ -</u>	<u>\$ 10,225</u>	<u>\$ -</u>	

**City of Norwalk**  
**Statement of Net Position**  
**Fiduciary Funds**  
**June 30, 2018**

	Successor Agency to the Dissolved Redevelopment Agency Private-Purpose Trust Fund	Other Post-Employment Benefit (OPEB) Trust Fund	Agency Fund
<b>ASSETS:</b>			
Current assets:			
Cash and investments	\$ 3,617,559	\$ -	\$ 865,143
Cash and investments held by trust	-	6,568,955	-
Cash and investments with fiscal agents	4,337,892	-	-
Interest receivable	10,931	-	-
Accounts receivable	-	-	1,040
<b>Total current assets</b>	<u>7,966,382</u>	<u>6,568,955</u>	<u>866,183</u>
Noncurrent assets:			
Capital assets - being depreciated, net of accumulated depreciation	909,349	-	-
<b>Total noncurrent assets</b>	<u>909,349</u>	<u>-</u>	<u>-</u>
<b>Total assets</b>	<u>8,875,731</u>	<u>6,568,955</u>	<u>\$ 866,183</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
Unamortized loss on bond refunding	118,176	-	
<b>Total deferred outflows of resources</b>	<u>118,176</u>	<u>-</u>	
<b>LIABILITIES:</b>			
Current liabilities:			
Accounts payable	8,381	-	\$ 21,344
Interest payable	633,248	-	-
Deposits payable	-	-	844,839
Due to City of Norwalk	61,199	-	-
Unearned revenue	54,938	-	-
<b>Total current liabilities</b>	<u>757,766</u>	<u>-</u>	<u>866,183</u>
Long-term liabilities:			
Due within one year	1,710,000	-	-
Due in more than one year	92,297,030	-	-
Advances from City of Norwalk	8,496,088	-	-
<b>Total noncurrent liabilities</b>	<u>102,503,118</u>	<u>-</u>	<u>-</u>
<b>Total liabilities</b>	<u>103,260,884</u>	<u>-</u>	<u>\$ 866,183</u>
<b>NET POSITION:</b>			
Net position restricted for private purpose	(94,266,977)	-	
Held in trust for OPEB benefits	-	6,568,955	
<b>Total net position</b>	<u>\$ (94,266,977)</u>	<u>\$ 6,568,955</u>	

See accompanying notes to basic financial statements.

**City of Norwalk**  
**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Funds**  
**For the year ended June 30, 2018**

	Successor Agency to the Dissolved Redevelopment Agency Private-Purpose Trust Fund	Other Post-Employment Benefit (OPEB) Trust Fund
<b>Additions:</b>		
Tax increment	\$ 12,648,408	\$ -
Use of money and property	93,440	-
Net investment income	-	404,742
Rental income	796,348	-
Employer contributions	-	1,166,780
	<b>Total additions</b>	<b>1,571,522</b>
	13,538,196	1,571,522
<b>Deductions:</b>		
Administrative expense	-	10,565
General government	10,513,956	-
Urban development	861,281	-
Loss on sale of property	1,737,837	-
Debt service:		
Interest and fiscal charges	2,720,453	-
	<b>Total deductions</b>	<b>10,565</b>
	15,833,527	10,565
<b>Change in net position</b>	<b>(2,295,331)</b>	<b>1,560,957</b>
<b>Net position - beginning of year</b>	<b>(91,971,646)</b>	<b>5,007,998</b>
<b>Net position - end of year</b>	<b>\$ (94,266,977)</b>	<b>\$ 6,568,955</b>

See accompanying notes to basic financial statements.

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***NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES***

The basic financial statements of the City of Norwalk, California (the City), have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental agencies. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

**A. Description of Reporting Entity**

The City of Norwalk was incorporated on August 26, 1957, under the general laws of the State of California. The City operates under a Council-Manager form of government. The City provides the following services, as authorized by its general laws: Public Safety, Public Works, Water, Transportation, Health and Social Services, Culture-Leisure, Public Improvements, Planning and Zoning, Community Development and General Administrative Services.

As required by accounting principles generally accepted in the United States of America, these financial statements present the City of Norwalk and its component units, entities for which the City is considered to be financially accountable. The City is considered to be financially accountable for an organization if the City appoints a voting majority of that organization's governing body and the City is able to impose its will on that organization, or there is a potential for that organization to provide specific financial benefits to or impose specific financial burdens on the City. The City is also considered to be financially accountable for an organization if that organization is fiscally dependent (i.e., it is unable to adopt its budget, levy taxes, set rates or charges, or issue bonded debt without approval from the City). In certain cases, other organizations are included as component units if the nature and significance of their relationship with the City are such that their exclusion would cause the City's financial statements to be misleading or incomplete.

Based upon the above criteria, the component units of the City, as of June 30, 2018, are the Norwalk Housing Authority (Housing Authority) and the Norwalk Community Facilities Financing Authority (Financing Authority). A brief description of each component unit follows:

The Norwalk Housing Authority provides safe and sanitary dwelling accommodations in the City to persons of low income. The City provides management assistance to the Housing Authority, and the members of the City Council also act as the Housing Authority's governing body. The Housing Authority's financial data and transactions are accounted for in the special revenue fund type.

The Norwalk Community Facilities Financing Authority is a joint exercise of powers authority created by a joint powers agreement between the City of Norwalk and the Norwalk Parking Authority, dated August 1, 1989. The Financing Authority's purpose is to provide, through the issuance of debt, financing necessary for various capital improvements. The Financing Authority is administered by the Board, who are the members of City Council, and the Mayor. The Financing Authority's sole source of income is loan and lease payments received from the City and Agency, which are used to meet the debt service requirements on debt issues.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

A. Description of Reporting Entity (Continued)

Since City Council serves as the governing board for these component units, all of the City's component units are considered to be blended component units. Blended component units, although legally separate entities are, in substance, part of the City's operations and so data from these units are reported with the interfund data of the primary government. The Financing Authority issues separate component unit financial statements that can be obtained at City Hall.

B. New Accounting Pronouncements

**Current Year Standards**

In fiscal year 2017-2018, the City implemented Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses for postemployment benefits other than pension. Accounting changes adopted to conform to the provisions of this statement should be applied retroactively. The result of the implementation of this statement decreased the net position at July 1, 2017 of the governmental and business-type activities by \$15,134,475 and \$7,245,944, respectively.

GASB 82 - *Pension Issues*, effective for periods beginning after June 15, 2016, except for certain provisions on selection of assumptions, which are effective in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017, and did not impact the City.

GASB 85 - *Omnibus 2017*, effective for periods beginning after June 15, 2017, and did not impact the City.

GASB 86 - *Certain Debt Extinguishment Issues*, effective for periods beginning after June 15, 2017, and did not impact the City.

**Pending Accounting Standards**

GASB has issued the following statements, which may impact the City's financial reporting requirements in the future:

- GASB 83 - *Certain Asset Retirement Obligations*, effective for periods beginning after June 15, 2018.
- GASB 84 - *Fiduciary Activities*, effective for periods beginning after December 15, 2018.
- GASB 87 - *Leases*, effective for periods beginning after December 15, 2019.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

B. New Accounting Pronouncements (Continued)

**Pending Accounting Standards (Continued)**

- GASB 88 - *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, effective for periods beginning after June 15, 2018.
- GASB 89 - *Accounting for Interest Cost Incurred before the End of a Construction Period*, effective for periods beginning after December 15, 2019.
- GASB 90 - *Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61*, effective for periods beginning after December 15, 2018.

C. Government-wide and Fund Financial Statements

**Government-wide Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's water and sewer function and various other functions of the government. These charges are approximately equal to the value of services provided, and eliminating them would distort the direct costs and program revenues reported for the various functions concerned. Internal service funds activities have been eliminated and net balances are included in the governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The types of transactions reported as program revenues for the City are reported in three categories:

1. Charges for services,
2. Operating grants and contributions, and
3. Capital grants and contributions.

Charges for services include revenues from customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function. Grants and contributions include revenues restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

C. Government-wide and Fund Financial Statements (Continued)

**Government-wide Financial Statements (Continued)**

Separate financial statements are provided for governmental funds, proprietary funds, and the fiduciary funds, even though the latter is excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**Fund Financial Statements**

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, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Fund financial statements for the primary government's governmental funds, proprietary funds, and fiduciary funds are presented after the government-wide financial statements. These statements display information about major funds individually and other governmental funds in the aggregate for governmental and enterprise funds. Fiduciary fund statements include financial information for the private-purpose trust, other post-employment benefit trust, and agency funds. Fiduciary funds of the City primarily represent assets held by the City in a custodial capacity for other individuals or organizations.

**The City reports the following major governmental funds:**

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in other funds.

The Housing and Community Development Special Revenue Fund accounts for housing and commercial improvement projects. Financing is provided by Federal grants received from the U.S. Department of Housing and Urban Development.

The Housing Authority Special Revenue Fund accounts for costs to assist low and moderate income families in securing affordable rents. Financing is provided by the U.S. Department of Housing and Urban Development.

The Debt Service Fund accounts for the accumulation of resources for, and the payment of, the City's general long-term debt principal and interest.



**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

C. Government-wide and Fund Financial Statements (Continued)

**The City reports the following major governmental funds (continued):**

The Special Projects Capital Projects Funds account for the construction of street improvements and sidewalk ramps at various locations throughout the City. Financing is provided by grants received under Federal, State and local agreements.

The Economic Development Capital Projects Fund accounts for accumulated resources received from the Former Redevelopment Agency for remaining bond proceeds. The proceeds will be used according to the bond covenant for economic development capital projects.

The Housing Successor Fund Capital Projects Fund accounts for the accumulated resources received from the former Redevelopment Agency's Housing Bond Proceeds fund, income, and expenses related to low and moderate housing.

The Other Federal Grants Capital Projects Fund accounts for federal grants received and expended for the purpose of stabilizing communities that have suffered from foreclosures and abandonment.

**The City reports the following major proprietary funds:**

The Transit System Fund accounts for the City-operated fixed route bus system and "Dial-A-Ride" van service to the general public. Principal sources of revenue are the Los Angeles County Proposition "A" taxes, Federal Transit Administration Capital Assistance, State Transportation Development Act Funds and passenger fares.

The Water Fund accounts for the Norwalk Municipal Water System, which consists of approximately 5,381 service connections which service over 18,000 Norwalk and Artesia residents.

The Sewer Fund accounts for the transactions in the operation of the City of Norwalk's sewer system.

**The City reports the following fund types:**

**Governmental Funds**

The Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

The Capital Projects Funds are used to account for financial resources used for the acquisition or construction of major capital facilities which are not financed by proprietary funds.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

C. Government-wide and Fund Financial Statements (Continued)

**The City reports the following fund types (continued):**

**Proprietary Funds**

The Internal Service Funds are used to account for various services provided to City departments on a cost reimbursement basis. The Employee Benefits Fund accounts for the costs of providing various benefits of active and retired employees. The Vehicle Maintenance Fund accounts for the cost of vehicle and equipment maintenance.

**Fiduciary Funds**

The Successor Agency to the Dissolved Redevelopment Agency Private-Purpose Trust Fund is a fiduciary fund type used by the City to report trust arrangements under which principal and income benefit other governments. This fund reports the assets, deferred outflows of resources, liabilities, and activities of the Successor Agency to the Dissolved Norwalk Redevelopment Agency. Unlike the limited reporting typically utilized for an Agency Fund, the Private-Purpose Trust Fund reports a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position.

The Other Post-Employment Benefit Trust Fund is a fiduciary fund type used by the City to account for the activities of the City's plan for post-retirement medical benefits. Unlike the limited reporting typically utilized for an Agency Fund, the Other Post-Employment Benefit Trust Fund reports a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position.

The Agency Fund is used to account for money and property held by the City as trustee or custodian. Among the activities are the disposition of funds, deposits made for the account of other governmental agencies, developers, and others under the terms of agreements for which the deposits were made. Agency funds, which are custodial in nature, do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals and entities at some future time.

D. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary, fiduciary private-purpose trust, and other post-employment benefit trust funds. The City's fiduciary agency funds have no measurement focus but utilize the accrual basis of accounting for reporting its assets and liabilities.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

D. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Under the *economic resources measurement focus*, all assets, deferred outflows of resources, liabilities, and deferred inflows of resources (whether current or noncurrent) associated with their activity are included on their statements of net position.

Operating statements present increases (revenues) and decreases (expenses) in total net position. Under the *accrual basis of accounting*, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange include property taxes, grants, entitlements, and donations. On an accrual basis, property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Under the *current financial resources measurement focus*, only current assets, current liabilities, and deferred inflows of resources are generally included on their balance sheets. The reported fund balance is considered to be a measure of "available spendable resources".

Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in fund balance. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period. Noncurrent portions of long-term receivables are reported on the funds' balance sheets in spite of their spending measurement focus.

Under the *modified accrual basis of accounting* revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, except for principal and interest on general long-term liabilities, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term liabilities are reported as other financing sources.

***NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)***

**D. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)**

Property taxes, franchise fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

**E. Assets, Liabilities, and Net Position or Equity**

**Property Tax Calendar**

The County of Los Angeles assesses, levies, and collects property taxes for the City. Property taxes levied for the year ended June 30, 2018, are due and payable in two installments on November 1, 2017 and February 1, 2018 and became delinquent on December 10, 2017 and April 10, 2018, respectively. A tax lien is attached to the property on January 1, 2018. The City, as a no/low property tax city, does not levy property taxes from its residents, but receives allocation from the State and County based on City's assessed valuation.

**Interfund Transfers**

Operating transfers are reported as other financing sources and uses of funds in the statement of revenues, expenditures and changes in fund balances.

**Cash and Investments**

Investments are reported in the accompanying financial statements at fair value, which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Changes in fair value that occur during a fiscal year are recognized as investment income for that fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation, maturity, or sale of investments.

The City pools cash and investments of all funds, except for assets held by fiscal agents. Each fund's share in this pool is displayed in the accompanying financial statements as cash and investments. Investment income earned by the pooled investments is allocated to the various funds based on each fund's average cash and investment balance.

**Due From Other Governments**

The amounts recorded as due from other governments include sales taxes, property taxes, and grant revenues collected or provided by Federal, State, County and City Governments and unremitted to the City as of June 30, 2018.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

E. Assets, Liabilities, and Net Position or Equity (Continued)

**Inventories**

Inventories held by the General Fund and Internal Service Funds are stated at cost using the first-in, first-out (FIFO) method. Inventory balances represent expendable supplies held for consumption. Reported expenditures reflecting the purchase of supplies have been restated to reflect the consumption method of recognizing inventory-related expenditures. A fund balance nonspendable classification has been reported in the General Fund to show that inventories do not constitute “available spendable resources”.

**Deferred Outflows and Inflows of Resources**

In addition to assets, the statement of net position and governmental funds balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The City has the following items that qualify for reporting in this category:

- Unamortized loss on bond defeasance reported in the government-wide statement of net position and the fiduciary funds financial statements. An unamortized loss on bond defeasance results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the life of the refunding debt.
- Deferred outflow related to pensions and OPEB equal to employer contributions made after the measurement date of the net pension liability and the net OPEB liability.
- Deferred outflow related to pensions for differences between actual and expected experiences. These amounts are amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the plans.
- Deferred outflow from pensions resulting from changes in assumptions. These amounts are amortized over a closed period equal to the average expected remaining services lives of all employees that are provided with pensions through the plans.
- Deferred outflow related to pensions resulting from the difference in projected and actual earnings on investments of the pension plan fiduciary net position. These amounts are amortized over five years.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

E. Assets, Liabilities, and Net Position or Equity (Continued)

**Deferred Outflows and Inflows of Resources (Continued)**

In addition to liabilities, the statement of net position and governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The City has the following items that qualify for reporting in this category:

- Deferred inflow from unavailable revenues, which is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: grants and investment earnings. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.
- Deferred inflow related to OPEB resulting from the difference in projected and actual earnings on investments of the OPEB plan fiduciary net position. These amounts are amortized over five years.
- Deferred inflow from pensions resulting from changes in assumptions. These amounts are amortized over a closed period equal to the average expected remaining services lives of all employees that are provided with pensions through the plans.
- Deferred inflow related to pensions for differences between actual and expected experiences. These amounts are amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the plans.

**Capital Assets**

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., streets, sidewalks, medians, traffic signals, storm drains) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Construction in progress includes incomplete infrastructure projects. The government defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are capitalized at cost. Donated capital assets are recorded at estimated acquisition value at the date of donation.

Major outlays for capital assets and improvements are capitalized as projects are constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

E. Assets, Liabilities, and Net Position or Equity (Continued)

**Capital Assets (Continued)**

The provision for depreciation of the primary government's plant, infrastructure and equipment is computed using the straight-line method over the following estimated useful lives:

Buildings and improvements	10 - 40 years
Street infrastructure	20 years
Street lights	10 - 15 years
Water infrastructure	15 - 50 years
Vehicles	5 - 15 years
Office equipment	5 - 30 years
Tools and equipment	2 - 20 years
Miscellaneous	5 - 10 years

**Compensated Absences**

Permanent City employees earn from 10 to 20 vacation days per year, depending upon their length of employment, and 12 sick days per year. Employees can carry forward up to the equivalent number of days earned in the immediately preceding twenty-four month period and 90 days of earned but unused sick leave for use in the subsequent year.

Upon termination or retirement, permanent employees are entitled to receive compensation at their current base salary for all unused vacation leave. If an employee terminates with a minimum of five service years, the employee is entitled to receive 25% of the value of unused sick leave. The percentage increases by 25% for each five-year period thereafter until the employee is entitled to 100% of the value of unused sick leave. This will occur upon the completion of twenty years of continuous employment.

Compensated absences are reported in governmental funds only if they have matured. The unused reimbursable leave balance report is generated after the last payroll in June per employee's hire date, hourly rate and fund. Based on the report, the value of the City's compensated absences is determined.

A liability is recorded for unused vacation and similar compensatory leave balances, since the employees' entitlement to these balances are attributable to services already rendered, and it is probable that virtually all of these balances will be liquidated by either paid time off or payments upon termination or retirement.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

E. Assets, Liabilities, and Net Position or Equity (Continued)

**Compensated Absences (Continued)**

A liability is also recorded for unused sick leave balances only to the extent that it is probable that the unused balances will result in termination payments. This is estimated by including in the liability the unused balances of employees currently entitled to receive termination payments, as well as those who are expected to become eligible to receive termination benefits as a result of continuing their employment with the City. Other amounts of unused sick leave are excluded from the liability since their payment is contingent solely upon the occurrence of a future event (illness), which is outside the control of the City and the employee.

**Claims and Judgments**

The City records a liability for material litigation, judgments, and claims (including incurred but not reported losses) when it is probable that an asset has been significantly impaired or a material liability has been incurred prior to year-end and the probable amount of loss (net of any insurance coverage) can be reasonably estimated. City management believes that the aggregate accrual is adequate to cover such losses, including amounts for incurred but not reported claims.

**Revenue Recognition for the Transit System Enterprise Fund**

Operating assistance grants under the Federal Transit Act of 1992, as amended, the State of California Local Transportation Development Fund and State Transit Assistance Fund under the Transportation Development Act of 1971, as amended, and Proposition A Local Return Funds from the Los Angeles County Metropolitan Transportation Authority, are included in nonoperating revenues as related expenses are incurred. Until such time as the expenses are incurred, operating assistance grant revenue recognition is deferred. Federal and state grants which are limited to the acquisition of capital assets are recorded in the Statement of Activities as contributions.

**Noncurrent Liabilities**

In the government-wide financial statements, proprietary fund types and fiduciary fund types fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary and fiduciary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.



**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

E. Assets, Liabilities, and Net Position or Equity (Continued)

**Noncurrent Liabilities (Continued)**

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**Net Position**

The governmental and business-type activities in the government-wide financial statements and the proprietary funds in the fund financial statements utilize a net position presentation. Net position is classified in the following categories:

Net Investment in capital assets - This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt (including premiums) that is attributed to the acquisition, construction, or improvement of the assets.

Restricted net position - This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted net position - This amount is all net position that does not meet the definition of “net investment in capital assets” or “restricted net position”.

When both restricted and unrestricted resources are available for use, it is the government’s policy to use restricted resources first, then unrestricted resources as they are needed.

**Fund Balances**

The fund balances reported on the fund statements consist of the following categories:

Nonspendable fund balance includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The City’s nonspendable fund balances represent inventories, prepaid expenses, and long-term receivables.

Restricted fund balance includes resources that are subject to externally enforceable legal restrictions. It includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. All special revenue funds are classified as restricted with the exception of special revenue funds with deficits, which are reported as unassigned fund balance.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

E. Assets, Liabilities, and Net Position or Equity (Continued)

**Fund Balances (Continued)**

Committed fund balance includes amounts that can be used only for the specific purposes determined by a formal resolution approved by the City Council, which is the City's highest level of decision-making authority. As stated in the city's fund balance policy, the City Council, may commit fund balance for specific purposes pursuant to constraints imposed by formal actions taken (resolution). Committed amounts cannot be used for any other purpose unless the City Council removes or changes the specific use through the same type of formal action (resolution) taken to establish the commitment. As of June 30, 2018, the City Council, through adoption of a resolution has committed \$2,120,000 of its fund balances for the following (1) \$320,000 to provide for future CalPERS defined benefit pension plan costs and (2) \$1,800,000 for use in the case of a 35% decrease of annual utility users tax revenue.

Assigned fund balance consists of funds that are set aside for specific purposes approved by the City Council through a resolution which are mainly resources set aside for capital expenditures. The City Council delegates the authority to assign fund balance to the City Manager for purposes of reporting in the annual financial report.

Unassigned fund balance is the residual classification for the City's general fund and includes all spendable amounts not contained in the other classifications. This category also provides the resources necessary to meet unexpected expenditures and revenue shortfalls. The general fund is the only fund that reports a positive unassigned fund balance amount.

The City considers the restricted fund balances to have been spent when expenditure is incurred for purposes for which both unrestricted and restricted fund balance is available. When expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it is the policy of the City to reduce the committed amounts first, followed by assigned amounts, and then unassigned amounts.

The accumulated unassigned fund balance is targeted to be a minimum of 20% of the following year's budgeted operating expenditures of the general fund. Additions to this balance will be determined during each budget process to reach or maintain the target balance. Whenever monies have been used whereby the balance falls below the target, the reserve shall be replenished as soon as possible, no later than within five fiscal years.

***NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)***

E. Assets, Liabilities, and Net Position or Equity (Continued)

**Pension Plans**

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

**OPEB Plan**

For purposes of measuring the net OPEB liability and deferred outflows/inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the City's OPEB Plan and additions to/deductions from the OPEB Plans' fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the City's OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Estimates**

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from such estimates.

**NOTE 2 - CASH AND INVESTMENTS**

**Cash and Investments**

Cash and investments as of June 30, 2018 were classified in the accompanying financial statements as follows:

	<u>Government- Wide Statement of Net Position</u>	<u>Fiduciary Funds Statement of Net Position</u>	<u>Total</u>
Unrestricted assets:			
Cash and investments	\$ 69,535,768	\$ 4,482,702	\$ 74,018,470
Restricted assets:			
Cash and investments with fiscal agents	5,436,008	4,337,892	9,773,900
Cash and investments held by trust for OPEB	-	6,568,955	6,568,955
Cash and investments held by trust for pension	1,002,530	-	1,002,530
Total cash and investments	<u>\$ 75,974,306</u>	<u>\$ 15,389,549</u>	<u>\$ 91,363,855</u>

Cash and investments at June 30, 2018 consisted of the following:

Cash on hand	\$	5,610
Deposits with financial institutions		5,483,385
Cash equivalents - time certificates of deposit		747,509
Investments		85,127,351
Total cash and investments		<u>\$ 91,363,855</u>

**NOTE 2 - CASH AND INVESTMENTS (CONTINUED)**

**Investments Authorized by the California Government Code and the City's Investment Policy**

The table below identifies the investment types that are authorized for the City by the California Government Code (or the City's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the City's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the City, rather than the general provisions of the California Government Code or the City's investment policy.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio*	Maximum Investment in One Issuer
United States Treasury Obligations	5 years	None	None
United States Government Sponsored Agency Securities	5 years	None	None
Local Agency Securities:			
State and California	5 years	15%	5%
Non-California	5 years	10%	5%
Banker's Acceptance	180 days	30%	10%
Negotiable Certificates of Deposit	5 years	30%	5%
Non-negotiable Certificates of Deposit	5 years	10%	5%
Commercial Paper - Pooled Funds	270 days	40%	10%
Commercial Paper - Non-pooled Funds	270 days	25%	10%
Repurchase Agreements	30 days	None	None
Medium-Term Notes	5 years	25%	5%
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
Collateralized Bank Deposits	5 years	None	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	\$65 million
Investment Trust of California (CaTRUST)	N/A	None	5%

N/A - Not Applicable

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

**NOTE 2 - CASH AND INVESTMENTS (CONTINUED)**

**Investments Authorized by Debt Agreements**

Investments of debt proceeds held by bond trustees are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City's investment policy. Investments authorized for funds held by bond trustees include U.S. Treasury Obligations, U.S. Government Sponsored Agency Securities, Commercial Paper, and Money Market Mutual Funds.

**Disclosures Relating to Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter-term and longer-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity over time, as necessary, to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the City's investments (including investments held by bond trustees) to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity:

Investment Type	Remaining Maturity (in Months)					Total
	12 Months or Less	13 to 24 Months	25 to 36 Months	37 to 48 Months	48 to 60 Months	
Local Agency Investment Fund (LAIF)	\$ 7,201,551	\$ -	\$ -	\$ -	\$ -	\$ 7,201,551
CalTRUST Short Term Fund	1,099,707	-	-	-	-	1,099,707
CalTRUST Medium Term Fund	27,862,180	-	-	-	-	27,862,180
United States Government Sponosred Agency Securities:						
Federal Agricultural Mortgage Corporation (FAMC)	-	-	972,156	-	-	972,156
Federal Home Loan Bank (FHLB) Federal Home Loan Mortgage Corporation (FHLMC)	-	-	1,953,213	982,087	-	2,935,300
Federal National Mortgage Association (FNMA)	990,087	983,366	-	-	985,027	2,958,480
Federal National Mortgage Association (FNMA)	-	986,218	977,813	974,694	-	2,938,725
Local Securities:						
State and California	999,790	-	1,480,925	-	2,675,020	5,155,735
Medium-Term Notes	1,985,639	984,222	3,968,113	4,863,529	4,856,629	16,658,132
Held in OPEB Trust:						
Money Market Mutual Funds	6,568,955	-	-	-	-	6,568,955
Held in Pension Trust:						
Money Market Mutual Funds	1,002,530	-	-	-	-	1,002,530
Held by Bond Trustee:						
Money Market Mutual Funds	9,773,900	-	-	-	-	9,773,900
<b>Total</b>	<b>\$ 57,484,339</b>	<b>\$ 2,953,806</b>	<b>\$ 9,352,220</b>	<b>\$ 6,820,310</b>	<b>\$ 8,516,676</b>	<b>\$ 85,127,351</b>

**City of Norwalk**  
**Notes to Basic Financial Statements (Continued)**  
**For the year ended June 30, 2018**

**NOTE 2 - CASH AND INVESTMENTS (CONTINUED)**

**Disclosures Relating to Interest Rate Risk (Continued)**

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating by Standard & Poor's required by (where applicable) the California Government Code, the City's investment policy, or debt agreements, and the actual rating by Standard & Poor's as of year end for each investment type:

Investment Type	Total as of June 30, 2018	Minimum Legal Rating								Not Rated	
			AAA	AA+	AA	AA-	A+	A	A-		
Local Agency Investment Fund (LAIF)	\$ 7,201,551	N/A	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,201,551
CalTRUST Short Term Fund	1,099,707	N/A	-	1,099,707	-	-	-	-	-	-	-
CalTRUST Medium Term Fund	27,862,180	N/A	-	-	-	-	27,862,180	-	-	-	-
United States Government Sponosred											
Agency Securities:											
FAMC	972,156	A	-	972,156	-	-	-	-	-	-	-
FHLB	2,935,300	A	-	2,935,300	-	-	-	-	-	-	-
FHLMC	2,958,480	A	-	2,958,480	-	-	-	-	-	-	-
FNMA	2,938,725	N/A	-	2,938,725	-	-	-	-	-	-	-
Local Securities:											
State and California	5,155,735	A	1,689,810	-	985,210	2,480,715	-	-	-	-	-
Medium-Term Notes	16,658,132	A	2,999,376	964,824	-	2,921,486	3,908,870	4,900,392	963,184	-	-
Held in OPEB Trust:											
Money Market Mutual Funds	6,568,955	N/A	-	-	-	-	-	-	-	-	6,568,955
Held in Pension Trust:											
Money Market Mutual Funds	1,002,530	N/A	-	-	-	-	-	-	-	-	1,002,530
Held by Bond Trustee:											
Money Market Mutual Funds	9,773,900	AAA	9,773,900	-	-	-	-	-	-	-	-
Total	<u>\$ 85,127,351</u>		<u>\$ 14,463,086</u>	<u>\$ 11,869,192</u>	<u>\$ 985,210</u>	<u>\$ 5,402,201</u>	<u>\$ 31,771,050</u>	<u>\$ 4,900,392</u>	<u>\$ 963,184</u>	<u>\$ 14,773,036</u>	

N/A - Not Applicable

**NOTE 2 - CASH AND INVESTMENTS (CONTINUED)**

**Custodial Credit Risk**

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental unit by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure state and local government deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. At June 30, 2018, the City deposits (bank balances) were insured by the Federal Deposit Insurance Corporation or collateralized as required under California Law.

**Investment in State Investment Pool**

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF.

**CalTRUST (Investment Trust of California)**

The City also invests in a series of government investment pools offered through the CalTRUST Joint Powers Authority, as authorized by California Government Code Section 53601(p). CalTRUST offers three account options: a Money Market fund, a Short-Term fund, and a Medium-Term fund. The City can allocate its assets among the three funds to match its investment time horizons and cash flow needs, and reallocate among funds as circumstances change. There is no minimum investment period; no minimum or maximum transaction size; and no account minimum or maximum. The funds offer high liquidity (same-day in the Money Market fund; next-day in the Short-Term fund; and monthly in the Medium-Term fund). Interest earnings accrue daily and are paid monthly. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's percentage interest of the fair value provided by CalTRUST for the CalTRUST accounts. The balance available for withdrawal is based on the accounting records maintained by CalTRUST.



**NOTE 2 - CASH AND INVESTMENTS (CONTINUED)**

**Fair Value Measurements**

The City categorizes its fair value measurement within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the assets. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are quoted prices for similar assets in active markets (significant other observable inputs), such as institutional bond quotes, and Level 3 inputs are significant unobservable inputs.

The City has the following recurring fair value measurements as of June 30, 2018:

	Quoted Prices Level 1	Observable Inputs Level 2	Unobservable Inputs Level 3	Total
United States Government Sponsored				
Agency Securities:				
FAMC	\$ -	\$ 972,156	\$ -	\$ 972,156
FHLB	-	2,935,300	-	2,935,300
FHLMC	-	2,958,480	-	2,958,480
FNMA	-	2,938,725	-	2,938,725
Local Securities:				
State and California	-	5,155,735	-	5,155,735
Medium-Term Notes	-	16,658,132	-	16,658,132
Total Leveled Investments	<u>\$ -</u>	<u>\$ 31,618,528</u>	<u>\$ -</u>	<u>31,618,528</u>
LAIF*				7,201,551
CalTRUST Short Term Fund*				1,099,707
CalTRUST Medium Term Fund*				27,862,180
Held in OPEB Trust:				
Money Market Mutual Funds*				6,568,955
Held in Pension Trust:				
Money Market Mutual Funds*				1,002,530
Held by Bond Trustee:				
Money Market Mutual Funds*				9,773,900
Total Investment Portfolio				<u>\$ 85,127,351</u>

\* Not subject to fair value measurement hierarchy.

**NOTE 3 - INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS**

**Due To and Due From**

The composition of interfund balances as of June 30, 2018 is as follows:

<u>Due To (Receivable) Fund</u>	<u>Due From (Payable) Fund</u>	<u>Amount</u>
General Fund	Housing Authority Special Revenue Fund	\$ 172,434
	Special Projects Capital Projects Fund	386,771
	Other Federal Grants Capital Projects Fund	1,646,777
	Other Governmental Funds	439,238
	Internal Service Funds	1,962
		<u>\$ 2,647,182</u>

The receivable of the General Fund from the above funds is mainly for temporary deficit cash balances.

**Advances**

Long-term advances between the City's General Fund and the Water Enterprise Fund are summarized below:

	<u>Balance at July 1, 2017</u>	<u>Current Advances</u>	<u>Repayments</u>	<u>Balance at June 30, 2018</u>	<u>Due within One Year</u>
Water Enterprise Fund	<u>\$ 2,639,051</u>	<u>\$ -</u>	<u>\$ (111,553)</u>	<u>\$ 2,527,498</u>	<u>\$ 117,130</u>

The General Fund previously advanced \$3,500,000 to the Water Enterprise Fund for the purchase of County Water Company. Interest on the advance is 10%. During the year ended June 30, 2006, the Water Fund made payments on the advance totaling \$1,703,000. During 2009 and 2010, the General Fund additionally advanced to the Water Fund \$1,237,610 at 7.5% interest. The remaining balance on the advance at June 30, 2013 was \$3,034,610. As a part of fiscal year 2013/14 budget process, the City Council approved annual repayment of the \$3,034,610 advance over a 20-year period at 5% interest commencing in July 2013. The annual repayment amount, principal and interest is \$243,500. Actual principal payment made during the fiscal year ended June 30, 2018 was \$111,553.

**NOTE 3 - INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS (CONTINUED)**

**Interfund Transfers**

The composition of the City’s interfund transfers for the year ended June 30, 2018 is as follows:

Transfers Out	Transfers In	Amount
General Fund	Debt Service Fund	\$ 1,207,595
	Housing Successor Fund Capital	
	Projects Fund	199,042
	Other Governmental Funds	946,881
Other Governmental Funds	General Fund	8,520
	Debt Service Fund	255,907
	Transit System Enterprise Fund	1,951,033
		\$ 4,568,978

Transfers from the General Fund to the Debt Service Fund, Housing Successor Fund Capital Projects Fund, and Other Governmental Funds were to fund debt service, capital property, equipment replacement and building renovation funds. Transfers from the Other Governmental Funds (Parking Structure Special Revenue Fund) to the Debt Service Fund were to fund debt service payments. The transfer from the Other Governmental Funds (Air Quality Improvement Special Revenue Fund, Proposition “C” Special Revenue Fund, and Proposition “A” Special Revenue Fund) to the Transit System Enterprise Fund was to move Proposition A funds to the fund in which the revenue was utilized. The transfer from the Other Governmental Funds (Proposition “C” Special Revenue Fund) to the General Fund was to fund the senior transportation program.

**NOTE 4 - ADVANCES TO SUCCESSOR AGENCY**

The City and the former Redevelopment Agency entered into a loan agreement in 1991, pursuant to which the City loaned money to finance a development known as the Metro Center. The loan agreement was subsequently amended in 1992, 1993, and 1994. Under the Dissolution Act, an agreement between the City and the former Redevelopment Agency became unenforceable and non-binding on the Successor Agency as of February 1, 2012 (i.e., the date on which Redevelopment Agency dissolved), unless the agreement falls within certain limited exceptions. The DOF has determined that the Metro Center loan agreement did not fall within any of the exceptions. However, under the Dissolution Act, agreements such as the Metro Center loan agreement may be re-established, subject to certain conditions precedent, and the approval of the Oversight Board and the DOF and only if the repayment terms of the loan were modified in the manner specified in the Dissolution Act.

***NOTE 4 - ADVANCES TO SUCCESSOR AGENCY (CONTINUED)***

On May 15, 2013 the Successor Agency received a Finding of Completion letter from the Department of Finance authorizing the Agency to place loan agreements between the former redevelopment agency and sponsoring entity on the ROPS, as an enforceable obligation, provided the oversight board made a finding that the loan was for legitimate redevelopment purposes per HSC section 34191.4(b)(1). The oversight board made such a finding during fiscal year 2014. Loan repayments will be governed by criteria in HSC section 34191.4(a)(2). Principal payments of \$556,445 and interest payments of \$438,765 were made on the advance in fiscal year 2017-2018. The balance of this advance outstanding as of June 30, 2018 is \$8,496,088, which includes \$4,933,038 in principal and \$3,563,050 accrued interest (interest receivable is offset by deferred inflows of resources, unavailable revenues, in the general fund balance sheet).

The Senate Bill 107 (SB 107) enacted by the State legislation in September 2015, allows the Successor Agency to recalculate and repay these loans using 3% or 4% interest rate, instead of 0.236% LAIF rate. The 4% interest would apply only if the Successor Agency opts to file a last and final ROPS. The Successor Agency recalculated the accrued interest at the 3% rate required by SB 107 in the fiscal year ended June 30, 2016 and calculated interest at the 3% rate in all subsequent fiscal years.

***NOTE 5 - LOANS RECEIVABLE***

Loans receivable consists of \$7,807,848 in deferred-payment rehabilitation loans to qualifying low income households in connection with the CDBG and Home Programs and a \$2,246,211 loan to Home Investment Partnership. Because of the long-term nature of the CDBG loans, the City has offset the balances of forgivable loans with an allowance of \$2,693,313 and offset the remaining loans of \$7,360,746 with due to other governments at June 30, 2018.

**City of Norwalk**  
**Notes to Basic Financial Statements (Continued)**  
**For the year ended June 30, 2018**

**NOTE 6 - CAPITAL ASSETS**

**Governmental Activities**

A summary of changes in the Governmental Activities capital assets at June 30, 2018 is as follows:

	Balance at July 1, 2017	Additions	Deletions/ Transfers	Balance at June 30, 2018
Capital assets, not being depreciated:				
Land	\$ 6,964,626	\$ 10	\$ -	\$ 6,964,636
Construction in progress	8,309,754	7,083,147	(5,065,022)	10,327,879
Total capital assets, not depreciated	<u>15,274,380</u>	<u>7,083,157</u>	<u>(5,065,022)</u>	<u>17,292,515</u>
Capital assets, being depreciated:				
Buildings and improvements	50,069,293	2,066,303	-	52,135,596
Machinery and equipment	6,840,192	205,531	(235,467)	6,810,256
Infrastructure	267,324,957	2,977,357	-	270,302,314
Total capital assets, being depreciated	<u>324,234,442</u>	<u>5,249,191</u>	<u>(235,467)</u>	<u>329,248,166</u>
Less accumulated depreciation for:				
Buildings and improvements	(23,696,487)	(1,356,554)	-	(25,053,041)
Machinery and equipment	(4,725,990)	(326,117)	224,844	(4,827,263)
Infrastructure	(154,802,642)	(7,739,963)	-	(162,542,605)
Total accumulated depreciation	<u>(183,225,119)</u>	<u>(9,422,634)</u>	<u>224,844</u>	<u>(192,422,909)</u>
Total capital assets, being depreciated, net	<u>141,009,323</u>	<u>(4,173,443)</u>	<u>(10,623)</u>	<u>136,825,257</u>
Governmental Activities capital assets, net	<u>\$ 156,283,703</u>	<u>\$ 2,909,714</u>	<u>\$ (5,075,645)</u>	<u>\$ 154,117,772</u>

Depreciation expense was charged to functions/programs of the governmental activities as follows:

General government	\$ 1,208,938
Public safety	33,160
Urban development	18,256
Public works	7,748,364
Culture and leisure	310,551
Health and welfare	103,365
Total depreciation expense - governmental activities	<u>\$ 9,422,634</u>

**City of Norwalk**  
**Notes to Basic Financial Statements (Continued)**  
**For the year ended June 30, 2018**

**NOTE 6 - CAPITAL ASSETS (CONTINUED)**

**Business-type Activities**

A summary of changes in the Business-type Activities capital assets at June 30, 2018 is as follows:

	Balance at July 1, 2017	Additions	Deletions/ Transfers	Balance at June 30, 2018
Capital assets, not being depreciated:				
Land	\$ 23,125	\$ -	\$ -	\$ 23,125
Construction in progress	7,060,222	1,946,500	(341,374)	8,665,348
Water rights	8,396,581	-	-	8,396,581
Total capital assets, not depreciated	<u>15,479,928</u>	<u>1,946,500</u>	<u>(341,374)</u>	<u>17,085,054</u>
Capital assets, being depreciated:				
Buildings and improvements	12,770,445	341,374	-	13,111,819
Distribution system	13,439,105	-	-	13,439,105
Sewer infrastructure	47,408,051	-	-	47,408,051
Office equipment	822,297	-	-	822,297
Vehicles	18,602,760	1,882,585	(1,325,271)	19,160,074
Tools and equipment	2,479,837	-	(44,307)	2,435,530
Miscellaneous	144,559	-	-	144,559
Total capital assets, being depreciated	<u>95,667,054</u>	<u>2,223,959</u>	<u>(1,369,578)</u>	<u>96,521,435</u>
Less accumulated depreciation for:				
Buildings and improvements	(3,062,486)	(438,752)	-	(3,501,238)
Distribution system	(6,009,394)	(353,732)	-	(6,363,126)
Sewer infrastructure	(28,201,436)	(829,042)	-	(29,030,478)
Office equipment	(457,082)	(42,379)	-	(499,461)
Vehicles	(8,361,644)	(1,369,895)	1,055,684	(8,675,855)
Tools and equipment	(1,061,860)	(171,884)	22,590	(1,211,154)
Miscellaneous	(162,641)	(7,149)	-	(169,790)
Total accumulated depreciation	<u>(47,316,543)</u>	<u>(3,212,833)</u>	<u>1,078,274</u>	<u>(49,451,102)</u>
Total capital assets, being depreciated, net	<u>48,350,511</u>	<u>(988,874)</u>	<u>(291,304)</u>	<u>47,070,333</u>
Total business-type activities capital assets, net	<u>\$ 63,830,439</u>	<u>\$ 957,626</u>	<u>\$ (632,678)</u>	<u>\$ 64,155,387</u>

**City of Norwalk**  
**Notes to Basic Financial Statements (Continued)**  
**For the year ended June 30, 2018**

**NOTE 6 - CAPITAL ASSETS (CONTINUED)**

**Business-type Activities (Continued)**

Depreciation expense was charged to functions/programs of the business-type activities as follows:

Transit system	\$ 1,982,268
Water	398,170
Sewer	832,395
Total depreciation expense - business-type activities	\$ 3,212,833

**NOTE 7 - LONG-TERM LIABILITIES**

Changes in long-term liabilities for the year ended June 30, 2018, were as follows:

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018	Due Within One Year
<b>Governmental Activities:</b>					
2013A Lease Revenue Refunding Bonds	\$ 5,625,000	\$ -	\$ (415,000)	\$ 5,210,000	\$ 430,000
Add: Unamortized bond premium	138,087	-	(11,507)	126,580	-
2013B Lease Revenue Refunding Bonds	6,420,000	-	(610,000)	5,810,000	625,000
Add: Unamortized bond premium	368,731	-	(46,091)	322,640	-
Subtotal	12,551,818	-	(1,082,598)	11,469,220	1,055,000
Lease Payable	-	4,337,008	-	4,337,008	194,077
Compensated absences	2,431,996	688,191	(618,335)	2,501,852	467,400
<b>Total governmental activities</b>	14,983,814	5,025,199	(1,700,933)	18,308,080	1,716,477
<b>Business-type Activities:</b>					
2013A Water Revenue Bonds	8,705,000	-	(195,000)	8,510,000	200,000
Add: Unamortized bond premium	265,848	-	(10,225)	255,623	-
Subtotal	8,970,848	-	(205,225)	8,765,623	200,000
Compensated absences	522,151	142,390	(103,995)	560,546	137,254
<b>Total business-type activities</b>	9,492,999	142,390	(309,220)	9,326,169	337,254
<b>Total long-term liabilities</b>	\$ 24,476,813	\$ 5,167,589	\$ (2,010,153)	\$ 27,634,249	\$ 2,053,731

Debt service payments are made from the Debt Service Fund, the General Fund, the Parking Structure Special Revenue Fund, and the Water Fund.

**Compensated Absences Payable**

The City's policies relating to compensated absences are described in Note 1E. The outstanding balance at June 30, 2018, was \$2,501,852 and \$560,546 for the Governmental Activities and Business-type Activities, respectively. The liability for Governmental Activities is primarily liquidated from the general fund while the liability for Business-type Activities is liquidated from the enterprise funds.

**NOTE 7 - LONG-TERM LIABILITIES (CONTINUED)**

**Governmental Activities**

2013A Lease Revenue Refunding Bonds

\$7,120,000 Lease Revenue Refunding Bonds, Series 2013A; plus bond premium of \$184,115 issued on May 1, 2013 to refund and defease the 1999 Lease Revenue Refunding Bonds; principal due in amounts ranging from \$200,000 to \$575,000 on June 1 of each year starting in 2014 through 2029; the bonds are subject to mandatory redemption prior to maturity, in part by lot in June 2024, and thereafter on each June 1, at par plus accrued interest to the date of redemption without premium; interest rates vary from 2% to 4%. A reserve of \$301,766, which is required to be set aside, along with a bond insurance policy issued by Assurance Guaranty Municipal Corp, further secure the payment of principal and interest on the bonds.

At June 30, 2018, this reserve was fully funded with a balance of \$307,609. The \$7,120,000 proceeds were used to purchase state and local government securities that were deposited in a trust with an escrow agent to provide for all future debt service payments on the remaining Lease Revenue Refunding Bonds, Series 1999. As a result, the 1999 bonds were fully defeased on May 1, 2013. The defeasance of the bonds resulted in a loss from defeasance of \$96,343. The balance of the loss from defeasance, net of accumulated amortization, is \$66,238 as of June 30, 2018.

The Lease Revenue Refunding Bonds are subject to federal arbitrage regulations. The City calculated no arbitrage rebate due as of June 30, 2018. The balance outstanding on the 2013A Lease Revenue Refunding Bonds at June 30, 2018, was \$5,210,000.

Future debt service principal and interest payments on the 2013A Lease Revenue Refunding Bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2019	\$ 430,000	\$ 170,531	\$ 600,531
2020	450,000	153,331	603,331
2021	465,000	135,331	600,331
2022	475,000	124,287	599,287
2023	490,000	111,819	601,819
2024 - 2028	2,700,000	301,306	3,001,306
2029	200,000	7,000	207,000
Subtotals	\$ 5,210,000	\$ 1,003,605	\$ 6,213,605
Add: Bond premium	126,580	-	126,580
Totals	<u>\$ 5,336,580</u>	<u>\$ 1,003,605</u>	<u>\$ 6,340,185</u>



**NOTE 7 - LONG-TERM LIABILITIES (CONTINUED)**

**Governmental Activities (Continued)**

2013B Lease Revenue Refunding Bonds

\$8,630,000 Lease Revenue Refunding Bonds, Series 2013B; plus bond premium of \$553,095 issued in July 2013 to refund and defease the 2001 Lease Revenue Refunding Bonds; principal due in amounts ranging from \$545,000 to \$1,640,000 on June 1 of each year starting in 2014 through 2025; the bonds are subject to redemption prior to their respective maturity dates as a whole or in part on any date on or after June 1, 2023, at par plus accrued interest to the date of fixed for redemption, without premium; interest rates vary from 2% to 3.125%. A reserve of \$845,625, which is required to be set aside, along with a bond insurance policy issued by Assurance Guaranty Municipal Corp, further secure the payment of principal and interest on the bonds.

At June 30, 2018, this reserve was fully funded with a balance of \$858,524. The \$8,630,000 proceeds were used to purchase state and local government securities that were deposited in a trust with an escrow agent to provide for all future debt service payments on the remaining Lease Revenue Refunding Bonds, Series 2001. As a result, the 2001 bonds were fully defeased in July 2013. The defeasance of the bonds resulted in loss from defeasance of \$93,810. The balance of the loss from defeasance, net of accumulated amortization, is \$54,720 as of June 30, 2018.

The Lease Revenue Refunding Bonds are subject to federal arbitrage regulations. The City calculated no arbitrage rebate due as of June 30, 2018. The balance outstanding on the 2013B Lease Revenue Refunding Bonds at June 30, 2018, was \$5,810,000.

Future debt service principal and interest payments on the 2013B Lease Revenue Refunding Bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2019	\$ 625,000	\$ 224,750	\$ 849,750
2020	650,000	199,750	849,750
2021	675,000	173,750	848,750
2022	705,000	146,750	851,750
2023	740,000	111,500	851,500
2024 - 2025	2,415,000	125,750	2,540,750
Subtotals	\$ 5,810,000	\$ 982,250	\$ 6,792,250
Add: Bond premium	322,640	-	322,640
Totals	<u>\$ 6,132,640</u>	<u>\$ 982,250</u>	<u>\$ 7,114,890</u>

The 2013A and 2013B refunding lease refunding bonds resulted in a savings of \$1.89 million of lower interest costs over 15 years.

**NOTE 7 - LONG-TERM LIABILITIES (CONTINUED)**

**Governmental Activities (Continued)**

Lease Payable

On May 10, 2017, the City entered into a purchase and sale agreement with Southern California Edison to acquire an estimated 4,156 street light poles (property) to allow for conversion of the current high-pressure sodium fixtures to energy efficient light-emitting diodes. On May 1, 2018, the City entered into a lease agreement with Compass Bank to finance the cost of acquiring the street light poles. The lease agreement results in a lease to Compass Bank of the property and a sublease to the City for the same property. The rental term commenced on May 8, 2018 and terminates on June 1, 2033, but may be extended to June 1, 2038. Base rental payments are to be paid by the City on each June 1 and consist of principal and interest at a rate of 4.68% per annum.

As of June 30, 2018, amounts from this financing agreement have not yet been expended to purchase the street light poles. Therefore, there is no asset and accumulated depreciation balance as of June 30, 2018. The balance outstanding on the lease payable at June 30, 2018, was \$4,337,008.

Future debt service principal and interest payments on the lease payable are as follows:

Year Ending June 30,	Principal	Interest	Total
2019	\$ 194,077	\$ 215,940	\$ 410,017
2020	216,127	193,889	410,016
2021	226,242	183,774	410,016
2022	236,830	173,186	410,016
2023	247,913	162,103	410,016
2024 - 2028	1,424,851	625,230	2,050,081
2029 - 2033	1,790,968	259,112	2,050,080
Totals	<u>\$ 4,337,008</u>	<u>\$ 1,813,234</u>	<u>\$ 6,150,242</u>

**NOTE 7 - LONG-TERM LIABILITIES (CONTINUED)**

**Business-type Activities**

2013A Water Revenue Bonds

\$9,395,000 Water Revenue Bonds; issued May 2, 2013; serial bonds due in amounts ranging from \$150,000 to \$305,000 on June 1 of each year starting in 2014 through 2029, with variable interest rates from 2% to 3.25%, and term bonds with principal amounts of \$1,335,000 and \$4,380,000 due on June 1, 2033 and June 1, 2043, respectively, with fixed interest rates of 3.50% and 4%, respectively.

\$6,000,000 from the proceeds of the 2013A Water Revenue Bonds were used to acquire 500 acre feet water pumping allocation rights from the City of Vernon, California. The remaining proceeds will be used to construct infrastructure designed to provide additional capacity to pump and deliver water to the areas which currently depend on purchased water. The balance outstanding on the 2013A Water Revenue Bonds at June 30, 2018, was \$8,510,000.

The Water Revenue Bonds are subject to federal arbitrage regulations. The City calculated no arbitrage rebate due as of June 30, 2018. The City is required, to maintain the rates and charges for the water services that will generate net water revenue to be at least 125% of maximum annual debt service payment. As of June 30, 2018, the City's net revenue coverage was 259%, which meets the requirements.

Future debt service principal and interest payments on the 2013A Water Revenue Bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2019	\$ 200,000	\$ 337,313	\$ 537,313
2020	210,000	329,313	539,313
2021	220,000	318,813	538,813
2022	230,000	307,813	537,813
2023	240,000	296,313	536,313
2024 - 2028	1,390,000	1,305,313	2,695,313
2029 - 2033	1,640,000	1,051,463	2,691,463
2034 - 2038	1,975,000	724,000	2,699,000
2039 - 2043	2,405,000	296,200	2,701,200
Subtotals	\$ 8,510,000	\$ 4,966,541	\$ 13,476,541
Add: Bond premium	255,623	-	255,623
Totals	<u>\$ 8,765,623</u>	<u>\$ 4,966,541</u>	<u>\$ 13,732,164</u>

**NOTE 8 - CITY EMPLOYEE RETIREMENT PLAN (DEFINED BENEFIT PENSION PLAN)**

A. General Information about the Pension Plans

**Plan Descriptions**

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

**Benefits Provided**

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 to 62 with statutorily reduced benefits. PEPR miscellaneous members become eligible for service retirement upon attainment of age 52 with at least 5 years of service. All members are eligible for non-duty disability benefits after 5 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plans' provisions and benefits in effect at June 30, 2018, are summarized as follows:

	Miscellaneous		
	Prior to November 1, 2011	On or After November 1, 2011 and Prior to January 1, 2013	On or After January 1, 2013
Hire date			
Benefit formula	2.7%@55	2%@55	2%@62
Benefit vesting schedule	5 years of service	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50 - 55	50 - 63	52 - 67
Monthly benefits, as a % of eligible compensation	2.0% to 2.7%	1.426% to 2.418%	1.0% to 2.5%
Required employee contribution rates	8%	7%	6.75%
Required employer contribution rates:			
Normal cost rate	10.451%	10.451%	5.651%
Payment of unfunded liability for all tiers	2,450,627	Included in tier 1	Included in tier 1

**NOTE 8 - CITY EMPLOYEE RETIREMENT PLAN (DEFINED BENEFIT PENSION PLAN)  
(CONTINUED)**

A. General Information about the Pension Plans (Continued)

**Employees Covered**

At June 30, 2018, the following employees were covered by the benefit terms for all Plans:

	Miscellaneous
Inactive employees or beneficiaries currently receiving benefits	306
Inactive employees entitled to but not yet receiving benefits	150
Active employees	237
Total	693

**Contributions**

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

B. Net Pension Liability

The City’s net pension liability for each Plan is measured as the total pension liability, less the pension plan’s fiduciary net position. The net pension liability of each of the Plans is measured as of June 30, 2017, using an annual actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown on the next page.

**NOTE 8 - CITY EMPLOYEE RETIREMENT PLAN (DEFINED BENEFIT PENSION PLAN)  
(CONTINUED)**

B. Net Pension Liability (Continued)

**Actuarial Assumptions**

The total pension liabilities in the June 30, 2016 actuarial valuations were determined using the following actuarial assumptions:

	<u>Miscellaneous</u>
Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
Projected Salary Increase	(1)
Mortality Rate Table	(2)
Post Retirement Benefit Income	(3)

(1) Varies by entry age and service.

(2) The probabilities of mortality are derived using CalPERS' membership data for all funds. The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

(3) Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter.

All other actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at the CalPERS website under Forms and Publications.

**Change of Assumptions**

In fiscal year 2017-2018, the financial reporting discount rate was reduced from 7.65% to 7.15%. Deferred outflows of resources and deferred inflows of resources for changes of assumptions represent the unamortized portion of this assumption change and the unamortized portion of the changes of assumptions related to prior measurement periods.

**NOTE 8 - CITY EMPLOYEE RETIREMENT PLAN (DEFINED BENEFIT PENSION PLAN)  
(CONTINUED)**

B. Net Pension Liability (Continued)

**Discount Rate**

The discount rate used to measure the total pension liability was 7.15% for each Plan and reflects the long-term expected rate of return for the each Plan net of investment expenses and without reduction for administrative expenses. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing of the Plans, the tests revealed the assets would not run out. Therefore, the current 7.15% discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long term expected discount rate of 7.15% is applied to all plans in the Public Employees Retirement Fund (PERF). The cash flows used in the testing were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained from the CalPERS website under the GASB 68 section.

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund (PERF) cash flows. Taking into account historical returns of all the Public Employees Retirement Funds' asset classes (which includes the agent plan and two cost-sharing plans or PERF A, B, and C funds), expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each PERF fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

**NOTE 8 - CITY EMPLOYEE RETIREMENT PLAN (DEFINED BENEFIT PENSION PLAN)  
(CONTINUED)**

B. Net Pension Liability (Continued)

**Discount Rate (Continued)**

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the CalPERS Board effective on July 1, 2014.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 (a)	Real Return Years 11+ (b)
Global Equity	47.00%	4.90%	5.38%
Global Fixed Income	19.00%	0.80%	2.27%
Inflation Sensitive	6.00%	0.60%	1.39%
Private Equity	12.00%	6.60%	6.63%
Real Estate	11.00%	2.80%	5.21%
Infrastructure and Forestland	3.00%	3.90%	5.36%
Liquidity	2.00%	-0.40%	-0.90%
Total	100.00%		

(a) An expected inflation of 2.5% used for this period

(b) An expected inflation of 3.0% used for this period

**Subsequent Events**

There were no subsequent events that would materially affect the results in this disclosure.



**NOTE 8 - CITY EMPLOYEE RETIREMENT PLAN (DEFINED BENEFIT PENSION PLAN)  
(CONTINUED)**

C. Changes in the Net Pension Liability

The changes in the net pension liability for the Miscellaneous Plan, using the measurement date of June 30, 2017, are as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
<b>Balance at June 30, 2016 (Measurement Date)</b>	<u>\$158,539,300</u>	<u>\$112,162,028</u>	<u>\$ 46,377,272</u>
<b>Changes in the Year:</b>			
Service cost	3,253,433	-	3,253,433
Interest on the total pension liability	11,814,360	-	11,814,360
Differences between actual and expected experience	(1,191,669)	-	(1,191,669)
Changes in assumptions	9,941,881	-	9,941,881
Changes in benefit terms	-	-	-
Contribution - employer	-	4,001,016	(4,001,016)
Contribution - employee	-	1,344,205	(1,344,205)
Net investment income	-	12,480,715	(12,480,715)
Administrative expenses	-	(165,600)	165,600
Benefit payments, including refunds of employee contributions	(7,360,837)	(7,360,837)	-
<b>Net Changes</b>	<u>16,457,168</u>	<u>10,299,499</u>	<u>6,157,669</u>
<b>Balance at June 30, 2017 (Measurement Date)</b>	<u>\$174,996,468</u>	<u>\$122,461,527</u>	<u>\$ 52,534,941</u>

**NOTE 8 - CITY EMPLOYEE RETIREMENT PLAN (DEFINED BENEFIT PENSION PLAN)  
(CONTINUED)**

C. Changes in the Net Pension Liability (Continued)

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

The following presents the net pension liability of the City for each Plan, calculated using the discount rate for each Plan, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Miscellaneous
1% Decrease	6.15%
Net Pension Liability	\$ 76,690,871
Current Discount Rate	7.15%
Net Pension Liability	\$ 52,534,941
1% Increase	8.15%
Net Pension Liability	\$ 32,684,856

**Pension Plan Fiduciary Net Position**

Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

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

For the year ended June 30, 2018, the City recognized pension expense of \$7,775,357. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 4,252,350	\$ -
Differences between actual and expected experience	12,538	(999,453)
Change in assumptions	6,734,823	(168,381)
Net differences between projected and actual earnings on plan investments	1,636,382	-
Total	\$ 12,636,093	\$ (1,167,834)

**NOTE 8 - CITY EMPLOYEE RETIREMENT PLAN (DEFINED BENEFIT PENSION PLAN)  
(CONTINUED)**

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

\$4,252,350 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ending June 30,	Amount
2019	\$ 2,437,116
2020	4,713,548
2021	975,876
2022	(910,631)
2023	-
Thereafter	-

E. Payable to the Pension Plan

At June 30, 2018, the City had no outstanding amount of contributions to the pension plan required for the year ended June 30, 2018.

F. Other

The General Fund includes \$1,002,530 of pension stability funds on deposit with Public Agency Retirement Services (PARS) that represent assets restricted to the defined benefit pension plan, which are not included in the plan fiduciary net position.

**NOTE 9 - PART-TIME SEASONAL AND TEMPORARY EMPLOYEES' RETIREMENT PLAN**

Public Agency Retirement Services (PARS) administers the City's alternate retirement system plan. It is a defined contribution plan qualifying under 401(a) and 501 of the Internal Revenue Code. Contributions of 7.50% of covered compensation of eligible employees are made by the employee. The plan covers part-time, seasonal, and temporary employees paid on City's payroll who are not covered by another retirement system, pursuant to the requirements of 3121 (b)(7)(F) of the Internal Revenue Code. All eligible employees are covered by the plan and are fully vested. Employee liabilities are limited to the amount of current contributions. Contributions are applied to each participant accounts based on the data submitted to PARS Trust and actual deposits made to PARS Trustee (US Bank). The total amount of covered compensation was \$4,854,114 and employee contributions made during the fiscal year ended June 30, 2018, were \$364,059. Any amendments to the plan go through a resolution for adoption by the City Council.

***NOTE 10 - DEFERRED COMPENSATION/DEFINED CONTRIBUTION PLAN***

The City has established a deferred compensation plan for all officers and employees. Participation in the plan is voluntary and may be revoked at any time upon advance written notice. Generally, the amount of compensation subject to deferral until retirement, disability, or other termination by a participant may not exceed the legal limits set by the Internal Revenue Code. Amounts withheld by the City under this plan are deposited regularly into a commercial savings account held by the City, then transferred to a trust account.

As of June 30, 2018, the deferred compensation plan assets were held in a trust account for the sole benefit of the employees and their beneficiaries and, accordingly, have been excluded from the City's reported assets.

The City has established a Deferred Compensation/Defined Contribution plan for certain classifications of management under Internal Revenue Service Code Section 401(a). City participation in contributions to the plan is mandatory. The City is obligated to contribute amounts ranging from 2% to 4% of the annual salary per participant, per year. Under this qualified 401a plan, a total of \$148,893 with 26 participants was remitted to ICMA and Mass Mutual with a total ending investment balance of \$1,767,228. On the other hand, employee contributions to deferred compensation plan 457 are voluntary. During the year, there were 182 participants. Contributions totaled \$666,571. Total plan assets at June 30, 2018, were \$16,770,184. International City Management Association Retirement Corporation's Retirement Trust, Nationwide Retirement Solutions, and Mass Mutual administer the Deferred Compensation Defined Contribution plans for the City. Separate financial reports can be obtained on each agency by members per request either by phone, email or online through their websites. Memorandum of Understanding approved by the City Council is the authority for establishing or amending the plans' provisions.

***NOTE 11 - OTHER POST-EMPLOYMENT BENEFITS***

**A. Plan Description**

The City has an agent multiple-employer other post-employment benefit plan that provides post-employment benefits including medical insurance to eligible employees and their dependents at retirement through the California Public Employees Medical and Hospital Care Act (PEMHCA) as provided under the City's contractual agreements with the Management and General Unit employees.

The City elected to join the Public Agency Retirement System OPEB Trust (PARS OPEB Trust) as a means to fund the Annual Determined Contribution (ADC). The PARS OPEB Trust issues a publicly available financial report for the fiduciary net position that is available upon request. The PARS OPEB Trust is reported as a fiduciary fund. The plan itself does not issue a separate financial report.

**NOTE 11 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)**

A. Plan Description (Continued)

Members are eligible for the following benefits:

	General	Management
Benefit Types Provided	Medical Only	Medical Only
Duration of Benefits	Lifetime	Lifetime
Minimum Age	50	50
Dependent Coverage	Yes	Yes
Required Years of Service	5 Years	5 Years
City Contribution %	100%	100%
City Cap:		
Calendar Year 2017	\$900 per month	PERSCare Family Rate \$1,861
Calendar Year 2018	\$1,200 per month	PERSCare Family Rate \$1,752

Employees pay the difference between the benefit they receive and the monthly premium.

**Employees Covered**

As of measurement date June 30, 2017, the following current and former employees were covered by the benefit terms under the plan:

Inactive employees or beneficiaries currently receiving benefits	197
Inactive employees or beneficiaries entitled to but not yet receiving benefits	-
Active employees	243
	<u>440</u>

**Contributions**

Benefit provisions and contribution requirements are established and may be amended through agreements and memorandums of understanding between the City, its management employees, and unions representing the City's employees. The plan does not require employee contributions. Administrative costs of this plan are financed by the general fund.

The annual contribution is based on the actuarially determined contributions. For fiscal year ending June 30, 2018, the City contributed \$1,166,780 to the PARS OPEB Trust, and paid \$1,402,393 for current premiums, and the estimated implied subsidy was \$392,814, resulting in total payments of \$2,961,987. The majority of contributions to the OPEB plan are generally made from the general fund.

The liability for governmental activities is primarily liquidated from the general fund while the liability for business-type activities is liquidated from the enterprise funds.

**NOTE 11 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)**

**Accounting for the Plan**

The other post-employment benefit trust is prepared using the accrual basis of accounting. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits are recognized when due and payable in accordance with the terms of each plan.

**Method Used to Value Investments**

Investments are reported in the accompanying financial statements at fair value, which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Securities for which market quotations are not readily available are valued at their fair value as determined by the custodian with the assistance of a valuation service.

**B. Total OPEB Liability**

The City’s total OPEB liability was measured as of June 30, 2017 and was determined by an actuarial valuation as of June 30, 2016, rolled forward to June 30, 2017 using standard update procedures. A summary of the principal assumptions and methods used to determine the total OPEB liability is shown below.

**Actuarial Assumptions**

The total OPEB liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry age normal, level percentage of payroll
Asset Valuation Method	Market value projected to fiscal year-end 2018
Actuarial Assumptions:	
Discount Rate	7.00%
Long-Term Expected	
Rate of Return on Investments	7.00%
Inflation	2.50%
Healthcare Trend Rates	7.00% trending down to 3.94% over 57 years
Mortality, Disability, Termination, Retirement	CalPERS 1997-2015 experience study

**NOTE 11 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)**

B. Total OPEB Liability (Continued)

**Actuarial Assumptions (Continued)**

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of the arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
PARS OPEB Trust:		
Global Equity	60.00%	8.32%
Fixed Income	37.00%	4.87%
US Treasuries	3.00%	3.15%
Real Estate Investment Trusts	0.00%	6.75%
Commodities	0.00%	4.84%
Total	100.00%	

**Discount Rate**

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

**NOTE 11 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)**

C. Changes in the Total OPEB Liability

The changes in the total OPEB liability are as follows:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability (Asset)
<b>Balance at June 30, 2016 (Measurement Date)</b>	\$ 37,902,605	\$ 2,943,037	\$ 34,959,568
<b>Changes in the Year:</b>			
Service cost	1,477,756	-	1,477,756
Interest on the total OPEB liability	2,696,630	-	2,696,630
Contributions - employer	-	3,295,446	(3,295,446)
Net investment income	-	483,661	(483,661)
Benefit payments	(1,714,146)	(1,714,146)	-
<b>Net Changes</b>	<u>2,460,240</u>	<u>2,064,961</u>	<u>395,279</u>
<b>Balance at June 30, 2017 (Measurement Date)</b>	<u>\$ 40,362,845</u>	<u>\$ 5,007,998</u>	<u>\$ 35,354,847</u>

**Change of Assumptions**

There were no changes of assumptions.

**Change of Benefit Terms**

There were no changes of benefit terms.

**Subsequent Events**

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

**Sensitivity of the Total OPEB Liability to Changes in the Discount Rate**

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

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Net OPEB Liability	\$ 40,668,986	\$ 35,354,847	\$ 30,457,978



**NOTE 11 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)**

C. Changes in the Total OPEB Liability (Continued)

**Sensitivity of the Total OPEB Liability to Changes in Medical Trend Rates**

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using medical trend rates that are 1-percentage point lower or 1-percentage point higher:

	6.00% Decreasing to 2.94%	7.00% Decreasing to 3.94%	8.00% Decreasing to 4.94%
Net OPEB Liability	\$ 29,814,784	\$ 35,354,847	\$ 41,101,827

D. OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the City recognized OPEB expense of \$3,880,666. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	\$ 2,961,987	\$ -
Differences between projected and actual earnings	-	178,172
Total	\$ 2,961,987	\$ 178,172

The differences between projected and actual earnings on plan investments is amortized over five years.

\$2,961,987 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Year Ending June 30,	Amount
2019	\$ (44,543)
2020	(44,543)
2021	(44,543)
2022	(44,543)
2023	-
Thereafter	-

**City of Norwalk**  
**Notes to Basic Financial Statements (Continued)**  
**For the year ended June 30, 2018**

**NOTE 11 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)**

E. Payable to the OPEB Plan

At June 30, 2018, the City had no outstanding amount of contributions to the OPEB plan required for the year ended June 30, 2018.

**NOTE 12 - FUND BALANCES AND NET POSITION CLASSIFICATION**

Fund balances at June 30, 2018, consisted of the following:

	Special Revenue Funds			Debt Service Fund	Capital Projects Funds				Other Governmental Funds	Total Governmental Funds
	General Fund	Housing and Community Development	Housing Authority		Special Projects	Economic Development	Housing Successor	Other Federal Grants		
<b>Nonspendable:</b>										
Advances to Successor Agency	\$ 4,933,039	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,933,039
Advances to other funds	2,527,498	-	-	-	-	-	-	-	-	2,527,498
Inventory of material and supplies	6,273	-	-	-	-	-	-	-	-	6,273
Prepaid items	57,924	69	-	-	-	-	-	-	1,550	59,543
<b>Total nonspendable</b>	<b>7,524,734</b>	<b>69</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,550</b>	<b>7,526,353</b>
<b>Restricted:</b>										
Pension	1,002,530	-	-	-	-	-	-	-	-	1,002,530
Public safety	-	-	-	-	-	-	-	-	342,227	342,227
Urban development	-	491,373	1,148,147	-	-	10,740,995	11,476,795	-	-	23,857,310
Public works	-	-	-	4,266,690	-	-	-	-	10,751,548	15,018,238
Public art	-	-	-	-	-	-	-	-	169,253	169,253
Culture & leisure	-	-	-	-	-	-	-	-	111,762	111,762
Health & welfare	-	-	-	-	-	-	-	-	136,135	136,135
Debt service	-	-	-	1,163,842	-	-	-	-	-	1,163,842
<b>Total restricted</b>	<b>1,002,530</b>	<b>491,373</b>	<b>1,148,147</b>	<b>5,430,532</b>	<b>-</b>	<b>10,740,995</b>	<b>11,476,795</b>	<b>-</b>	<b>11,510,925</b>	<b>41,801,297</b>
<b>Committed:</b>										
CalPERS defined benefit pension plan (see Note 1E)	320,000	-	-	-	-	-	-	-	-	320,000
Stabilization (see Note 1E)	1,800,000	-	-	-	-	-	-	-	-	1,800,000
Public works	-	-	-	-	-	-	-	-	762,981	762,981
Equipment replacement	-	-	-	-	-	-	-	-	3,284,247	3,284,247
Building renovation	-	-	-	-	-	-	-	-	1,464,489	1,464,489
<b>Total committed</b>	<b>2,120,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,511,717</b>	<b>7,631,717</b>
<b>Assigned:</b>										
Capital projects	641,000	-	-	-	-	-	-	-	-	641,000
<b>Unassigned</b>										
	12,668,547	-	-	-	(155,336)	-	-	(1,585,023)	(235,940)	10,692,248
<b>Total fund balances</b>	<b>\$ 23,956,811</b>	<b>\$ 491,442</b>	<b>\$ 1,148,147</b>	<b>\$ 5,430,532</b>	<b>\$ (155,336)</b>	<b>\$ 10,740,995</b>	<b>\$ 11,476,795</b>	<b>\$ (1,585,023)</b>	<b>\$ 16,788,252</b>	<b>\$ 68,292,615</b>

**NOTE 12 - FUND BALANCES AND NET POSITION CLASSIFICATION (CONTINUED)**

The City's net position at June 30, 2018 is tabulated below, followed by explanations as to the nature and purpose of each classification.

	Governmental Activities	Business-type Activities
Net investment in capital assets:		
Capital assets, not depreciated	\$ 17,292,515	\$ 17,085,054
Depreciable capital assets, net	136,825,257	47,070,333
Lease revenue refunding bonds	(11,020,000)	-
Lease payable	(4,337,008)	-
Water revenue bonds	-	(8,510,000)
Bond premiums	(449,220)	(255,623)
Cash and investments with fiscal agents	5,433,302	2,706
Deferred amount on refunding	120,958	-
Net investment in capital assets	143,865,804	55,392,470
Restricted net position:		
Pension	1,002,530	-
Public safety	342,227	-
Urban development	23,939,822	-
Public works	10,918,965	-
Public art	169,253	-
Culture & leisure	111,762	-
Health & welfare	136,135	-
Total restricted net position	36,620,694	-
Unrestricted net position	(22,928,545)	(9,551,914)
Total net position	\$ 157,557,953	\$ 45,840,556

**NOTE 13 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**Deficit Fund Balances**

The deficits in the following funds were due to the timing in the receipt of the reimbursable grants.

Major Fund:	
Special Projects Capital Projects Funds	\$ (155,336)
Other Federal Grants Capital Projects Fund	(1,585,023)
Other Governmental Funds:	
Special Grants Special Revenue Fund	(2,314)
Proposition "C" I-5 Mitigation Capital Projects Fund	(233,626)
Subtotal	\$ (1,976,299)

These deficits are expected to be eliminated with future revenues and reimbursements from federal and state agencies.

**NOTE 13 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)**

**Excess of Expenditures over Appropriations**

The following funds reported expenditures exceeding appropriations in individual departments at June 30, 2018:

	Budget	Actual	Variance with Final Budget
Major Fund:			
Debt Service Fund:			
General government	\$ 2,600	\$ 5,220	\$ (2,620)
Bond issue costs	-	74,144	(74,144)
Interest and fiscal charges	415,782	436,281	(20,499)
Other Governmental Funds:			
Child Development Program			
Special Revenue Fund:			
Health and welfare	4,174,352	4,582,936	(408,584)
Proposition "C"			
Special Revenue Fund:			
General government	106,315	108,472	(2,157)
Special Grants			
Special Revenue Fund:			
Capital outlay and improvement	-	213	(213)
Computer Replacement			
Capital Projects Fund:			
Urban development	900	7,156	(6,256)

**NOTE 14 - INSURANCE POLICIES**

**Description of Self-Insurance Pool Pursuant to Joint Powers Agreement**

The City of Norwalk is a member of the California Joint Powers Insurance Authority (Authority). The Authority is composed of 116 California public entities and is organized under a joint powers agreement pursuant to California Government Code §6500 et seq. The purpose of the Authority is to arrange and administer programs for the pooling of self-insured losses, to purchase excess insurance or reinsurance, and to arrange for group purchased insurance for property and other lines of coverage. The California JPIA began covering claims of its members in 1978. Each member government has an elected official as its representative on the Board of Directors. The Board operates through a nine-member Executive Committee.

***NOTE 14 - INSURANCE POLICIES (CONTINUED)***

**Self-Insurance Programs of the Authority**

Each member pays an annual contribution at the beginning of the coverage period. A retrospective adjustment is then conducted annually thereafter, for coverage years 2012-13 and prior. Coverage years 2013-14 and forward are not subject to routine annual retrospective adjustment. The total funding requirement for primary self-insurance programs is based on an actuarial analysis. Costs are allocated to individual agencies based on payroll and claims history, relative to other members of the risk-sharing pool.

Primary Liability Program

Claims are pooled separately between police and general government exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to \$30,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the first layer. (3) The second layer of losses includes incurred costs from \$30,000 to \$750,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs in excess of \$750,000 to \$50 million are distributed based on the outcome of cost allocation within the first and second loss layers.

The overall coverage limit for each member, including all layers of coverage, is \$50 million per occurrence. Subsidence losses have a sub-limit of \$40 million per occurrence. The coverage structure includes retained risk that is pooled among members, reinsurance, and excess insurance. More detailed information about the various layers of coverage is available on the following website: <https://cjpia.org/protection/coverage-programs>.

Workers' Compensation Program

Claims are pooled separately between public safety (police and fire) and general government exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to \$50,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the first layer. (3) The second layer of losses includes costs from \$50,000 to \$100,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs from \$100,000 to statutory limits are distributed based on the outcome of cost allocation within the first and second loss layers.

For 2017-18 the Authority's pooled retention is \$2 million per occurrence, with reinsurance to statutory limits under California Workers' Compensation Law. Employer's Liability losses are pooled among members to \$2 million. Coverage from \$2 million to \$5 million is purchased as part of a reinsurance policy, and Employer's Liability losses from \$5 million to \$10 million are pooled among members.

***NOTE 14 - INSURANCE POLICIES (CONTINUED)***

**Purchased Insurance**

Pollution Legal Liability Insurance

The City of Norwalk participates in the pollution legal liability insurance program which is available through the Authority. The policy covers sudden and gradual pollution of scheduled property, streets, and storm drains owned by the City of Norwalk. Coverage is on a claims-made basis. There is a \$50,000 deductible. The Authority has an aggregate limit of \$50 million for the 3-year period from July 1, 2017 through July 1, 2020. Each member of the Authority has a \$10 million sub-limit during the 3-year policy term.

Property Insurance

The City of Norwalk participates in the all-risk property protection program of the Authority. This insurance protection is underwritten by several insurance companies. City of Norwalk property is currently insured according to a schedule of covered property submitted by City of Norwalk to the Authority. City of Norwalk property currently has all-risk property insurance protection in the amount of \$105,094,549. There is a \$10,000 deductible per occurrence except for non-emergency vehicle insurance which has a \$2,500 deductible.

Earthquake and Flood Insurance

The City of Norwalk purchases earthquake and flood insurance on a portion of its property. The earthquake insurance is part of the property protection insurance program of the Authority. City of Norwalk property currently has earthquake protection in the amount of \$36,882,819. There is a deductible of 5% per unit of value with a minimum deductible of \$100,000.

Crime Insurance

The City of Norwalk purchases crime insurance coverage in the amount of \$1,000,000 with a \$2,500 deductible. The fidelity coverage is provided through the Authority.

Special Event Tenant User Liability Insurance

The City of Norwalk further protects against liability damages by requiring tenant users of certain property to purchase low-cost tenant user liability insurance for certain activities on agency property. The insurance premium is paid by the tenant user and is paid to the City of Norwalk according to a schedule. The City of Norwalk then pays for the insurance. The insurance is facilitated by the Authority.

**NOTE 14 - INSURANCE POLICIES (CONTINUED)**

**Adequacy of Protection**

During the past three fiscal years, none of the above programs of protection experienced settlements or judgments that exceeded pooled or insured coverage. There were also no significant reductions in pooled or insured liability coverage in 2017-18.

The aforementioned information is not included in the accompanying financial statements. Complete financial statements for the Authority may be obtained at its administrative office located at 8081 Moody Street, La Palma, California 90623.

**Claims Activity**

Claim expenditures and liabilities are reported when it is probable that a loss has occurred, and the amount of that loss can be reasonably estimated. At June 30, 2018 the City had no such liabilities, which is the City's best estimate based on available information.

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

Year Ended June 30,	Claims Payable July 1	Fiscal Year Claims and Changes in Estimates	Claims Payments	Claims Payable June 30,
2016	\$ 3,927	\$ 79,760	\$ (83,687)	\$ -
2017	-	57,112	(57,112)	-
2018	-	527,701	(527,701)	-

**NOTE 15 - CONTINGENT LIABILITIES**

The City is a defendant in certain legal actions arising in the normal course of operations. It is management's opinion that these actions will not have a material adverse effect on the City's financial position. In Santa Clara County Local Transportation Authority vs. Guardino (1995), the California Supreme Court upheld Proposition 62, a 1986 initiative that requires voter approval for local taxes. After two lower courts invalidated key portions of Proposition 62, many practitioners and local agencies have considered Proposition 62 unenforceable and have acted accordingly.

Since 1986, the City has implemented the following taxes without a vote of the people.

- Hotel-Motel Occupancy Tax - Increased rate from 6% to 8% effective October 1, 1989 and from 8% to 10% effective October 1, 1990.

The City had a special election on April 11, 2006, to receive voter approval on the Hotel-Motel Occupancy tax rate. The voters approved a Hotel-Motel Occupancy tax rate of 10%.

***NOTE 16 - JOINT POWERS AGREEMENTS***

The City is involved in two joint ventures, in addition to joint insurance pooling with the California Joint Powers Insurance Authority (as described in Note 14).

**Southwest Water Coalition**

On July 1, 1991 the City, along with more than ten public agencies, entered into a joint powers agreement to form the Southeast Water Coalition (Coalition). The Coalition's purpose is to jointly exercise their powers for the purpose of improving and protecting the quality and quantity of potable water in the Southeast Area of Los Angeles County. The legislative body of each of the participating parties shall appoint one board member. Contributions are required upon arrival of a majority of all members of the Board. The City of Norwalk may withdraw from the Coalition upon 30 day written notice and payment of any previously unpaid contributions.

Upon termination of the Coalition, all of its then existing assets shall be divided equally among the then remaining member agencies. This joint venture is not currently experiencing financial stress or accumulating significant resources. The City does not have a measurable material equity interest in the joint venture.

Separate financial statements for the Southeast Water Coalition are available at the City of Norwalk, 12700 Norwalk Boulevard, Norwalk, CA 90651-1030.

**I-5 Consortium Joint Powers Authority**

The City of Norwalk is one of six cities that formed the 1-5 Consortium Joint Powers Authority (Consortium) in May 1991. The Consortium was created to act in concert with the State of California and Federal Agencies in matters pertaining to the development of plans and financing for 1-5 Freeway improvements. Each member city has appointed one board member to represent its city. Annual contributions are required on an equal pro-rata basis upon approval by the Board. For the year ended June 30, 2018, the City of Norwalk contributed \$35,000.

The City of Norwalk is responsible for a pro-rata share of any liability to the State of California or federal government that arises from any agreement entered into by the Consortium. Upon termination of the Consortium, all of its then existing assets shall be divided equally among the then remaining member cities. This joint venture is not currently experiencing financial stress or accumulating significant resources. The City does not have a measurable material equity interest in the joint venture.

Separate financial statements for the I-5 Consortium Joint Powers Authority are available at the City of Norwalk, 12700 Norwalk Boulevard, Norwalk, California 90651-1030.



**NOTE 17 - SUCCESSOR AGENCY TRUST FOR ASSETS OF THE DISSOLVED NORWALK REDEVELOPMENT AGENCY**

The accompanying financial statements also include the Private-Purpose Trust Fund for the Successor Agency to the City's former Redevelopment Agency (Successor Agency). The City, as the Successor Agency, serves in a fiduciary capacity, as custodian for the assets and to wind down the affairs of the former Redevelopment Agency. Its assets are held in trust for the benefit of the taxing entities within the former Redevelopment Agency's boundaries and as such, are not available for the use of the City.

Disclosures related to the certain assets and long-term liabilities of the Successor Agency are as follows:

**Disclosure of Successor Agency Capital Assets**

	Balance at July 1, 2017	Additions	Deletions/ Transfers	Balance at June 30, 2018
Capital assets, not depreciated:				
Land	\$ 1,737,847	\$ -	\$ (1,737,847)	\$ -
Capital assets, being depreciated:				
Buildings and improvements	1,010,388	-	-	1,010,388
Less accumulated depreciation for:				
Buildings and improvements	(75,779)	(25,260)	-	(101,039)
 Total capital assets, being depreciated, net	 934,609	 (25,260)	 -	 909,349
 Total successor agency capital assets, net	 \$ 2,672,456	 \$ (25,260)	 \$ (1,737,847)	 \$ 909,349

**Disclosure of Successor Agency Debts**

Details of the Successor Agency's long-term debt for the year ended June 30, 2018 were as follows:

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018	Due Within One Year
Tax Allocation Refunding Bonds:					
2005 Series A	\$ 26,735,000	\$ -	\$ (910,000)	\$ 25,825,000	\$ 950,000
Add: Bond premium	292,808	-	(16,045)	276,763	-
2005 Series B (Taxable)	23,390,000	-	(720,000)	22,670,000	760,000
Less: Bond discount	(215,962)	-	11,833	(204,129)	-
County Deferred Loans:					
Project Area No. 1	30,691,666	-	-	30,691,666	-
Project Area No. 2	13,782,925	964,805	-	14,747,730	-
Subtotals	94,676,437	964,805	(1,634,212)	94,007,030	1,710,000
Advances from the City of Norwalk:					
Metro Center parcels	9,326,613	164,685	(995,210)	8,496,088	-
Subtotals	9,326,613	164,685	(995,210)	8,496,088	-
<b>Total long-term liabilities</b>	<b>\$ 104,003,050</b>	<b>\$ 1,129,490</b>	<b>\$ (2,629,422)</b>	<b>\$ 102,503,118</b>	<b>\$ 1,710,000</b>

**NOTE 17 - SUCCESSOR AGENCY TRUST FOR ASSETS OF THE DISSOLVED NORWALK REDEVELOPMENT AGENCY (CONTINUED)**

**Disclosure of Successor Agency Debts (Continued)**

Tax Allocation Refunding Bonds, 2005 Series A

\$34,815,000 Tax Allocation Refunding Bonds, 2005 Series A; issued November 2005 to refund the Tax Allocation Refunding Bonds, Series 1995A and Series 1995B; serial bonds due in amounts ranging from \$610,000 to \$1,285,000 on October 1 of each year starting 2006 through 2025 and term bonds with principal amounts of \$7,445,000 and \$9,500,000 due on October 1, 2030 and 2035, respectively; interest rates vary from 3.50% to 5.00%. The defeasance of the bonds resulted in a loss from defeasance of \$200,388. The balance of the loss from defeasance, net of accumulated amortization, is \$118,176 as of June 30, 2018.

The Tax Allocation Refunding Bonds are subject to federal arbitrage regulations. The City calculated no arbitrage rebate due as of June 30, 2018. The balance outstanding on the Tax Allocation Refunding Bonds, 2005 Series A at June 30, 2018, was \$25,825,000.

Future debt service principal and interest payments on the Tax Allocation Refunding Bonds, 2005 Series A are as follows:

Year Ending June 30,	Principal	Interest	Total
2019	\$ 950,000	\$ 1,221,530	\$ 2,171,530
2020	995,000	1,179,950	2,174,950
2021	1,035,000	1,135,917	2,170,917
2022	1,080,000	1,089,516	2,169,516
2023	1,125,000	1,040,444	2,165,444
2024 - 2028	6,455,000	4,358,153	10,813,153
2029 - 2033	8,210,000	2,559,982	10,769,982
2034 - 2036	5,975,000	457,857	6,432,857
Subtotals	\$ 25,825,000	\$ 13,043,349	\$ 38,868,349
Add: Bond premium	276,763	-	276,763
Totals	\$ 26,101,763	\$ 13,043,349	\$ 39,145,112

**NOTE 17 - SUCCESSOR AGENCY TRUST FOR ASSETS OF THE DISSOLVED NORWALK REDEVELOPMENT AGENCY (CONTINUED)**

**Disclosure of Successor Agency Debts (Continued)**

Tax Allocation Refunding Bonds, 2005 Series B (Taxable)

\$29,310,000 Tax Allocation Refunding Bonds, 2005 Series B (Taxable); issued November 2005 to finance certain redevelopment activities; serial bonds due in amounts ranging from \$415,000 to \$585,000 on October 1 of each year starting 2006 through 2013 and term bonds with principal amounts of \$1,265,000 to \$15,275,000 due on October 1, 2015 through October 1, 2035, respectively; interest rates vary from 4.77% to 5.75%. The balance outstanding on the Tax Allocation Refunding Bonds, 2005 Series B (Taxable) at June 30, 2018, was \$22,670,000.

Future debt service principal and interest payments on the Tax Allocation Refunding Bonds, 2005 Series B (Taxable) are as follows:

Year Ending June 30,	Principal	Interest	Total
2019	\$ 760,000	\$ 1,270,375	\$ 2,030,375
2020	800,000	1,227,475	2,027,475
2021	845,000	1,182,238	2,027,238
2022	890,000	1,133,968	2,023,968
2023	945,000	1,082,359	2,027,359
2024 - 2028	5,570,000	4,527,241	10,097,241
2029 - 2033	7,350,000	2,688,125	10,038,125
2034 - 2036	5,510,000	487,025	5,997,025
Subtotals	\$ 22,670,000	\$ 13,598,806	\$ 36,268,806
Less: Bond discount	(204,129)	-	(204,129)
Totals	<u>\$ 22,465,871</u>	<u>\$ 13,598,806</u>	<u>\$ 36,064,677</u>

The 2005A and B bonds have a reserve of \$4,246,859 that is required to be set-aside to further secure the payment of principal and interest on the bonds. At June 30, 2018, this reserve was fully funded with a balance of \$4,309,924.

***NOTE 17 - SUCCESSOR AGENCY TRUST FOR ASSETS OF THE DISSOLVED NORWALK REDEVELOPMENT AGENCY (CONTINUED)***

**Disclosure of Successor Agency Debts (Continued)**

County Deferred Loans

The former Norwalk Redevelopment Agency entered into two agreements for reimbursement of tax increment funds with the Los Angeles County, one for Project Area No. 1 and the other for Project Area No. 2. The agreements were as follows:

*Project Area No. 1*

An agreement was entered into on July 24, 1984, between the former Norwalk Redevelopment Agency (Agency) and the County of Los Angeles regarding the use of tax increment revenues generated by Project Area No.1. Various entities are entitled to their proportionate share of the annual tax increments, and the distribution is summarized as follows: Fire Protection District 16.9%; County of Los Angeles 54.8%; and the Agency 28.3%.

Recognizing the Agency's need to utilize a substantial portion of the annual tax increments generated in the project area, the County of Los Angeles agreed to loan its tax increments to the Agency. The County will defer receipt of its portion of the tax increment until the Agency is receiving \$1,500,000 in tax increment annually. Thereafter, the Agency shall continue to receive \$1,500,000 annually, but shall reimburse the County the excess tax increment above \$1,500,000 as a loan payment.

The dollar amount was increased from \$1,500,000 to \$2,900,000 when Amendment No. 2 was entered into on February 2, 1993. This amendment also stated that, commencing with the 1992-93 fiscal year, the Agency shall be granted a \$35,000 per year credit, for each such fiscal year, towards the cumulative deficit owed to the County.

The County has stated that as of June 30, 2018, the deferred loan balance payable to the County of Los Angeles for Project Area No. 1 was \$30,691,666.

***NOTE 17 - SUCCESSOR AGENCY TRUST FOR ASSETS OF THE DISSOLVED NORWALK REDEVELOPMENT AGENCY (CONTINUED)***

**Disclosure of Successor Agency Debts (Continued)**

County Deferred Loans (Continued)

*Project Area No. 2:*

An agreement was entered into on August 17, 1987, between the Agency and the County of Los Angeles in regards to the use of tax increment revenues generated by Project Area No. 2. The Agency, the County of Los Angeles and the Fire Protection District are all entitled to their proportionate shares of the annual tax increments. The distribution is as follows: Agency 29.1%; County 53.9%; and the District 17.0%. Because of the Agency's need for a substantial portion of the tax increments, the County of Los Angeles agreed to loan its tax increments to the Agency on the following basis: the County shall annually loan to the Agency a portion of the amounts reimbursed, so that annually the Agency receives property tax increments up to \$600,000; the loan shall accrue interest at 7% per year; the Agency shall commence repayment of the loan by annually paying to the County all tax increments exceeding \$600,000; and the Agency may not pledge more than \$600,000 in annual tax increments to the repayment of any tax allocation bonds or notes without the consent of the County.

The County has stated that as of June 30, 2018, the deferred loan balance payable to the County of Los Angeles for Project Area No. 2 was \$14,747,730.

The Department of Finance, in their review of the ROPS, has disallowed the County deferred loan balances for Project Area No. 1 and Project Area No. 2, to be enforceable obligations.

Advances from the City's General Fund

The former Redevelopment Agency advances were used for the general cost and to build the Metro Center. The balance outstanding as of June 30, 2018 is \$8,496,088.

On May 15, 2013, the Successor Agency received a Finding of Completion letter from the California Department of Finance (DOF), allowing the Agency to request the Oversight Board and DOF's approval for the reestablishment of loan agreements between the former redevelopment agency and the City. The Oversight Board adopted Resolution No. 14-02 on February 25, 2014, and the DOF issued its letter on April 9, 2014 approving reestablishment of such loans. During the fiscal year 2013/14, the City recalculated the accrued interest on the above advances based on the DOF suggested calculation pursuant to the Redevelopment Dissolution Act.

The SB 107 enacted by the State legislation in September 2015, allows the Successor Agency to recalculate and repay these loans using 3% or 4% interest rate, instead of the LAIF rate. The 4% interest would apply only if the Successor Agency opts to file a last and final ROPS. The Successor Agency recalculated the accrued interest at the 3% rate required by SB 107 in the fiscal year ended June 30, 2016 and calculated interest at the 3% rate in subsequent years.

**NOTE 17 - SUCCESSOR AGENCY TRUST FOR ASSETS OF THE DISSOLVED NORWALK REDEVELOPMENT AGENCY (CONTINUED)**

**Successor Agency Commitments**

Costco Wholesale Corporation

In November 1985, the former Norwalk Redevelopment Agency (Agency) entered into an agreement with Norwalk-La Mirada Unified School District (Landlord). Under this master lease agreement, the Agency leased approximately 11 acres of land from the Landlord for an initial term of 25 years, with five ten-year options to extend.

Concurrently, under the same terms, the Agency entered into a sub-lease agreement with the Costco Wholesale Corporation (sub-tenant). On March 22, 2011, the sub-tenant exercised its Extension Option to extend the sublease term to June 29, 2021, and the lease term of the master lease to June 30, 2021.

Since July 1, 1995, the rent payments are paid pursuant to the Second Stage Rent, which requires Agency to pay the Landlord all rental income received from subtenant. The minimum annual rent and the sublease for any extended term of the sublease is \$400,000 adjusted by the greater of one-half the increase in the Consumer Price Index, or a formula provided in the master agreement based on appraisal value of the property. Effective July 1, 2011, the minimum annual rent of \$659,250 was established based on the appraised value formula. It will be in effect until June 30, 2021.

In relation to the master lease agreement between the Agency and NLMUSD as discussed in paragraphs 1 and 2 of this note, the Agency is required to remit to the Landlord 1/3 of 1% of sub-tenant's gross sales as annual percentage rent if the Agency receives such payment from the sub-tenant. In fiscal year 2017-2018, the Agency remitted to the Landlord \$137,098 received from the sub-tenant as percentage rent.

**NOTE 18 - RESTATEMENTS**

**Net Position**

Restatement of the Government-Wide financial statements' net position as of July 1, 2017 is as follows:

	Governmental Activities	Business-type Activities	Totals
Net position at July 1, 2017, as originally reported	\$ 177,336,502	\$ 52,454,008	\$ 229,790,510
Implementation of GASB Statement 75 to record the net OPEB liability as of the beginning of the year	(15,134,475)	(7,245,944)	(22,380,419)
Receivable recorded in the prior year that was also received in the prior year	271,459	(271,459)	-
Net position at July 1, 2017, as restated	<u>\$ 162,473,486</u>	<u>\$ 44,936,605</u>	<u>\$ 207,410,091</u>

**NOTE 18 – RESTATEMENTS (CONTINUED)**

**Net Position (Continued)**

Restatement of the Statement of Revenues, Expenses and Changes in Fund Net Position of Proprietary Funds of July 1, 2017 is as follows:

	Transit System Enterprise Fund	Water Enterprise Fund	Sewer Enterprise Fund	Totals
Net position at July 1, 2017, as originally reported	\$ 12,616,165	\$ 15,493,169	\$ 24,344,674	\$ 52,454,008
Implementation of GASB Statement 75 to record the net OPEB liability as of the beginning of the year	(6,366,097)	(658,742)	(221,105)	(7,245,944)
Receivable recorded in the prior year that was also received in the prior year	(271,459)	-	-	(271,459)
Net position at July 1, 2017, as restated	<u>\$ 5,978,609</u>	<u>\$ 14,834,427</u>	<u>\$ 24,123,569</u>	<u>\$ 44,936,605</u>

**Fund Balance**

Restatement of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds of July 1, 2017 as follows:

	Special Projects Capital Projects Funds
Fund balance at July 1, 2017, as originally reported	\$ (324,982)
Receivable recorded in the prior year that was also received in the prior year	271,459
Fund balance at July 1, 2017, as restated	<u>\$ (53,523)</u>

**NOTE 19 - SUBSEQUENT EVENT**

In preparing these financial statements, the City has evaluated events and transactions for potential recognition or disclosure through December 12, 2018, the date the financial statements were available to be issued.

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**REQUIRED SUPPLEMENTARY INFORMATION**

**City of Norwalk**  
**Schedule of Changes in the Net Pension Liability and Related Ratios**  
**Last Ten Fiscal Years\***

Fiscal year ended	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Measurement period	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
<b>Total Pension Liability:</b>				
Service cost	\$ 3,253,433	\$ 2,798,540	\$ 2,777,970	\$ 2,846,128
Interest on total pension liability	11,814,360	11,420,438	10,941,117	10,415,206
Differences between expected and actual experience	(1,191,669)	(541,635)	200,587	-
Changes in assumptions	9,941,881	-	(2,694,093)	-
Changes in benefits	-	-	-	-
Benefit payments, including refunds of employee contributions	<u>(7,360,837)</u>	<u>(7,134,374)</u>	<u>(6,709,820)</u>	<u>(6,454,235)</u>
Net Change in Total Pension Liability	16,457,168	6,542,969	4,515,761	6,807,099
Total Pension Liability - Beginning of Year	<u>158,539,300</u>	<u>151,996,331</u>	<u>147,480,570</u>	<u>140,673,471</u>
Total Pension Liability - End of Year (a)	<u><u>\$ 174,996,468</u></u>	<u><u>\$ 158,539,300</u></u>	<u><u>\$ 151,996,331</u></u>	<u><u>\$ 147,480,570</u></u>
<b>Plan Fiduciary Net Position:</b>				
Contributions - employer	\$ 4,001,016	\$ 3,620,111	\$ 3,088,469	\$ 2,827,904
Contributions - employee	1,344,205	1,302,530	1,200,653	1,213,682
Net investment income	12,480,715	587,323	2,524,863	17,146,278
Benefit payments	(7,360,837)	(7,134,374)	(6,709,820)	(6,454,235)
Administrative expense	<u>(165,600)</u>	<u>(69,389)</u>	<u>(128,139)</u>	<u>-</u>
Net Change in Plan Fiduciary Net Position	10,299,499	(1,693,799)	(23,974)	14,733,629
Plan Fiduciary Net Position - Beginning of Year	<u>112,162,028</u>	<u>113,855,827</u>	<u>113,879,801</u>	<u>99,146,172</u>
Plan Fiduciary Net Position - End of Year (b)	<u><u>\$ 122,461,527</u></u>	<u><u>\$ 112,162,028</u></u>	<u><u>\$ 113,855,827</u></u>	<u><u>\$ 113,879,801</u></u>
Net Pension Liability - Ending (a)-(b)	<u><u>\$ 52,534,941</u></u>	<u><u>\$ 46,377,272</u></u>	<u><u>\$ 38,140,504</u></u>	<u><u>\$ 33,600,769</u></u>
Plan fiduciary net position as a percentage of the total pension liability	69.98%	70.75%	74.91%	77.22%
Covered payroll	\$ 16,611,011	\$ 15,835,113	\$ 15,392,118	\$ 14,721,610
Net pension liability as percentage of covered payroll	316.27%	292.88%	247.79%	228.24%

Notes to Schedule:

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

From fiscal year June 30, 2015 to June 30, 2016:

GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense.

From fiscal year June 30, 2016 to June 30, 2017:

There were no changes in assumptions.

From fiscal year June 30, 2017 to June 30, 2018:

The discount rate was reduced from 7.65% to 7.15%.

\* - Fiscal year 2015 was the 1st year of implementation, therefore only four years are shown.

**City of Norwalk**  
**Schedule of Contributions - CalPERS**  
**Last Ten Fiscal Years\***

Fiscal year ended	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Actuarially determined contribution	\$ 4,252,350	\$ 3,620,111	\$ 3,574,267	\$ 3,133,656
Contributions in relation to the actuarially determined contributions	<u>(4,252,350)</u>	<u>(3,620,111)</u>	<u>(3,574,267)</u>	<u>(3,133,656)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 17,213,375	\$ 16,611,011	\$ 15,835,113	\$ 15,392,118
Contributions as a percentage of covered payroll	24.70%	21.79%	22.57%	20.36%

Notes to Schedule:

Valuation Date	June 30, 2015	June 30, 2014	June 30, 2013	June 30, 2012
<b>Methods and Assumptions Used to Determine Contribution Rates:</b>				
Actuarial cost method	Entry age normal**			
Amortization method	Level percentage of payroll, closed**			
Asset valuation method	Market Value ***			
Inflation	2.75%**			
Salary increases	Depending on age, service, and type of employment**			
Investment rate of return	7.50%, net of pension plan investment expense, including inflation**			
Retirement age	50 years (2%@55, 2.7%@55), 52 years (2%@62)**			
Mortality	Morality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board.**			

\* - Fiscal year 2015 was the 1st year of implementation, therefore only four years are shown.

\*\* - The valuation for June 30, 2012, 2013, 2014, and 2015 (applicable to fiscal years ended June 30, 2015, 2016, 2017, and 2018 respectively) included the same actuarial assumptions.

\*\*\* - The valuation for June 30, 2012 (applicable to fiscal year ended June 30, 2015) valued assets using a 15 Year Smoothed Market method. The market value asset valuation method was utilized for the June 30, 2013, 2014, and 2015 valuations (applicable to fiscal years ended June 30, 2016, 2017, and 2018 respectively).

**City of Norwalk**  
**Other Post-Employment Benefits (OPEB)**  
**Annual Money-Weighted Rate of Return on Investments**  
**Last Ten Fiscal Years (1)**

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<u>Fiscal Year Ended</u>	<u>Annual Money-Weighted Rate of Return, Net of Investment Expense (1)</u>
6/30/17	11.15%
6/30/18	12.95%

(1) Ten years of historical information is required by the Governmental Accounting Standards Board, Statement No. 74. Fiscal year ended June 30, 2017 was the first year of implementation; therefore, only two years are presented.

**City of Norwalk**  
**Other Post-Employment Benefits (OPEB)**  
**Schedule of Change in the Net OPEB Liability and Related Ratios**  
**Last Ten Fiscal Years\***

Fiscal year end	6/30/2018
Measurement date	6/30/2017
Total OPEB Liability:	
Service cost	\$ 1,477,756
Interest on total OPEB liability	2,696,630
Benefit payments, including refunds and the implied subsidy benefit payments	(1,714,146)
Net Change in Total OPEB Liability	2,460,240
Total OPEB Liability - Beginning of Year	37,902,605
Total OPEB Liability - End of Year (a)	40,362,845
Plan Fiduciary Net Position:	
Contributions - employer	3,295,446
Net investment income	483,661
Benefit payments, including refunds and the implied subsidy benefit payments	(1,714,146)
Net Change in Plan Fiduciary Net Position	2,064,961
Plan Fiduciary Net Position - Beginning of Year	2,943,037
Plan Fiduciary Net Position - End of Year (b)	5,007,998
Net OPEB Liability - Ending (a)-(b)	\$ 35,354,847
Plan fiduciary net position as a percentage of the total OPEB liability	12.41%
Covered payroll	\$ 16,611,011
Net OPEB liability as percentage of covered payroll	212.84%

Notes to Schedule:

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

The fiscal year ended June 30, 2018 is the first year of implementation; therefore, there are no previous GASB 75 actuarial reports for comparison.

\* Fiscal year 2018 was the first year of implementation; therefore, only one year is shown.

**City of Norwalk**  
**Other Post-Employment Benefits (OPEB)**  
**Schedule of Contributions**  
**Last Ten Fiscal Years\***

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Fiscal year ended	6/30/2018
Actuarially determined contribution	\$ 2,974,742
Contributions in relation to the actuarially determined contributions	(2,961,987)
Contribution deficiency (excess)	\$ 12,755
Covered payroll	\$ 17,213,375
Contributions as a percentage of covered payroll	17.21%

Notes to Schedule:

Valuation Date	6/30/2016
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Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry age normal, level percentage of payroll
Amortization method	Closed period, level percent of pay
Amortization period	25 years
Asset valuation method	Market value projected to fiscal year-end 2018
Discount rate	7.00%
Inflation	2.50%
Mortality, disability, termination, retirement	CalPERs 1997-2015 experience study
Helathcare trend rates	7.00% trending down to 3.94% over 57 years

\* Fiscal year 2018 was the first year of implementation; therefore, only one year is shown.

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**City of Norwalk**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the year ended June 30, 2018**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
<b>Revenues:</b>				
Taxes	\$ 38,522,749	\$ 38,713,770	\$ 39,596,801	\$ 883,031
Licenses and permits	1,457,000	1,457,000	1,329,636	(127,364)
Fines, forfeitures and penalties	1,338,300	1,274,200	1,453,258	179,058
Use of money and property	690,200	720,200	166,861	(553,339)
Intergovernmental	600,750	670,750	585,085	(85,665)
Charges for services	1,182,080	1,211,380	1,265,339	53,959
Rental income	837,800	855,800	909,372	53,572
Other	1,080,840	1,139,670	1,226,664	86,994
<b>Total revenues</b>	<b>45,709,719</b>	<b>46,042,770</b>	<b>46,533,016</b>	<b>490,246</b>
<b>Expenditures:</b>				
Current:				
General government:				
Mayor, council and boards	443,261	446,458	404,277	42,181
Management and administration	2,924,540	3,403,315	3,261,694	141,621
City clerk	814,843	835,553	749,156	86,397
Personnel services	2,806,638	2,915,920	2,814,288	101,632
Financial services	1,981,082	2,013,813	1,964,456	49,357
<b>Total general government</b>	<b>8,970,364</b>	<b>9,615,059</b>	<b>9,193,871</b>	<b>421,188</b>
Public safety				
Public safety operations	14,698,002	14,787,469	14,647,534	139,935
Emergency preparedness	58,475	58,475	13,988	44,487
<b>Total public safety</b>	<b>14,756,477</b>	<b>14,845,944</b>	<b>14,661,522</b>	<b>184,422</b>
Urban development:				
Community development operations	937,009	951,375	698,382	252,993
Building and safety	965,012	1,007,234	867,349	139,885
Engineering	752,109	763,554	705,186	58,368
Code compliance	967,840	988,453	971,663	16,790
Planning	584,739	599,274	594,540	4,734
Storm water compliance	400,132	401,706	198,977	202,729
<b>Total urban development</b>	<b>4,606,841</b>	<b>4,711,596</b>	<b>4,036,097</b>	<b>675,499</b>
Public works:				
Public services administration	1,170,085	1,202,909	1,112,068	90,841
Security and emergency services	41,055	41,055	99,999	(58,944)
Facilities maintenance	1,361,482	1,407,346	1,408,389	(1,043)
Street maintenance	11,510	26,225	30,671	(4,446)
Traffic maintenance	178,399	187,008	10,469	176,539
Signals and street lighting	683,088	691,442	668,243	23,199
Street sweeping	377,650	377,847	369,312	8,535
Tree planting	-	-	-	-
Graffiti removal	578,045	592,514	558,672	33,842
Tree maintenance	613,704	622,208	652,081	(29,873)
Greenscape maintenance	777,464	784,979	813,865	(28,886)
<b>Total public works</b>	<b>5,792,482</b>	<b>5,933,533</b>	<b>5,723,769</b>	<b>209,764</b>

See accompanying note to required supplementary information.



**City of Norwalk**  
**Budgetary Comparison Schedule**  
**General Fund (Continued)**  
**For the year ended June 30, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Expenditures (Continued):</b>				
Current (Continued):				
Culture and leisure:				
Recreation	\$ 5,125,524	\$ 5,374,833	\$ 4,912,462	\$ 462,371
Park services	2,935,324	2,986,847	3,139,782	(152,935)
Total culture and leisure	<u>8,060,848</u>	<u>8,361,680</u>	<u>8,052,244</u>	<u>309,436</u>
Health and welfare:				
Social services administration	1,373,559	1,414,600	1,163,411	251,189
Senior programs	1,305,921	1,334,239	1,247,245	86,994
Emergency food and shelter program	55,242	55,242	17,499	37,743
Total health and welfare	<u>2,734,722</u>	<u>2,804,081</u>	<u>2,428,155</u>	<u>375,926</u>
Capital outlay and improvement	<u>1,207,682</u>	<u>960,983</u>	<u>190,843</u>	<u>770,140</u>
<b>Total expenditures</b>	<u>46,129,416</u>	<u>47,232,876</u>	<u>44,286,501</u>	<u>2,946,375</u>
<b>Excess (deficiency) of revenues     over expenditures</b>	<u>(419,697)</u>	<u>(1,190,106)</u>	<u>2,246,515</u>	<u>3,436,621</u>
<b>Other financing sources (uses):</b>				
Transfers in	22,000	22,000	8,520	(13,480)
Transfers out	<u>(2,338,634)</u>	<u>(2,338,634)</u>	<u>(2,353,518)</u>	<u>(14,884)</u>
<b>Total other financing sources (uses)</b>	<u>(2,316,634)</u>	<u>(2,316,634)</u>	<u>(2,344,998)</u>	<u>(28,364)</u>
<b>Change in fund balance</b>	<u>(2,736,331)</u>	<u>(3,506,740)</u>	<u>(98,483)</u>	<u>3,408,257</u>
<b>Beginning fund balance</b>	<u>24,055,294</u>	<u>24,055,294</u>	<u>24,055,294</u>	<u>-</u>
<b>Ending fund balance</b>	<u>\$ 21,318,963</u>	<u>\$ 20,548,554</u>	<u>\$ 23,956,811</u>	<u>\$ 3,408,257</u>

See accompanying note to required supplementary information.

**City of Norwalk**  
**Budgetary Comparison Schedule**  
**Housing and Community Development Special Revenue Fund**  
**For the year ended June 30, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Use of money and property	\$ 400	\$ 400	\$ 4,692	\$ 4,292
Intergovernmental	1,587,574	1,587,574	1,038,354	(549,220)
Other	204,983	397,895	433,126	35,231
<b>Total revenues</b>	<b>1,792,957</b>	<b>1,985,869</b>	<b>1,476,172</b>	<b>(509,697)</b>
<b>Expenditures:</b>				
Current:				
Urban development	1,657,206	1,667,164	1,465,833	201,331
Public works	54,090	54,090	50,309	3,781
Health and welfare	50,000	50,000	34,910	15,090
Capital outlay and improvement	192,885	2,888	1,403	1,485
<b>Total expenditures</b>	<b>1,954,181</b>	<b>1,774,142</b>	<b>1,552,455</b>	<b>221,687</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(161,224)</b>	<b>211,727</b>	<b>(76,283)</b>	<b>(288,010)</b>
<b>Beginning fund balance</b>	<b>567,725</b>	<b>567,725</b>	<b>567,725</b>	<b>-</b>
<b>Ending fund balance</b>	<b>\$ 406,501</b>	<b>\$ 779,452</b>	<b>\$ 491,442</b>	<b>\$ (288,010)</b>

See accompanying note to required supplementary information.

**City of Norwalk**  
**Budgetary Comparison Schedule**  
**Housing Authority Special Revenue Fund**  
**For the year ended June 30, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Use of money and property	\$ -	\$ -	\$ 1,262	\$ 1,262
Intergovernmental	7,324,603	7,324,603	7,323,811	(792)
Other	12,000	12,000	48,019	36,019
<b>Total revenues</b>	<b>7,336,603</b>	<b>7,336,603</b>	<b>7,373,092</b>	<b>36,489</b>
<b>Expenditures:</b>				
Current:				
Health and welfare	7,295,522	7,307,721	7,169,963	137,758
<b>Total expenditures</b>	<b>7,295,522</b>	<b>7,307,721</b>	<b>7,169,963</b>	<b>137,758</b>
<b>Excess of revenues over expenditures</b>	<b>41,081</b>	<b>28,882</b>	<b>203,129</b>	<b>174,247</b>
<b>Beginning fund balance</b>	<b>945,018</b>	<b>945,018</b>	<b>945,018</b>	<b>-</b>
<b>Ending fund balance</b>	<b>\$ 986,099</b>	<b>\$ 973,900</b>	<b>\$ 1,148,147</b>	<b>\$ 174,247</b>

See accompanying note to required supplementary information.

***NOTE 1 - BUDGETARY INFORMATION***

The City and its component units' fiscal year begins on July 1 of each year and ends June 30 the following year. On or before the fifteenth of June of each year, the City Manager submits to the City Council a proposed budget for the next ensuing fiscal year based on a detailed financial plan prepared by the heads of the various offices, agencies and departments of the City and its component units. Upon receipt of the proposed budget, the Council may make modifications with the affirmative vote of at least a majority of its members. Before adoption of the budget, the Council holds a public hearing wherein the public is given an opportunity to be heard, after which the Council may make any revisions deemed advisable. On or before July 1 annually, the City Council adopts the budget as amended through a budget resolution passed by the affirmative vote of at least a majority of its members. Upon final adoption, the budget is in effect for the ensuing fiscal year and becomes the authority for the various offices, agencies, and departments to expend subject to controls established by the City Charter. At any meeting after the adoption of the budget, the City Council may amend or supplement the budget by affirmative vote of the majority of the Council members so as to authorize the transfer of unused balances appropriated for one purpose to another purpose, or to appropriate available revenue not included in the budget. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established at the department level, subject to the authority granted to the City Manager to transfer appropriations from account to account as necessary to assure adequate and proper standards of service and to achieve the intent of the City Council in providing municipal services for the fiscal year. Management may over expend appropriations within a department without the approval of City Council. City Council approval is required for any budget revisions that affect total appropriations of the City. Appropriations lapse at the end of the fiscal year unless they are re-appropriated through the formal budget process. Council action is necessary for transfers between departments/agencies or transfers between funds.

The City legally adopted budgets for the General Fund, Special Revenue Funds, Debt Service Fund, Certain Capital Projects Funds and Enterprise Funds with the exception of the following Other Governmental Funds: Forfeiture Special Revenue Fund, Proposition "C" I-5 Mitigation Capital Projects Fund, and Park Development Capital Projects Fund. Quarterly reports are prepared and distributed to the City Council and the executive management team to assure budgetary controls through fiscal management. Since there is no legal requirement for the City's Proprietary Funds to be reported to the City Council, the budgetary reporting under these funds are not presented in the accompanying financial statements.

Budgets are prepared on a modified accrual basis. All annual appropriations lapse at fiscal year-end to the extent that they have not been expended or lawfully encumbered. Expenditures may not legally exceed appropriations at the departmental level in the governmental funds, except that certain Special Revenue Funds are maintained at the project level.

**OTHER SUPPLEMENTARY INFORMATION**

**City of Norwalk  
Budgetary Comparison Schedule  
Debt Service Fund - Major Fund  
For the year ended June 30, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Use of money and property	\$ 2,000	\$ 2,000	\$ 17,621	\$ 15,621
<b>Total revenues</b>	<u>2,000</u>	<u>2,000</u>	<u>17,621</u>	<u>15,621</u>
<b>Expenditures:</b>				
Current:				
General government	2,600	2,600	5,220	(2,620)
Debt service:				
Bond issue costs	-	-	74,144	(74,144)
Principal retirement	1,025,000	1,025,000	1,025,000	-
Interest and fiscal charges	415,782	415,782	436,281	(20,499)
<b>Total expenditures</b>	<u>1,443,382</u>	<u>1,443,382</u>	<u>1,540,645</u>	<u>(97,263)</u>
<b>Deficiency of revenues     over expenditures</b>	<u>(1,441,382)</u>	<u>(1,441,382)</u>	<u>(1,523,024)</u>	<u>(81,642)</u>
<b>Other financing sources:</b>				
Issuance of debt	-	-	4,337,008	4,337,008
Transfers in	1,443,382	1,443,382	1,463,502	20,120
<b>Total other financing sources</b>	<u>1,443,382</u>	<u>1,443,382</u>	<u>5,800,510</u>	<u>4,357,128</u>
<b>Change in fund balance</b>	2,000	2,000	4,277,486	4,275,486
<b>Beginning fund balance</b>	<u>1,153,046</u>	<u>1,153,046</u>	<u>1,153,046</u>	<u>-</u>
<b>Ending fund balance</b>	<u><u>\$ 1,155,046</u></u>	<u><u>\$ 1,155,046</u></u>	<u><u>\$ 5,430,532</u></u>	<u><u>\$ 4,275,486</u></u>

**City of Norwalk**  
**Budgetary Comparison Schedule**  
**Special Projects Capital Projects Funds - Major Fund**  
**For the year ended June 30, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Intergovernmental	\$ 8,928,329	\$ 10,002,186	\$ 573,890	\$ (9,428,296)
<b>Total revenues</b>	<u>8,928,329</u>	<u>10,002,186</u>	<u>573,890</u>	<u>(9,428,296)</u>
<b>Expenditures:</b>				
Current:				
Urban development	214,000	214,130	96,968	117,162
Capital outlay and improvement	8,851,589	9,987,004	578,735	9,408,269
<b>Total expenditures</b>	<u>9,065,589</u>	<u>10,201,134</u>	<u>675,703</u>	<u>9,525,431</u>
<b>Excess (deficiency) of revenues         over expenditures</b>	<u>(137,260)</u>	<u>(198,948)</u>	<u>(101,813)</u>	<u>97,135</u>
<b>Beginning fund balance (deficit)</b>	<u>(53,523)</u>	<u>(53,523)</u>	<u>(53,523)</u>	<u>-</u>
<b>Ending fund balance (deficit)</b>	<u>\$ (190,783)</u>	<u>\$ (252,471)</u>	<u>\$ (155,336)</u>	<u>\$ 97,135</u>

**City of Norwalk**  
**Budgetary Comparison Schedule**  
**Economic Development Capital Projects Fund - Major Fund**  
**For the year ended June 30, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Use of money and property	\$ 100,000	\$ 100,000	\$ 23,352	\$ (76,648)
<b>Total revenues</b>	<u>100,000</u>	<u>100,000</u>	<u>23,352</u>	<u>(76,648)</u>
<b>Expenditures:</b>				
Capital outlay and improvement	2,325,558	2,330,233	59,859	2,270,374
<b>Total expenditures</b>	<u>2,325,558</u>	<u>2,330,233</u>	<u>59,859</u>	<u>2,270,374</u>
<b>Excess (deficiency) of revenues         over expenditures</b>	(2,225,558)	(2,230,233)	(36,507)	2,193,726
<b>Beginning fund balance</b>	<u>10,777,502</u>	<u>10,777,502</u>	<u>10,777,502</u>	<u>-</u>
<b>Ending fund balance</b>	<u>\$ 8,551,944</u>	<u>\$ 8,547,269</u>	<u>\$ 10,740,995</u>	<u>\$ 2,193,726</u>



**City of Norwalk**  
**Budgetary Comparison Schedule**  
**Housing Successor Fund Capital Projects Fund - Major Fund**  
**For the year ended June 30, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Use of money and property	\$ 100,300	\$ 100,300	\$ 35,180	\$ (65,120)
<b>Total revenues</b>	<u>100,300</u>	<u>100,300</u>	<u>35,180</u>	<u>(65,120)</u>
<b>Expenditures:</b>				
Current:				
Urban development	109,218	109,334	57,633	51,701
<b>Total expenditures</b>	<u>109,218</u>	<u>109,334</u>	<u>57,633</u>	<u>51,701</u>
<b>Deficiency of revenues         over expenditures</b>	<u>(8,918)</u>	<u>(9,034)</u>	<u>(22,453)</u>	<u>(13,419)</u>
<b>Other financing sources:</b>				
Transfers in	169,110	169,110	199,042	29,932
<b>Total other financing sources</b>	<u>169,110</u>	<u>169,110</u>	<u>199,042</u>	<u>29,932</u>
<b>Change in fund balance</b>	160,192	160,076	176,589	16,513
<b>Beginning fund balance</b>	<u>11,300,206</u>	<u>11,300,206</u>	<u>11,300,206</u>	<u>-</u>
<b>Ending fund balance</b>	<u>\$ 11,460,398</u>	<u>\$ 11,460,282</u>	<u>\$ 11,476,795</u>	<u>\$ 16,513</u>

**City of Norwalk**  
**Budgetary Comparison Schedule**  
**Other Federal Grants Capital Projects Fund**  
**For the year ended June 30, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Intergovernmental	\$ 5,927,792	\$ 6,089,920	\$ 719,063	\$ (5,370,857)
<b>Total revenues</b>	<u>5,927,792</u>	<u>6,089,920</u>	<u>719,063</u>	<u>(5,370,857)</u>
<b>Expenditures:</b>				
Capital outlay and improvement	5,927,792	6,089,920	2,248,392	3,841,528
<b>Total expenditures</b>	<u>5,927,792</u>	<u>6,089,920</u>	<u>2,248,392</u>	<u>3,841,528</u>
<b>Excess (deficiency) of revenues         over expenditures</b>	<u>-</u>	<u>-</u>	<u>(1,529,329)</u>	<u>(1,529,329)</u>
<b>Beginning fund balance (deficit)</b>	<u>(55,694)</u>	<u>(55,694)</u>	<u>(55,694)</u>	<u>-</u>
<b>Ending fund balance (deficit)</b>	<u>\$ (55,694)</u>	<u>\$ (55,694)</u>	<u>\$ (1,585,023)</u>	<u>\$ (1,529,329)</u>

City of Norwalk  
Combining Balance Sheet  
Other Governmental Funds  
June 30, 2018

	Special Revenue Funds	Capital Projects Funds	Total Other Governmental Funds
<b>ASSETS</b>			
Assets:			
Cash and investments	\$ 10,387,460	\$ 6,761,200	\$ 17,148,660
Accounts receivable, net	91,976	-	91,976
Due from other governments	661,379	496,720	1,158,099
Prepaid items	1,550	-	1,550
<b>Total assets</b>	<b>\$ 11,142,365</b>	<b>\$ 7,257,920</b>	<b>\$ 18,400,285</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICITS)</b>			
Liabilities:			
Accounts payable	\$ 771,438	\$ 161,500	\$ 932,938
Due to other funds	205,612	233,626	439,238
Due to other governments	331	-	331
Other liabilities	-	-	-
Unearned revenue	3,500	-	3,500
Total liabilities	980,881	395,126	1,376,007
Deferred inflows of resources:			
Unavailable revenues	-	236,026	236,026
Total deferred inflows of resources	-	236,026	236,026
Fund balances (deficits):			
Nonspendable	1,550	-	1,550
Restricted	9,399,267	2,111,658	11,510,925
Committed	762,981	4,748,736	5,511,717
Unassigned	(2,314)	(233,626)	(235,940)
Total fund balances (deficits)	10,161,484	6,626,768	16,788,252
<b>Total liabilities, deferred inflows of resources and fund balances (deficits)</b>	<b>\$ 11,142,365</b>	<b>\$ 7,257,920</b>	<b>\$ 18,400,285</b>

City of Norwalk  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Other Governmental Funds**  
**For the year ended June 30, 2018**

	Special Revenue Funds	Capital Projects Funds	Total Other Governmental Funds
<b>Revenues:</b>			
Use of money and property	\$ 141,386	\$ 95,114	\$ 236,500
Intergovernmental	12,604,256	1,154,465	13,758,721
Charges for services	992,052	-	992,052
Other	107,262	31,225	138,487
<b>Total revenues</b>	<b>13,844,956</b>	<b>1,280,804</b>	<b>15,125,760</b>
<b>Expenditures:</b>			
Current:			
General government	557,235	59,573	616,808
Public safety	254,653	-	254,653
Urban development	17,912	7,156	25,068
Public works	2,830,187	458,620	3,288,807
Culture and leisure	-	81,426	81,426
Health and welfare	4,854,431	27,628	4,882,059
Capital outlay and improvement	3,261,776	1,461,427	4,723,203
<b>Total expenditures</b>	<b>11,776,194</b>	<b>2,095,830</b>	<b>13,872,024</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>2,068,762</b>	<b>(815,026)</b>	<b>1,253,736</b>
<b>Other financing sources (uses):</b>			
Transfers in	31,881	915,000	946,881
Transfers out	(2,215,460)	-	(2,215,460)
<b>Total other financing sources (uses)</b>	<b>(2,183,579)</b>	<b>915,000</b>	<b>(1,268,579)</b>
<b>Change in fund balances</b>	<b>(114,817)</b>	<b>99,974</b>	<b>(14,843)</b>
<b>Beginning fund balances</b>	<b>10,276,301</b>	<b>6,526,794</b>	<b>16,803,095</b>
<b>Ending fund balances</b>	<b>\$ 10,161,484</b>	<b>\$ 6,626,768</b>	<b>\$ 16,788,252</b>

**City of Norwalk**  
**Description of Other Special Revenue Funds**

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Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

**NONMAJOR FUNDS**

Child Development Program Fund - This fund accounts for child care for income-eligible families. Financing is provided by a grant from the Federal Government through the State Department of Education and the County of Los Angeles.

State Gasoline Tax Fund - This fund accounts for the operations of the street and maintenance projects of the Public Services department. Financing is provided by the City's share of State gasoline taxes.

Air Quality Improvement Fund - This fund accounts for monies received from the County for enacting policies to improve air quality.

Norwalk Senior Program Fund - This fund accounts for supportive services to senior citizens. Financing is provided by a grant from the Federal Government through the Area Agency of Aging.

Proposition C Fund - This fund accounts for revenues received from the County from one-quarter of one percent of sales tax. Expenditures are restricted for projects approved by the Los Angeles County Metropolitan Transportation Authority (MTA).

Public Safety Fund - This fund accounts for revenues received under Federal, State and local public safety grants. Expenditures are for activities of the Law Enforcement Block Grant, Supplemental Law Enforcement Services Fund, School Partnership Grant and Office of Traffic Safety.

Parking Structure Fund - This fund accounts for revenues and expenditures related to the operations of the Civic Center parking structure.

Forfeiture Fund - This fund accounts for revenues received from the LA County Sheriff Department's drug-related confiscations. Funds are restricted for Public Safety purposes.

Special Grants Fund - This fund accounts for revenues received under Federal, State and local grants. Expenditures are for activities of the Consumer Rental Mediation Board, which provides dispute resolution services as an alternative to formal court proceedings.

Proposition A Fund - This fund accounts for revenues received from the County from the one-half of one cent tax authorized by Proposition "A". Expenditures are restricted to transportation services.

Measure R Fund - This fund accounts for mainly revenues and monies spent on critical transit and highway projects.

Measure M Fund - This fund accounts for revenues received from the County from the one-half cent tax authorized by Measure "M". Expenditures are restricted to improve traffic flow and safety.

	Child Development Program	State Gasoline Tax	Air Quality Improvement	Norwalk Senior Program	Proposition "C"	Public Safety
<b>ASSETS</b>						
Assets:						
Cash and investments	\$ -	\$ -	\$ 101,393	\$ -	\$ 4,685,938	\$ 370,027
Accounts receivable, net	-	-	-	-	45,072	-
Due from other governments	431,854	134,539	34,742	5,887	-	8,177
Prepaid items	-	-	-	-	1,550	-
<b>Total assets</b>	<b>\$ 431,854</b>	<b>\$ 134,539</b>	<b>\$ 136,135</b>	<b>\$ 5,887</b>	<b>\$ 4,732,560</b>	<b>\$ 378,204</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICITS)</b>						
Liabilities:						
Accounts payable	\$ 405,866	\$ -	\$ -	\$ 2,790	\$ 176,768	\$ 36,653
Due to other funds	22,157	134,539	-	3,097	-	-
Due to other governments	331	-	-	-	-	-
Unearned revenue	3,500	-	-	-	-	-
<b>Total liabilities</b>	<b>431,854</b>	<b>134,539</b>	<b>-</b>	<b>5,887</b>	<b>176,768</b>	<b>36,653</b>
Fund balances (deficits):						
Nonspendable	-	-	-	-	1,550	-
Restricted	-	-	136,135	-	4,554,242	341,551
Committed	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
<b>Total fund balances (deficits)</b>	<b>-</b>	<b>-</b>	<b>136,135</b>	<b>-</b>	<b>4,555,792</b>	<b>341,551</b>
<b>Total liabilities, deferred inflows of resources and fund balances (deficits)</b>	<b>\$ 431,854</b>	<b>\$ 134,539</b>	<b>\$ 136,135</b>	<b>\$ 5,887</b>	<b>\$ 4,732,560</b>	<b>\$ 378,204</b>

**City of Norwalk**  
**Combining Balance Sheet**  
**Other Special Revenue Funds**  
**June 30, 2018**

Parking Structure	Forfeiture	Special Grants	Proposition "A"	Measure "R"	Measure "M"	Total Other Special Revenue Funds
\$ 746,182	\$ 676	\$ -	\$ 2,394	\$ 3,371,045	\$ 1,109,805	\$ 10,387,460
46,904	-	-	-	-	-	91,976
-	-	46,180	-	-	-	661,379
-	-	-	-	-	-	1,550
<u>\$ 793,086</u>	<u>\$ 676</u>	<u>\$ 46,180</u>	<u>\$ 2,394</u>	<u>\$ 3,371,045</u>	<u>\$ 1,109,805</u>	<u>\$ 11,142,365</u>
\$ 30,105	\$ -	\$ 2,675	\$ 2,394	\$ 114,187	\$ -	\$ 771,438
-	-	45,819	-	-	-	205,612
-	-	-	-	-	-	331
-	-	-	-	-	-	3,500
<u>30,105</u>	<u>-</u>	<u>48,494</u>	<u>2,394</u>	<u>114,187</u>	<u>-</u>	<u>980,881</u>
-	-	-	-	-	-	1,550
-	676	-	-	3,256,858	1,109,805	9,399,267
762,981	-	-	-	-	-	762,981
-	-	(2,314)	-	-	-	(2,314)
<u>762,981</u>	<u>676</u>	<u>(2,314)</u>	<u>-</u>	<u>3,256,858</u>	<u>1,109,805</u>	<u>10,161,484</u>
<u>\$ 793,086</u>	<u>\$ 676</u>	<u>\$ 46,180</u>	<u>\$ 2,394</u>	<u>\$ 3,371,045</u>	<u>\$ 1,109,805</u>	<u>\$ 11,142,365</u>

	Child Development Program	State Gasoline Tax	Air Quality Improvement	Norwalk Senior Program	Proposition "C"	Public Safety
<b>Revenues:</b>						
Use of money and property	\$ -	\$ 2,324	\$ 1,154	\$ -	\$ 79,788	\$ 5,321
Intergovernmental	4,517,462	1,663,262	135,585	51,468	1,645,244	205,812
Charges for services	65,474	-	-	-	237,715	-
Other	-	-	-	125	107,137	-
<b>Total revenues</b>	<b>4,582,936</b>	<b>1,665,586</b>	<b>136,739</b>	<b>51,593</b>	<b>2,069,884</b>	<b>211,133</b>
<b>Expenditures:</b>						
Current:						
General government	-	-	-	-	108,472	-
Public safety	-	-	-	-	-	254,653
Urban development	-	-	-	-	17,912	-
Public works	-	1,665,586	-	-	670,348	-
Health and welfare	4,582,936	-	90,291	70,599	-	-
Capital outlay and improvement	-	-	-	-	2,471,235	-
<b>Total expenditures</b>	<b>4,582,936</b>	<b>1,665,586</b>	<b>90,291</b>	<b>70,599</b>	<b>3,267,967</b>	<b>254,653</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>-</b>	<b>-</b>	<b>46,448</b>	<b>(19,006)</b>	<b>(1,198,083)</b>	<b>(43,520)</b>
<b>Other financing sources (uses):</b>						
Transfers in	-	-	-	19,006	-	-
Transfers out	-	-	(11,501)	-	(67,920)	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>(11,501)</b>	<b>19,006</b>	<b>(67,920)</b>	<b>-</b>
<b>Change in fund balances</b>	<b>-</b>	<b>-</b>	<b>34,947</b>	<b>-</b>	<b>(1,266,003)</b>	<b>(43,520)</b>
<b>Beginning fund balances</b>	<b>-</b>	<b>-</b>	<b>101,188</b>	<b>-</b>	<b>5,821,795</b>	<b>385,071</b>
<b>Ending fund balances (deficits)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 136,135</b>	<b>\$ -</b>	<b>\$ 4,555,792</b>	<b>\$ 341,551</b>



**City of Norwalk**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances -**  
**Other Special Revenue Funds**  
**For the year ended June 30, 2018**

Parking Structure	Forfeiture	Special Grants	Proposition "A"	Measure "R"	Measure "M"	Total Other Special Revenue Funds
\$ -	\$ 9	\$ 1	\$ -	\$ 48,758	\$ 4,031	\$ 141,386
-	-	95,416	1,964,040	1,220,193	1,105,774	12,604,256
688,863	-	-	-	-	-	992,052
-	-	-	-	-	-	107,262
<u>688,863</u>	<u>9</u>	<u>95,417</u>	<u>1,964,040</u>	<u>1,268,951</u>	<u>1,109,805</u>	<u>13,844,956</u>
448,763	-	-	-	-	-	557,235
-	-	-	-	-	-	254,653
-	-	-	-	-	-	17,912
2,345	-	-	42,534	449,374	-	2,830,187
-	-	110,605	-	-	-	4,854,431
-	-	213	41,374	748,954	-	3,261,776
<u>451,108</u>	<u>-</u>	<u>110,818</u>	<u>83,908</u>	<u>1,198,328</u>	<u>-</u>	<u>11,776,194</u>
<u>237,755</u>	<u>9</u>	<u>(15,401)</u>	<u>1,880,132</u>	<u>70,623</u>	<u>1,109,805</u>	<u>2,068,762</u>
-	-	12,875	-	-	-	31,881
<u>(255,907)</u>	<u>-</u>	<u>-</u>	<u>(1,880,132)</u>	<u>-</u>	<u>-</u>	<u>(2,215,460)</u>
<u>(255,907)</u>	<u>-</u>	<u>12,875</u>	<u>(1,880,132)</u>	<u>-</u>	<u>-</u>	<u>(2,183,579)</u>
(18,152)	9	(2,526)	-	70,623	1,109,805	(114,817)
<u>781,133</u>	<u>667</u>	<u>212</u>	<u>-</u>	<u>3,186,235</u>	<u>-</u>	<u>10,276,301</u>
<u>\$ 762,981</u>	<u>\$ 676</u>	<u>\$ (2,314)</u>	<u>\$ -</u>	<u>\$ 3,256,858</u>	<u>\$ 1,109,805</u>	<u>\$ 10,161,484</u>

**City of Norwalk**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance -**  
**Budget and Actual**  
**Child Development Program Special Revenue Fund**  
**For the year ended June 30, 2018**

	Budgeted Amount		Variance with Final Budget Positive (Negative)
	<u>Final</u>	<u>Actual</u>	<u>(Negative)</u>
<b>Revenues:</b>			
Intergovernmental	\$ 4,074,352	\$ 4,517,462	\$ 443,110
Charges for services	100,000	65,474	(34,526)
<b>Total revenues</b>	<u>4,174,352</u>	<u>4,582,936</u>	<u>408,584</u>
<b>Expenditures:</b>			
Current:			
Health and welfare	<u>4,174,352</u>	<u>4,582,936</u>	<u>(408,584)</u>
<b>Total expenditures</b>	<u>4,174,352</u>	<u>4,582,936</u>	<u>(408,584)</u>
<b>Excess (deficiency) of revenues over expenditures</b>	-	-	-
<b>Beginning fund balance</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Ending fund balance</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**City of Norwalk**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance -**  
**Budget and Actual**  
**State Gasoline Tax Special Revenue Fund**  
**For the year ended June 30, 2018**

	Budgeted Amount <u>Final</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>			
Use of money and property	\$ 500	\$ 2,324	\$ 1,824
Intergovernmental	<u>1,734,610</u>	<u>1,663,262</u>	<u>(71,348)</u>
<b>Total revenues</b>	<u>1,735,110</u>	<u>1,665,586</u>	<u>(69,524)</u>
<b>Expenditures:</b>			
Current:			
Public works	<u>1,743,090</u>	<u>1,665,586</u>	<u>77,504</u>
<b>Total expenditures</b>	<u>1,743,090</u>	<u>1,665,586</u>	<u>77,504</u>
<b>Excess (deficiency) of revenues         over expenditures</b>	(7,980)	-	7,980
<b>Beginning fund balance</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Ending fund balance</b>	<u>\$ (7,980)</u>	<u>\$ -</u>	<u>\$ 7,980</u>

City of Norwalk  
Schedule of Revenues, Expenditures and Changes in Fund Balance -  
Budget and Actual  
Air Quality Improvement Special Revenue Fund  
For the year ended June 30, 2018

	Budgeted Amount <u>Final</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>			
Use of money and property	\$ 100	\$ 1,154	\$ 1,054
Intergovernmental	<u>135,000</u>	<u>135,585</u>	<u>585</u>
<b>Total revenues</b>	<u>135,100</u>	<u>136,739</u>	<u>1,639</u>
<b>Expenditures:</b>			
Current:			
Health and welfare	<u>155,743</u>	<u>90,291</u>	<u>65,452</u>
<b>Total expenditures</b>	<u>155,743</u>	<u>90,291</u>	<u>65,452</u>
<b>Excess (deficiency) of revenues     over expenditures</b>	<u>(20,643)</u>	<u>46,448</u>	<u>67,091</u>
<b>Other financing uses:</b>			
Transfers out	<u>(12,000)</u>	<u>(11,501)</u>	<u>499</u>
<b>Total other financing uses</b>	<u>(12,000)</u>	<u>(11,501)</u>	<u>499</u>
<b>Change in fund balance</b>	<u>(32,643)</u>	<u>34,947</u>	<u>67,590</u>
<b>Beginning fund balance</b>	<u>101,188</u>	<u>101,188</u>	<u>-</u>
<b>Ending fund balance</b>	<u>\$ 68,545</u>	<u>\$ 136,135</u>	<u>\$ 67,590</u>

City of Norwalk  
Schedule of Revenues, Expenditures and Changes in Fund Balance -  
Budget and Actual  
Norwalk Senior Program Special Revenue Fund  
For the year ended June 30, 2018

	Budgeted Amount		Variance with Final Budget Positive (Negative)
	Final	Actual	
<b>Revenues:</b>			
Intergovernmental	\$ 54,389	\$ 51,468	\$ (2,921)
Other	-	125	125
<b>Total revenues</b>	<u>54,389</u>	<u>51,593</u>	<u>(2,796)</u>
<b>Expenditures:</b>			
Current:			
Health and welfare	87,911	70,599	17,312
<b>Total expenditures</b>	<u>87,911</u>	<u>70,599</u>	<u>17,312</u>
<b>Excess (deficiency) of revenues         over expenditures</b>	<u>(33,522)</u>	<u>(19,006)</u>	<u>14,516</u>
<b>Other financing sources:</b>			
Transfers in	32,406	19,006	(13,400)
<b>Total other financing sources</b>	<u>32,406</u>	<u>19,006</u>	<u>(13,400)</u>
<b>Change in fund balance</b>	(1,116)	-	1,116
<b>Beginning fund balance</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Ending fund balance</b>	<u>\$ (1,116)</u>	<u>\$ -</u>	<u>\$ 1,116</u>

**City of Norwalk**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance -**  
**Budget and Actual**  
**Proposition "C" Special Revenue Fund**  
**For the year ended June 30, 2018**

	Budgeted Amount		Variance with Final Budget Positive (Negative)
	Final	Actual	
<b>Revenues:</b>			
Use of money and property	\$ 20,000	\$ 79,788	\$ 59,788
Intergovernmental	1,620,300	1,645,244	24,944
Charges for services	231,000	237,715	6,715
Other	130,092	107,137	(22,955)
<b>Total revenues</b>	<b>2,001,392</b>	<b>2,069,884</b>	<b>68,492</b>
<b>Expenditures:</b>			
Current:			
General government	106,315	108,472	(2,157)
Urban development	20,000	17,912	2,088
Public works	748,363	670,348	78,015
Capital outlay and improvement	6,540,244	2,471,235	4,069,009
<b>Total expenditures</b>	<b>7,414,922</b>	<b>3,267,967</b>	<b>4,146,955</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(5,413,530)</b>	<b>(1,198,083)</b>	<b>4,215,447</b>
<b>Other financing uses:</b>			
Transfers out	(81,400)	(67,920)	13,480
<b>Total other financing uses</b>	<b>(81,400)</b>	<b>(67,920)</b>	<b>13,480</b>
<b>Change in fund balance</b>	<b>(5,494,930)</b>	<b>(1,266,003)</b>	<b>4,228,927</b>
<b>Beginning fund balance</b>	<b>5,821,795</b>	<b>5,821,795</b>	<b>-</b>
<b>Ending fund balance</b>	<b>\$ 326,865</b>	<b>\$ 4,555,792</b>	<b>\$ 4,228,927</b>

**City of Norwalk**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance -**  
**Budget and Actual**  
**Public Safety Special Revenue Fund**  
**For the year ended June 30, 2018**

	Budgeted Amount		Variance with Final Budget Positive (Negative)
	<u>Final</u>	<u>Actual</u>	<u>(Negative)</u>
<b>Revenues:</b>			
Use of money and property	\$ 700	\$ 5,321	\$ 4,621
Intergovernmental	299,985	205,812	(94,173)
<b>Total revenues</b>	<u>300,685</u>	<u>211,133</u>	<u>(89,552)</u>
<b>Expenditures:</b>			
Current:			
Public safety	292,402	254,653	37,749
<b>Total expenditures</b>	<u>292,402</u>	<u>254,653</u>	<u>37,749</u>
<b>Excess (deficiency) of revenues         over expenditures</b>	<u>8,283</u>	<u>(43,520)</u>	<u>(51,803)</u>
<b>Beginning fund balance</b>	<u>385,071</u>	<u>385,071</u>	<u>-</u>
<b>Ending fund balance</b>	<u>\$ 393,354</u>	<u>\$ 341,551</u>	<u>\$ (51,803)</u>

City of Norwalk  
Schedule of Revenues, Expenditures and Changes in Fund Balance -  
Budget and Actual  
Parking Structure Special Revenue Fund  
For the year ended June 30, 2018

	Budgeted Amount		Variance with Final Budget Positive (Negative)
	Final	Actual	
<b>Revenues:</b>			
Charges for services	\$ 680,000	\$ 688,863	\$ 8,863
<b>Total revenues</b>	<u>680,000</u>	<u>688,863</u>	<u>8,863</u>
<b>Expenditures:</b>			
Current:			
General government	520,388	448,763	71,625
Public works	<u>565,000</u>	<u>2,345</u>	<u>562,655</u>
<b>Total expenditures</b>	<u>1,085,388</u>	<u>451,108</u>	<u>634,280</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(405,388)</u>	<u>237,755</u>	<u>643,143</u>
<b>Other financing uses:</b>			
Transfers out	<u>(255,907)</u>	<u>(255,907)</u>	<u>-</u>
<b>Total other financing uses</b>	<u>(255,907)</u>	<u>(255,907)</u>	<u>-</u>
<b>Change in fund balance</b>	(661,295)	(18,152)	643,143
<b>Beginning fund balance</b>	<u>781,133</u>	<u>781,133</u>	<u>-</u>
<b>Ending fund balance</b>	<u>\$ 119,838</u>	<u>\$ 762,981</u>	<u>\$ 643,143</u>



City of Norwalk  
Schedule of Revenues, Expenditures and Changes in Fund Balance -  
Budget and Actual  
Special Grants Special Revenue Fund  
For the year ended June 30, 2018

	Budgeted Amount <u>Final</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>			
Use of money and property	\$ -	\$ 1	\$ 1
Intergovernmental	<u>95,449</u>	<u>95,416</u>	<u>(33)</u>
<b>Total revenues</b>	<u>95,449</u>	<u>95,417</u>	<u>(32)</u>
<b>Expenditures:</b>			
Current:			
Health and welfare	131,247	110,605	20,642
Capital outlay and improvement	<u>-</u>	<u>213</u>	<u>(213)</u>
<b>Total expenditures</b>	<u>131,247</u>	<u>110,818</u>	<u>20,429</u>
<b>Excess (deficiency) of revenues     over expenditures</b>	<u>(35,798)</u>	<u>(15,401)</u>	<u>20,397</u>
<b>Other financing sources:</b>			
Transfers in	<u>34,643</u>	<u>12,875</u>	<u>(21,768)</u>
<b>Total other financing sources</b>	<u>34,643</u>	<u>12,875</u>	<u>(21,768)</u>
<b>Change in fund balance</b>	(1,155)	(2,526)	(1,371)
<b>Beginning fund balance</b>	<u>212</u>	<u>212</u>	<u>-</u>
<b>Ending fund balance (deficit)</b>	<u>\$ (943)</u>	<u>\$ (2,314)</u>	<u>\$ (1,371)</u>

City of Norwalk  
Schedule of Revenues, Expenditures and Changes in Fund Balance -  
Budget and Actual  
Proposition "A" Special Revenue Fund  
For the year ended June 30, 2018

	Budgeted Amount		Variance with Final Budget Positive (Negative)
	Final	Actual	
<b>Revenues:</b>			
Intergovernmental	\$ 1,958,289	\$ 1,964,040	\$ 5,751
<b>Total revenues</b>	<u>1,958,289</u>	<u>1,964,040</u>	<u>5,751</u>
<b>Expenditures:</b>			
Current:			
Public works	68,000	42,534	25,466
Capital outlay and improvement	55,248	41,374	13,874
<b>Total expenditures</b>	<u>123,248</u>	<u>83,908</u>	<u>39,340</u>
<b>Excess (deficiency) of revenues         over expenditures</b>	<u>1,835,041</u>	<u>1,880,132</u>	<u>45,091</u>
<b>Other financing uses:</b>			
Transfers out	(1,848,915)	(1,880,132)	(31,217)
<b>Total other financing uses</b>	<u>(1,848,915)</u>	<u>(1,880,132)</u>	<u>(31,217)</u>
<b>Change in fund balance</b>	(13,874)	-	13,874
<b>Beginning fund balance</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Ending fund balance (deficit)</b>	<u>\$ (13,874)</u>	<u>\$ -</u>	<u>\$ 13,874</u>

**City of Norwalk**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance -**  
**Budget and Actual**  
**Measure "R" Special Revenue Fund**  
**For the year ended June 30, 2018**

	Budgeted Amount		Variance with Final Budget Positive (Negative)
	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>			
Use of money and property	\$ 2,500	\$ 48,758	\$ 46,258
Intergovernmental	<u>1,215,200</u>	<u>1,220,193</u>	<u>4,993</u>
<b>Total revenues</b>	<u>1,217,700</u>	<u>1,268,951</u>	<u>51,251</u>
<b>Expenditures:</b>			
Current:			
Public works	491,000	449,374	41,626
Capital outlay and improvement	<u>3,678,118</u>	<u>748,954</u>	<u>2,929,164</u>
<b>Total expenditures</b>	<u>4,169,118</u>	<u>1,198,328</u>	<u>2,970,790</u>
<b>Excess (deficiency) of revenues     over expenditures</b>	(2,951,418)	70,623	3,022,041
<b>Beginning fund balance</b>	<u>3,186,235</u>	<u>3,186,235</u>	<u>-</u>
<b>Ending fund balance</b>	<u>\$ 234,817</u>	<u>\$ 3,256,858</u>	<u>\$ 3,022,041</u>

**City of Norwalk**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance -**  
**Budget and Actual**  
**Measure "M" Special Revenue Fund**  
**For the year ended June 30, 2018**

	Budgeted Amount		Variance with Final Budget Positive (Negative)
	<u>Final</u>	<u>Actual</u>	<u>(Negative)</u>
<b>Revenues:</b>			
Use of money and property	\$ 2,500	\$ 4,031	\$ 1,531
Intergovernmental	<u>1,240,600</u>	<u>1,105,774</u>	<u>(134,826)</u>
<b>Total revenues</b>	<u>1,243,100</u>	<u>1,109,805</u>	<u>(133,295)</u>
<b>Expenditures:</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Excess (deficiency) of revenues         over expenditures</b>	1,243,100	1,109,805	(133,295)
<b>Beginning fund balance</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Ending fund balance</b>	<u><u>\$ 1,243,100</u></u>	<u><u>\$ 1,109,805</u></u>	<u><u>\$ (133,295)</u></u>

**City of Norwalk**  
**Description of Other Capital Projects Funds**

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Capital projects funds are used to account for financial resources used for the acquisition or construction of major capital facilities which are not financed by proprietary funds.

**NONMAJOR FUNDS**

Proposition “1B” Fund - The fund accounts for the construction of street improvements at various locations throughout the City. Financing is provided by money received from Proposition “1B”.

Road Maintenance Rehabilitation Fund - The fund accounts for revenues received from the State SB1 taxes. Expenditures are restricted to basic road maintenance, rehabilitation, and critical safety projects.

Proposition “C” 1-5 Mitigation Fund - This fund accounts for the street projects related to the mitigation of the highway 1-5 widening project.

Public Art Fund - This fund accounts for the purchase of artwork with in-lieu contributions from contractors who do not elect to provide artwork for their projects.

Highway User Tax - 2103 Fund - This fund accounts for the maintenance or reconstruction costs on public streets or roads.

Park Development Fund - This fund accounts for the costs of development and improvement of facilities at City parks. Financing is provided by grants received under Federal, State and local agreements.

Playground Equipment Replacement Fund - This fund accounts for the purchase and replacement of playground equipment of the City. Financing is provided through operating transfers and grants received.

Sports Complex Equipment Replacement Fund - This fund accounts for the purchase and replacement of equipment at the Norwalk Sports and Arts Complex. Financing is provided through operating transfers and grants.

Computer Replacement Fund - This fund accounts for the purchase and replacement of computer equipment leased to City departments. Financing is provided through operating transfers and grants received.

Vehicle and Equipment Replacement Fund - This fund accounts for the purchase and replacement of vehicles and equipment leased to City departments. Financing is provided through operating transfers and grants received.

Building Renovation Fund - This fund accounts for the costs of development and improvements at City Hall. Financing is provided by operating transfers or grants received.

	Proposition "1B"	Road Maintenance Rehabilitation	Proposition "C" I-5 Mitigation	Public Art	Highway User Tax - 2103
<b>ASSETS</b>					
Assets:					
Cash and investments	\$ 218,343	\$ 392,917	\$ -	\$ 174,028	\$ 982,062
Due from other governments	-	223,709	236,026	-	36,985
<b>Total assets</b>	<b>\$ 218,343</b>	<b>\$ 616,626</b>	<b>\$ 236,026</b>	<b>\$ 174,028</b>	<b>\$ 1,019,047</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICITS)</b>					
Liabilities:					
Accounts payable	\$ -	\$ 2,038	\$ -	\$ 4,775	\$ 21,335
Due to other funds	-	-	233,626	-	-
Total liabilities	-	2,038	233,626	4,775	21,335
Deferred inflows of resources:					
Unavailable revenues	-	-	236,026	-	-
Total deferred inflows of resources	-	-	236,026	-	-
Fund balances (deficits):					
Restricted	218,343	614,588	-	169,253	997,712
Committed	-	-	-	-	-
Unassigned	-	-	(233,626)	-	-
Total fund balances (deficits)	218,343	614,588	(233,626)	169,253	997,712
<b>Total liabilities, deferred inflows of resources and fund balances (deficits)</b>	<b>\$ 218,343</b>	<b>\$ 616,626</b>	<b>\$ 236,026</b>	<b>\$ 174,028</b>	<b>\$ 1,019,047</b>

**City of Norwalk  
Combining Balance Sheet  
Other Capital Projects Funds  
June 30, 2018**

<u>Park Development</u>	<u>Playground Equipment Replacement</u>	<u>Sports Complex Equipment Replacement</u>	<u>Computer Replacement</u>	<u>Vehicle and Equipment Replacement</u>	<u>Building Renovation</u>	<u>Total Other Capital Projects Funds</u>
\$ 111,762	\$ 1,646,835	\$ 157,574	\$ 272,540	\$ 1,239,049	\$ 1,566,090	\$ 6,761,200
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>496,720</u>
<u>\$ 111,762</u>	<u>\$ 1,646,835</u>	<u>\$ 157,574</u>	<u>\$ 272,540</u>	<u>\$ 1,239,049</u>	<u>\$ 1,566,090</u>	<u>\$ 7,257,920</u>
\$ -	\$ 6,965	\$ -	\$ 17,232	\$ 7,554	\$ 101,601	\$ 161,500
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>233,626</u>
<u>-</u>	<u>6,965</u>	<u>-</u>	<u>17,232</u>	<u>7,554</u>	<u>101,601</u>	<u>395,126</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>236,026</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>236,026</u>
111,762	-	-	-	-	-	2,111,658
-	1,639,870	157,574	255,308	1,231,495	1,464,489	4,748,736
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(233,626)</u>
<u>111,762</u>	<u>1,639,870</u>	<u>157,574</u>	<u>255,308</u>	<u>1,231,495</u>	<u>1,464,489</u>	<u>6,626,768</u>
<u>\$ 111,762</u>	<u>\$ 1,646,835</u>	<u>\$ 157,574</u>	<u>\$ 272,540</u>	<u>\$ 1,239,049</u>	<u>\$ 1,566,090</u>	<u>\$ 7,257,920</u>

	Proposition "1B"	Road Maintenance Rehabilitation	Proposition "C" I-5 Mitigation	Public Art	Highway User Tax - 2103
<b>Revenues:</b>					
Use of money and property	\$ 3,001	\$ 621	\$ -	\$ 2,458	\$ 20,480
Intergovernmental	-	618,470	2,400	-	533,595
Other	-	-	-	31,225	-
<b>Total revenues</b>	<b>3,001</b>	<b>619,091</b>	<b>2,400</b>	<b>33,683</b>	<b>554,075</b>
<b>Expenditures:</b>					
Current:					
General government	-	-	-	-	-
Urban development	-	-	-	-	-
Public works	-	-	-	17,256	435,609
Culture and leisure	-	-	-	-	-
Health and welfare	-	-	-	-	-
Capital outlay and improvement	-	4,503	-	-	1,021,967
<b>Total expenditures</b>	<b>-</b>	<b>4,503</b>	<b>-</b>	<b>17,256</b>	<b>1,457,576</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>3,001</b>	<b>614,588</b>	<b>2,400</b>	<b>16,427</b>	<b>(903,501)</b>
<b>Other financing sources:</b>					
Transfers in	-	-	-	-	-
<b>Total other financing sources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Change in fund balances</b>	<b>3,001</b>	<b>614,588</b>	<b>2,400</b>	<b>16,427</b>	<b>(903,501)</b>
<b>Beginning fund balances (deficits)</b>	<b>215,342</b>	<b>-</b>	<b>(236,026)</b>	<b>152,826</b>	<b>1,901,213</b>
<b>Ending fund balances (deficits)</b>	<b>\$ 218,343</b>	<b>\$ 614,588</b>	<b>\$ (233,626)</b>	<b>\$ 169,253</b>	<b>\$ 997,712</b>



City of Norwalk  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances -  
Other Capital Projects Funds  
For the year ended June 30, 2018**

Park Development	Playground Equipment Replacement	Sports Complex Equipment Replacement	Computer Replacement	Vehicle and Equipment Replacement	Building Renovation	Total Other Capital Projects Funds
\$ -	\$ 23,042	\$ 2,121	\$ 3,618	\$ 19,610	\$ 20,163	\$ 95,114
-	-	-	-	-	-	1,154,465
-	-	-	-	-	-	31,225
-	23,042	2,121	3,618	19,610	20,163	1,280,804
-	-	-	59,573	-	-	59,573
-	-	-	7,156	-	-	7,156
-	-	-	5,755	-	-	458,620
-	76,939	-	4,487	-	-	81,426
-	-	23,072	4,556	-	-	27,628
-	-	-	-	272,181	162,776	1,461,427
-	76,939	23,072	81,527	272,181	162,776	2,095,830
-	(53,897)	(20,951)	(77,909)	(252,571)	(142,613)	(815,026)
-	-	65,000	150,000	-	700,000	915,000
-	-	65,000	150,000	-	700,000	915,000
-	(53,897)	44,049	72,091	(252,571)	557,387	99,974
111,762	1,693,767	113,525	183,217	1,484,066	907,102	6,526,794
<u>\$ 111,762</u>	<u>\$ 1,639,870</u>	<u>\$ 157,574</u>	<u>\$ 255,308</u>	<u>\$ 1,231,495</u>	<u>\$ 1,464,489</u>	<u>\$ 6,626,768</u>

**City of Norwalk**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance -**  
**Budget and Actual**  
**Proposition "1B" Capital Projects Fund**  
**For the year ended June 30, 2018**

	Budgeted Amount <u>Final</u>	<u>Actual</u>	Variance with Final Budget - Positive (Negative)
<b>Revenues:</b>			
Use of money and property	\$ 250	\$ 3,001	\$ 2,751
<b>Total revenues</b>	<u>250</u>	<u>3,001</u>	<u>2,751</u>
<b>Expenditures:</b>			
Capital outlay and improvement	-	-	-
<b>Total expenditures</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Excess (deficiency) of revenues         over expenditures</b>	250	3,001	2,751
<b>Beginning fund balance</b>	<u>215,342</u>	<u>215,342</u>	<u>-</u>
<b>Ending fund balance</b>	<u>\$ 215,592</u>	<u>\$ 218,343</u>	<u>\$ 2,751</u>

City of Norwalk  
Schedule of Revenues, Expenditures and Changes in Fund Balance -  
Budget and Actual  
Road Maintenance Rehabilitation Capital Projects Fund  
For the year ended June 30, 2018

	Budgeted Amount <u>Final</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>			
Use of money and property	\$ -	\$ 621	\$ 621
Intergovernmental	<u>601,960</u>	<u>618,470</u>	<u>16,510</u>
<b>Total revenues</b>	<u>601,960</u>	<u>619,091</u>	<u>17,131</u>
<b>Expenditures:</b>			
Capital outlay and improvement	<u>5,098,000</u>	<u>4,503</u>	<u>5,093,497</u>
<b>Total expenditures</b>	<u>5,098,000</u>	<u>4,503</u>	<u>5,093,497</u>
<b>Excess (deficiency) of revenues     over expenditures</b>	(4,496,040)	614,588	5,110,628
<b>Beginning fund balance</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Ending fund balance</b>	<u>\$ (4,496,040)</u>	<u>\$ 614,588</u>	<u>\$ 5,110,628</u>

**City of Norwalk**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance -**  
**Budget and Actual**  
**Public Art Capital Projects Fund**  
**For the year ended June 30, 2018**

	Budgeted Amount		Variance with Final Budget Positive (Negative)
	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>			
Use of money and property	\$ 1,000	\$ 2,458	\$ 1,458
Other	<u>20,000</u>	<u>31,225</u>	<u>11,225</u>
<b>Total revenues</b>	<u>21,000</u>	<u>33,683</u>	<u>12,683</u>
<b>Expenditures:</b>			
Current:			
Public works	<u>21,000</u>	<u>17,256</u>	<u>3,744</u>
<b>Total expenditures</b>	<u>21,000</u>	<u>17,256</u>	<u>3,744</u>
<b>Excess (deficiency) of revenues     over expenditures</b>	-	16,427	16,427
<b>Beginning fund balance</b>	<u>152,826</u>	<u>152,826</u>	-
<b>Ending fund balance</b>	<u>\$ 152,826</u>	<u>\$ 169,253</u>	<u>\$ 16,427</u>

**City of Norwalk**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance -**  
**Budget and Actual**  
**Highway User Tax - 2103 Capital Projects Fund**  
**For the year ended June 30, 2018**

	Budgeted Amount		Variance with Final Budget Positive (Negative)
	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>			
Use of money and property	\$ 1,000	\$ 20,480	\$ 19,480
Intergovernmental	540,280	533,595	(6,685)
<b>Total revenues</b>	<u>541,280</u>	<u>554,075</u>	<u>12,795</u>
<b>Expenditures:</b>			
Current:			
Public works	497,610	435,609	62,001
Capital outlay and improvement	1,346,657	1,021,967	324,690
<b>Total expenditures</b>	<u>1,844,267</u>	<u>1,457,576</u>	<u>386,691</u>
<b>Excess (deficiency) of revenues     over expenditures</b>	<u>(1,302,987)</u>	<u>(903,501)</u>	<u>399,486</u>
<b>Beginning fund balance</b>	<u>1,901,213</u>	<u>1,901,213</u>	<u>-</u>
<b>Ending fund balance</b>	<u>\$ 598,226</u>	<u>\$ 997,712</u>	<u>\$ 399,486</u>

**City of Norwalk**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance -**  
**Budget and Actual**  
**Playground Equipment Replacement Capital Projects Fund**  
**For the year ended June 30, 2018**

	Budgeted Amount <u>Final</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>			
Use of money and property	\$ 2,000	\$ 23,042	\$ 21,042
<b>Total revenues</b>	<u>2,000</u>	<u>23,042</u>	<u>21,042</u>
<b>Expenditures:</b>			
Current:			
Culture and leisure	352,548	76,939	275,609
Capital outlay and improvement	<u>590,000</u>	<u>-</u>	<u>590,000</u>
<b>Total expenditures</b>	<u>942,548</u>	<u>76,939</u>	<u>865,609</u>
<b>Excess (deficiency) of revenues         over expenditures</b>	<u>(940,548)</u>	<u>(53,897)</u>	<u>886,651</u>
<b>Beginning fund balance</b>	<u>1,693,767</u>	<u>1,693,767</u>	<u>-</u>
<b>Ending fund balance</b>	<u>\$ 753,219</u>	<u>\$ 1,639,870</u>	<u>\$ 886,651</u>

City of Norwalk  
Schedule of Revenues, Expenditures and Changes in Fund Balance -  
Budget and Actual  
Sports Complex Equipment Replacement Capital Projects Fund  
For the year ended June 30, 2018

	Budgeted Amount <u>Final</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>			
Use of money and property	\$ 500	\$ 2,121	\$ 1,621
<b>Total revenues</b>	<u>500</u>	<u>2,121</u>	<u>1,621</u>
<b>Expenditures:</b>			
Current:			
Health and welfare	27,000	23,072	3,928
<b>Total expenditures</b>	<u>27,000</u>	<u>23,072</u>	<u>3,928</u>
<b>Excess (deficiency) of revenues         over expenditures</b>	(26,500)	(20,951)	5,549
<b>Other financing sources:</b>			
Transfers in	65,000	65,000	-
<b>Total other financing sources</b>	<u>65,000</u>	<u>65,000</u>	<u>-</u>
<b>Change in fund balance</b>	38,500	44,049	5,549
<b>Beginning fund balance</b>	<u>113,525</u>	<u>113,525</u>	<u>-</u>
<b>Ending fund balance</b>	<u>\$ 152,025</u>	<u>\$ 157,574</u>	<u>\$ 5,549</u>

City of Norwalk  
Schedule of Revenues, Expenditures and Changes in Fund Balance -  
Budget and Actual  
Computer Replacement Capital Projects Fund  
For the year ended June 30, 2018

	Budgeted Amount		Variance with Final Budget Positive (Negative)
	Final	Actual	
<b>Revenues:</b>			
Use of money and property	\$ 500	\$ 3,618	\$ 3,118
<b>Total revenues</b>	<u>500</u>	<u>3,618</u>	<u>3,118</u>
<b>Expenditures:</b>			
Current:			
General government	89,418	59,573	29,845
Urban development	900	7,156	(6,256)
Public works	5,755	5,755	-
Culture and leisure	4,487	4,487	-
Health and welfare	4,556	4,556	-
<b>Total expenditures</b>	<u>105,116</u>	<u>81,527</u>	<u>23,589</u>
<b>Excess (deficiency) of revenues over expenditures</b>	(104,616)	(77,909)	26,707
<b>Other financing sources:</b>			
Transfers in	150,000	150,000	-
<b>Total other financing sources</b>	<u>150,000</u>	<u>150,000</u>	<u>-</u>
<b>Change in fund balance</b>	45,384	72,091	26,707
<b>Beginning fund balance</b>	<u>183,217</u>	<u>183,217</u>	<u>-</u>
<b>Ending fund balance</b>	<u>\$ 228,601</u>	<u>\$ 255,308</u>	<u>\$ 26,707</u>



**City of Norwalk**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance -**  
**Budget and Actual**  
**Vehicle and Equipment Replacement Capital Projects Fund**  
**For the year ended June 30, 2018**

	Budgeted Amount <u>Final</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>			
Use of money and property	\$ 5,000	\$ 19,610	\$ 14,610
<b>Total revenues</b>	<u>5,000</u>	<u>19,610</u>	<u>14,610</u>
<b>Expenditures:</b>			
Capital outlay and improvement	516,290	272,181	244,109
<b>Total expenditures</b>	<u>516,290</u>	<u>272,181</u>	<u>244,109</u>
<b>Excess (deficiency) of revenues         over expenditures</b>	<u>(511,290)</u>	<u>(252,571)</u>	<u>258,719</u>
<b>Beginning fund balance</b>	<u>1,484,066</u>	<u>1,484,066</u>	<u>-</u>
<b>Ending fund balance</b>	<u>\$ 972,776</u>	<u>\$ 1,231,495</u>	<u>\$ 258,719</u>

City of Norwalk  
Schedule of Revenues, Expenditures and Changes in Fund Balance -  
Budget and Actual  
Building Renovation Capital Projects Fund  
For the year ended June 30, 2018

	Budgeted Amount		Variance with Final Budget Positive (Negative)
	Final	Actual	
<b>Revenues:</b>			
Use of money and property	\$ 500	\$ 20,163	\$ 19,663
<b>Total revenues</b>	<u>500</u>	<u>20,163</u>	<u>19,663</u>
<b>Expenditures:</b>			
Capital outlay and improvement	901,943	162,776	739,167
<b>Total expenditures</b>	<u>901,943</u>	<u>162,776</u>	<u>739,167</u>
<b>Excess (deficiency) of revenues over expenditures</b>	(901,443)	(142,613)	758,830
<b>Other financing sources:</b>			
Transfers in	700,000	700,000	-
<b>Total other financing sources</b>	<u>700,000</u>	<u>700,000</u>	<u>-</u>
<b>Change in fund balance</b>	(201,443)	557,387	758,830
<b>Beginning fund balance</b>	<u>907,102</u>	<u>907,102</u>	<u>-</u>
<b>Ending fund balance</b>	<u>\$ 705,659</u>	<u>\$ 1,464,489</u>	<u>\$ 758,830</u>

**City of Norwalk**  
**Description of Internal Service Funds**

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Internal service funds are used to account for financing of goods and services provided by one department to other departments of the City.

Employee Benefits Fund - The fund accounts for the costs of providing employer benefits to the various City departments. Such costs are charged to the departments based on a percentage of salaries.

Vehicle Maintenance Fund - This fund accounts for the costs of maintenance of City vehicles used by the various City departments. Such costs are based upon actual usage.

**City of Norwalk**  
**Combining Statement of Net Position**  
**Internal Service Funds**  
**June 30, 2018**

	Governmental Activities		
	Employee Benefits	Vehicle Maintenance	Totals
<b>ASSETS:</b>			
Current assets:			
Cash and investments	\$ -	\$ 184,079	\$ 184,079
Inventory	-	90,487	90,487
Due from other governments	1,962	-	1,962
Total current assets	<u>1,962</u>	<u>274,566</u>	<u>276,528</u>
<b>Total assets</b>	<u>1,962</u>	<u>274,566</u>	<u>276,528</u>
<b>LIABILITIES:</b>			
Current liabilities:			
Accounts payable	-	48,043	48,043
Accrued expenses	-	80,119	80,119
Due to other funds	1,962	-	1,962
Compensated absences payable, current portion	-	41,100	41,100
Total current liabilities	<u>1,962</u>	<u>169,262</u>	<u>171,224</u>
Noncurrent liabilities:			
Compensated absences payable, long-term portion	-	105,304	105,304
Total noncurrent liabilities	<u>-</u>	<u>105,304</u>	<u>105,304</u>
<b>Total liabilities</b>	<u>1,962</u>	<u>274,566</u>	<u>276,528</u>
<b>NET POSITION</b>			
Unrestricted	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total net position</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

City of Norwalk  
**Combining Statement of Revenues, Expenses and Changes in Net Position**  
**Internal Service Funds**  
**For the year ended June 30, 2018**

	Governmental Activities		
	Employee Benefits	Vehicle Maintenance	Totals
<b>Operating revenues:</b>			
Charges for services	\$ 11,691,089	\$ 2,761,722	\$ 14,452,811
<b>Total operating revenues</b>	<u>11,691,089</u>	<u>2,761,722</u>	<u>14,452,811</u>
<b>Operating expenses:</b>			
Administrative	-	30,805	30,805
Utilities	-	35,761	35,761
Salaries and benefits	11,691,089	2,082,899	13,773,988
Maintenance and repairs	-	612,257	612,257
<b>Total operating expenses</b>	<u>11,691,089</u>	<u>2,761,722</u>	<u>14,452,811</u>
<b>Operating loss</b>	-	-	-
<b>Net position - beginning of year</b>	-	-	-
<b>Net position - end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**City of Norwalk**  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
**For the year ended June 30, 2018**

	Governmental Activities		
	Employee Benefits	Vehicle Maintenance	Totals
<b>Cash flows from operating activities:</b>			
Receipts from tenants, customers and users	\$ 11,689,127	\$ 2,761,722	\$ 14,450,849
Payments to suppliers	-	(702,243)	(702,243)
Payments to employees	(11,691,770)	(2,069,061)	(13,760,831)
<b>Net cash used by operating activities</b>	<u>(2,643)</u>	<u>(9,582)</u>	<u>(12,225)</u>
<b>Cash flows from noncapital financing activities</b>			
Cash received from other funds	1,962	-	1,962
<b>Net cash provided by noncapital financing activities</b>	<u>1,962</u>	<u>-</u>	<u>1,962</u>
<b>Net decrease in cash and cash equivalents</b>	(681)	(9,582)	(10,263)
<b>Cash and cash equivalents - beginning of year</b>	<u>681</u>	<u>193,661</u>	<u>194,342</u>
<b>Cash and cash equivalents - end of year</b>	<u>\$ -</u>	<u>\$ 184,079</u>	<u>\$ 184,079</u>
<b>Reconciliation of operating loss to net cash used by operating activities:</b>			
Operating loss	\$ -	\$ -	\$ -
Changes in operating assets and liabilities:			
(Increase) decrease in due from other governments	(1,962)	-	(1,962)
(Increase) decrease in inventory	-	(12,412)	(12,412)
Increase (decrease) in accounts payable	(681)	(14,197)	(14,878)
Increase (decrease) in accrued expenses	-	3,189	3,189
Increase (decrease) in compensated absences payable	-	13,838	13,838
<b>Net cash used by operating activities</b>	<u>\$ (2,643)</u>	<u>\$ (9,582)</u>	<u>\$ (12,225)</u>

**City of Norwalk**  
**Description of Agency Fund**

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This fund accounts for money and property held by the City as trustee or custodian. Among the activities are the disposition of funds, deposits made for the account of other governmental agencies, developers, and others under the terms of agreements for which the deposits were made. This fund is custodial in nature (assets equals liabilities) and do not involve measurement of result of operations.

**City of Norwalk**  
**Statement of Changes in Assets and Liabilities**  
**Agency Fund**  
**For the year ended June 30, 2018**

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	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
<b>Assets:</b>				
Cash and investments	\$ 713,172	\$ 813,005	\$ 661,034	\$ 865,143
Accounts receivable	3,274	27,276	29,510	1,040
<b>Total assets</b>	<b>\$ 716,446</b>	<b>\$ 840,281</b>	<b>\$ 690,544</b>	<b>\$ 866,183</b>
 <b>Liabilities:</b>				
Accounts payable	\$ 7,871	\$ 555,633	\$ 542,160	\$ 21,344
Deposits payable	708,575	794,662	658,398	844,839
<b>Total liabilities</b>	<b>\$ 716,446</b>	<b>\$ 1,350,295</b>	<b>\$ 1,200,558</b>	<b>\$ 866,183</b>



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

Contents:	<u>Pages</u>
<u>Financial Trends</u> these schedules contain trend information to help the reader understand how the City’s financial performance and well-being have changed over time.	165 - 170
<u>Revenue Capacity</u> these schedules contain information to help the reader assess the City’s most significant local revenue source, the property tax.	171 - 174
<u>Debt Capacity</u> these schedules present information to help the reader assess the affordability of the City’s current levels of outstanding debt and the City’s ability to issue additional debt in the future.	175 - 178
<u>Demographic and Economic Information</u> these schedules offer demographic and economic indicators to help the reader understand the environment within which the City’s financial activities take place.	179 - 180
<u>Operating Information</u> these schedules contain service and infrastructure data to help the reader understand how the information in the City’s financial report relates to the services the City provides and the activities it performs.	181 - 183
<u>Water Systems</u> these schedules contain historical operating and statistical data pertaining to the Continuing Disclosure requirements for the Water Revenue Bonds.	184 - 192

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**City of Norwalk**  
**Net Position by Component**  
**Last Ten Fiscal Years**  
**(accrual basis of accounting)**

	Fiscal Year									
	2008-09	2009-10	2010-11	2011-12*	2012-13	2013-14	2014-15**	2015-16	2016-17	2017-18 ***
<b>Governmental Activities:</b>										
Net invested in capital assets	\$ 147,890,947	\$ 149,429,572	\$ 151,855,529	\$ 169,952,289	\$ 166,403,726	\$ 142,690,605	\$ 144,602,594	\$ 148,534,353	\$ 145,019,728	\$ 143,865,804
Restricted	35,531,227	34,151,864	25,645,644	11,828,031	11,877,331	13,781,493	39,771,841	36,213,203	35,568,787	36,620,694
Unrestricted	(27,568,372)	(33,627,069)	(30,664,965)	21,990,115	24,521,888	31,873,166	(6,607,339)	(699,746)	(3,252,013)	(22,928,545)
Total governmental activities net position	<u>155,853,802</u>	<u>149,954,367</u>	<u>146,836,208</u>	<u>203,770,435</u>	<u>202,802,945</u>	<u>188,345,264</u>	<u>177,767,096</u>	<u>184,047,810</u>	<u>177,336,502</u>	<u>157,557,953</u>
<b>Business-type Activities:</b>										
Net invested in capital assets	21,117,166	26,764,133	26,295,346	25,663,416	30,689,254	47,316,165	51,992,532	54,796,698	54,862,196	55,392,470
Restricted	-	-	-	-	-	3,496,405	3,498,268	-	-	-
Unrestricted	(6,217,597)	(7,171,135)	(3,789,468)	(3,131,920)	(1,196,453)	1,841,967	(8,433,036)	(1,812,882)	(2,408,188)	(9,551,914)
Total business-type activities net position	<u>14,899,569</u>	<u>19,592,998</u>	<u>22,505,878</u>	<u>22,531,496</u>	<u>29,492,801</u>	<u>52,654,537</u>	<u>47,057,764</u>	<u>52,983,816</u>	<u>52,454,008</u>	<u>45,840,556</u>
<b>Primary Government:</b>										
Net invested in capital assets	169,008,113	176,193,705	178,150,875	195,615,705	197,092,980	190,006,770	196,595,126	203,331,051	199,881,924	199,258,274
Restricted	35,531,227	34,151,864	25,645,644	11,828,031	11,877,331	17,277,898	43,270,109	36,213,203	35,568,787	36,620,694
Unrestricted	(33,785,969)	(40,798,204)	(34,454,433)	18,858,195	23,325,435	33,715,133	(15,040,375)	(2,512,628)	(5,660,201)	(32,480,459)
Total primary government net position	<u>\$ 170,753,371</u>	<u>\$ 169,547,365</u>	<u>\$ 169,342,086</u>	<u>\$ 226,301,931</u>	<u>\$ 232,295,746</u>	<u>\$ 240,999,801</u>	<u>\$ 224,824,860</u>	<u>\$ 237,031,626</u>	<u>\$ 229,790,510</u>	<u>\$ 203,398,509</u>

\*The Norwalk Redevelopment Agency was dissolved as of 1/31/12. The Successor Agency is reported as a Fiduciary Fund

\*\* GASB 68 was implemented in fiscal year ended June 30, 2015.

\*\*\* GASB 75 was implemented in fiscal year ended June 30, 2018.

Source: City of Norwalk

**City of Norwalk**  
**Changes in Net Position - Expenses and Program Revenues**  
**Last Ten Fiscal Years**  
**(accrual basis of accounting)**

	Fiscal Year									
	2008-09	2009-10	2010-11	2011-12*	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
<b>Expenses:</b>										
Governmental Activities:										
General government	\$ 9,059,800	\$ 9,702,843	\$ 8,985,356	\$ 8,884,242	\$ 8,710,567	\$ 9,256,135	\$ 9,020,311	\$ 9,809,460	\$ 10,754,302	\$ 11,784,341
Public safety	12,666,249	11,978,780	12,427,683	13,612,574	13,570,520	13,614,116	13,083,280	13,407,220	14,000,301	15,175,568
Urban development	8,037,078	7,681,035	13,771,165	6,018,037	5,061,932	5,766,474	5,243,770	5,941,746	6,689,862	6,472,762
Public works	14,680,280	18,252,303	17,763,495	17,301,304	18,113,188	18,700,498	16,233,351	15,379,144	17,733,345	18,386,470
Culture and leisure	7,106,356	6,271,529	6,079,088	6,370,760	6,655,568	7,103,859	8,156,765	8,641,535	8,602,339	8,743,561
Health and welfare	20,797,540	20,023,252	18,893,417	13,873,285	13,203,687	12,864,079	12,588,832	13,851,310	13,682,599	14,900,082
Interest expense	6,338,135	5,527,615	4,665,588	2,420,418	756,657	544,494	479,252	485,817	426,822	387,397
Bond Interest Costs	-	-	-	-	214,454	203,147	-	-	-	-
Total governmental activities net expenses	<u>78,685,438</u>	<u>79,437,357</u>	<u>82,585,792</u>	<u>68,480,620</u>	<u>66,286,573</u>	<u>68,052,802</u>	<u>64,805,561</u>	<u>67,516,232</u>	<u>71,889,570</u>	<u>75,850,181</u>
Business-type Activities:										
Transit system	13,332,392	13,612,036	14,947,479	13,188,597	13,097,504	13,178,039	12,553,592	12,279,655	14,616,307	15,722,272
Water	3,133,057	3,416,962	3,703,524	4,189,925	4,080,423	4,471,239	4,444,880	4,343,879	4,722,943	5,254,018
Sewer	-	-	-	-	-	1,574,191	1,749,438	1,579,050	1,777,414	1,973,782
Golf Course	394,129	349,697	303,959	309,777	334,630	319,816	218,307	100,336	0	0
Total business-type activities net assets	<u>16,859,578</u>	<u>17,378,695</u>	<u>18,954,962</u>	<u>17,688,299</u>	<u>17,512,557</u>	<u>19,543,285</u>	<u>18,966,217</u>	<u>18,302,920</u>	<u>21,116,664</u>	<u>22,950,072</u>
Total primary government expenses	<u>\$ 95,545,016</u>	<u>\$ 96,816,052</u>	<u>\$ 101,540,754</u>	<u>\$ 86,168,919</u>	<u>\$ 83,799,130</u>	<u>\$ 87,596,087</u>	<u>\$ 83,771,778</u>	<u>\$ 85,819,152</u>	<u>\$ 93,006,234</u>	<u>\$ 98,800,253</u>
<b>Program Revenues:</b>										
Governmental Activities:										
Charges for services:										
General government	\$ 1,557,278	\$ 1,581,959	\$ 1,542,150	\$ 1,688,661	\$ 3,530,210	\$ 2,627,910	\$ 2,512,428	\$ 2,489,183	\$ 2,416,519	\$ 2,595,457
Public safety	1,941,504	1,607,987	1,621,750	1,658,004	1,845,530	1,679,052	1,445,437	1,497,810	1,409,853	1,500,144
Urban development	2,633,236	3,095,020	3,451,811	4,117,944	2,006,273	2,013,100	2,532,799	2,503,332	2,695,439	2,363,844
Public works	191,071	158,557	295,550	191,032	257,232	270,449	292,171	299,108	298,619	339,800
Culture and leisure	445,549	410,833	567,608	524,419	526,005	749,021	457,254	841,809	591,702	637,317
Health and welfare	481,394	421,513	400,554	440,685	1,332,438	441,309	576,593	543,048	499,164	438,658
Operating contributions and grants	19,890,244	23,678,181	34,397,088	24,545,865	21,347,543	26,576,829	27,712,357	23,759,966	21,306,532	24,890,640
Capital contributions and grants	49,980	-	-	-	-	-	-	-	129,325	311,635
Total governmental activities program revenues	<u>27,190,256</u>	<u>30,954,050</u>	<u>42,276,511</u>	<u>33,166,610</u>	<u>30,845,231</u>	<u>34,357,670</u>	<u>35,529,039</u>	<u>31,934,256</u>	<u>29,347,153</u>	<u>33,077,495</u>
Business-type Activities:										
Charges for services:										
Transit system	1,448,755	2,015,786	1,588,163	1,612,290	1,525,603	1,542,350	1,394,973	1,558,139	1,635,756	1,590,908
Water utility	3,934,301	4,287,509	4,900,159	4,871,980	5,172,247	5,303,496	5,051,998	4,953,919	5,147,289	5,704,279
Sewer (2)	-	-	-	-	-	2,231,922	2,356,627	2,423,016	2,443,276	2,573,946
Golf Course (1)	192,102	194,718	152,878	163,186	143,235	153,622	147,956	60,128	-	-
Operating contributions and grants	8,411,655	7,223,874	8,767,042	9,994,239	10,526,038	9,222,713	7,984,501	8,377,484	7,613,042	9,021,190
Capital contributions and grants	2,528,121	8,340,444	2,481,567	212,763	6,864,247	2,155,536	3,997,176	4,718,164	1,602,839	2,820,413
Total business-type activities program revenues	<u>16,514,934</u>	<u>22,062,331</u>	<u>17,889,809</u>	<u>16,854,458</u>	<u>24,231,370</u>	<u>20,609,639</u>	<u>20,933,231</u>	<u>22,090,850</u>	<u>18,442,202</u>	<u>21,710,736</u>
Primary government program revenues	<u>\$ 43,705,190</u>	<u>\$ 53,016,381</u>	<u>\$ 60,166,320</u>	<u>\$ 50,021,068</u>	<u>\$ 55,076,601</u>	<u>\$ 54,967,309</u>	<u>\$ 56,462,270</u>	<u>\$ 54,025,106</u>	<u>\$ 47,789,355</u>	<u>\$ 54,788,231</u>
<b>Net (Expense)/Revenue:</b>										
Governmental activities	\$ (51,495,182)	\$ (48,483,307)	\$ (40,309,281)	\$ (35,314,010)	\$ (35,441,342)	\$ (33,695,132)	\$ (29,276,522)	\$ (35,581,976)	\$ (42,542,417)	\$ (42,772,686)
Business-type activities	(344,644)	4,683,636	(1,065,153)	(833,841)	6,718,813	1,066,354	1,967,014	3,787,930	(2,674,462)	(1,239,336)
Total primary government net expense	<u>\$ (51,839,826)</u>	<u>\$ (43,799,671)</u>	<u>\$ (41,374,434)</u>	<u>\$ (36,147,851)</u>	<u>\$ (28,722,529)</u>	<u>\$ (32,628,778)</u>	<u>\$ (27,309,508)</u>	<u>\$ (31,794,046)</u>	<u>\$ (45,216,879)</u>	<u>\$ (44,012,022)</u>

(1) As of January 2016, the Norwalk Golf Center is under the management of Los Angeles County.

(2) City of Norwalk established Sewer as business-type activity as of 7/1/2013.

\*The Norwalk Redevelopment Agency was dissolved as of 1/31/12. The Successor Agency is reported as a Fiduciary Fund

Source: City of Norwalk

**City of Norwalk**  
**Changes in Net Position - General Revenues**  
**Last Ten Fiscal Years**  
**(accrual basis of accounting)**

	Fiscal Year									
	2008-09	2009-10	2010-11	2011-12*	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
<b>General Revenues and Other Changes in Net Position:</b>										
Governmental Activities:										
Sales taxes	\$ 8,668,272	\$ 7,519,647	\$ 8,222,180	\$ 8,760,445	\$ 9,323,299	\$ 9,327,844	\$ 9,525,144	\$ 10,541,304	\$ 10,264,892	\$ 11,078,771
Property taxes	15,742,859	16,341,203	14,764,697	7,823,406	6,986,560	6,616,294	6,842,242	7,636,462	7,481,345	8,390,338
Utility users tax	6,023,038	5,974,407	5,743,933	5,421,616	5,354,039	5,256,908	5,287,009	5,296,349	5,093,361	4,848,872
Business operation taxes	637,385	649,357	669,931	858,584	782,573	798,659	843,097	844,971	857,171	880,709
Transient occupancy taxes	1,165,698	1,021,084	876,639	1,128,493	1,227,030	1,309,026	1,378,504	1,532,516	1,544,811	1,593,203
Property tax in-lieu of VLF	9,208,157	8,536,095	8,394,222	8,535,764	8,727,028	9,021,481	9,566,153	9,973,472	10,430,453	10,967,928
Franchise fees	1,637,196	1,615,826	1,676,175	1,747,542	1,790,365	1,859,947	1,908,525	1,881,854	1,786,343	1,836,980
Investment income	3,053,551	926,253	799,896	2,083,266	474,353	338,779	342,057	1,250,061	399,167	211,385
Miscellaneous/Extraordinary Items/Transfers	-	-	(3,956,551)	55,889,121	(191,395)	(24,270,932)	20,938,417	2,905,701	(2,026,434)	(1,951,033)
Total governmental activities	<u>46,136,156</u>	<u>42,583,872</u>	<u>37,191,122</u>	<u>92,248,237</u>	<u>34,473,852</u>	<u>10,258,006</u>	<u>56,631,148</u>	<u>41,862,690</u>	<u>35,831,109</u>	<u>37,857,153</u>
Business-type Activities:										
Investment income	\$ -	\$ 9,793	\$ 21,482	\$ 29,272	\$ 51,097	\$ 50,866	\$ 76,182	\$ 137,457	\$ 118,220	\$ 192,254
Miscellaneous/ Transfers	-	-	\$ 3,956,551	\$ 830,187	191,395	22,044,516	2,034,880	2,000,665	2,026,434	1,951,033
Total business-type activities	<u>-</u>	<u>9,793</u>	<u>3,978,033</u>	<u>859,459</u>	<u>242,492</u>	<u>22,095,382</u>	<u>2,111,062</u>	<u>2,138,122</u>	<u>2,144,654</u>	<u>2,143,287</u>
Total primary government	<u>\$ 46,136,156</u>	<u>\$ 42,593,665</u>	<u>\$ 41,169,155</u>	<u>\$ 93,107,696</u>	<u>\$ 34,716,344</u>	<u>\$ 32,353,388</u>	<u>\$ 58,742,210</u>	<u>\$ 44,000,812</u>	<u>\$ 37,975,763</u>	<u>\$ 40,000,440</u>
<b>Change in Net Position:</b>										
Governmental activities	\$ (5,359,026)	\$ (5,899,435)	\$ (3,118,159)	\$ 56,934,227	\$ (967,490)	\$ (23,437,126)	\$ 27,354,626	\$ 6,280,714	\$ (6,711,308)	\$ (4,915,533)
Business-type activities	<u>(344,644)</u>	<u>4,693,429</u>	<u>2,912,880</u>	<u>25,618</u>	<u>6,961,305</u>	<u>23,161,736</u>	<u>4,078,076</u>	<u>5,926,052</u>	<u>(529,808)</u>	<u>903,951</u>
Total primary government	<u>\$ (5,703,670)</u>	<u>\$ (1,206,006)</u>	<u>\$ (205,279)</u>	<u>\$ 56,959,845</u>	<u>\$ 5,993,815</u>	<u>\$ (275,390)</u>	<u>\$ 31,432,702</u>	<u>\$ 12,206,766</u>	<u>\$ (7,241,116)</u>	<u>\$ (4,011,582)</u>

\*The Norwalk Redevelopment Agency was dissolved as of 1/31/12. The Successor Agency is reported as a Fiduciary Fund

Source: City of Norwalk

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

	Fiscal Year									
	2008-09	2009-10	2010-11	2011-12 *	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
General Fund:										
Nonspendable	\$ 8,757,760	\$ 9,891,125	\$ 9,895,075	\$ 11,593,888	\$ 10,337,174	\$ 9,295,515	\$ 9,093,823	\$ 8,943,056	\$ 8,208,888	\$ 7,524,734
Restricted	-	-	-	-	-	-	-	-	-	1,002,530
Committed	-	-	-	327,083	283,583	238,865	2,120,000	2,120,000	2,120,000	2,120,000
Assigned	3,206,293	3,110,768	8,846,359	1,282,729	776,628	960,316	1,631,006	1,723,843	1,236,546	641,000
Unassigned	6,686,737	8,680,524	10,736,919	10,668,298	14,728,463	15,572,086	12,270,240	12,803,359	12,489,860	12,668,547
<b>Total General Fund</b>	<b>\$ 18,650,790</b>	<b>\$ 21,682,417</b>	<b>\$ 29,478,353</b>	<b>\$ 23,871,998</b>	<b>\$ 26,125,848</b>	<b>\$ 26,066,782</b>	<b>\$ 25,115,069</b>	<b>\$ 25,590,258</b>	<b>\$ 24,055,294</b>	<b>\$ 23,956,811</b>
All Other Governmental Funds:										
Nonspendable	\$ 8,535,108	\$ 8,535,108	\$ 750,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,619.00
Restricted										
Special revenue funds	7,932,266	10,437,238	12,543,334	6,474,186	7,884,277	9,274,339	11,181,950	9,514,213	11,007,911	11,038,787
Capital projects funds	23,293,951	20,670,954	5,840,744	4,660,152	3,691,069	4,438,886	27,395,889	26,426,351	24,458,851	24,329,448
Debt service funds	4,974,905	4,967,743	4,967,744	693,691	301,985	1,144,683	1,145,296	1,147,893	1,153,046	5,430,532
Committed	1,583,324	1,345,469	1,216,247	1,558,255	2,859,188	3,988,035	6,232,327	5,736,166	5,162,810	5,511,717
Assigned	(5,326,034)	(5,014,254)	327,575	-	-	-	-	-	-	-
Unassigned	(16,955)	-	(99,030)	(307,188)	(752,744)	(3,054,013)	(4,000,645)	(2,647,765)	(616,702)	(1,976,299)
<b>Total All Other Governmental Funds</b>	<b>\$ 40,976,565</b>	<b>\$ 40,942,258</b>	<b>\$ 25,546,614</b>	<b>\$ 13,079,096</b>	<b>\$ 13,983,775</b>	<b>\$ 15,791,930</b>	<b>\$ 41,954,817</b>	<b>\$ 40,176,858</b>	<b>\$ 41,165,916</b>	<b>\$ 44,335,804</b>

\*The Norwalk Redevelopment Agency was dissolved as of 1/31/12. The Successor Agency is reported as a Fiduciary Fund GASB 54 was implemented as of June 30,2011. Prior years data has been restated to reflect GASB 54

Source: City of Norwalk

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

	Fiscal Year									
	2008-09	2009-10	2010-11	2011-12*	2012-13	2013-14**	2014-15	2015-16	2016-17	2017-18
<b>Revenues:</b>										
Taxes	\$ 39,476,247	\$ 40,628,502	\$ 40,347,777	\$ 34,275,850	\$ 34,190,894	\$ 34,190,159	\$ 35,350,674	\$ 37,706,928	\$ 37,458,376	\$ 39,596,801
Licenses and permits	1,017,798	985,508	951,871	1,061,945	1,095,276	1,040,872	1,113,986	1,614,302	1,551,485	1,329,636
Fines, forfeiture and penalties	1,673,057	1,467,150	1,436,004	1,500,648	1,558,155	1,503,552	1,532,833	1,397,301	1,343,137	1,453,258
Use of money and Property	1,780,514	926,253	6,799,896	665,890	454,973	324,026	328,556	1,107,863	673,248	485,468
Intergovernmental	22,948,214	22,416,893	27,117,886	25,269,879	21,578,666	24,305,935	26,861,044	25,068,024	23,540,234	23,943,365
Motor vehicle license fee	372,401	323,150	558,902	56,479	46,743	-	45,152	42,340	47,284	55,559
Charges for services	1,855,635	1,829,628	1,813,133	2,006,230	2,159,938	2,141,011	2,265,887	2,421,325	2,490,649	2,257,391
Rental Income	1,255,826	1,265,097	1,334,820	778,045	778,252	779,951	830,042	857,530	867,191	909,372
Other	1,673,683	1,728,486	9,202,662	1,987,727	3,257,486	2,342,477	1,961,656	1,790,392	1,601,975	1,846,296
Total revenues	<u>72,053,375</u>	<u>71,570,667</u>	<u>89,562,951</u>	<u>67,602,693</u>	<u>65,120,383</u>	<u>66,627,983</u>	<u>70,289,830</u>	<u>72,006,005</u>	<u>69,573,579</u>	<u>71,877,146</u>
<b>Expenditures:</b>										
Current:										
General government	7,802,225	7,789,901	7,650,241	7,529,673	7,353,954	7,827,623	8,014,168	8,815,169	9,602,473	9,815,899
Public safety	12,463,523	11,781,821	12,248,786	13,437,672	13,411,537	13,446,443	13,004,355	13,437,196	13,930,970	14,916,175
Urban development	7,961,931	7,436,094	14,232,826	5,742,654	4,769,650	5,332,311	5,204,541	6,179,072	6,588,330	5,681,599
Public works	8,007,714	10,206,797	10,355,027	9,677,375	10,398,397	10,547,015	8,602,604	8,624,951	9,030,817	9,062,885
Culture and leisure	6,593,909	5,744,112	5,607,531	5,906,584	6,176,819	6,712,625	7,838,525	8,443,741	8,256,602	8,133,670
Health and welfare	20,205,820	19,572,065	18,560,049	13,549,014	12,849,407	12,474,045	12,458,934	13,832,946	13,541,733	14,515,087
Capital outlay and improvement	2,281,518	1,175,345	18,926,378	4,299,315	4,833,258	7,955,265	9,516,262	10,527,154	5,686,645	7,802,435
Debt service:										
Principal retirement	1,740,000	1,820,000	1,890,000	1,975,000	780,000	890,000	900,000	935,000	980,000	1,025,000
Interest and fiscal charges	6,260,210	5,450,217	6,247,967	2,386,516	992,099	741,268	548,881	512,881	475,481	436,281
Bond issuance cost	-	-	-	-	214,454	203,147	-	-	-	74,144
Total expenditures	<u>73,316,850</u>	<u>70,976,352</u>	<u>95,718,805</u>	<u>64,503,803</u>	<u>61,779,575</u>	<u>66,129,742</u>	<u>66,088,270</u>	<u>71,308,110</u>	<u>68,093,051</u>	<u>71,463,175</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,263,475)</u>	<u>594,315</u>	<u>(6,155,854)</u>	<u>3,098,890</u>	<u>3,340,808</u>	<u>498,241</u>	<u>4,201,560</u>	<u>697,895</u>	<u>1,480,528</u>	<u>413,971</u>
<b>Other Financing Sources (Uses):</b>										
Issuance of County deferred loans	2,424,113	2,403,006	2,512,697	-	-	-	-	-	-	-
Issuance of Debt	-	-	-	-	-	-	-	-	-	4,337,008
Proceeds from bonds issuances, net	-	-	-	-	7,120,000	8,630,000	-	-	-	-
Defeasance of debt	-	-	-	-	(7,295,000)	(7,945,000)	-	-	-	-
Bond discount	-	-	-	-	184,115	553,095	-	-	-	-
Transfers in	2,892,272	6,717,098	13,386,923	4,583,186	3,205,025	3,367,409	5,029,862	2,949,102	2,780,642	2,617,945
Transfers out	(2,892,272)	(6,717,098)	(17,343,474)	(5,413,373)	(3,396,420)	(3,354,656)	(7,064,742)	(4,949,767)	(4,807,076)	(4,568,978)
Total other financing sources (uses)	<u>2,424,113</u>	<u>2,403,006</u>	<u>(1,443,854)</u>	<u>(830,187)</u>	<u>(182,280)</u>	<u>1,250,848</u>	<u>(2,034,880)</u>	<u>(2,000,665)</u>	<u>(2,026,434)</u>	<u>2,385,975</u>
Extraordinary items	-	-	-	(20,342,575)	-	71,197	22,973,297	-	-	-
Net change in fund balances	1,160,638	2,997,321	(7,599,708)	(18,073,872)	3,158,528	1,820,286	25,139,977	(1,302,770)	(545,906)	2,799,946
Fund balances - July 1	<u>58,466,716</u>	<u>59,627,354</u>	<u>62,624,675</u>	<u>55,024,967</u>	<u>36,951,095</u>	<u>40,109,623</u>	<u>41,929,909</u>	<u>67,069,886</u>	<u>65,767,116</u>	<u>65,492,669</u>
Fund balances - June 30	<u>\$ 59,627,354</u>	<u>\$ 62,624,675</u>	<u>\$ 55,024,967</u>	<u>\$ 36,951,095</u>	<u>\$ 40,109,623</u>	<u>\$ 41,929,909</u>	<u>\$ 67,069,886</u>	<u>\$ 65,767,116</u>	<u>\$ 65,221,210</u>	<u>\$ 68,292,615</u>
Debt service (excluding bond issuance costs) as a percentage of noncapital expenditures	11.26%	10.42%	10.60%	7.24%	3.11%	2.80%	2.56%	2.38%	2.33%	2.30%

\*The Norwalk Redevelopment Agency was dissolved as of 1/31/12. The Successor Agency is reported as a Fiduciary Fund

\*\* GASB 68 was implemented in fiscal year ended June 30, 2015.

Source: City of Norwalk

**City of Norwalk**  
**Governmental Activities Tax Revenues By Source**  
**Last Ten Fiscal Years**  
**(accrual basis of accounting)**

Fiscal Year	Property Tax		Sales and Use Tax	Utility Users Tax	Business Operations Tax	Transient Occupancy Tax	Property Tax in-lieu of VLF	Franchise Fees	Total Taxes
	City	Redevelopment Agency							
2008-09	6,475,400	9,267,459	8,668,275	6,023,035	637,385	1,165,698	9,208,157	1,637,196	43,082,605
2009-10	7,073,934	9,267,269	7,519,647	5,974,407	649,357	1,021,084	8,536,095	1,615,826	41,657,619
2010-11	5,658,080	9,106,617	8,222,180	5,743,933	669,931	876,639	8,394,222	1,676,175	40,347,777
2011-12 (1)	5,708,121	2,115,285	8,760,445	5,421,616	858,584	1,128,493	8,535,764	1,747,542	34,275,850
2012-13	6,986,560	-	9,323,299	5,354,039	782,573	1,227,030	8,727,028	1,790,365	34,190,894
2013-14	6,616,294	-	9,327,844	5,256,908	798,659	1,309,026	9,021,481	1,859,947	34,190,159
2014-15	6,842,242	-	9,525,144	5,287,009	843,097	1,378,504	9,566,153	1,908,525	35,350,674
2015-16	7,636,462	-	10,541,304	5,296,349	844,971	1,532,516	9,973,472	1,881,854	37,706,928
2016-17	7,481,345	-	10,264,892	5,093,361	857,171	1,544,811	10,430,453	1,786,343	37,458,376
2017-18	8,390,338	-	11,078,771	4,848,872	880,709	1,593,203	10,967,928	1,836,980	39,596,801

(1) The Norwalk Redevelopment Agency was dissolved as of 1/31/12. The Successor Agency is reported as a Fiduciary Fund

Source: City of Norwalk



**City of Norwalk**  
**Assessed Value and Actual Value of Taxable Property**  
**Last Ten Fiscal Years**  
**(rate per \$1,000 of assessed value)**

<u>Fiscal Year</u>	<u>Residential Property</u>	<u>Commercial Property</u>	<u>Industrial Property</u>	<u>Other* Property</u>	<u>Tax-Exempt Property</u>	<u>Total Taxable Assessed Value</u>	<u>Total Direct Tax Rate</u>
2008-09	4,960,294	622,788	220,165	293,355	39,287	6,096,602	0.20525%
2009-10	4,464,323	655,276	225,728	306,709	39,305	5,652,036	0.22484%
2010-11	4,397,888	638,634	237,745	283,921	41,012	5,558,188	0.22213%
2011-12	4,495,242	639,267	227,164	288,436	40,773	5,650,109	0.21830%
2012-13	4,593,039	651,375	233,802	298,414	44,013	5,776,630	0.22158%
2013-14	4,758,897	666,384	247,283	298,845	40,913	5,971,409	0.09311%
2014-15	5,088,372	682,359	252,944	308,032	46,424	6,331,707	0.09306%
2015-16	5,314,858	708,561	260,655	317,233	44,912	6,601,307	0.09304%
2016-17	5,566,383	722,338	275,896	321,168	43,645	6,885,785	0.09301%
2017-18	5,856,328	752,130	287,475	345,253	44,073	7,241,186	0.09296%

\*Other property includes government, institutional, unsecured property and vacant land.

Note: In 1978 the voters of the State of California passed Proposition 13 which limited taxes to a total maximum rate of 1%, based upon the assessed value of the property being taxed. Each year, the assessed value of property may be increased by an "inflation factor" (limited to a maximum of 2%). With few exceptions, property is only reassessed as a result of new construction activity or at the time it is sold to a new owner. At that point, the property is reassessed based upon the added value of the construction or at the purchase price (market value) or economic value of the property sold. The assessed valuation data shown above represents the only data currently available with respect to the actual market value of taxable property and is subject to the limitations described above.

Source: L.A. County Assessor, HdL Coren & Cone

**City of Norwalk**  
**Direct and Overlapping Property Tax Rates**  
**Last Ten Fiscal Years**  
**(rate per \$100 of taxable value)**

	Fiscal Year									
	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Total Direct Rate	0.20525	0.22484	0.22213	0.21830	0.22158	0.09311	0.09306	0.09304	0.09301	0.09296
Overlapping Rates:										
Los Angeles County General	0.23210	0.23210	0.23210	0.23210	0.23210	0.23210	0.23210	0.23210	0.23210	0.23210
Norwalk-La Mirada Unified School District	0.18780	0.18780	0.18780	0.18780	0.18780	0.18780	0.18780	0.18780	0.18780	0.18780
Consolidated Fire Protection District of LA Co.	0.17000	0.17000	0.17000	0.17000	0.17000	0.17000	0.17000	0.17000	0.17000	0.17000
Educational Augmentation Fund Impound	0.13530	0.13530	0.13530	0.13530	0.13530	0.13530	0.13530	0.13530	0.13530	0.13530
Educational Revenue Augmentation Fund	0.06850	0.06850	0.06850	0.06850	0.06850	0.06850	0.06850	0.06850	0.06850	0.06850
City Norwalk Tax District 1	0.06630	0.06630	0.06630	0.06630	0.06630	0.06630	0.06630	0.06630	0.06630	0.06630
Norwalk Southeast Recreation and Park	0.02630	0.02630	0.02630	0.02630	0.02630	0.02630	0.02630	0.02630	0.02630	0.02630
Cerritos Community College District	0.02460	0.02460	0.02460	0.02460	0.02460	0.02460	0.02460	0.02460	0.02460	0.02460
La Mirada Southeast Recreation and Park	0.02440	0.02440	0.02440	0.02440	0.02440	0.02440	0.02440	0.02440	0.02440	0.02440
LA County Library	0.02250	0.02250	0.02250	0.02250	0.02250	0.02250	0.02250	0.02250	0.02250	0.02250
County Sanitation District No. 18 Operating	0.01223	0.01223	0.01223	0.01223	0.01223	0.01223	0.01223	0.01223	0.01223	0.01223
LA County Flood Control Maintenance	0.00936	0.00936	0.00936	0.00936	0.00936	0.00936	0.00936	0.00936	0.00936	0.00936
LA County Fire - Ffw	0.00693	0.00693	0.00693	0.00693	0.00693	0.00693	0.00693	0.00693	0.00693	0.00693
County School Service Fund Norwalk - La Mirada	0.00652	0.00652	0.00652	0.00652	0.00652	0.00652	0.00652	0.00652	0.00652	0.00652
Children's Institutional Tuition Fund	0.00272	0.00272	0.00272	0.00272	0.00272	0.00272	0.00272	0.00272	0.00272	0.00272
LA County Flood Control Dr. Imp. Dist. Maint.	0.00165	0.00165	0.00165	0.00165	0.00165	0.00165	0.00165	0.00165	0.00165	0.00165
County School Services	0.00137	0.00137	0.00137	0.00137	0.00137	0.00137	0.00137	0.00137	0.00137	0.00137
Little Lake Cemetery District	0.00091	0.00091	0.00091	0.00091	0.00091	0.00091	0.00091	0.00091	0.00091	0.00091
Greater LA Co. Vector Control	0.00036	0.00036	0.00036	0.00036	0.00036	0.00036	0.00036	0.00036	0.00036	0.00036
Water Replenishment District of Southern Calif.	0.00017	0.00017	0.00017	0.00017	0.00017	0.00017	0.00017	0.00017	0.00017	0.00017
LA County Accumulative Capital Outlay	0.00011	0.00011	0.00011	0.00011	0.00011	0.00011	0.00011	0.00011	0.00011	0.00011
Total Proposition 13 Rate	<u>1.0000</u>	<u>1.0000</u>	<u>1.0000</u>	<u>1.0000</u>	<u>1.0000</u>	<u>1.0000</u>	<u>1.0000</u>	<u>1.0000</u>	<u>1.0000</u>	<u>1.0000</u>
ABC Unified School District	0.02388	0.02695	0.02920	0.02858	0.02453	0.02894	0.02916	0.03243	0.03132	0.03107
Cerritos Community College District	0.00994	0.01854	0.02677	0.01782	0.02594	0.02502	0.04809	0.04829	0.04698	0.04370
Downey Unified School District	0.05790	0.06507	0.07018	0.06725	0.07132	0.06603	0.06549	0.11466	0.11473	0.10538
Little Lake City School District	0.07360	0.07233	0.07647	0.05286	0.06942	0.08537	0.07964	0.06522	0.07527	0.07876
Metropolitan Water District	0.00430	0.00430	0.00370	0.00370	0.00350	0.00350	0.00350	0.00350	0.00350	0.00350
Norwalk-La Mirada Unified School District	0.06271	0.06110	0.06197	0.06496	0.06997	0.07238	0.07063	0.14114	0.13400	0.13818
Rio Hondo Community College Dist	0.02320	0.02714	0.03439	0.03418	0.02812	0.02892	0.02821	0.02712	0.02808	0.02748
Whittier Union High School District	0.03728	0.04224	0.04239	0.04317	0.04556	0.04473	0.05270	0.05063	0.06035	0.05781
Total Voter Approved Rate	<u>0.29281</u>	<u>0.31767</u>	<u>0.34507</u>	<u>0.31252</u>	<u>0.33836</u>	<u>0.35489</u>	<u>0.37742</u>	<u>0.48299</u>	<u>0.49423</u>	<u>0.48588</u>
Total Direct & Overlapping Tax Rates	<u>1.29281</u>	<u>1.31767</u>	<u>1.34507</u>	<u>1.31252</u>	<u>1.33836</u>	<u>1.35489</u>	<u>1.37742</u>	<u>1.48299</u>	<u>1.49423</u>	<u>1.48588</u>
City's Share of 1% Levy per Prop 13	0.09255	0.09255	0.09255	0.09255	0.09255	0.09255	0.09255	0.09255	0.09255	0.09255
Redevelopment Rate	1.00430	1.00430	1.00370	1.00370	-	-	-	-	-	-

Notes:  
General fund tax rates are representative and based upon the direct and overlapping rates for the largest General Fund rate area (TRA) by net taxable value.

In 1978 the voters of the State of California passed Proposition 13 which sets the property tax rate at a 1.00% fixed amount. This 1.00% is shared by all taxing agencies for which the subject property resides within. In addition to the 1.00% fixed amount, property owners are charged taxes as a percentage of assessed property values for the payment of voter approved bonds.

City's Share of 1% Levy is based on the City's share of the general fund tax rate area with the largest net taxable value within the city. ERAF general fund tax shifts may not be included in tax ratio figures.

RDA rate is based on the largest RDA tax rate area (TRA) and includes only rate(s) from indebtedness adopted prior to 1989 per California State statute. RDA direct and overlapping rates are applied only to the incremental property values.

Total Direct Rate is the weighted average of all individual direct rates applied by the government preparing the statistical section information. The percentages presented in the columns above do not sum across rows.

Source: L.A. County Assessor's Office

**City of Norwalk**  
**Principal Property Tax Payers**  
**Current Fiscal Year and Ten Fiscal Years Ago**

Taxpayer	2017-18			2008-09		
	Taxable Assessed	Rank	Percentage of Total City Taxable Assessed	Taxable Assessed	Rank	Percentage of Total City Taxable Assessed
	Value		Value	Value		Value
Norwalk MM LLC ET AL	\$ 71,258,195	1	0.98%	-		-
TLUS Sam Red SCC Owner LLC	48,567,370	2	0.67%	-		-
Veranda Associates LP	46,043,491	3	0.64%	-		-
Target Corporation	39,649,990	4	0.55%	-		-
Levian Family Norwalk LLC	36,139,263	5	0.50%	-		-
Miracle Mile Properties LP	32,846,954	6	0.45%	-		-
Advanced Group	27,117,976	7	0.37%	-		-
Paddison Associates	26,824,990	8	0.37%	-		-
McKenna Norwalk LP	26,572,456	9	0.37%	-		-
Costco Wholesale Corporation	25,081,887	10	0.35%	-		-
Norwalk MM LLC				62,961,469	1	1.03%
Avalon California Value III LLC				39,828,100	2	0.65%
Target Corporation				35,386,703	3	0.58%
Hekmatravan Family Norwalk LLC				31,931,695	4	0.52%
Sam Menlo Trust				29,184,494	5	0.48%
BRCP Realty So California Portfolio LLC				24,515,700	6	0.40%
TGM Palm Country Club INC				23,962,081	7	0.39%
Paddison Associates				23,458,643	8	0.38%
ECM Norwalk LP				21,785,160	9	0.36%
McKenna Norwalk LP				21,556,215	10	0.35%
	<u>\$ 380,102,572</u>		<u>5.25%</u>	<u>\$ 314,570,260</u>		<u>5.16%</u>

Excludes government and tax-exempt property owners

Source: L.A. County Assessor 2008/09 and 2017/18 Combined Tax, SBE NonUnitary Tax Rolls and HdL Companies

**City of Norwalk**  
**Secured Property Tax Levies and Collections**  
**Last Ten Fiscal Years**

Fiscal Year	Total Tax Levy	Collected within the fiscal year of the levy		Collections in Subsequent Years	Total collections to date	
		Amount	% of Levy		Amount	% of Levy
2007-08	2,378,821	2,150,802	90.41%	14,849	2,165,651	91.04%
2008-09	2,512,009	2,283,740	90.91%	30,774	2,314,514	92.14%
2009-10	2,322,951	2,120,057	91.27%	21,579	2,141,636	92.19%
2010-11	2,280,220	2,138,030	93.76%	(36,293)	2,101,737	92.17%
2011-12	2,354,260	2,162,196	91.84%	9,720	2,171,916	92.25%
2012-13	2,413,472	2,332,515	96.65%	3,209	2,335,723	96.78%
2013-14	2,500,671	2,423,743	96.92%	(35,972)	2,387,771	95.49%
2014-15	2,655,207	2,561,063	96.45%	(26,757)	2,534,306	95.45%
2015-16	2,783,387	2,685,240	96.47%	(23,512)	2,661,728	95.63%
2016-17	2,894,814	2,767,579	95.60%	9,041	2,776,620	95.92%

Source: L.A. County Auditor/Controller

**City of Norwalk**  
**Direct and Overlapping Governmental Activities Debt**  
**As of June 30, 2018**

Governmental Unit	Gross Bonded Debt Balance	Estimated Percentage Applicable <sup>(1)</sup>	Net Bonded Debt
<b>Direct Debt</b>			
Lease Revenue Refunding Bonds	\$ 11,469,220	100.000%	\$ 11,469,220
Water Revenue Bonds	\$ 8,765,623	100.000%	8,765,623
<b>Total Direct Debt</b>			<b>20,234,843</b>
<b>Overlapping Debt</b>			
Metropolitan Water District	29,354,442	0.529%	155,379
Little Lake City School District SD DS 00RS D-1QSCBS	6,475,000	38.235%	2,475,709
Little Lake City SD DS 2011 Refunding Bond	4,794,901	38.235%	1,833,325
Little Lake City SD DS 2012 Series A	4,480,000	38.235%	1,712,923
Little Lake City SD DS 2014 Ref Bonds Series A	5,685,000	38.235%	2,173,653
Little Lake City SD DS 2014 Ref Bonds Series B	10,325,000	38.235%	3,947,752
Little Lake City SD DS 2012 Series B	11,910,000	38.235%	4,553,775
Whittier Un High DS 2008 SER 2009A	480,682	6.196%	29,785
Whittier Union HSD DS 2008 SER 2014B	12,465,000	6.196%	772,392
Whittier Union HSD DS 2008 SERIES 2015C	67,050,000	6.196%	4,154,742
Whittier Union HSD DS 2015 Ref Bonds	65,658,679	6.196%	4,068,529
Cerritos CCD DS 2004 Series 2009C	2,560,000	12.792%	327,467
Cerritos CCD DS 2004 Series 2012D	81,210,988	12.792%	10,388,261
Cerritos CCD DS 2012 Series 2014A	73,900,000	12.792%	9,453,062
Cerritos CCD DS 2014 REF BONDS SERIES A	77,845,000	12.792%	9,957,694
Cerritos CCD DS 2014 REF BONDS SERIES B	13,840,000	12.792%	1,770,370
Cerritos CCD DS 2012 Series 2018B	75,000,000	12.792%	9,593,770
Rio Hondo CCD DS 2005 Refunding Bonds	31,650,000	3.959%	1,253,058
Rio Hondo CCD DS 2004 Series 2008	116,557,824	3.959%	4,614,651
ABC Unified 2003 Refund Bond Series A	27,916,913	3.564%	995,015
ABC Unified DS 1997 Series A	7,675,000	3.564%	273,552
Downey USD DS Refunding 1999 Series A	3,935,256	0.002%	59
Downey USD DS 2007 REF BDS	16,720,000	0.002%	251
Downey USD DS 2011 Refunding Bonds	7,000,000	0.002%	105
Downey USD DS 2012 Ref Bonds	12,510,000	0.002%	188
Downey USD DS 2014 SERIES A	42,995,000	0.002%	645
Downey USD DS 2016 Ref Bonds	6,595,000	0.002%	99
Norwalk-La Mirada USD DS 2002 S-05A	39,969,918	42.892%	17,143,827
Norwalk-La Mirada USD DS 2009 Ref Bonds	49,298,055	42.892%	21,144,835
Norwalk-La Mirada USD DS 2013 Ref Series A	6,130,000	42.892%	2,629,269
Norwalk-La Mirada USD DS 2014 Ref Bonds	7,760,000	42.892%	3,328,406
Norwalk-La Mirada USD DS 2014 Series A	11,400,000	42.892%	4,889,668
Norwalk-La Mirada USD DS 2015 Ref Bonds	78,420,000	42.892%	33,635,769
<b>Total Overlapping Debt</b>			<b>157,277,987</b>
<b>Total Direct and Overlapping Debt</b>			<b>\$ 177,512,830</b>

2017/18 Assessed Valuation: \$6,066,290,901 after deducting \$1,174,895,067 in Incremental Value.

Debt to Assessed Valuation Ratios: Direct Debt-0.334%, Overlapping Debt-2.59% Total Debt- 2.92%

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Norwalk. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

Source: HdL Coren & Cone, L.A. County Assessor and Auditor Combined 2017/18 Lien Date Tax Rolls

**City of Norwalk**  
**Legal Debt Margin Information**  
**Last Ten Fiscal Years**

	Fiscal Year									
	2008-09	2009-10	2010-11	2011-12*	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Assessed valuation	\$ 6,096,601,866	\$ 5,652,036,105	\$ 5,558,188,319	\$ 5,650,108,854	\$ 5,776,629,334	\$ 5,971,408,845	\$ 6,331,707,221	\$ 6,601,306,707	\$ 6,885,785,316	\$ 7,241,185,968
Conversion percentage	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
Adjusted assessed valuation	1,524,150,467	1,413,009,026	1,389,547,080	1,412,527,214	1,444,157,334	1,492,852,211	1,582,926,805	1,650,326,677	1,721,446,329	1,810,296,492
Debt limit percentage	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
Debt limit	228,622,570	211,951,354	208,432,062	211,879,082	216,623,600	223,927,832	237,439,021	247,549,002	258,216,949	271,544,474
Total net debt applicable to limit: General obligation bonds	-	-	-	-	-	-	-	-	-	-
Legal debt margin	<u>\$ 228,622,570</u>	<u>\$ 211,951,354</u>	<u>\$ 208,432,062</u>	<u>\$ 211,879,082</u>	<u>\$ 216,623,600</u>	<u>\$ 223,927,832</u>	<u>\$ 237,439,021</u>	<u>\$ 247,549,002</u>	<u>\$ 258,216,949</u>	<u>\$ 271,544,474</u>
Total net debt applicable to the limit as a percent of debt limit	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Norwalk Long Term Debt Outstanding:	114,642,909	114,205,114	114,836,127	16,020,000	24,950,862	25,261,134	24,445,312	22,755,489	21,522,666	24,571,851
Debt per capita: (2018 Pop 107,546)	1,088	1,082	1,088	152	235	237	229	216	204	228
Debt as a percentage of personal income:	6%	6%	6%	1%	1%	1%	1%	1%	1%	1%

\* The Norwalk Redevelopment Agency was dissolved as of 1/31/12. The Successor Agency is reported as a Fiduciary Fund  
Note: Under state finance law, the City of Norwalk's outstanding general obligation debt should not exceed 15 percent of total assessed property value. By law, the general obligation debt subject to the limitation may be offset by amounts set aside for repaying general obligation bonds.

Sources:  
City Finance Department  
County of Los Angeles Tax Assessor's Office

**City of Norwalk  
Outstanding Debt  
Last Ten Fiscal Years**

	Fiscal Year									
	2008-09	2009-10	2010-11	2011-12*	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
<b>Governmental Activities</b>										
Lease Revenue										
Refunding Bonds	\$ 18,175,000	\$ 17,485,000	\$ 16,770,000	\$ 16,020,000	\$ 15,065,000	\$ 14,860,000	\$ 13,960,000	\$ 13,025,000	\$ 12,045,000	\$ 11,020,000
Tax Allocation Refunding Bonds, 2005	60,735,000	59,605,000	58,430,000	-	-	-	-	-	-	-
Lease Payable	-	-	-	-	-	-	-	-	-	4,337,008
Subtotal	78,910,000	77,090,000	75,200,000	16,020,000	15,065,000	14,860,000	13,960,000	13,025,000	12,045,000	15,357,008
Add ( deduct) deferred amounts:										
Bond Premium	421,168	405,123	389,078	-	184,115	679,612	622,014	564,416	506,818	449,220
Bond discount	(310,626)	(298,793)	(286,960)	-	-	-	-	-	-	-
Deferred charge on refunding	(202,543)	(190,015)	(177,487)	-	-	-	-	-	-	-
<b>Total Governmental Activities</b>	<u>\$ 78,817,999</u>	<u>\$ 77,006,315</u>	<u>\$ 75,124,631</u>	<u>\$ 16,020,000</u>	<u>\$ 15,249,115</u>	<u>\$ 15,539,612</u>	<u>\$ 14,582,014</u>	<u>\$ 13,589,416</u>	<u>\$ 12,551,818</u>	<u>\$ 15,806,228</u>
<b>Business-type Activities</b>										
Water Revenue Bonds	\$ -	\$ -	\$ -	\$ -	\$ 9,395,000	\$ 9,245,000	\$ 9,070,000	\$ 8,890,000	\$ 8,705,000	\$ 8,510,000
Add ( deduct) deferred amounts:										
Bond Premium	-	-	-	-	306,747	296,522	286,298	276,073	265,848	255,623
<b>Total Business-type Activities</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,701,747</u>	<u>\$ 9,541,522</u>	<u>\$ 9,356,298</u>	<u>\$ 9,166,073</u>	<u>\$ 8,970,848</u>	<u>\$ 8,765,623</u>
<b>Total long-term liabilities</b>	<u>\$ 78,817,999</u>	<u>\$ 77,006,315</u>	<u>\$ 75,124,631</u>	<u>\$ 16,020,000</u>	<u>\$ 24,950,862</u>	<u>\$ 25,081,134</u>	<u>\$ 23,938,312</u>	<u>\$ 22,755,489</u>	<u>\$ 21,522,666</u>	<u>\$ 24,571,851</u>

Note:

See note to financial statement number 7 and 8 for a detailed explanation of outstanding debt.

\* The Norwalk Redevelopment Agency was dissolved as of 1/31/12. The Successor Agency is reported as a Fiduciary Fund

Source: City of Norwalk

**City of Norwalk**  
**Pledged-Revenue Coverage**  
**Last Ten Fiscal Years**

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Norwalk Community Facilities Financing Authority - Lease Revenue Refunding Bonds				
Fiscal	Lease	Debt Service		Coverage
Year	Revenue	Principal	Interest	
2008-09	1,570,431	655,000	915,431	1.00
2009-10	1,578,981	690,000	888,981	1.00
2010-11	1,575,641	715,000	860,641	1.00
2011-12	1,580,806	750,000	830,806	1.00
2012-13	1,947,099	955,000	992,099	1.00
2013-14	946,268	205,000	741,268	1.00
2014-15	1,448,881	900,000	548,881	1.00
2015-16	1,447,881	935,000	512,881	1.00
2016-17	1,455,481	980,000	475,481	1.00
2017-18	1,461,281	1,025,000	436,281	1.00

The Norwalk Redevelopment Agency was dissolved as of 1/31/12. The Successor Agency is reported as a Fiduciary Fund

Source: City of Norwalk



**City of Norwalk**  
**Demographic and Economic Statistics**  
**Last Ten Fiscal Years**

Fiscal Year	Population	Personal Income (in thousands)	Per Capita Personal Income	Unemployment Rate
2008-09	108,898	1,894,837	17,400	7.9%
2009-10	109,162	1,851,493	16,961	12.2%
2010-11	109,817	1,902,799	17,327	13.3%
2011-12	105,714	2,028,757	19,191	13.0%
2012-13	106,093	2,041,442	19,242	9.8%
2013-14	106,630	2,051,561	19,240	8.1%
2014-15	106,679	2,060,398	19,314	8.4%
2015-16	105,292	2,084,810	19,800	6.9%
2016-17	105,526	2,066,616	19,583	5.4%
2017-18	107,546	2,132,084	19,824	4.2%

Source:

HdL, Coren & Cone , State of California, and Department of Finance,

**City of Norwalk  
Principal Employers  
Current Fiscal Year and Ten Fiscal Years Ago**

Employer	2017-2018			2008-2009		
	Employees	Rank	% of Total City Employment	Employees	Rank	% of Total City Employment
Cerritos College	2,095	1	8.11%	1,198	4	2.56%
Los Angeles County	2,090	2	8.09%	1,216	3	2.60%
Metropolitan State Hospital	1,482	3	5.74%	1,532	2	3.28%
Norwalk-LA Mirada School	1,474	4	5.71%	4,365	1	9.34%
Target	602	5	2.33%	420	8	0.90%
City of Norwalk	426	6	1.65%	480	6	1.03%
Costco Wholesale	318	7	1.23%	318	10	0.68%
LA County Sheriff's Department	310	8	1.20%	250	13	0.53%
Doty Brothers Equipment Company	300	9	1.16%	300	12	0.64%
Little Lake School District	296	10	1.15%			0.00%
Coast Plaza Hospital	268	11	1.04%	432	7	0.92%
Norwalk Community Hospital	253	12	0.98%			0.00%
Walmart	250	13	0.97%	100	21	0.21%
Mc Donald's	213	14	0.82%			0.00%
Southland Care Center	180	15	0.70%			0.00%
West Central Produce Inc	167	16	0.65%			0.00%
Stater Brothers Markets	160	17	0.62%	160	16	0.34%
Key West Collision	150	18	0.58%			0.00%
McKenna Motors	149	19	0.58%	230	14	0.49%
Eco Sanitary Supplies Inc	138	20	0.53%			0.00%
All Other Employers	14,512		56.18%	35,738		76.46%
<b>Total</b>	<b>25,833</b>		<b>100.00%</b>	<b>46,739</b>		<b>100.00%</b>

Source: *ReferenceUsa* Prepared by: City of Norwalk 10/2018

**City of Norwalk**  
**Full-Time and Part-Time Equivalent City Employees by Function**  
**Last Ten Fiscal Years**

Function	Fiscal Year									
	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
General Government	43	42	49	51	46	47	48	51	55	58
Public Safety	53	43	40	41	43	38	37	41	33	41
Public Works	57	46	53	55	77	78	78	76	81	83
Social Services	33	31	28	26	30	29	32	34	32	28
Recreation	116	93	89	98	85	97	94	90	89	92
Community Development	45	38	25	26	34	35	35	38	24	24
Transit	133	131	116	107	94	98	93	101	97	100
Total	480	424	400	404	409	422	417	431	411	426

Source: City of Norwalk

**City of Norwalk  
Operating Indicators by Function  
Last Ten Fiscal Years**

Function	Fiscal Year									
	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
<b>Police:</b>										
Calls responded	24,260	29,702	24,046	28,410	28,265	27,068	27,431	30,134	30,671	30,044
Response Time: (minutes)										
Emergency	3.9	3.7	3.7	3.6	3.8	3.9	3.8	3.3	3.8	4.0
Non-Emergency	10.8	10	10.2	9.4	9.3	9.6	9	8.7	8.9	9.3
Routine	27.8	29.7	29.4	31	31.8	34.4	33	34.5	37.5	41.8
<b>Community development:</b>										
Number of residential permits	2,848	1,999	2,565	3,114	2,719	2,746	2,835	4,461	4,586	3,360
Number of commercial permits	520	507	479	425	357	447	357	542	470	331
<b>Water:</b>										
New connections	4	11	0	10	3	1	0	4	7	0
Average daily consumption (millions of gallons)	213	197	189	188	198	200	157	131	135	143
<b>Sewers:</b>										
New connections	3	2	4	0	11	11	3	4	15	15
<b>Transit:</b>										
Buses-number of riders	2,941,545	2,232,333	2,291,089	2,126,885	1,880,629	1,739,670	1,528,931	1,378,353	1,539,633	1,461,070
Dial-A-Ride-number of riders	23,121	22,754	18,139	20,493	16,146	21,754	21,908	22,031	21,849	22,344

Source: City of Norwalk

**City of Norwalk**  
**Capital Asset Statistics by Function**  
**Last Ten Fiscal Years**

Function	Fiscal Year									
	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Fire:										
Stations	3	2	2	2	2	2	2	2	2	2
Public works:										
Streets (miles)	181	180	187	187	187	187	187	187	197	197
Street lights	5,479	5,479	5,479	5,479	5,400	5,400	5,400	5,400	5,373	5,373
Traffic Lights	87	83	81	83	81	81	81	80	80	86
Parks and recreation:										
Parks	14	14	14	14	14	14	14	14	14	14
Community centers	1	1	1	1	1	1	1	1	1	1
Sports center	1	1	1	1	1	1	1	1	1	1
Water:										
Water mains (miles)	40	40	40	40	40	40	40	40	40	40
Maximum daily capacity (million gallons per day)	4	4	4	4	4	4	4	4	4	4
Waste water:										
Sanitary sewers (miles)	180	180	180	180	180	180	180	180	180	180
Transit:										
Buses	36	33	33	33	28	33	33	34	33	34
Dial-A-Ride Vans	7	7	7	7	7	7	7	7	7	7

Source: City of Norwalk

City of Norwalk  
Water System - Statement of Net Position  
Last Ten Fiscal Years

	Fiscal Year									
	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
<b>ASSETS</b>										
Current assets										
Pooled Cash and Investments	\$ -	\$ 483,916	\$ 4,315,796	\$ 4,467,519	\$ 5,947,048	\$ 6,682,089	\$ 7,244,665	\$ 7,617,845	\$ 6,350,511	\$ 6,115,383
Cash With Fiscal Agent	-	-	-	-	3,497,853	3,496,405	3,498,268	3,505,991	2,605	2,706
Other Current Assets	542,552	887,749	1,129,167	651,650	844,735	857,657	633,751	708,259	753,366	1,055,583
<b>Total Current Assets</b>	<b>542,552</b>	<b>1,371,665</b>	<b>5,444,963</b>	<b>5,119,169</b>	<b>10,289,636</b>	<b>11,036,151</b>	<b>11,376,684</b>	<b>11,832,095</b>	<b>7,106,482</b>	<b>7,173,672</b>
Net capital assets	8,284,672	9,687,469	11,040,617	11,395,877	17,171,995	17,062,861	17,189,977	17,217,176	22,685,814	22,800,687
<b>Total Assets</b>	<b>\$ 8,827,224</b>	<b>\$ 11,059,134</b>	<b>\$ 16,485,580</b>	<b>\$ 16,515,046</b>	<b>\$ 27,461,631</b>	<b>\$ 28,099,012</b>	<b>\$ 28,566,661</b>	<b>\$ 29,049,271</b>	<b>\$ 29,792,296</b>	<b>\$ 29,974,359</b>
<b>Deferred Outflows of Interest</b>										
Deferred amount from OPEB plans	-	-	-	-	-	-	-	-	-	61,234
Deferred amount from pension plans	-	-	-	-	-	-	94,010	111,365	306,324	379,083
<b>Total Deferred Outflows of Interest</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 94,010</b>	<b>\$ 111,365</b>	<b>\$ 306,324</b>	<b>\$ 440,317</b>
<b>Liabilities</b>										
Current liabilities										
Accounts payable	285,616	753,813	1,026,532	288,735	345,355	296,232	300,518	392,906	674,407	752,698
Other Current liabilities	213,604	205,089	152,168	138,184	298,143	332,546	416,146	478,559	733,699	593,361
<b>Total Current Liabilities</b>	<b>499,220</b>	<b>958,902</b>	<b>1,178,700</b>	<b>426,919</b>	<b>643,498</b>	<b>628,778</b>	<b>716,664</b>	<b>871,465</b>	<b>1,408,106</b>	<b>1,346,059</b>
Noncurrent liabilities										
Advances from other funds	2,137,500	3,034,610	3,034,610	3,034,610	3,034,610	2,942,835	2,846,472	2,745,291	2,639,051	2,410,368
Bonds Payable	-	-	-	-	9,551,747	9,366,522	9,176,298	8,981,073	8,775,848	8,565,623
Compensated absences payable	102,034	69,102	66,556	102,903	106,749	114,460	118,096	85,475	98,064	94,905
Net other post-employment benefits liabilities	33,440	70,943	107,748	144,672	183,740	230,765	248,896	243,643	251,749	1,015,032
Net pension liabilities	-	-	0	-	-	-	1,008,023	1,144,215	1,391,318	1,576,048
<b>Total Noncurrent Liabilities</b>	<b>2,272,974</b>	<b>3,174,655</b>	<b>3,208,914</b>	<b>3,282,185</b>	<b>12,876,846</b>	<b>12,654,582</b>	<b>13,397,785</b>	<b>13,199,697</b>	<b>13,156,030</b>	<b>13,661,976</b>
<b>Total Liabilities</b>	<b>\$ 2,772,194</b>	<b>\$ 4,133,557</b>	<b>\$ 4,387,614</b>	<b>\$ 3,709,104</b>	<b>\$ 13,520,344</b>	<b>\$ 13,283,360</b>	<b>\$ 14,114,449</b>	<b>\$ 14,071,162</b>	<b>\$ 14,564,136</b>	<b>\$ 15,008,035</b>
<b>Deferred Inflow of Resources</b>										
Deferred amount from OPEB plans	-	-	-	-	-	-	-	-	-	4,758
Deferred amount from pension plans	-	-	-	-	-	-	235,601	86,495	41,315	35,035
<b>Total Deferred Inflow of Resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>235,601</b>	<b>86,495</b>	<b>41,315</b>	<b>39,793</b>
<b>Net Assets</b>										
Invested in capital assets	8,284,672	9,687,469	11,040,617	11,395,877	11,271,496	7,817,861	11,331,947	11,557,094	13,717,571	14,037,770
Restricted - debt service	-	-	-	-	3,497,853	3,496,405	3,498,268	3,505,991	2,605	2,706
Unrestricted	(2,229,642)	(2,761,892)	1,057,349	1,410,065	(828,062)	3,501,386	(519,594)	(60,106)	1,772,994	1,326,372
<b>Total Net Assets</b>	<b>\$ 6,055,030</b>	<b>\$ 6,925,577</b>	<b>\$ 12,097,966</b>	<b>\$ 12,805,942</b>	<b>\$ 13,941,287</b>	<b>\$ 14,815,652</b>	<b>\$ 14,310,621</b>	<b>\$ 15,002,979</b>	<b>\$ 15,493,170</b>	<b>\$ 15,366,848</b>

Source: City of Norwalk

City of Norwalk  
Water System - Historic Net Water Revenue & Debt Service Coverage  
Last Ten Fiscal Years

	Fiscal Year									
	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
<b>Annual Rate Increase</b>										
Fixed Service Charge	14.8%	11.3%	14.8%	2.8%	2.1%	2.2%	0.50%	0.0%	-1.50%	6.00%
Per Unit Consumption Charge	145.8%	11.3%	14.8%	2.8%	3.1%	2.0%	0.6%	0.0%	12.80%	6.30%
<b>Water Revenues</b>										
Charges for Services <sup>(1)</sup>	\$3,934,301	\$4,271,647	\$4,900,781	\$4,871,113	\$5,170,527	\$5,302,823	\$5,051,524	\$4,953,919	\$5,147,289	\$5,704,279
Investment Income	-	-	19,203	25,921	43,521	42,108	48,833	82,318	65,844	82,160
Other	-	15,862	(622)	867	1,720	673	474	0	0	0
<b>Total Revenues</b>	<b>\$3,934,301</b>	<b>\$4,287,509</b>	<b>\$4,919,362</b>	<b>\$4,897,901</b>	<b>\$5,215,768</b>	<b>\$5,345,604</b>	<b>\$5,100,831</b>	<b>\$5,036,237</b>	<b>\$5,213,133</b>	<b>\$5,786,439</b>
<b>Operation &amp; Maintenance Costs</b>										
Administrative	\$342,796	\$335,063	\$357,641	\$423,877	\$398,996	\$434,562	\$462,605	\$411,005	\$452,125	\$421,376
Utilities	54,598	42,562	45,919	80,409	128,623	136,040	138,288	129,563	113,163	75,218
Salaries and Benefits	641,353	645,621	624,146	793,379	769,042	858,182	870,467	843,037	1,011,509	1,133,317
Contractual Services	15,094	191,518	180,022	163,150	193,585	267,803	284,846	733,789	653,584	524,343
Cost of Water	1,389,046	1,584,034	1,739,615	1,912,508	1,466,426	1,569,671	1,535,855	1,383,957	1,679,760	2,177,554
Supplies and Materials	202,062	205,830	219,809	240,508	338,686	384,239	315,019	44,967	25,754	57,199
<b>Total Operating Expense</b>	<b>\$2,644,949</b>	<b>\$3,004,628</b>	<b>\$3,167,152</b>	<b>\$3,613,831</b>	<b>\$3,295,358</b>	<b>\$3,650,497</b>	<b>\$3,607,080</b>	<b>\$3,546,318</b>	<b>\$3,935,895</b>	<b>\$4,389,007</b>
<b>Net Water Revenues</b>	<b>\$1,289,352</b>	<b>\$1,282,881</b>	<b>\$1,752,210</b>	<b>\$1,284,070</b>	<b>\$1,920,410</b>	<b>\$1,695,107</b>	<b>\$1,493,751</b>	<b>\$1,489,919</b>	<b>\$1,277,238</b>	<b>\$1,397,432</b>
<b>Debt Service Coverage</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>3.13</b>	<b>2.77</b>	<b>2.76</b>	<b>2.38</b>	<b>2.59</b>

<sup>(1)</sup> Includes water billing fees, late fees, fire flow fees, water facilities fees, lease of water rights and other fees.

Source: City of Norwalk

**Water System - Projected Net Water Revenues and Debt Service Coverage  
Last Five Fiscal Years and One Year Projection**

	Fiscal Year					
	2013-14 (Actual)	2014-15 (Actual)	2015-16 (Actual)	2016-17 (Actual)	2017-18 (Actual)	2018-19 (Projected)
<b>Water Revenues</b>						
Charges for Services	\$5,302,823	\$5,051,524	\$4,953,919	\$5,147,289	\$5,704,279	\$5,633,500
Investment income	42,108	48,833	82,318	65,844	82,160	22,000
Other	673	474	-	-	-	-
<b>Total Revenue</b>	<b>\$5,345,604</b>	<b>\$5,100,831</b>	<b>\$5,036,237</b>	<b>\$5,213,133</b>	<b>\$5,786,439</b>	<b>\$5,655,500</b>
<b>Operation &amp; Maintenance Costs</b>						
Administrative	\$434,562	\$462,605	\$411,005	\$452,125	421,376	522,200
Utilities	136,040	138,288	129,563	113,163	75,218	124,000
Salaries and Benefits	858,182	870,467	843,037	1,011,509	1,133,317	1,000,285
Contractual Services	267,803	284,846	733,789	653,584	524,343	578,030
Cost of Water	1,569,671	1,535,855	1,383,957	1,679,760	2,177,554	944,000
Supplies and Materials	384,239	315,019	44,967	25,754	57,199	786,610
<b>Total Expense</b>	<b>\$3,650,497</b>	<b>\$3,607,080</b>	<b>\$3,546,318</b>	<b>\$3,935,895</b>	<b>4,389,007</b>	<b>3,955,125</b>
<b>Net Water Revenues</b>	<b>\$1,695,107</b>	<b>\$1,493,751</b>	<b>\$1,489,919</b>	<b>\$1,277,238</b>	<b>\$1,397,432</b>	<b>\$1,700,375</b>
<i>Debt Service</i>						
<i>2013A Bond - Maximum Annual Debt service</i>	<i>\$541,471</i>	<i>\$539,963</i>	<i>\$ 539,713</i>	<i>\$ 537,512</i>	<i>\$ 540,113</i>	<i>\$ 539,313</i>
<b>Debt Service Coverage</b>	<b>3.13</b>	<b>2.77</b>	<b>2.76</b>	<b>2.38</b>	<b>2.59</b>	<b>3.15</b>

Source: City of Norwalk



City of Norwalk  
 Water System - Service Charges and Per Unit Rates  
 Last Ten Fiscal Years

<b>CITY OF NORWALK</b>						
<b>Historic Service Charges and Per Unit Rates</b>						
Effective Date	Service Charge 3/4"Meter*	% Increase/ (Decrease)	Service Charge 1"Meter*	% Increase/ (Decrease)	Per Unit Rate	% Increase/ (Decrease)
Sept. 2008	\$17.60	15.0%	\$58.47	15.0%	\$2.25	14.8%
Nov. 2009	37.60	113.6%	78.47	34.2%	2.25	0.0%
Jan. 2010	41.83	11.3%	87.30	11.3%	2.50	11.1%
Jul. 2010	48.00	14.8%	100.17	14.7%	2.87	14.8%
Jul. 2011	49.10	2.3%	102.47	2.3%	2.95	2.8%
Jul. 2012	50.13	2.1%	104.62	2.1%	3.04	3.1%
Jul. 2013	51.23	2.2%	106.92	2.2%	3.10	2.0%
Jul. 2014	51.49	0.5%	107.45	0.5%	3.12	0.6%
Jul. 2015	51.49	0.0%	107.45	0.0%	3.12	0.0%
Jul. 2016	50.74	-1.5%	67.74	-37.0%	3.52	12.8%
Jul. 2017	53.79	6.0%	71.81	6.0%	3.74	6.3%

Note: 1 unit of water = 100 cubic feet = 748 gallons of water.

\* Bi-monthly charge

Source: City of Norwalk

City of Norwalk  
 Water System - Service Charge Revenues  
 Last Ten Fiscal Years

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Historic Charges for Services				
Fiscal Year	Residential Service Charge Revenues	Commercial Service Charge Revenues	Total Service Charge Revenues	% Increase/ (Decrease)
2009	3,540,871	393,430	3,934,301	21.7%
2010	3,844,482	427,165	4,271,647	8.6%
2011	4,410,703	490,078	4,900,781	14.7%
2012	4,384,002	487,111	4,871,113	-0.6%
2013	4,488,765	443,944	4,932,709	1.3%
2014	4,497,508	499,723	4,997,231	1.3%
2015	4,299,933	477,770	4,777,703	-4.4%
2016	4,163,822	462,646	4,626,468	-3.2%
2017	4,413,726	490,414	4,904,140	6.0%
2018	4,802,628	533,625	5,336,253	8.8%

*Source: City of Norwalk*

City of Norwalk  
**Water System - Water Sources and Service Connections**  
**Current Fiscal Year and Prior Fiscal Year**

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Fiscal Year 2017-18		Groundwater	Purchased	
Water Source	Number of Connections	Consumption (acre ft.)	Consumption (acre ft.)	Price (per acre ft.)
Santa Fe Springs	721		175	\$1,890
Norwalk Wells	2,417	665	245*	\$1,156
City of Cerritos	2,243		790	\$1,168
<b>TOTAL</b>	<b>5,381</b>	<b>665</b>	<b>1,350</b>	
<b>Total City Groundwater Rights</b>		<b>2,015</b>		

Fiscal Year 2016-17		Groundwater	Purchased	
Water Source	Number of Connections	Consumption (acre ft.)	Consumption (acre ft.)	Price (per acre ft.)
Santa Fe Springs	721		159	\$1,890
Norwalk Wells	2,417	665	385*	\$1,117
City of Cerritos	2,243		749	\$1,032
<b>TOTAL</b>	<b>5,381</b>	<b>665</b>	<b>1,293</b>	
<b>Total City Groundwater Rights</b>		<b>1,958</b>		

\* Central service area purchased water derived from the Central Basin Municipal Water District

Source: City of Norwalk

City of Norwalk  
 Norwalk Municipal Water System - Water Sources  
 Last Ten Fiscal Years

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<b>CITY OF NORWALK          Historic Water Sources          (In millions of acre-feet per year)</b>					
<b>Fiscal Year</b>	<b>Groundwater</b>	<b>% Increase/ (Decrease)</b>	<b>Imported Water</b>	<b>% Increase/ (Decrease)</b>	<b>Total</b>
2009	419.21	-14.0%	2,262.50	-11.7%	2,681.71
2010	410.68	-2.0%	2,234.21	-1.3%	2,644.89
2011	404.39	-1.5%	1,796.80	-19.6%	2,201.19
2012	733.62	81.4%	1,422.64	-20.8%	2,156.26
2013	899.50	22.6%	1,334.89	-6.2%	2,234.39
2014	943.29	4.9%	1,373.27	2.9%	2,316.56
2015	868.16	-8.0%	1,256.06	-8.5%	2,124.22
2016	787.82	-9.3%	1,137.78	-9.4%	1,925.60
2017	664.98	-15.6%	1,292.93	13.6%	1,957.91
2018	428.22	-35.6%	1,718.18	32.9%	2,146.40

Source: City of Norwalk

City of Norwalk  
 Norwalk Municipal Water System - Service Connections by Type  
 Last Ten Fiscal Years

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<b>CITY OF NORWALK</b>					
<b>Historic Water Service Connections</b>					
<b>Fiscal Year</b>	<b>Residential Connections</b>	<b>Commercial Connections</b>	<b>Irrigation Connections</b>	<b>Total Connections</b>	<b>% Increase/ (Decrease)</b>
2009	4,899	460	12	5,371	0.00%
2010	4,899	460	12	5,371	0.00%
2011	4,899	460	12	5,371	0.00%
2012	4,899	460	12	5,371	0.00%
2013	4,899	463	12	5,374	0.06%
2014	4,899	463	12	5,374	0.00%
2015	4,899	463	12	5,374	0.00%
2016	4,899	463	12	5,374	0.00%
2017	4,902	466	13	5,381	0.13%
2018	4,902	466	13	5,381	0.00%

Source: City of Norwalk

City of Norwalk  
**Norwalk Municipal Water System - Top Ten Customers**  
**Current Fiscal Year and Prior Fiscal Year**

<b>CITY OF NORWALK - WATER</b>		
<b>Top Ten Customers—Fiscal Year 2018</b>		
<b>Customer</b>	<b>Total Billed<sup>(1)</sup></b>	<b>% of Total</b>
Norwalk La Mirada School District	\$256,647	4.81%
Heritage HOA	63,871	1.20%
Norwalk Preservation, LP	35,317	0.66%
Pioneer Mobile Estates	34,488	0.65%
Shapell Industries	32,740	0.61%
Fiesta Coin Laundry	31,772	0.60%
Norwalk Housing Investors	22,882	0.43%
Weber Distribution	18,146	0.34%
Sunstone Community Association	16,021	0.30%
Sparkle Fresh Laundry	12,836	0.24%
<b>TOP TEN TOTAL</b>	<b>\$524,722</b>	<b>9.83%</b>
<b>TOTAL SYSTEM</b>	<b>\$5,336,253</b>	

<sup>(1)</sup> Total sales to customers

Source: City of Norwalk

<b>CITY OF NORWALK - WATER</b>		
<b>Top Ten Customers—Fiscal Year 2017</b>		
<b>Customer</b>	<b>Total Billed<sup>(1)</sup></b>	<b>% of Total</b>
Norwalk La Mirada School District	\$206,740	4.22%
Heritage HOA	53,015	1.08%
Pioneer Mobile Estates	32,896	0.67%
Norwalk Preservation, LP	32,044	0.65%
Fiesta Coin Laundry	30,912	0.63%
Shapell Industries	27,871	0.57%
Norwalk Housing Investors	21,037	0.43%
Weber Distribution	14,129	0.29%
Sparkle Fresh Laundry	11,601	0.24%
Pine Meadows	10,157	0.21%
<b>TOP TEN TOTAL</b>	<b>\$440,403</b>	<b>8.98%</b>
<b>TOTAL SYSTEM</b>	<b>\$4,904,140</b>	

<sup>(1)</sup> Total sales to customers

Source: City of Norwalk

**APPENDIX C**  
**FORM OF CONTINUING DISCLOSURE AGREEMENT**

## CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (this “Disclosure Agreement”) is executed and delivered by the City of Norwalk (the “City”) and the City, as dissemination agent (the “Dissemination Agent”), in connection with the issuance of \$10,435,000 Norwalk Community Facilities Financing Authority Sales Tax Revenue Bonds (Limited Tax Bonds) (Measure M), Series 2019A (the “2019A Bonds”) and \$9,250,000 Norwalk Community Facilities Financing Authority Sales Tax Revenue Bonds (Limited Tax Bonds) (Measure R), Series 2019B (the “2019B Bonds” and, together with the 2019A Bonds, the “Bonds”). The 2019A Bonds and the 2019B Bonds are being issued pursuant to separate Indentures, each dated as of July 1, 2019 (the “Indentures”), between the Norwalk Community Facilities Financing Authority (the “Authority”) and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”). Pursuant to the respective Indentures, the City and the Dissemination Agent covenant and agree as follows:

Section 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the City for the benefit of the Beneficial Owners of the Bonds and to assist the Participating Underwriter in complying with the Rule (as defined herein).

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

“Annual Report” shall mean any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

“Audited Financial Statements” means the audited financial results of the City for the applicable Fiscal Year.

“Beneficial Owner” shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

“Business Day” shall mean a day, other than (a) Saturday or Sunday and (c) a day on which the New York Stock Exchange is authorized or obligated by law or executive order to be closed.

“Disclosure Representative” shall mean the designee of the City designated to act as the Disclosure Representative, or such other person as the City shall designate in writing to the Dissemination Agent from time to time.

“Dissemination Agent” means an entity selected and retained by the City, or any successor thereto selected by the City. The initial Dissemination Agent shall be the City.

“EMMA” shall mean the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access System for Municipal Securities disclosures, maintained on the internet at <http://emma.msrb.org>.

“Fiscal Year” shall mean the period beginning on July 1 of each year and ending on the next succeeding June 30, or any twelve-month or fifty-two week period hereafter selected by the City, with notice of such selection or change in fiscal year to be provided as set forth herein.

“Listed Events” shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.



“MSRB” shall mean 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 EMMA website of the MSRB, currently located at <http://emma.msrb.org>.

“Participating Underwriter” shall mean any original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Repository” shall mean EMMA, until otherwise designated by the SEC.

“Rule” shall mean Rule 15c2-12 adopted by the SEC under the Securities Exchange Act of 1934, as amended from time to time.

“State” shall mean the State of California.

“SEC” shall mean the U.S. Securities and Exchange Commission.

### Section 3. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent to, not later than nine (9) months after the end of each fiscal year (being March 31), commencing with the fiscal year ending June 30, 2019, provide to the Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Agreement. If the City’s fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(e).

(b) Not later than one Business Day prior to the date specified in subsection (a) for providing the Annual Report to the Repository, the City shall provide the Annual Report to the Dissemination Agent (if other than the City). The City shall provide, or cause the preparer of the Annual Report to provide, a written certificate with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished to it hereunder. The Dissemination Agent may conclusively rely upon such certification and shall have no duty or obligation to review such Annual Report.

(c) If the City is unable to provide to the Repository an Annual Report by the date required in subsection (a), the City in a timely manner shall send, or shall cause the Dissemination Agent to send, a notice to the Repository or to the MSRB, in substantially the form attached as Exhibit A.

(d) The Dissemination Agent shall:

(i) determine the electronic filing address of, and then-current procedures for submitting Annual Reports to, the MSRB each year prior to the date for providing the Annual Report; and

(ii) file a report with the City certifying that the Annual Report has been provided to the MSRB pursuant to this Disclosure Agreement, and stating the date it was provided.

Section 4. Content of Annual Reports. The Annual Report shall contain or include by reference the following:

(a) The Audited Financial Statements of the City for the prior Fiscal Year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the Audited Financial Statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, dated July 18, 2019 relating to the Bonds (the “Official Statement”) and the Audited Financial Statements shall be filed in the same manner as the Annual Report when such Audited Financial Statements become available.

(b) Updated information set forth in the following tables of the Official Statement, each for the prior Fiscal Year:

(1) Table No. 1 – 2019A Bonds (Measure M) Maximum Annual Debt Service Coverage, and

(2) Table No. 2 – 2019B Bonds (Measure R) Maximum Annual Debt Service Coverage.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the City or related public entities, which have been submitted to the Repository or the SEC. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The City shall clearly identify each such other document so included by reference.

Section 5. Reporting of Listed Events.

(a) Pursuant to the provisions of this Section 5, the City shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the Bonds, which notice shall be given in a timely manner, not in excess of ten (10) business days after the occurrence of such Listed 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 securities, if material;
- (11) Rating changes;
- (12) Bankruptcy, insolvency, receivership or a similar event of the City;

For these purposes, any event described in the immediately preceding paragraph (12) is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States 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 City, 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 City.

(13) The consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, 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 term “financial obligation” means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term “financial obligation” shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

(b) The Dissemination Agent shall, within one (1) business day after obtaining knowledge of the occurrence of any of the events listed in Section 5(a) (1), (3), (4), (5), (6), (9), (11), (12) or (16), inform the City of the occurrence of such event. As soon as reasonably practicable after obtaining knowledge of the occurrence of such event, the City shall, or shall cause the Dissemination Agent to, file in a timely manner, not in excess of ten (10) business days after the occurrence of any such event, a notice of such occurrence with the MSRB, in an electronic format accompanied by identifying information as prescribed by the MSRB.

(c) The Dissemination Agent, if other than the City, shall within one (1) business day after obtaining knowledge of the occurrence of any of any of the events listed in Section 5(a) (2), (7), (8), (10), (13), (14) or (15), inform the City of the occurrence of such event and request that the City promptly notify the Dissemination Agent in writing whether or not to report the event pursuant to subsection (d).

(d) Whenever the City obtains knowledge of the occurrence of any event specified in Section 5(a) (2), (7), (8), (10), (13), (14) and (15), the City shall as soon as possible, in order to meet the ten (10) business day deadline to file notices required under the Rule and pursuant to the following sentence, determine if such event would be material under applicable Federal securities law. If the City determines that knowledge of the occurrence of such event would be material under applicable Federal securities law, the City shall, or shall cause the Dissemination Agent to, file in a timely manner, not in excess of ten (10) business days after the occurrence of any such event, a notice of such occurrence with the MSRB, in an electronic format accompanied by identifying information as prescribed by the MSRB.

(e) The City shall, within one (1) business day after obtaining knowledge of the occurrence of any of the Listed Events, inform the Dissemination Agent, if other than the City, of such event and notify the Dissemination Agent in writing whether or not to report the event pursuant to subsections (b) or (d).

Section 6. Filings with the MSRB. All information, operating data, financial statements, notices and other documents provided to the MSRB in accordance with this Disclosure Agreement shall be provided in an electronic format prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The City's obligations under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds.

Section 8. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent, other than the City, to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign by providing thirty (30) days written notice to the City.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the City may amend this Disclosure Agreement, and any provision of this Disclosure Agreement may be waived, provided that in the opinion of nationally recognized bond counsel, such amendment or waiver is permitted by the Rule.

Section 10. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the City chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the City shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. In the event of a failure of the City to comply with any provision of this Disclosure Agreement, any Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the respective Indentures, and the sole remedy under this Disclosure Agreement in the event of any failure of the City or the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent, if other than the City, shall have only such duties as are specifically set forth in this Disclosure

Agreement, and the City agrees to indemnify and save such Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of their respective powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent, if other than the City, shall be paid compensation by the City for its services provided hereunder in accordance with its schedule of fees as amended from time to time, and all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent, if other than the City, shall have no duty or obligation to review any information provided to it hereunder and shall not be deemed to be acting in any fiduciary capacity for the City, the Authority, the Trustee, the Beneficial Owners, or any other party. The obligations of the City under this Section 12 shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Section 13. Notices. Any notices or communications herein required or permitted to be given shall be in writing and shall be delivered in such manner and to such addresses as are specified by the parties.

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Section 14. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriter and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: July 31, 2019

CITY OF NORWALK

By: \_\_\_\_\_  
Authorized Representative

CITY OF NORWALK,  
as Dissemination Agent

By: \_\_\_\_\_  
Authorized Representative

**Exhibit A**

**NOTICE TO REPOSITORY OF FAILURE TO FILE ANNUAL REPORT**

Name of Issuer: City of Norwalk (the “City”)

Name of Issue: \$10,435,000 Norwalk Community Facilities Financing Authority Sales Tax Revenue Bonds (Limited Tax Bonds) (Measure M), Series 2019A  
\$9,250,000 Norwalk Community Facilities Financing Authority Sales Tax Revenue Bonds (Limited Tax Bonds) (Measure R), Series 2019B

Date of Issuance: July 31, 2019

NOTICE IS HEREBY GIVEN that the City has not provided an Annual Report with respect to the above-captioned Bonds as required by the Indentures, each dated as of July 1, 2019, between the Norwalk Community Facilities Financing Authority and The Bank of New York Mellon Trust Company, N.A., as trustee thereunder. [The City anticipates that the Annual Report will be filed by [date].]

Dated: \_\_\_\_\_, 20\_\_

\_\_\_\_\_  
as Dissemination Agent

cc: Norwalk Community Facilities Financing Authority

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**APPENDIX D**  
**FORMS OF OPINIONS OF BOND COUNSEL**



Norton Rose Fulbright US LLP  
555 South Flower Street  
Forty-First Floor  
Los Angeles, California 90071  
United States

[Closing Date]

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Norwalk Community Facilities Financing Authority  
12700 Norwalk Blvd.  
Norwalk, CA 90650

City of Norwalk  
12700 Norwalk Blvd.  
Norwalk, CA 90650

\$10,435,000  
Norwalk Community Facilities Financing Authority  
Sales Tax Revenue Bonds  
(Limited Tax Bonds) (Measure M),  
Series 2019A

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the Norwalk Community Facilities Financing Authority (the "Authority") of \$10,435,000 aggregate principal amount of its Sales Tax Revenue Bonds (Limited Tax Bonds) (Measure M), Series 2019A (the "Bonds") being issued pursuant to an Indenture, dated as of July 1, 2019 (the "Indenture"), by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"). The Bonds are secured by Pledged Measure M Receipts that are derived from a retail transactions and use tax imposed in the County of Los Angeles pursuant to Part 1.6 of Division 2 of the Revenue and Taxation Code of the State of California and the Measure M Ordinance. The "Measure M Ordinance" is Ordinance No. 16-01, the Los Angeles County Traffic Improvement Plan, adopted by the Los Angeles County Metropolitan Transportation Authority ("LACMTA") on June 23, 2016, and approved by at least two-thirds of electors voting on such proposition in the November 8, 2016 election, as supplemented and amended. The Measure M Ordinance imposes a retail transactions and use tax at the rate of one-half of one percent within the County until June 30, 2039, after which the rate of the sales tax shall increase to one percent. The "Pledged Measure M Receipts" are "Measure M Sales Taxes" allocated by LACMTA to the City of Norwalk (the "City") pursuant to the Measure M Ordinance and pledged to the Bonds under the Indenture and the Pledge Agreement, dated as of July 1, 2019 (the "Pledge Agreement"), by and between the City and the Authority.

Norton Rose Fulbright US LLP is a limited liability partnership registered under the laws of Texas.

Norton Rose Fulbright US LLP, Norton Rose Fulbright LLP, Norton Rose Fulbright Australia, Norton Rose Fulbright Canada LLP and Norton Rose Fulbright South Africa Inc are separate legal entities and all of them are members of Norton Rose Fulbright Verein, a Swiss verein. Norton Rose Fulbright Verein helps coordinate the activities of the members but does not itself provide legal services to clients. Details of each entity, with certain regulatory information, are available at [nortonrosefulbright.com](http://nortonrosefulbright.com).

As bond counsel, we have reviewed the Measure M Ordinance, the Indenture, the Pledge Agreement and certifications of the Authority, the City, the Trustee and others, opinions of counsel to the Authority, the City and the Trustee, and such other documents, opinions and instruments as we deemed necessary to render the opinions set forth herein. Capitalized terms used and not otherwise defined herein shall have the meanings ascribed thereto in the Indenture.

Based upon the foregoing, we are of the opinion that:

1. The Bonds constitute valid and binding special, limited obligations of the Authority and are payable exclusively from and are secured by a pledge of the Pledged Measure M Receipts and certain amounts held under the Indenture, as provided in the Indenture and the Pledge Agreement, and are entitled to the benefits of the Indenture.
2. The Indenture has been duly and validly authorized, executed and delivered by the Authority and, assuming the enforceability thereof against the Trustee, constitutes the legally valid and binding obligation of the Authority, enforceable against the Authority in accordance with its terms. The Indenture creates a valid pledge, to secure the payment of principal of and interest on the Bonds, the Pledged Measure M Receipts and certain other amounts held by the Trustee in certain funds and accounts established pursuant to the Indenture, subject to the provisions of the Indenture permitting the application thereof and on the terms and conditions set forth therein and in the Pledge Agreement.
3. The Pledge Agreement has been duly and validly authorized, executed and delivered by the Authority and the City and constitutes the legally valid and binding obligations of the Authority and the City, enforceable against the Authority and the City in accordance with its terms.
4. Under existing law, and assuming compliance with the covenants mentioned below after the date hereof, interest on the Bonds is excluded pursuant to section 103(a) of the Internal Revenue Code of 1986 as amended to the date hereof (the "Code") from the gross income of the owners thereof for federal income tax purposes and will not be included in computing the alternative minimum taxable income of the owners thereof. We are further of the opinion that interest on the Bonds is exempt from personal income taxes of the State of California under present state law.

The Code imposes certain requirements that must be met subsequent to the issuance and delivery of the Bonds for interest thereon to be and remain excluded pursuant to section 103(a) of the Code from the gross income of the owners thereof for federal income tax purposes. Non-compliance with such requirements could cause the interest on the Bonds to fail to be excluded from the gross income of the owners thereof retroactive to the date of issuance of the Bonds. Pursuant to the Indenture, and in the Tax Exemption Certificate being delivered by the Authority and the City with respect to the Bonds in connection with the issuance of the Bonds, the Authority and the City are making representations relevant to the determination of, and are undertaking certain covenants regarding or affecting, the exclusion of interest on the Bonds from the gross income of the owners thereof for federal income tax purposes. In reaching our opinions described in the immediately preceding paragraph, we have assumed the accuracy of and have relied upon such representations and the present and future compliance by the

Authority and the City with such covenants. Further, except as stated in the preceding paragraph, we express no opinion as to any federal, state or local tax consequences of the receipt of interest on, or the ownership or disposition of, the Bonds. Furthermore, we express no opinion as to any federal, state or local tax law consequences with respect to the Bonds, or the interest thereon, if any action is taken with respect to the Bonds or the proceeds thereof predicated or permitted upon the advice or approval of other counsel. Ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, owners of an interest in financial asset securitization investment trust, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations.

The opinions expressed in paragraphs 1, 2 and 3 above are qualified to the extent the enforceability of the Bonds and the Indenture may be limited by applicable bankruptcy, insolvency, debt adjustment, reorganization, moratorium or similar laws or equitable principles relating to or limiting creditors' rights generally or as to the availability of any particular remedy. Further, the enforceability of the Bonds, the Indenture and the Pledge Agreement are subject to the effect of general principles of equity, including, without limitation, concepts of materiality, reasonableness, good faith and fair dealing, to the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or at law, and to the limitations on legal remedies against governmental entities in the State of California (including, but not limited to, rights of indemnification).

No opinion is expressed herein on the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds.

Our opinions are based on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service or the State of California; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

Respectfully submitted,



Norton Rose Fulbright US LLP  
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United States

[Closing Date]

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Norwalk Community Facilities Financing Authority  
12700 Norwalk Blvd.  
Norwalk, CA 90650

City of Norwalk  
12700 Norwalk Blvd.  
Norwalk, CA 90650

\$9,250,000  
Norwalk Community Facilities Financing Authority  
Sales Tax Revenue Bonds  
(Limited Tax Bonds) (Measure R),  
Series 2019B

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the Norwalk Community Facilities Financing Authority (the "Authority") of \$9,250,000 aggregate principal amount of its Sales Tax Revenue Bonds (Limited Tax Bonds) (Measure R), Series 2019B (the "Bonds") being issued pursuant to an Indenture, dated as of July 1, 2019 (the "Indenture"), by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"). The Bonds are secured by Pledged Measure R Receipts that are derived from a retail transactions and use tax (the "Measure R Sales Tax") imposed in the County of Los Angeles pursuant to Part 1.6 of Division 2 of the Revenue and Taxation Code of the State of California and the Measure R Ordinance. The "Measure R Ordinance" is Ordinance No. 08-01, Traffic Relief and Rail Expansion Ordinance, adopted by the Los Angeles County Metropolitan Transportation Authority ("LACMTA") on July 24, 2008, and approved by at least two-thirds of electors voting on such proposition in the November 4, 2008 election, as supplemented and amended. The Measure R Ordinance imposes a retail transactions and use tax at the rate of one-half of one percent within the County until June 30, 2039. The "Pledged Measure R Receipts" are Measure R Sales Taxes allocated by LACMTA to the City of Norwalk (the "City") pursuant to the Measure R Ordinance and pledged to the Bonds under the Indenture and the Pledge Agreement, dated as of July 1, 2019 (the "Pledge Agreement"), by and between the City and the Authority.

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As bond counsel, we have reviewed the Ordinance, the Indenture, the Pledge Agreement and certifications of the Authority, the City, the Trustee and others, opinions of counsel to the Authority, the City and the Trustee, and such other documents, opinions and instruments as we deemed necessary to render the opinions set forth herein. Capitalized terms used and not otherwise defined herein shall have the meanings ascribed thereto in the Indenture.

Based upon the foregoing, we are of the opinion that:

1. The Bonds constitute valid and binding special, limited obligations of the Authority and are payable exclusively from and are secured by a pledge of the Pledged Measure R Receipts and certain amounts held under the Indenture, as provided in the Indenture and the Pledge Agreement, and are entitled to the benefits of the Indenture.
2. The Indenture has been duly and validly authorized, executed and delivered by the Authority and, assuming the enforceability thereof against the Trustee, constitutes the legally valid and binding obligation of the Authority, enforceable against the Authority in accordance with its terms. The Indenture creates a valid pledge, to secure the payment of principal of and interest on the Bonds, the Pledged Measure R Receipts and certain other amounts held by the Trustee in certain funds and accounts established pursuant to the Indenture, subject to the provisions of the Indenture permitting the application thereof and on the terms and conditions set forth therein and in the Pledge Agreement.
3. The Pledge Agreement has been duly and validly authorized, executed and delivered by the Authority and the City and constitutes the legally valid and binding obligations of the Authority and the City, enforceable against the Authority and the City in accordance with its terms.
4. Under existing law, and assuming compliance with the covenants mentioned below after the date hereof, interest on the Bonds is excluded pursuant to section 103(a) of the Internal Revenue Code of 1986 as amended to the date hereof (the "Code") from the gross income of the owners thereof for federal income tax purposes and will not be included in computing the alternative minimum taxable income of the owners thereof. We are further of the opinion that interest on the Bonds is exempt from personal income taxes of the State of California under present state law.

The Code imposes certain requirements that must be met subsequent to the issuance and delivery of the Bonds for interest thereon to be and remain excluded pursuant to section 103(a) of the Code from the gross income of the owners thereof for federal income tax purposes. Non-compliance with such requirements could cause the interest on the Bonds to fail to be excluded from the gross income of the owners thereof retroactive to the date of issuance of the Bonds. Pursuant to the Indenture, and in the Tax Exemption Certificate being delivered by the Authority and the City with respect to the Bonds in connection with the issuance of the Bonds, the Authority and the City are making representations relevant to the determination of, and are undertaking certain covenants regarding or affecting, the exclusion of interest on the Bonds from the gross income of the owners thereof for federal income tax purposes. In reaching our opinions described in the immediately preceding paragraph, we have assumed the accuracy of and have relied upon such representations and the present and future compliance by the Authority and the City with such covenants. Further, except as stated in the preceding

paragraph, we express no opinion as to any federal, state or local tax consequences of the receipt of interest on, or the ownership or disposition of, the Bonds. Furthermore, we express no opinion as to any federal, state or local tax law consequences with respect to the Bonds, or the interest thereon, if any action is taken with respect to the Bonds or the proceeds thereof predicated or permitted upon the advice or approval of other counsel. Ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, owners of an interest in a financial asset securitization investment trust, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations.

The opinions expressed in paragraphs 1, 2 and 3 above are qualified to the extent the enforceability of the Bonds and the Indenture may be limited by applicable bankruptcy, insolvency, debt adjustment, reorganization, moratorium or similar laws or equitable principles relating to or limiting creditors' rights generally or as to the availability of any particular remedy. Further, the enforceability of the Bonds, the Indenture and the Pledge Agreement are subject to the effect of general principles of equity, including, without limitation, concepts of materiality, reasonableness, good faith and fair dealing, to the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or at law, and to the limitations on legal remedies against governmental entities in the State of California (including, but not limited to, rights of indemnification).

No opinion is expressed herein on the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds.

Our opinions are based on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service or the State of California; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

Respectfully submitted,

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## **APPENDIX E**

### **THE BOOK-ENTRY SYSTEM**

*The following description of the Depository Trust Company (“DTC”), the procedures and record keeping with respect to beneficial ownership interests in the 2019 Bonds, payment of principal, interest and other payments on the 2019 Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the 2019 Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.*

*Neither the issuer of the 2019 Bonds (the “Issuer”) nor the trustee, fiscal agent or paying agent appointed with respect to the 2019 Bonds (the “Agent”) take any responsibility for the information contained in this Appendix.*

*No assurances can be given that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the 2019 Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the 2019 Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the 2019 Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current “Rules” applicable to DTC are on file with the Securities and Exchange Commission and the current “Procedures” of DTC to be followed in dealing with DTC Participants are on file with DTC.*

1. The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the 2019 Bonds (the “Securities”). The Securities 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 Security certificate will be issued for each issue of the Securities, each in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a S&P Global Ratings 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](http://www.dtcc.com). *The information contained on such Internet site is not incorporated herein by reference.*

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("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 Securities 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 Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities 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 Securities 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 Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities 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.

5. 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 Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the Securities 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.

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

8. Redemption proceeds and distributions on the Securities 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 Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption

proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

10. The Issuer may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

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

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**APPENDIX F**  
**SPECIMEN MUNICIPAL BOND INSURANCE POLICIES**

# **SPECIMEN POLICY FOR THE 2019A BONDS**



# MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

ASSURED GUARANTY MUNICIPAL CORP. ("AGM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AGM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AGM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

AGM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to AGM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to AGM and shall not be deemed received until received by both and (b) all payments required to be made by AGM under this Policy may be made directly by AGM or by the Insurer's Fiscal Agent on behalf of AGM. The Insurer's Fiscal Agent is the agent of AGM only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of AGM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AGM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to AGM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AGM, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

By \_\_\_\_\_  
Authorized Officer

A subsidiary of Assured Guaranty Municipal Holdings Inc.  
1633 Broadway, New York, N.Y. 10019  
(212) 974-0100

Form 500NY (5/90)



# **SPECIMEN POLICY FOR THE 2019B BONDS**



# MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

ASSURED GUARANTY MUNICIPAL CORP. ("AGM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AGM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AGM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

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To the fullest extent permitted by applicable law, AGM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to AGM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AGM, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

By \_\_\_\_\_  
Authorized Officer

A subsidiary of Assured Guaranty Municipal Holdings Inc.  
1633 Broadway, New York, N.Y. 10019  
(212) 974-0100

Form 500NY (5/90)