Stradling Yocca Carlson & Rauth
Draft of 3/27/17

PRELIMINARY OFFICIAL STATEMENT DATED ___________, 2017

NEW ISSUE – BOOK ENTRY ONLY **RATING: S&P: __**
See the caption "RATING"

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described in this Official Statement, interest (and original issue discount) on the Series BE Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. In the opinion of Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, interest on the Series BF Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended. In the further opinion of Bond Counsel, interest (and original issue discount) on the Series BE Bonds and interest on the Series BF Bonds is exempt from State of California personal income tax. See the caption "TAX MATTERS" with respect to tax consequences relating to the 2017 Bonds.

$________*
CITY OF POMONA
2017 REFUNDING REVENUE BONDS
(WATER FACILITIES PROJECT) SERIES BE

$________*
CITY OF POMONA
2017 REFUNDING REVENUE BONDS
(WATER FACILITIES PROJECT) SERIES BF (TAXABLE)

Dated: Date of Issuance **Due: May 1, as set forth on the inside cover page**

The 2017 Bonds are being issued in fully registered form and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York. Purchasers of the 2017 Bonds will not receive securities representing their beneficial ownership in the 2017 Bonds purchased. Interest on the 2017 Bonds is payable on May 1 and November 1 of each year, commencing November 1, 2017, until the maturity thereof. The principal of and interest on the 2017 Bonds are payable by the Trustee to Cede & Co. and such interest and principal payments are to be disbursed to the Beneficial Owners of the 2017 Bonds through their nominees.

The 2017 Bonds are subject to optional redemption as more fully described herein.

The 2017 Bonds are being issued to provide funds, together with certain other moneys: (i) to refund all of the outstanding Pomona Public Financing Authority, 2007 Revenue Bonds, Series AY (Water Facilities Project) and Pomona Public Financing Authority 2007 Taxable Revenue Refunding Bonds, Series AZ (Water Facilities Project); and (ii) to pay costs of issuance of the 2017 Bonds, all as more fully described herein.

The 2017 Bonds are being issued pursuant to the Indenture of Trust, dated as of ______ 1, 2017, by and between the City of Pomona and Zions Bank, a division of ZB, National Association, as trustee. The 2017 Bonds are limited obligations of the City payable solely from Net Revenues, which consist of Revenues of the City's Water System remaining after payment of Operation and Maintenance Costs of the City's Water System, and from amounts on deposit in certain funds and accounts created under the Indenture, including the Rate Stabilization Fund, subject to certain restrictions described herein.

The City may incur additional obligations payable from Net Revenues on a parity with the obligation to pay principal of and interest on the 2017 Bonds, subject to the terms and conditions of the Indenture, as more fully described herein.

THE OBLIGATION OF THE CITY TO PAY PRINCIPAL OF AND INTEREST ON THE 2017 BONDS PURSUANT TO THE INDENTURE DOES NOT CONSTITUTE AN OBLIGATION FOR WHICH THE CITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE CITY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. THE OBLIGATION OF THE CITY TO PAY PRINCIPAL OF AND INTEREST ON THE 2017 BONDS ARE A SPECIAL OBLIGATION OF THE CITY PAYABLE SOLELY FROM NET REVENUES, AND DOES NOT CONSTITUTE A DEBT OF THE CITY OR OF THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF IN CONTRAVENTION OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE. INVESTORS ARE ADVISED TO READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.

MATURITY SCHEDULE – See Inside Cover Page

The 2017 Bonds are offered when, as and if issued and received by the Underwriter, subject to the approval of the valid, legal and binding nature of the 2017 Bonds by Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the City by Stradling Yocca Carlson & Rauth, a Professional Corporation, as Disclosure Counsel, and by Arnold M. Alvarez-Glasman, Esq., City Attorney, for the Underwriter by its counsel, Fox Rothschild LLP, Los Angeles, California, and for the Trustee by its counsel. It is anticipated that the 2017 Bonds will be available for delivery through the facilities of The Depository Trust Company on or about ________, 2017.

[B.C. ZIEGLER AND COMPANY LOGO]

Dated: ________, 2017

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

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* *Preliminary, subject to change.*

MATURITY SCHEDULE

BASE CUSIP®† ________

$________*
CITY OF POMONA
2017 REFUNDING REVENUE BONDS
(WATER FACILITIES PROJECT) SERIES BE

Maturity Date (May 1)	*Principal Amount*	*Interest Rate*	*Yield*	*Price*	*CUSIP®† Suffix*
2018					
2019					
2020					
2021					
2022					
2023					
2024					
2025					
2026					
2027					
2028					
2029					
2030					
2031					
2032					
2033					
2034					
2035					
2036					
2037					
2038					

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* *Preliminary, subject to change.*

† *CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by S&P Capital IQ.* *CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. Neither the City nor the Underwriter takes any responsibility for the accuracy of such numbers.*

$________*

CITY OF POMONA
2017 REFUNDING REVENUE BONDS
(WATER FACILITIES PROJECT) SERIES BF (TAXABLE)

Maturity Date (May 1)	***Principal Amount***	***Interest Rate***	***Yield***	***Price***	***CUSIP®‡ Suffix***
2018					
2019					
2020					
2021					
2022					
2023					
2024					
2025					
2026					
2027					
2028					
2029					
2030					
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2040					
2041					
2042					
2043					
2044					
2045					
2046					
2047					

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* *Preliminary, subject to change.*

‡ *CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by S&P Capital IQ. Copyright© 2017 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. Neither the City nor the Underwriter takes any responsibility for the accuracy of such numbers.*

No dealer, broker, salesperson or other person has been authorized by the City or the Underwriter to give any information or to make any representations other than those contained in this Official Statement in connection with the offering made hereby and, if given or made, such other information or representations must not be relied upon as having been authorized by the City or the Underwriter. 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 2017 Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers of the 2017 Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as a representation of facts.

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

> The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of, 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.

The information set forth herein has been obtained from official sources which are believed to be reliable but it is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the Underwriter. The information and expression of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City since the date hereof.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 2017 BONDS AT A LEVEL THAT MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE 2017 BONDS TO CERTAIN DEALERS AND DEALER BANKS AND BANKS ACTING AS AGENT AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

CERTAIN STATEMENTS CONTAINED IN THIS OFFICIAL STATEMENT REFLECT NOT HISTORICAL FACTS BUT FORECASTS AND “FORWARD-LOOKING STATEMENTS.” NO ASSURANCE CAN BE GIVEN THAT THE FUTURE RESULTS DISCUSSED HEREIN WILL BE ACHIEVED, AND ACTUAL RESULTS MAY DIFFER MATERIALLY FROM THE FORECASTS DESCRIBED HEREIN. IN THIS RESPECT, THE WORDS “ESTIMATE,” “PROJECT,” “ANTICIPATE,” “EXPECT,” “INTEND,” “BELIEVE” AND SIMILAR EXPRESSIONS ARE INTENDED TO IDENTIFY FORWARD-LOOKING STATEMENTS WITHIN THE MEANING OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995, SECTION 21E OF THE UNITED STATES SECURITIES EXCHANGE ACT OF 1934, AS AMENDED, AND SECTION 27A OF THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED. ALL PROJECTIONS, FORECASTS, ASSUMPTIONS, EXPRESSIONS OF OPINIONS, ESTIMATES AND OTHER FORWARD-LOOKING STATEMENTS ARE EXPRESSLY QUALIFIED IN THEIR ENTIRETY BY THE CAUTIONARY STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT.

The 2017 Bonds have not been registered under the Securities Act of 1933, as amended, in reliance upon an exemption contained in such act. The 2017 Bonds have not been registered or qualified under the securities laws of any state. The Indenture has not been qualified under the Trust Indenture Act of 1939, as amended, in reliance upon an exemption contained in such act.

The City maintains a website. However, the information presented there is not part of this Official Statement and should not be relied upon in making an investment decision with respect to the 2017 Bonds.

CITY OF POMONA
COUNTY OF LOS ANGELES
STATE OF CALIFORNIA

MAYOR AND MEMBERS OF THE CITY COUNCIL

Tim Sandoval, Mayor
Rubio R. Gonzalez, Member
Adriana Robledo, Member
Cristina Carrizosa, Member
Elizabeth Ontiveros-Cole, Member
Ginna E. Escobar, Member
Robert S. Torres, Member

STAFF

Linda Lowry, City Manager
Onyx Jones, Finance Director
Darron Poulsen, Water & Wastewater Operations Director
Arnold M. Alvarez-Glasman, Esq., City Attorney

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Los Angeles, California

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

Verification Agent

Grant Thornton LLP
Minneapolis, Minnesota

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SUMMARY STATEMENT

This Summary Statement is subject in all respects to the more complete information contained in this Official Statement, and the offering of the 2017 Bonds to potential investors is made only by means of the entire Official Statement. Capitalized terms used and not otherwise defined in this Summary Statement have the meanings ascribed to them in this Official Statement.

Purpose. The 2017 Bonds are being issued to provide funds, together with certain other moneys: (i) to refund all of the outstanding Pomona Public Financing Authority, 2007 Revenue Bonds, Series AY (Water Facilities Project) and Pomona Public Financing Authority 2007 Taxable Revenue Refunding Bonds, Series AZ (Water Facilities Project); and (ii) to pay costs of issuance of the 2017 Bonds, all as more fully described herein. See the captions "REFUNDING PLAN" and "ESTIMATED SOURCES AND USES OF FUNDS."

Security for the 2017 Bonds. The 2017 Bonds are limited obligations of the City payable solely from Net Revenues, which consist of Revenues of the City's Water System remaining after payment of Operation and Maintenance Costs of the City's Water System, and from amounts on deposit in certain funds and accounts created under the Indenture, including the Rate Stabilization Fund. The City may incur additional obligations payable on a parity with the obligation to pay principal of and interest on the 2017 Bonds in the future as described herein.

THE OBLIGATION OF THE CITY TO PAY PRINCIPAL OF AND INTEREST ON THE 2017 BONDS PURSUANT TO THE INDENTURE DOES NOT CONSTITUTE AN OBLIGATION FOR WHICH THE CITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE CITY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. THE OBLIGATION OF THE CITY TO PAY PRINCIPAL OF AND INTEREST ON THE 2017 BONDS IS A SPECIAL OBLIGATION OF THE CITY PAYABLE SOLELY FROM NET REVENUES, AND DOES NOT CONSTITUTE A DEBT OF THE CITY OR OF THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF IN CONTRAVENTION OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

See the caption "SECURITY FOR THE 2017 BONDS."

The Refunding Plan. A portion of the proceeds of the 2017 Bonds, together with moneys held in certain funds and accounts established in connection with the 2007 Bonds, will be transferred to The Bank of New York Mellon Trust Company, N.A., as trustee for the 2007 Bonds, to refund all of the 2007 Bonds, which are currently outstanding in the aggregate principal amount of $97,375,000, on the date of issuance of the 2017 Bonds. See the caption "REFUNDING PLAN."

Rate Covenant. The Indenture requires the City, to the fullest extent permitted by law, to fix and prescribe, at the commencement of each Fiscal Year, rates and charges for the Water Service which are reasonably expected to be at least sufficient to yield during each Fiscal Year Net Revenues equal to 120% of the Debt Service and any amounts required to be paid to the provider of a reserve fund surety bond, if any, in such Fiscal Year. See the caption "SECURITY FOR THE 2017 BONDS—Rate Covenant."

Additional Contracts and Bonds Test. The Indenture permits the City to execute any Contracts or issue any Bonds on a parity with the obligation to pay principal of and interest on the 2017 Bonds, provided that certain conditions are satisfied as described herein. See the caption "SECURITY FOR THE 2017 BONDS—Additional Indebtedness." The Indenture also permits the City to execute or issue obligations payable on a subordinate basis to the 2017 Bonds. The City has no other obligations outstanding payable from Net Revenues senior to or on a parity with the 2017 Bonds.

No Reserve Fund. No reserve fund has been established in connection with the issuance of the 2017 Bonds.

Rate Stabilization Fund. The Indenture establishes the Rate Stabilization Fund which is held by the City. The City may withdraw all or any portion of the amounts on deposit in the Rate Stabilization Fund and transfer such amounts to the Water Revenue Fund for application in accordance with the Indenture. In the event that all or a portion of the 2017 Bonds are discharged in accordance with the Indenture, the City may transfer all or any portion of such amounts for application to the payment of the 2017 Bonds in accordance with the Indenture. On the date of issuance of the 2017 Bonds, the City will have $0 on deposit in the Rate Stabilization Fund. See the caption "SECURITY FOR THE 2017 BONDS—Rate Stabilization Fund."

Redemption. The 2017 Bonds are subject to optional redemption prior to maturity as described herein. See the caption "THE 2017 BONDS—Redemption of the 2017 Bonds."

The City and the Water System. The City was incorporated in January 1888 and became a charter city in 1911. The City now encompasses approximately 22.9 square miles, and currently has an estimated population of 162,140. The City is located approximately 30 miles east of downtown Los Angeles, in the eastern portion of the County of Los Angeles, adjacent to Orange and San Bernardino Counties. The City's Water System serves a geographic area that includes 100% of the land within City limits. For information concerning the Water System, see the caption "THE WATER SYSTEM." For general information regarding the City, see the caption "THE CITY" and Appendix F.

$________*	**$________***
CITY OF POMONA	**CITY OF POMONA**
2017 REFUNDING REVENUE BONDS	**2017 REFUNDING REVENUE BONDS**
(WATER FACILITIES PROJECT) SERIES BE	**(WATER FACILITIES PROJECT) SERIES BF**
	(TAXABLE)

INTRODUCTION

This Official Statement, including the cover page, the inside cover page and all appendices hereto, provides certain information concerning the sale and delivery of the City of Pomona 2017 Refunding Revenue Bonds (Water Facilities Project) Series BE (the "Series BE Bonds") and the City of Pomona 2017 Refunding Revenue Bonds (Water Facilities Project) Series BF (Taxable) (the "Series BF Bonds and, together with the Series BE Bonds, the "2017 Bonds"). The 2017 Bonds are being issued pursuant to an Indenture of Trust, dated as of ______ 1, 2017 (the "Indenture"), by and between the City of Pomona (the "City") and Zions Bank, a division of ZB, National Association, Los Angeles, California, as trustee (the "Trustee"). Descriptions and summaries of various documents set forth in this Official Statement do not purport to be comprehensive or definitive, and reference is made to each document for complete details of all terms and conditions. All statements herein are qualified in their entirety by reference to each document. Capitalized terms used and not otherwise defined herein have the meanings ascribed to them in Appendix B.

The 2017 Bonds are being issued to provide funds, together with certain other moneys: (i) to refund all of the (a) outstanding Pomona Public Financing Authority, 2007 Revenue Bonds, Series AY (Water Facilities Project) (the "Series AY Bonds") and (b) Pomona Public Financing Authority 2007 Taxable Revenue Refunding Bonds, Series AZ (Water Facilities Project) (the "Series AZ Bonds," and together with the Series AY Bonds, the "2007 Bonds"); and (ii) to pay costs of issuance of the 2017 Bonds, all as more fully described herein. See the captions "REFUNDING PLAN" and "ESTIMATED SOURCES AND USES OF FUNDS."

The 2017 Bonds are limited obligations of the City payable solely from Net Revenues, which consist of Revenues of the City's Water System remaining after payment of Operation and Maintenance Costs of the City's Water System, as such terms are defined in Appendix B, and from amounts on deposit in certain funds and accounts created under the Indenture, including the Rate Stabilization Fund.

The City may incur additional obligations payable on a parity with the obligation to pay principal of and interest on the 2017 Bonds in the future as described under the caption "SECURITY FOR THE 2017 BONDS—Additional Indebtedness."

The summaries and references to the Indenture and all documents, statutes, reports and other instruments referred to herein do not purport to be complete, comprehensive or definitive, and each such summary or reference is qualified in its entirety by reference to the full Indenture and the respective document, statute, report or instrument, copies of which are available for inspection at the offices of the City in Pomona, California and will be available from the Trustee upon request and payment of duplication cost. The capitalization of any word not conventionally capitalized or otherwise defined herein indicates that such word is defined in the Indenture and, as used herein, has the meaning given to it in the Indenture. Unless otherwise indicated, all financial and statistical information herein has been provided by the City.

The City regularly prepares a variety of reports, including audits, budgets and related documents. Any registered owner of the 2017 Bonds may obtain a copy of such reports, as available, from the Trustee or the City. Additional information regarding the Official Statement may be obtained by contacting the Trustee or the City of Pomona, 505 South Garey Avenue, Pomona, California 91766, Attn: ________.

* *Preliminary, subject to change.*

REFUNDING PLAN

General. The Pomona Public Financing Authority (the "Authority") issued the Series AY Bonds, which are currently outstanding in the aggregate principal amount of $________, pursuant to an Indenture of Trust, dated as of January 1, 2007 (the "Series AY Indenture"), by and between the Authority and The Bank of New York Mellon Trust Company, N.A. (formerly known as The Bank of New York Trust Company, N.A.), as trustee (the "2007 Trustee"). The Series AY Bonds are payable from installment payments (the "2007 Installment Payments") made under the Installment Sale Agreement, dated as of January 1, 2007 (the "2007 Installment Sale Agreement"), between the City and the Authority. The City plans to apply a portion of the proceeds of the 2017 Bonds, together with moneys held in certain funds and accounts established in connection with the Series AY Bonds, to redeem all of the Series AY Bonds and the related 2007 Installment Payments on or about ________, 2017 (the "Redemption Date") at a redemption price of the outstanding principal amount thereof, plus accrued interest with respect thereto, without premium (the "Series AY Redemption Price").

The Authority issued the Series AZ Bonds, which are currently outstanding in the aggregate principal amount of $________, pursuant to an Indenture of Trust, dated as of January 1, 2007 (the "Series AZ Indenture"), by and between the Authority and the 2007 Trustee. The Series AZ Bonds are payable from the 2007 Installment Payments made under the 2007 Installment Sale Agreement. The City plans to apply a portion of the proceeds of the Series BF Bonds, together with moneys held in certain funds and accounts established in connection with the Series AZ Bonds, to redeem all of the Series AZ Bonds [and a portion of the Series AY Bonds] and the related 2007 Installment Payments on the Redemption Date at a redemption price of the outstanding principal amount thereof, plus accrued interest with respect thereto, without premium (the "Series AZ Redemption Price").

Under an Escrow Agreement (Series AY and AZ), dated as of ______ 1, 2017 (the "Escrow Agreement"), by and between the City and The Bank of New York Mellon Trust Company, N.A., as escrow agent (the "Escrow Bank") and as 2007 Trustee, the City will deliver a portion of the proceeds of the Series BE Bonds and the Series BF Bonds to the Escrow Bank for deposit in two escrow funds (the "AY Escrow Fund" and the "AZ Escrow Fund," respectively, and together, the "Escrow Funds") established under the Escrow Agreement on or about the date of issuance of the 2017 Bonds. In addition, the 2007 Trustee will transfer certain moneys held in connection with the Series AY Bonds and the Series AZ Bonds to the Escrow Agent for deposit in the AY Escrow Fund and the AZ Escrow Fund, respectively, on or about the date of issuance of the 2017 Bonds.

The Escrow Agent will hold the moneys in the AY Escrow Fund and the AZ Escrow Fund uninvested and apply such moneys to redeem all of the Series AY Bonds and all of the Series AZ Bonds, respectively, on the Redemption Date at the Series AY Redemption Price and the Series AZ Redemption Price, respectively. Sufficiency of the deposits in the Escrow Funds for those purposes will be verified by Grant Thornton LLP, Minneapolis, Minnesota (the "Verification Agent").

Assuming the accuracy of the Verification Agent's computations, as a result of the deposit of a portion of the proceeds of the 2017 Bonds with the 2007 Trustee and the application of funds as provided in the Series AY Indenture, the 2007 Installment Payments and the Series AY Bonds will be defeased pursuant to the provisions of the 2007 Installment Sale Agreement and the Series AY Indenture under which the Series AY Bonds were issued, as of the date of issuance of the Series BE Bonds.

Assuming the accuracy of the Verification Agent's computations, as a result of the deposit of a portion of the proceeds of the Series BF Bonds with the 2007 Trustee and the application of funds as provided in the Series AZ Indenture, the 2007 Installment Payments and the Series AZ Bonds will be defeased pursuant to the provisions of the 2007 Installment Sale Agreement and the Series AZ Indenture under which the Series AZ Bonds were issued, as of the date of issuance of the Series BF Bonds.

The portion of the proceeds of the Series BE Bonds and the Series BF Bonds deposited with the 2007 Trustee is pledged solely to the payment of the Series AY Bonds and the Series AZ Bonds, respectively, and will not be available for the payments of principal of and interest on the Series BE Bonds or the Series BF Bonds, as applicable.

Verification. The Verification Agent will verify the mathematical accuracy of the information provided to the Verification Agent as of the date of the closing on the 2017 Bonds relating to the adequacy of the amounts deposited in the Escrow Fund to pay the regularly scheduled principal and interest with respect to the 2007 Bonds maturing on and prior to ________, 2017, and to pay on ________, 2017 the Redemption Price with respect to the 2007 Bonds maturing after ________, 2017, and the computation of the yield of the 2007 Bonds and the 2017 Bonds which support Bond Counsel's opinion that interest with respect to the Series BE Bonds received by the Owners is excluded from gross income for federal income tax purposes.

ESTIMATED SOURCES AND USES OF FUNDS

The following table sets forth the estimated sources and uses of funds:

Sources(1):	***Series BE Bonds***	***Series BF Bonds***	***Total***
Principal Amount	$	$	$
[Plus Original Issue Premium]			
[Less Original Issue Discount]			
Additional Moneys(2)			
Total Sources	$	$	$
Uses(1):			
Refunding of Series AY Bonds	$	$	$
Refunding of Series AZ Bonds			
Underwriter's Discount			
Costs of Issuance(3)			
Total Uses	$	$	$

(1) All amounts rounded to the nearest dollar. Totals may not add due to rounding.
(2) Reflects moneys held in funds and accounts established in connection with the 2007 Bonds.
(3) Includes certain legal, rating agency, printing and other financing-related costs.

THE 2017 BONDS

General Provisions

The 2017 Bonds will be issued in the aggregate principal amount of $________.* The 2017 Bonds will be dated as of the date of initial issuance thereof (the "Issuance Date"), will bear interest from such date at the rates per annum set forth on the inside cover page hereof, payable on May 1 and November 1 of each year, commencing November 1, 2017 (each, an "Interest Payment Date"), and will mature on the dates set forth on the inside cover page hereof. Interest on the 2017 Bonds will be computed on the basis of a 360 day year composed of twelve 30 day months.

The 2017 Bonds will be issued only in fully registered form and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the 2017 Bonds. Ownership interests in the 2017 Bonds may be purchased in book entry form, in denominations of $5,000 or any integral multiple thereof. See the caption "—Book Entry Only System" below and Appendix D.

* *Preliminary, subject to change*.

In the event that the book entry only system described below is discontinued, the principal of and redemption premium (if any) on the 2017 Bonds are payable by check or draft of the Trustee upon presentation and surrender thereof at maturity or upon prior redemption at the office of the Trustee in Los Angeles, California (the "Office of the Trustee"). Interest on the 2017 Bonds is payable on each Interest Payment Date to the person whose name appears on the registration books maintained by the Trustee (the "Registration Books") as the Owner thereof as of the close of business on the fifteenth day of the calendar month preceding the Interest Payment Date (the "Record Date"), such interest to be paid by check of the Trustee, sent by first class mail on the applicable Interest Payment Date to the Owner at such Owner's address as it appears on the Registration Books. An Owner of $1,000,000 or more in principal amount of 2017 Bonds may, at such Owner's option, be paid interest by wire transfer of immediately available funds to an account in the United States in accordance with written instructions provided to the Trustee by such Owner prior to the applicable Record Date. The principal of and interest and premium, if any, on the 2017 Bonds will be payable in lawful money of the United States of America.

The City cannot and does not give any assurances that DTC participants or others will distribute payments of principal of and interest on the 2017 Bonds received by DTC or its nominee as the registered Owner, or any redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or that DTC will service and act in the manner described in this Official Statement. See Appendix D for additional information concerning DTC.

Interest on any 2017 Bond will be payable from the Interest Payment Date preceding the date of issuance thereof, unless such date is after a Record Date and on or before the succeeding Interest Payment Date, in which case interest thereon will be payable from such Interest Payment Date, or unless such date is on or before October 15, 2017, in which case interest thereon will be payable from the Issuance Date.

Redemption of the 2017 Bonds

The Series BE Bonds with stated maturities on May 1, 20__, are subject to redemption prior to their respective stated maturities, as a whole or in part on any date as directed by the City and by lot within each maturity in integral multiples of $5,000, on or after May 1, 20__, at a price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption, without premium.

The Series BF Bonds with stated maturities on May 1, 20__, are subject to redemption prior to their respective stated maturities, as a whole or in part on any date as directed by the City and by lot within each maturity in integral multiples of $5,000, on or after May 1, 20__, at a price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption, without premium.

Notice of Redemption

The City will give the Trustee written notice of its intention to exercise its option to redeem 2017 Bonds not less than 45 days in advance of the date of redemption. Notice of redemption will be mailed by first class mail at least 20 days but not more than 60 days before any Redemption Date, to the respective Owners of any 2017 Bonds designated for redemption at their addresses appearing on the Registration Books, to the Securities Depositories and the Information Services. Each notice of redemption will state the date of notice, the Redemption Date, the place or places of redemption, the Redemption Price, will designate the maturities, CUSIP numbers, if any, and, if less than all 2017 Bonds of any such maturity are to be redeemed, the serial numbers of the 2017 Bonds of such maturity to be redeemed by giving the individual number of each 2017 Bond or by stating that all 2017 Bonds between two stated numbers, both inclusive, have been called for redemption and, in the case of 2017 Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice will also state that on the Redemption Date there will become due and payable on each of said 2017 Bonds or parts thereof designated for redemption the Redemption Price thereof or of said specified portion of the principal thereof in the case of a 2017 Bond to be redeemed in part only, together with interest accrued thereon to the Redemption Date, and that (provided that moneys for redemption have been deposited with the Trustee) from and after such Redemption Date interest thereon will cease to accrue, and will require that such 2017 Bonds be then surrendered to the Trustee. Neither the failure to receive such notice nor any defect in the notice or the mailing thereof will affect the validity of the redemption of any 2017 Bond. Notice of redemption of 2017 Bonds will be given by the Trustee, at the expense of the City, for and on behalf of the City.

With respect to any notice of optional redemption of 2017 Bonds, such notice will state that such redemption is conditional upon the receipt by the Trustee on or prior to the date fixed for such redemption of moneys sufficient to pay the principal of, premium, if any, and interest on such 2017 Bonds to be redeemed and that, if such moneys have not been so received, said notice will be of no force and effect and the Trustee will not be required to redeem such 2017 Bonds. In the event that such notice of redemption contains such a condition and such moneys are not so received, the redemption will not be made, and the Trustee will within a reasonable time thereafter give notice, in the manner in which the notice of redemption was given, that such moneys were not so received.

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DEBT SERVICE PAYMENT SCHEDULE

Set forth below is an annualized schedule of principal of and interest on the 2017 Bonds for the period ending May 1 in each of the years indicated:

	2017 Bonds						
	Series BE Bonds			*Series BF Bonds*			
Period Ending May 1	***Principal****	***Interest***	***Total***	***Principal****	***Interest***	***Total***	***2017 Bonds Total***
2018							
2019							
2020							
2021							
2022							
2023							
2024							
2025							
2026							
2027							
2028							
2029							
2030							
2031							
2032							
2033							
2034							
2035							
2036							
2037							
2038							
2039							
2040							
2041							
2042							
2043							
2044							
2045							
2046							
2047							
TOTAL	$	$	$	$	$	$	$

Source: B.C. Ziegler and Company.

* *Preliminary, subject to change.*

SECURITY FOR THE 2017 BONDS

Limited Obligations Payable From Net Revenues

All of the Revenues, all amounts held in the Water Revenue Fund described herein under the caption "—Flow of Funds," all amounts held in the Rate Stabilization Fund described herein under the caption "—Rate Stabilization Fund," and any other amounts held in any fund or account established pursuant to the Indenture (except the Rebate Fund) are irrevocably pledged by the Indenture to secure the payment of the principal of and interest, and the premium, if any, on the 2017 Bonds in accordance with their terms and the provisions of the Indenture, and the Revenues will not be used for any other purpose while the 2017 Bonds remain Outstanding; provided that out of the Revenues there may be apportioned such sums for such purposes as are expressly permitted in the Indenture. Said pledge, together with the pledge created by all other Contracts and Bonds, constitutes a first lien on and security interest on Revenues and, subject to application of Revenues and all amounts on deposit therein as permitted in the Indenture, the Water Revenue Fund and other funds and accounts created under the Indenture for the payment of the principal of and interest, and the premium, if any, on the 2017 Bonds and all Contracts and Debt Service on Bonds in accordance with the terms hereof, and will attach, be perfected and be valid and binding from and after the Closing Date, without any physical delivery thereof or further act and will be valid and binding against all parties having claims of any kind in tort, contract or otherwise against the City, irrespective of whether such parties have notice of the Indenture.

"Revenues" are defined in the Indenture to include all income, rents, rates, fees, charges and other moneys derived from the ownership or operation of the Water System, including, without limiting the generality of the foregoing, (1) all income, rents, rates, fees, charges or other moneys derived by the City from the sale, furnishing and supplying of the water, recycled water or other services, facilities, and commodities sold, furnished or supplied through the facilities of or in the conduct or operation of the business of the Water System, (2) the proceeds of any stand-by or water availability charges, development fees and connection charges collected by the City, (3) the earnings on and income derived from the investment of amounts described in clauses (1) and (2) above, and from amounts in the Rate Stabilization Fund and from Water Fund reserves, but excluding (x) customers' deposits or any other deposits or advances subject to refund until such deposits or advances have become the property of the City, (y) any proceeds of taxes or assessments restricted by law to be used by the City to pay bonds or other obligations now or later issued; and (z) revenues of any water system acquired through merger, consolidation or similar action to the extent the exclusion of such acquired water system is required pursuant to the terms of such merger, consolidation or similar action.

"Revenues" also include all amounts transferred from the Rate Stabilization Fund to the Water Revenue Fund during any Fiscal Year in accordance with the Indenture and will not include any amounts transferred from the Water Revenue Fund to the Rate Stabilization Fund during any Fiscal Year in accordance with the Indenture.

The City is obligated to make payments of principal of and interest on the 2017 Bonds solely from Net Revenues of the Water System. The term "Net Revenues" means, for any Fiscal Year of the City (currently, the City's Fiscal Year commences July 1 of each year) ("Fiscal Year"), the Revenues for such Fiscal Year less the Operation and Maintenance Costs of the Water System for such Fiscal Year. When held by the Trustee in any funds or accounts established under the Indenture, Net Revenues will include all interest or gain derived from the investment of amounts in any of such funds or accounts. The City has no other obligations outstanding which are payable from Net Revenues senior to or on a parity with the 2017 Bonds.

"Operation and Maintenance Costs" is defined in the Indenture to mean costs spent or incurred for maintenance and operation of the Water System calculated in accordance with generally accepted accounting principles applicable to governmental agencies, including, but not limited to, the cost of acquiring, pumping and/or treating water, the reasonable expenses of management and repair and other expenses necessary to maintain and preserve the Water System in good repair and working order, and including administrative costs of the City that are charged directly or apportioned to the Water System, including but not limited to salaries and wages of employees, payments to the Public Employees Retirement System, overhead, insurance, taxes (if any), fees of auditors, accountants, attorneys or engineers and insurance premiums, and including all other reasonable and necessary costs of the City or charges (other than debt service payments) required to be paid by it to comply with the terms of the Indenture or any Contract or of any resolution or indenture authorizing the issuance of any Bonds or of such Bonds; but excluding in all cases depreciation, replacement and obsolescence charges or reserves therefor and amortization of intangibles or other bookkeeping entries of a similar nature and all capital charges and other amounts transferred to the Rate Stabilization Fund.

THE OBLIGATION OF THE CITY TO PAY PRINCIPAL OF AND INTEREST ON THE 2017 BONDS PURSUANT TO THE INDENTURE DOES NOT CONSTITUTE AN OBLIGATION FOR WHICH THE CITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE CITY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. THE OBLIGATION OF THE CITY TO PAY PRINCIPAL OF AND INTEREST ON THE 2017 BONDS IS A SPECIAL OBLIGATION OF THE CITY PAYABLE SOLELY FROM NET REVENUES, AND DOES NOT CONSTITUTE A DEBT OF THE CITY OR OF THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF IN CONTRAVENTION OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

Flow of Funds. In order to carry out and effectuate the pledge and lien contained in the Indenture, the City has agreed and covenanted that all Revenues will be received by the City in trust under the Indenture and will be deposited when and as received in a special fund designated as the “Water Revenue Fund,” which fund is continued by the Indenture and which fund the City has agreed and covenanted to maintain and to hold separate and apart from other funds so long as the 2017 Bonds and any Contracts or Debt Service on Bonds remain unpaid. Moneys in the Water Revenue Fund will be used and applied by the City as provided in the Indenture. All moneys in the Water Revenue Fund will be held in trust and will be applied, used and withdrawn for the purposes set forth in the Indenture.

The City shall, from the moneys in the Water Revenue Fund, pay all Operation and Maintenance Costs (including amounts reasonably required to be set aside in contingency reserves for Operation and Maintenance Costs, the payment of which is not then immediately required) as such Operation and Maintenance Costs become due and payable. All remaining moneys in the Water Revenue Fund shall be set aside by the City at the following times for the transfer to the following respective special funds in the following order of priority:

First, not later than the Business Day prior to each Interest Payment Date, the City will, from the moneys in the Water Revenue Fund, transfer to the Trustee for deposit in the Payment Fund the full amount of interest and principal payments on the 2017 Bonds coming due and payable on such Interest Payment Date. The City will also, from the moneys in the Water Revenue Fund, transfer to the applicable trustee for deposit in the respective payment fund, without preference or priority, and in the event of any insufficiency of such moneys ratably without any discrimination or preference, any other Debt Service in accordance with the provisions of any Bond or Contract.

Second, on or before each Interest Payment Date the City will, from the remaining moneys in the Water Revenue Fund, thereafter, without preference or priority and in the event of any insufficiency of such moneys ratably without any discrimination or preference, transfer to the applicable trustee for such reserve funds and/or accounts, if any, as may have been established in connection with Bonds or Contracts, that sum, if any, necessary to restore such funds or accounts to an amount equal to the reserve requirement with respect thereto.

Third, moneys on deposit in the Water Revenue Fund on any date when the City reasonably expects such moneys will not be needed for the payment of Operation and Maintenance Costs or any of the purposes described in above may be expended by the City at any time for any purpose permitted by law, including but not limited to the deposit of amounts in the Rate Stabilization Fund in accordance with the Indenture.

Fourth, all moneys held by the City in the Water Revenue Fund will be invested in Permitted Investments and the investment earnings thereon will remain on deposit in such fund, except as otherwise provided in the Indenture.

There is established with the Trustee the Payment Fund, which the Trustee has covenanted to maintain and hold in trust separate and apart from other funds held by it so long as any principal of and interest on the 2017 Bonds remain unpaid. Except as directed in the Indenture, all payments of interest and principal on the 2017 Bonds received by the Trustee pursuant to the Indenture will be promptly deposited by the Trustee upon receipt thereof into the Payment Fund; except that all moneys received by the Trustee and required under the Indenture to be deposited in the Redemption Fund will be promptly deposited therein. All payments of interest and principal on the 2017 Bonds deposited with the Trustee will be held, disbursed, allocated and applied by the Trustee only as provided in the Indenture. The Trustee will also establish and hold an Interest Account and a Principal Account within the Payment Fund.

The Trustee will transfer from the Payment Fund and deposit into the following respective accounts, the following amounts in the following order of priority and at the following times, the requirements of each such account (including the making up of any deficiencies in any such account resulting from lack of Revenues sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any transfer is made to any account subsequent in priority:

First, not later than the Business Day preceding each Interest Payment Date, the Trustee will deposit in the Interest Account that sum, if any, required to cause the aggregate amount on deposit in the Interest Account to be at least equal to the amount of interest becoming due and payable on such date on all 2017 Bonds then Outstanding. No deposit need be made into the Interest Account so long as there is in such fund moneys sufficient to pay the interest becoming due and payable on such date on all 2017 Bonds then Outstanding.

Second, not later than the Business Day preceding each date on which the principal of the 2017 Bonds becomes due and payable under the Indenture, the Trustee will deposit in the Principal Account that sum, if any, required to cause the aggregate amount on deposit in the Principal Account to equal the principal amount of the 2017 Bonds coming due and payable on such date or subject to mandatory sinking fund redemption on such date. No deposit need be made into the Principal Account so long as there is in such fund moneys sufficient to pay the principal becoming due and payable on such date on all 2017 Bonds then Outstanding.

Rate Covenant

The City will, to the fullest extent permitted by law, fix and prescribe, at the commencement of each Fiscal Year, rates and charges for the Water Service which are reasonably expected to be at least sufficient to yield during each Fiscal Year Net Revenues equal to 120% of the Debt Service for such Fiscal Year. The City may make adjustments from time to time in such rates and charges and may make such classification thereof as it deems necessary, but will not reduce the rates and charges then in effect unless the Net Revenues from such reduced rates and charges will at all times be sufficient to meet the foregoing requirements. To the extent that the covenant with respect to rates and charges in connection with any Bonds or Contracts differs from the foregoing covenant, the City will also comply with the covenant with respect to rates and charges in connection with such Bonds or Contracts.

Rate Stabilization Fund

There is established under the Indenture a special fund designated as the "Rate Stabilization Fund" to be held by the City in trust thereunder, which fund the City has pledged to the payment of the 2017 Bonds under the Indenture and has agreed and covenanted to maintain and to hold separate and apart from other funds so long as any 2017 Bonds remain Outstanding. On the date of the issuance of the 2017 Bonds, the City will have $0 on deposit in the Rate Stabilization Fund. Money transferred by the City from the Water Revenue Fund to the Rate Stabilization Fund in accordance with the Indenture will be held in the Rate Stabilization Fund and applied in accordance with the Indenture.

The City may withdraw all or any portion of the amounts on deposit in the Rate Stabilization Fund and transfer such amounts to the Water Revenue Fund for application in accordance with the Indenture or, in the event that all or a portion of the 2017 Bonds are discharged in accordance with the Indenture, transfer all or any portion of such amounts for application in accordance with the Indenture.

Under certain circumstances, moneys received in one Fiscal Year may be required or permitted by Generally Accepted Accounting Principles to be recorded as revenue in a subsequent Fiscal Year, regardless of whether such moneys have been deposited in the Rate Stabilization Fund. See APPENDIX A—"FINANCIAL STATEMENTS."

Additional Indebtedness

Pursuant to the Indenture, the City may at any time execute any Contracts or issue any Bonds payable from Net Revenues on a parity with the obligation to pay principal of and interest on the 2017 Bonds, provided that certain conditions are satisfied as provided below.

(a) The Net Revenues for the most recently completed Fiscal Year or for any consecutive twelve calendar month period during the eighteen calendar month period preceding the date of adoption by the City Council of the City of the resolution authorizing the issuance of such Bonds or the date of the execution of such Contract, as the case may be, as evidenced by both a calculation prepared by the City and a special report prepared by an Independent Certified Public Accountant or an Independent Financial Consultant on such calculation on file with the City, produce a sum equal to at least 120% of the Debt Service for such twelve month period; and

(b) The Net Revenues for the most recently completed Fiscal Year or for any consecutive twelve calendar month period during the eighteen calendar month period preceding the date of the execution of such Contract or the date of adoption by the City Council of the City of the resolution authorizing the issuance of such Bonds, as the case may be, including adjustments to give effect as of the first day of such Fiscal Year or such twelve month period to increases or decreases in rates and charges for the Water Service approved and in effect as of the date of calculation, as evidenced by both a calculation prepared by the City and a special report prepared by an Independent Certified Public Accountant or an Independent Financial Consultant on such calculation on file with the City, produce a sum equal to at least 120% of the Debt Service for such twelve month period plus the Debt Service which would have accrued had such Contract been executed or Bonds been issued at the beginning of such Fiscal Year or such twelve month period.

No Reserve Fund

No reserve fund has been established in connection with the issuance of the 2017 Bonds.

Insurance; Reconstruction, Repair and Replacement

The City has covenanted to procure and maintain or cause to be procured and maintained insurance on the Water System with responsible insurers in such amounts and against such risks (including damage to or destruction of the Water System) as are usually covered in connection with facilities similar to the Water System so long as such insurance is available from reputable insurance companies at reasonable rates. See Appendix B under the caption "PARTICULAR COVENANTS—Insurance" for more information regarding insurance coverages required by the Indenture. See the caption "THE WATER SYSTEM—Water System

Insurance" for more information regarding the City's current insurance coverage with respect to the Water System.

In the event of any damage to or destruction of the Water System caused by the perils covered by such insurance, the Net Proceeds thereof will be applied to the reconstruction, repair or replacement of the damaged or destroyed portion of the Water System. The City will begin such reconstruction, repair or replacement promptly after receipt of such Net Proceeds, and shall continue and properly complete such reconstruction, repair or replacement as expeditiously as possible, and will pay out of such Net Proceeds all costs and expenses in connection with such reconstruction, repair or replacement so that the same will be completed and the Water System will be free and clear of all claims and liens. The City has covenanted to reconstruct, repair or replace the damaged or destroyed portions of the Water System promptly from Net Proceeds if a failure to reconstruct, repair or replace such portions would impair or adversely affect the ability of the City to pay the 2017 Bonds. See the captions "CERTAIN RISKS TO BONDHOLDERS—Water System Expenses" and "CERTAIN RISKS TO BONDHOLDERS—Natural Disasters."

THE CITY

The City was incorporated in January 1888 and became a charter city in 1911. The City now encompasses approximately 22.9 square miles, and currently has an estimated population of 162,140. The City is located approximately 30 miles east of downtown Los Angeles, in the eastern portion of the County of Los Angeles, adjacent to Orange and San Bernardino Counties. The City is governed by a seven-member City Council. The Mayor is directly elected at large. Since November 3, 1998, the City has been divided into six districts, which are used for all regular elections of Council members. For further information concerning the City, see Appendices A and F attached hereto.

THE WATER SYSTEM

General

The City is the sole provider of water service for residential, commercial, agricultural and industrial enterprises within the City. The City's current population is estimated to be approximately 162,140 people. The principal facilities of the Water System, as of January 1, 2017, included 34 wells for potable water production, 22 potable water storage reservoirs with a total capacity of approximately 87.7 million gallons ("mg"), 2 recycled water storage reservoirs with a total capacity of approximately 3.7 mg, 15 potable water and 1 recycled water booster station to move water to different elevations, approximately 431 miles of water (both potable and recycled) transmission and distribution mains, and related control and telemetering systems. The operational headquarters of the Water System is located in the City at 148 North Huntington Street, which consists of administrative/field offices, a modular office unit, welding/fabrication shop and four warehouse/storage structures. The Supervisory Control and Data Acquisition System, as well as all equipment, is located on site.

Water Supply

The City obtains water from four principal sources: groundwater, surface water, imported water and recycled wastewater. Groundwater has historically been the primary source of supply. Historical production from each water source is summarized below. The total production capacity of all water facilities for Fiscal Year 2016 was 19,228 acre-feet per year ("AFY"). In Fiscal Year 2016, the City satisfied approximately 67% of its annual domestic water demands from groundwater supplies, 5% from surface supplies and 19% from imported supplies. In addition, the City produced 1,739 acre-feet or 9% of its annual domestic water demands from recycled wastewater for nonpotable uses. For total water production over the past five Fiscal Years, see the table entitled "HISTORIC WATER PRODUCTION" under the caption "—Historic and Projected Water Supply" below.

Groundwater. The City has 36 active and inactive wells that can extract groundwater from three separate basins; the Chino, Six Basins and Spadra groundwater basins. Due to water quality concerns, maintenance and other considerations, some of the City's 36 wells will typically be inactive at any given time. Total water production capacity of all wells is approximately 31 mgd, based on average groundwater elevation in the various basins. Water production capacity of the wells is dependent on the groundwater levels and groundwater quality. The Claremont Heights basin wells, among the adjudicated Six Basins discussed below, show the greatest sensitivity to water levels with capacities being the greatest when water levels are high following wet years. See the caption "CERTAIN RISKS TO BONDHOLDERS—Drought Declaration" for more information regarding recent hydrological conditions in the State of California.

Chino Basin. The Chino Basin is an alluvial groundwater basin that extends from the San Jose Fault and San Gabriel Mountains on the north to the Santa Ana River on the south and from Chino Hills on the west to the Rialto Colton Fault and Jurupa Mountains on the east. The City pumps from the upper and lower aquifer systems within the basin. The upper aquifer system is unconfined to semi-confined and yields more water, but is subject to water quality impacts from surface sources. The deeper aquifer system is confined and yields less water due to the higher percentage of silt and clay.

The City's water rights to pump from the Chino Basin have primarily been established by a court decision, being the *Chino Basin Municipal Water District v. the City of Chino et al.*, San Bernardino Superior Court Number 164327 (the "Chino Basin Judgment"), dated January 27, 1978. This decision adjudicated all groundwater rights in Chino Basin and established the Chino Basin Watermaster to account for and implement the management of the Chino Basin.

The Chino Basin Judgment declared that the initial safe yield of the Chino Basin is 140,000 AFY, which is allocated among three classes of water users (or "pools"): (i) overlying agricultural - 82,800 AFY, (ii) overlying non-agricultural (industries) - 7,366 AFY, and (iii) appropriative (municipal) – 49,834 AFY. To the extent that pumping by such users exceeds the share of the safe yield assigned to the overlying pools (or the operating safe yield in the case of the appropriative pool) each pool will provide funds to the Chino Basin Watermaster to replace the overproduction with replenishment water. The City is assessed a fee per acre-foot of water produced in the previous year. The amount of the fee is reassessed annually by the Chino Basin Watermaster, but has ranged from $30 to $60 per acre-foot. In Fiscal Year 2016, the assessment was $57.54 per acre-foot and totaled $720,422.78.

Pursuant to the Chino Basin Adjudication, the City has been allocated a share of the safe yield of 20.5% or 11,216 AFY. Occasionally, in years with higher precipitation, the City is eligible for up to 2,454 acre-feet, which is 20.454% of water rights associated with the Chino Basin enhanced stormwater capture program and potentially up to 6,709 acre-feet of water rights associated with an early transfer of Agricultural Pool pumping rights related to the reduction in agricultural pumping in the basin. To the extent that the City does not pump its total allocation of groundwater for the Fiscal Year, the excess is carried over to the next Fiscal Year. The maximum amount of such carryover cannot exceed 11,216 acre-feet. Finally, the City claims approximately 220 acre-feet per year of additional rights as a result of the Peace II negotiation process which is in place from 2007 to 2017. In 2016, the City's total annual production right for the Chino Basin was 28,765 acre-feet; however these rights are variable as described above.

The Chino Basin Watermaster has prepared a Safe Yield Reset agreement (the "Reset Agreement") with respect to the Chino Basin purveyors. The Reset Agreement has been submitted to the San Bernardino Superior Court, which has ongoing jurisdiction over the Chino Basin Watermaster for consideration and approval. If approved, the Reset Agreement will adjust the annual Safe Yield from 140,000 AFY to 135,000 AFY. The City does not expect, but cannot guarantee, that if approved, the Reset Agreement will have a material adverse impact on the Net Revenues.

Water production capacity of the City's groundwater wells can vary based on the groundwater levels and groundwater quality. Groundwater levels in the Chino Basin are monitored through the Groundwater

Level Monitoring Program, which uses 700 wells to assist in the Chino Basin Watermaster's monitoring program for hydraulic control, land subsidence and desalter impacts. The Chino Basin Watermaster also regularly monitors groundwater production at all active wells, in addition to monitoring surface water quantity and quality. Current static groundwater levels range from approximately 200 to 450 feet below ground surface.

If the City pumps groundwater from the Chino Basin in excess of its annual production right, the City would be required to pay a replenishment assessment to the Chino Basin Watermaster for purchase of imported water for replenishment. Such replenishment obligation could come in the form of a cash payment or an equivalent amount of groundwater. However, since the City's production has always been less than its annual production right, the City has not had to pay a replenishment assessment.

Six Basins. Six Basins consists of six individual groundwater basins within the jurisdiction of the Six Basins adjudication. The City has production facilities in three of the Six Basins: Pomona, Lower Claremont Heights, and Upper Claremont Heights basins.

The pumping and storage rights for the Six Basins were adjudicated in 1998 through a stipulated judgment titled *Southern California Water Company v. City of La Verne, et al.* in the Superior Court of California for the County of Los Angeles (Case No. KC029152) (the "Six Basins Judgment"). The Six Basins Judgment prescribes a physical solution for the coordinated management of the Six Basins with the objective that the parties to the Six Basins Judgment can reliably pump their respective rights and maximize the beneficial use of groundwater. The Six Basins Judgment also established the Six Basins Watermaster to implement and manage the physical solution. The Court maintains continuing jurisdiction over the Six Basins Judgment.

The safe yield of Six Basins was originally established as 19,300 AFY and represents the current groundwater management plan for the Six Basins. The annual operating safe yield of Six Basins is determined based on groundwater level conditions within the individual basins and can vary widely (14,000 to 24,500 AFY). The City's allocation of the operating safe yield is 20.8%. On average the operating safe yield is 19,300 acre-feet, with the City's allocation being 4,014 acre-feet. For Calendar Year 2016, the operating safe yield of Six Basins was 16,000 acre-feet, with the City's allocation set at approximately 3,328 acre-feet. The City can also carry over unused water rights, water spread and store water with certain restrictions.

The parties to the Six Basins Judgment have approximately 19 years of experience with the physical solution implemented by the Six Basins Judgment. Some of the parties to the Six Basins Judgment have raised questions and concerns about the current rules, regulations, agreements, and practices of the Six Basins Watermaster, and some of the parties desire a better technical approach to the management of the Six Basins. As a result, the Six Basins Watermaster parties collectively agreed to enhance the management of the Six Basins beyond the execution of the Six Basins Judgment, and in 2012, the parties initiated the development of a *Strategic Plan for the Six Basins* (the "Six Basins Strategic Plan"). The parties envision that the Six Basins Strategic Plan will be the new integrated management plan for the Six Basins, and that such plan could require amendments to the Six Basins Judgment.

The first two phases of the Six Basins Strategic Plan have been completed. The Phase I Report for the Six Basins Strategic Plan was completed in 2013 and included: (i) a description of the physical water resources of the Six Basins; (ii) a description of the past, present, and future water demands of the water purveyors in the Six Basins, and the water supplies available to meet those demands; (iii) a description of the needs and wants of the parties, as well as common goals for management of the Six Basins and the impediments to achieving those goals; and (iv) a description, on a conceptual level, of the recommended Six Basins Strategic Plan initiatives that, if implemented, will remove existing impediments and achieve the goals of the parties.

Phase II of the Six Basins Strategic Plan was completed in December 2015 and included: (i) a refinement and further description of the Six Basins Strategic Plan projects that were developed on a conceptual level during Phase I; (ii) a simulated model of the Six Basins for use in to evaluating the Six Basins Strategic Plan projects; (iii) economic and institutional evaluations of the Six Basins Strategic Plan projects; a recommended Six Basins Strategic Plan; and (iv) development of an implementation plan for the Six Basins Strategic Plan.

Groundwater production, levels and quality are monitored by the Six Basins Watermaster. Two spreading basins used for the spreading of imported and surplus local surface water within the Six Basins (Thompson Creek and San Antonio Creek Spreading Grounds) are owned and maintained by the Pomona Valley Protective Association ("PVPA"). The Pomona Spreading Grounds, located in the City of Claremont on the Pedley Water Treatment Plant site, is owned and maintained by the City. The Six Basins Watermaster shares in the maintenance cost for work that occurs in the San Antonio Spreading Grounds.

The City pays an annual administrative assessment based on the City's 20.8% share of the average Six Basins safe yield of 19,300 acre-feet. For Calendar Year 2016, the City's assessment was $20 per acre-foot for 4,014 acre-feet, totaling $80,280.

Spadra Basin. The Spadra Basin is an alluvial groundwater basin located in the western portion of the City, and is a sub-basin to the Main San Gabriel Basin. The safe yield of this basin has been estimated to be approximately 1,500 AFY, although urbanization of the area and lining of San Jose Creek have limited the amount of natural and return flow recharge to the aquifer system. The Spadra Basin has not been adjudicated and there is no formal groundwater management structure in place for the area. The basin is not considered to be in overdraft. The wells the City currently has in place in the Spadra Basin have a capacity of 1 mgd. Limited natural recharge of the basin and water quality constraints restricts the Spadra Basin's ability to support additional wells.

Though supply from this basin has primarily been used to supplement the recycled water system, Well 28 does supply water to the potable water system on a limited basis.

The total volume of groundwater pumped by the City from the Chino Basin, Six Basins and Spadra Basin in Fiscal Years 2012-2016 is set forth in the following table:

HISTORIC GROUNDWATER VOLUME PUMPED
IN ACRE-FEET PER YEAR

Fiscal Year ending June 30	***Chino Basin***	***Six Basins***	***Spadra Basin***	***Total***
2012	11,421	3,913	106	15,440
2013	12,228	3,763	175	16,166
2014	12,910	3,667	170	16,747
2015	12,516	3,333	128	15,977[(1)]
2016	9,664	3,010	122	12,796[(1)]

(1) Declines in groundwater pumped for Fiscal Year 2015 and Fiscal Year 2016 reflect the City's water conservation efforts in response to recent statewide drought conditions. See the caption "CERTAIN RISKS TO BONDHOLDERS—Drought Declaration."

Source: The City.

Sustainable Groundwater Management Act. On September 16, 2014, the California Governor signed Assembly Bill No. 1739 and Senate Bill Nos. 1168 and 1319 (collectively, the Sustainable Groundwater Management Act, or "SGMA") into law. The SGMA constitutes a legislative effort to regulate groundwater on a Statewide basis. Under existing law, the provisions of the act do not apply to an adjudicated groundwater basin, as specified, or to a local agency that conforms to the requirements of an adjudication of water rights for an adjudicated groundwater basin.

The SGMA requires local agencies producing from unadjudicated basins to form local groundwater sustainability agencies ("GSAs") that must assess conditions in their local water basins and adopt locally-based management plans. Under the SGMA, GSAs have 20 years to implement plans and achieve long-term groundwater sustainability. The SGMA protects existing surface water and groundwater rights and does not impact current drought response measures.

As noted above under the caption "—Groundwater," the Chino Basin and Six Basins are adjudicated basins and are not subject to the SGMA. However, the Spadra Basin is a sub-basin to the Main San Gabriel Basin and is not adjudicated. Discussions involving the affected parties, which include the City, Walnut Valley Water District and Cal Poly Pomona, regarding the operation of Spadra Basin have been ongoing to formally develop a GSA. On March 6, 2017, the City Council held a public hearing and adopted a resolution approving the formation of a GSA within the Spadra Basin. The purpose of the GSA formation is to define goals, rules, basin characterization, and acquire funding for the development of a Groundwater Sustainable Plan. The parties are working with the State to meet all of the required deadlines.

Surface Water. The City's surface water supplies are obtained from San Antonio Canyon and Evey Canyon, major tributaries which feed the San Antonio Creek watershed in the San Gabriel Mountains. The San Antonio Canyon supply is the larger of the two, and the annual quantity of water is based on stipulated rights secured by predecessor agencies. The City's water rights from San Antonio Canyon are based on its ownership of 99.32% of the Canon Water Company ("CWC") stock. The City is the only CWC stockowner taking delivery of water based on such ownership. In addition, the City owns all the rights to water from Evey Canyon. The City has rights to 40% of the first 10 mgd (11,202 AFY) of flow from San Antonio Creek and the San Antonio Water Company ("SAWCO") has the remaining 60%. However, the City has the infrastructure to produce up to only 4 mgd (4,480 AFY) of that local surface water for supply and has not been able to utilize its full entitlement. The City has treated a total annual average flow of 2,000 AFY of local raw surface water over the past ten years from San Antonio Creek.

The City's local surface water facilities include a intake/weir structure in San Antonio Canyon, the Pedley Filtration Plant ("PFP") (owned by the City but located in the City of Claremont, and the Canon Waterline connecting San Antonio and Evey Canyons with the PFP. The intake/weir structure in San Antonio Canyon apportions flow between SAWCO and the City. The Canon pipeline begins at the intake/weir structure, collects additional surface water at Evey Canyon, and supplies the PFP with raw surface water for treatment. At the PFP, the pipeline discharges into a diversion structure which conveys all instantaneous flows less than or equal to 4 mgd into the treatment plant; any excess flow above 4 mgd is diverted to a large spreading/infiltration basin located immediately adjacent to the PFP. Water not diverted from San Antonio Creek helps to recharge the Six Basins Aquifer. Local surface water not treated at the PFP is diverted to the nearby Pomona Spreading Grounds for recharge of Six Basins – resulting in a spreading credit for the City.

To maintain and increase the City's flexibility in this area, the City implemented an agreement with SAWCO and is also planning to reline the Canon Waterline under the San Antonio Dam. The agreement with SAWCO will allow the City to obtain 110% spreading credit in Six Basins when the City diverts its portion of the weir diversion during times when the Canon Waterline is out of service.

Imported Water. The City obtains imported water from the Three Valleys Municipal Water District ("TVMWD") which is a member agency of the Metropolitan Water District of Southern California ("MWD"). MWD is a public corporation organized in 1928 under the authority of the Metropolitan Water District Act (the "MWD Act"). The MWD Act provides a means whereby groups of cities and certain other governmental subdivisions such as municipal water districts, not necessarily contiguous, may join together for the development of a water supply. The TVMWD was formed in 1950 (originally named the "Pomona Valley

Municipal Water District," it changed its name in 1986) for the purpose of transporting state water project ("SWP") and Colorado River water to supplement the local water supply.

The primary source of supply of imported water is MWD's Weymouth Treatment Plant in La Verne, which currently produces a blend of Northern California and Colorado River water. The water is conveyed through the Orange County Feeder and the Pomona-Walnut-Rowland ("PWR") Joint Water Line. Water from the TVMWD Miramar Plant is 100% SWP water. The City's imported supply connections have a total capacity of 158.7 mgd. Although water production from imported sources has generally increased over the last few years, the City does not anticipate having to use the City's full imported water allocation at these connections. For Fiscal Year 2017, the City is charged $987.00 per acre-foot of water purchased.

TVMWD HAS NOT ENTERED INTO ANY CONTRACTUAL COMMITMENT WITH THE CITY, THE TRUSTEE OR THE OWNERS OF THE 2017 BONDS TO PROVIDE TVMWD INFORMATION TO THE CITY OR THE OWNERS OF THE 2017 BONDS.

TVMWD HAS NOT REVIEWED THIS OFFICIAL STATEMENT AND HAS NOT MADE REPRESENTATIONS OR WARRANTIES WITH RESPECT TO THE ACCURACY OR COMPLETENESS OF THE INFORMATION CONTAINED OR INCORPORATED HEREIN, INCLUDING INFORMATION WITH REGARD TO TVMWD. TVMWD IS NOT CONTRACTUALLY OBLIGATED, AND HAS NOT UNDERTAKEN, TO UPDATE SUCH INFORMATION FOR THE BENEFIT OF THE CITY OR THE OWNERS OF THE 2017 BONDS UNDER RULE 15C2-12.

MWD faces various challenges in the continued supply of imported water to TVMWD. A description of these challenges as well as a variety of other operating information with respect to MWD is included in certain disclosure documents prepared by MWD. MWD has entered into certain continuing disclosure agreements pursuant to which MWD is contractually obligated for the benefit of owners of certain of their outstanding obligations, to file certain annual reports, notices of certain material events as defined under Rule 15c2-12 of the Exchange Act ("Rule 15c2-12") and annual audited financial statements (the "MWD Information") with the Municipal Securities Rulemaking Board. Certain of the MWD Information can be found at www.emma.msrb.org. MWD HAS NOT ENTERED INTO ANY CONTRACTUAL COMMITMENT WITH THE CITY, THE TRUSTEE OR THE OWNERS OF THE 2017 BONDS TO PROVIDE MWD INFORMATION TO THE CITY OR THE OWNERS OF THE 2017 BONDS.

MWD HAS NOT REVIEWED THIS OFFICIAL STATEMENT AND HAS NOT MADE REPRESENTATIONS OR WARRANTIES WITH RESPECT TO THE ACCURACY OR COMPLETENESS OF THE INFORMATION CONTAINED OR INCORPORATED HEREIN, INCLUDING INFORMATION WITH REGARD TO MWD. MWD IS NOT CONTRACTUALLY OBLIGATED, AND HAS NOT UNDERTAKEN, TO UPDATE SUCH INFORMATION FOR THE BENEFIT OF THE CITY OR THE OWNERS OF THE 2017 BONDS UNDER RULE 15C2-12.

Recycled Water. The City has the right to purchase and resell recycled water from the Los Angeles County Sanitation District ("LACSD") No. 21 Pomona Water Reclamation Plant ("PWRP"). The tertiary treatment capacity of this facility is 15 mgd, and is capable of producing high quality tertiary effluent for a variety of industrial and irrigation purposes.

The City's recycled water system includes City-owned facilities and facilities not owned by the City. The City-owned facilities that are currently active consist of the PWRP booster pump station, Well 19, Well 31, a 0.7-million gallon (MG) reservoir, and a 3-MG reservoir. In addition, the City owns a number of non-potable wells in the northeastern part of the City near I-10 (Wells S5, S1, W33, S2A, and S2B); however, these wells are currently inactive and have limited production capacities as well as water quality constraints, and consequently the City does not expect to repair or utilize these wells as recycled water supply.

Recycled water received by the City from the PWRP is currently treated to Title 22 standards, and therefore is used only for non-potable uses. It is expected that the quality of these flows will be maintained by LACSD, which owns and operates the PWRP. The City has discussed the idea of partnering with the LACSD to optimize the PWRP's operation to ensure that the maximum amount of wastewater is treated.

In Fiscal Year 2016 the City sold approximately 1,739 acre-feet of recycled water to 8 users. The recycled water is supplied to customers on an interruptible basis.

Storage. Storage for potable water has been provided for the existing water transmission and distribution system to reduce peak flows in the pipeline, provide uniform pressure regulation and to provide a continuous source of water supply for limited periods of time when main sources of supplies are interrupted. The City has 22 reservoirs with a storage capacity of approximately 87.7 mg. Such storage capacity provides the Water System with approximately 3.5 days (based on average daily use) of emergency supplies.

Water Quality Compliance. Water quality standards imposed by law may affect the reliability of the City's water supply. The City Water/Wastewater Operations Department contracts with private water quality laboratories approved by the State Water Resources Control Board – Division of Drinking Water (the "DDW"). Bacteriological and chemical tests of water samples (from all sources and from the distribution system) are taken on a frequent and routine basis. Sampling frequencies are based on the degree of hazard and quantity of the particular constituent in the source sample.

The City's groundwater supplies originate from three separate hydrogeologic basins – each with its own quality issues and treatment strategies. All of the City's wells and treatment facilities are subject to regular water quality sampling mandated by the DDW as described above, and the City is equipped to respond to a variety of constituents present in its supply sources that can affect water quality.

A majority of the groundwater pumped by the City from the Chino Basin currently undergoes blending and anion exchange treatment at the Anion Exchange Plant ("AEP") to reduce nitrate and perchlorate concentrations. Additionally, some wells receive wellhead treatment through disinfection and air stripping. Because of high perchlorate levels, the City has had to shutdown some wells; however, the City has constructed a new perchlorate treatment plant adjacent to the AEP facility to maximize the use of the City's existing wells in the Chino Basin.

The City pumps groundwater from three basins within the Six Basins – Pomona, Lower Claremont and Upper Claremont basins. A majority of the groundwater pumped from the Pomona Basin is treated through a combination of blending and treatment plants for perchlorate, nitrate and VOCs. The Harrison Groundwater Treatment Facility treats water from Well 37 for nitrate using ion exchange. The 10 and Towne Groundwater Treatment Plant treats three wells for VOCs through air stripping, as does the Well 3 air stripping facility. Perchlorate and nitrate levels within the Six Basins are reduced through blending with TVMWD/MWD imported water. There are currently no water quality issues with water pumped from Lower Claremont or Upper Claremont basins.

Groundwater pumped from the Spadra Basin is primarily used to supplement potable peak water demands at this time. Staff is working to re-equip Well 19 (theft problems) to supplement recycled water flows to meet non-potable demand. The Well 19 water is untreated and meets Title 22 standards. The City is currently investigating areas of recently improved water quality in Spadra Basin for potential longerterm potable use.

The City monitors current and potential future drinking water regulations for Chromium VI, VOCs and other contaminants. If the regulations create a maximum contaminant level that could impact groundwater production, the City would determine the appropriate treatment actions to take to maintain groundwater production levels. To enhance the City's ability to adapt to water quality regulations and to protect groundwater pumping rights, the City is currently undertaking a new project to install four on-site treatment processes for VOCs at four different wells within the Chino Basin that had been inactive due to water quality concerns. By installing these treatment processes on wells within the Chino Basin, it will also be possible to add four additional inactive wells to the pumping schedule by blending water. Along with the work being done in the Chino Basin, the City is also exploring the potential for additional nitrate, perchlorate and VOC treatment in the Six Basins area.

Surface water from San Antonio Creek is generally of a very high quality. The PFP, where local surface water is treated, is in continuous operation throughout most of the year, except during periods when the raw water turbidity is too high for the filters to meet the permitted finished water turbidity requirement of 10 NTU. This is typically during extreme wet weather events and is not common. It is estimated that the PFP is shut down an average of two weeks per year as the result of high raw water turbidity during exceptionally rainy periods. The flows are instead routed to the adjacent Pomona Spreading Grounds or the PVPA grounds south of the dam for groundwater recharge. The annual wet-weather shutdown time varies from year to year depending on the amount of rainfall received and the intensity of the rainfall events. As turbidity of San Antonio Creek is not expected to increase in the future, supply projections for local surface water are not expected to be impacted.

The City does not currently experience and does not foresee issues with its imported water quality as it receives treated water from TVMWD. The City is currently investigating the possibility of taking raw imported supplies and treating them at an upgraded PFP. If successful, the PFP would be able to run year-round.

The kind and degree of water treatment which is also effected through the Water System is regulated, to a large extent, by the federal government. Clean water standards set forth in the Safe Drinking Water Act and the Environmental Protection Act continue to set standards for the operations of the Water System and to mandate its use of technology. In the event that the DDW or the federal government, either acting through the Environmental Protection Agency or by adoption of additional legislation, should impose stricter quality standards upon the Water System, Operation and Maintenance Costs would increase accordingly and rates and charges would have to be increased to offset such expenses. It is not possible to predict the direction which State and Federal regulation will take with respect to water treatment. See the caption "CERTAIN RISKS TO BONDHOLDERS" for a discussion of other factors which could affect Revenues of the Water System.

Historic and Projected Water Supply

Set forth below is a summary of the City's sources of water supply for Fiscal Years 2012 through 2016.

HISTORIC WATER SUPPLY
IN ACRE-FEET PER YEAR

Fiscal Year ending June 30	***Ground Water***	***Surface Water***	***Imported Water***	***Recycled Water***	***Total***(1)
2012	15,440	2,941	3,085	1,561	23,027
2013	16,166	1,424	5,153	1,687	24,440
2014	16,747	894	5,929	793	24,363
2015	15,977	979	4,062	1,593	22,611(2)
2016	12,796	1,047	3,645	1,739	19,228(2)

(1) Gross water deliveries. (Not billed to customers.)
(2) Declines in water supply for Fiscal Year 2015 and Fiscal Year 2016 reflect the City's water conservation efforts in response to recent statewide drought conditions. See the caption "CERTAIN RISKS TO BONDHOLDERS—Drought Declaration."
Source: The City.

Set forth below is a summary of the City's projected water supplies over the current and next four Fiscal Years.

PROJECTED WATER SUPPLY
IN ACRE-FEET PER YEAR[(1)]

Fiscal Year ending June 30	*Ground Water*	*Surface Water*	*Imported Water*	*Recycled Water*	*Total*[(2)]
2017	14,896[(3)]	1,047	3,645	2,139	21,727
2018	16,996	1,047	3,645	2,539	24,227
2019	16,996	1,047	3,645	2,939	24,627
2020	16,996	1,047	3,645	3,339	25,027
2021	16,996	1,047	3,645	3,739	25,427

(1) Projections are based on baseline assumptions set forth in the City's 2015 Urban Water Management Plan, which have been modified to reflect current circumstances.
(2) Gross water deliveries. (Not billed to customers.)
(3) Increase in groundwater supply over Fiscal Year 2016 amount reflects increased groundwater production capacity due to wellhead VOC treatment processes to come online in Fiscal Year 2017. See the caption "—Water Supply—Water Quality Compliance" herein.
Source: The City.

Water System Insurance

The City maintains a self-insurance program for general liability, workers compensation and unemployment insurance. The City is a member of the California State Association of Counties Excess Insurance Authority ("CSAC-EIA"). CSAC-EIA is a governmental joint powers authority created by certain California counties and cities to provide a pooled approach to the members' liability and excess workers' compensation coverage pursuant to the California Government Code. The authority manages various types of pooled coverage programs for participating members.

Through CSAC-EIA, the City has a program limit of $25,000,000 with a self-insured retention of $1,000,000 for the City's excess liability and workers compensation program. Additionally, the City purchases catastrophic excess liability coverage that provides an additional $25,000,000 in coverage.

Employee Relations

A total of 68 full-time equivalent employees operate and maintain the City's water and sewer systems. The City's Water and Wastewater Operations Department has never experienced a strike, slow down or work stoppage. SBPEA/Teamster Local 1932 represents non-management employees of the water and sewer systems as part of a larger collective bargaining unit.

Outstanding Indebtedness

Following the issuance of the 2017 Bonds, there will be no outstanding indebtedness other than that represented by the 2017 Bonds.

Historic Water System Service Connections

The following table presents a summary of service connections to the Water System for Fiscal Years 2012 through 2016.

HISTORIC WATER CONNECTIONS

Fiscal Year Ending June 30	*Connections*	*Increase*
2012	29,273	N/A%
2013	29,377	0.4
2014	29,520	0.5
2015	29,549	0.1
2016[(1)]	29,583	0.1

[(1)] Fiscal Year 2016 amount includes active and inactive connections ranging from ¾" to 10" connection sizes.
Source: The City.

Historic Water Deliveries

The following table presents a summary of historic potable water deliveries for the Water System in acre-feet per year for Fiscal Years 2012 through 2016.

HISTORIC WATER DELIVERIES IN ACRE-FEET PER YEAR

Fiscal Year ending June 30	*Deliveries*[(1)]	*Increase/(Decrease)*
2012	20,011	N/A%
2013	20,913	4.3
2014	21,971	4.8
2015	20,057[(2)]	(9.5)
2016	17,728	(13.1)

[(1)] Gross water sales. (Billed to customers.)
[(2)] Decreases in water deliveries for Fiscal Year 2015 and Fiscal Year 2016 reflect the City's water conservation efforts in response to recent statewide drought conditions. See the caption "CERTAIN RISKS TO BONDHOLDERS—Drought Declaration."
Source: The City.

Historic Water System Services Charges and Sale Revenues

The following table shows annual Water System service charges and sale revenues from water sales for Fiscal Years 2012 through 2016.

HISTORIC WATER SYSTEM SERVICE CHARGES AND SALE REVENUES

Fiscal Year ending June 30	*Service Charges and Sales Revenues*	*Increase/(Decrease)*
2012	$29,398,232	N/A%
2013	30,633,205	4.2
2014	30,098,992[(1)]	(1.7)
2015	29,076,093[(1)]	(3.4)
2016	28,189,546[(1)]	(3.1)

[(1)] Decrease in service charge revenues reflects the City's water conservation efforts in response to recent statewide drought conditions. See the caption "CERTAIN RISKS TO BONDHOLDERS—Drought Declaration."
Source: Audited Financial Statements of the City for Fiscal Years 2012 through 2016.

Largest Customers

The following table sets forth the ten largest customers of the Water System as of June 30, 2016, as determined by annual payments. These ten largest users of the Water System accounted for approximately 9.13% of all water sale revenues received in Fiscal Year 2016.

Customer	*Type of Account*	*Annual Payment*	*Percentage of Service Charges and Sales Revenues*
City of Pomona	Government/Commercial	$691,813	2.45%
Pomona Unified School Dist.	Government/Commercial	638,774	2.27
LA County Fair	Commercial	319,559	1.13
Ripon Cogeneration LLC	Commercial	216,648	0.77
Pomona Valley Hospital Medical Center	Commercial	203,495	0.72
Crest Financing, LP	Commercial	146,702	0.52
Lanterman State Hospital	Government/Commercial	115,698	0.41
Village Gate Homeowners Assn.	Commercial	91,712	0.33
Nijjar Realty/PAMA Management	Commercial	79,776	0.28
Mountain Meadows	Commercial	69,858	0.25
TOTAL		$2,574,075	9.13%

Source: The City.

Water System Rates and Charges

General. In accordance with California law, the City may, from time to time, fix, alter or change fixed monthly system access fees, commodity charges and other fees related to the Water System. Consequently, the City periodically reviews water rates. In accordance with California law, the City reviews such charges and fees to determine if they are sufficient to cover Operation and Maintenance costs, capital improvement expenditures and debt service requirements. Such charges and fees are set by the City for the services provided by the Water System after a public hearing is held, generally at the time of adoption of the annual budget. Neither the City nor the Water System is subject to the jurisdiction of, or regulation by, the California Public Utilities Commission or any other regulatory body in connection with the establishment of charges and fees related to the Water System. See "CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES — Proposition 218" herein for a discussion of the treatment of the City's rates and charges in light of Proposition 218.

The City staff annually determines the accuracy of the Water System rate structure after full consideration of expected operations, maintenance and capital costs. In accordance with City policy, operating surpluses may be added to Water Utility Fund unrestricted reserves, or returned to ratepayers through mitigation of future rate increases.

Water Rates. The following table discloses the current schedule of potable water rates and charges of the City currently in effect. The City is authorized under Chapter 34 of the Pomona City Code to levy a bi-monthly charge based on meter size (the "Meter Charge") and a water consumption charge (the "Commodity Rate") based on consumption units of 100 cubic feet (a "Unit"), for the purpose of paying the costs associated with the potable water service provided by the Water System. The Pomona City Code also provides that rates are automatically adjusted each January 1 by the consumer price index. City Council intends to periodically review the rate structure to determine if additional rate increases are necessary. The City also charges separately for private fire service (based on the size of the applicable lateral) and temporary construction hook-ups (based on meter size and use). The City has retained a rate consultant, who is currently undertaking a study of the City's water rates and charges to assist the City in determining whether to increase the current water rates and charges set forth herein. The City expects such rate study to be completed in 2017 and that rate increases which may be approved by the City Council would take effect in January 2018.

The current schedule of Water System rates for users of the City's Water System, described below and in effect since January 2017, is set forth below:

WATER SERVICE CHARGES

Water Bi-Monthly Service Charge

Meter Size	*Service Charge*	*Meter Size*	*Service Charge*
5/8"	$ 49.45	3"	$ 535.26
3/4"	66.78	4"	882.29
1"	101.49	6"	1,749.85
1½"	188.25	8"	2,790.90
2"	292.36	10"	4,005.51

Units(1) of Water Used	**Water Commodity Rate (per unit(1))**
Single Family Residential	
1st tier (1-15 units)	$0.96
2nd tier (16-75 units)	1.75
3rd tier (76+ units)	3.13
Other Customers(2)	
1st tier (1-15 units)	$0.96
2nd tier (16-75 units)	1.90

(1) 1 consumption unit equals 100 cubic feet.
(2) Includes multi-family residential, commercial, industrial and government customers.
Source: The City.

The current charges for recycled water (per acre-foot) are 70% of the service charges for potable water shown above.

For potable water service provided outside the City limits (which service accounted for less than 1% of total water deliveries in Fiscal Year 2016), the Meter Charges and Commodity Rates are increased approximately 25%.

The chart below sets forth a comparison of the City's current bi-monthly rates and charges for the Water System for a single family residential user with a 5/8" residential water meter to those of surrounding communities or agencies (utilizing 36 ccf of water per two month period) as of January 1, 2017:

City or Agency	***Bi-Monthly Residential Rate***
City of Chino	$ 54.26
Rowland Water District	54.26
City of Pomona	**49.45**
City of Ontario	47.70
City of Chino Hills	43.52
City of Upland	41.05
Walnut Water District	38.86
Monte Vista Water District	38.15
SAWC-Claremont	26.00
City of La Verne	26.00

Source: The City.

Water System Buy-in Fees. The City imposes upon new water service connections a one-time water system buy-in fee. The buy-in fees are based on meter size. Effective January 2017, the City levies the following water system buy-in fee:

Meter Size	***Buy-In Fee***
5/8"	$ 2,799.17
3/4"	4,198.77
1"	6,998.01
1½"	13,996.11
2"	22,393.84
3"	44,787.76
4"	69,980.95
6"	139,961.97
8"	223,939.19
10"	321,912.61

In the Fiscal Year ended June 30, 2016, 3.6% of the Water Revenues of the Water System were buy-in fees. The City's buy-in fees are reviewed annually and revised as necessary to pay for the capital costs of constructing public water treatment and delivery facilities for the future.

Collection Procedures

The City is on a bi-monthly billing cycle. Bills are sent out every day of each cycle, and thus there is no uniform due date. Payment is due within twenty-one (21) days, and if not paid by the due date, a late fee up to 5% is applied to the bill amount. A past due notice is sent, pursuant to which the customer has 14 calendar days to pay. If the account remains unpaid by the past due payment date, a 15-day final notice (door hanger) is placed on the service address door and an additional penalty fee of $36.77 is assessed. Water service is disconnected 16 calendar days after the posting of the final notice and a fee of $39.71 is assessed. If services are shut-off, the fee to reestablish service is $39.71 ($76.53 after normal business hours or on holidays and weekends). Currently 0.4% of the accounts, which is less than 1% of Revenues, are considered uncollectable by the City.

Future Water System Improvements

The City intends to spend approximately $________ from Fiscal Years 2017 through 2021 on various water infrastructure projects. Projects include water main replacements, groundwater well evaluation and rehabilitation, booster pump upgrades, a new water and wastewater operations facility, a water masterplan and new water treatment facilities. Construction of these projects is expected to be completed from Fiscal Years 2017 through 2021, with approximately 90% of the projects completed by Fiscal Year 2018.

The City anticipates financing these future Water System Improvements from revenues and grants. There is no expectation of incurring additional debt within the next four Fiscal Years.

Projected Service Connections

The City currently estimates that connections to the Water System for the current and next four Fiscal Years will be as follows:

PROJECTED WATER CONNECTIONS

Fiscal Year Ending June 30	***Connections***	***Increase***
2017	29,879	1.0%
2018	30,178	1.0
2019	30,479	1.0
2020	30,784	1.0
2021	31,092	1.0

Source: The City.

Projected Water System Usage

The City currently estimates that Water System deliveries (demand) to customers for the current and next four Fiscal Years will be as follows:

PROJECTED WATER DELIVERIES IN ACRE-FEET PER YEAR

Fiscal Year Ending June 30	***Deliveries***	***Increase***
2017[(1)]	19,501	9.1%
2018	20,086	3.0
2019	20,688	3.0
2020	21,309	3.0
2021	21,948	3.0

(1) Based on actual results through January 2017 and increased annually thereafter, consistent with the City's 2015 Urban Water Management Plan and anticipated growth resulting from reduced mandatory conservation requirements described under the caption "Drought Declaration."

Source: The City.

WATER SYSTEM FINANCIAL INFORMATION

Financial Statements

A copy of the most recent audited financial statements of the City for the fiscal year ending June 30, 2016, prepared by Lance Soll & Lunghard, LLP, Brea, California are included as Appendix A hereto (the "Financial Statements"). The Financial Statements have been prepared on a combined basis and include the Water Fund and the Sewer Fund. The obligation of the City to pay the principal of and interest on the 2017 Bonds is limited to Net Revenues of the Water System and the City is not obligated to apply any other revenues to make such payments.

The summary operating results contained under the caption "WATER SYSTEM FINANCIAL INFORMATION — Historic and Projected Operating Results and Debt Service Coverage" are derived from these financial statements (excluding certain non-cash items and after certain other adjustments) and are qualified in their entirety by reference to such statements, including the notes thereto.

The auditor's letter concludes that the audited financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The City Council approved the audited financial statements of the City for the Fiscal Year ending June 30, 2016 on ________, 2017.

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Historic and Projected Operating Results and Debt Service Coverage

The following table is a summary of operating results of the Water System of the City for Fiscal Years 2012 through 2016, as well as projected operating results of the Water System of the City for Fiscal Years 2017 and 2018.

WATER SYSTEM
HISTORIC AND PROJECTED OPERATING RESULTS
FISCAL YEAR ENDED JUNE 30

	2012	*2013*	*2014*	*2015*	*2016*	*2017*[(1)]	*2018*[(2)]
REVENUES							
Charges for services[(3)]	$ 29,398,232	$ 30,633,205	$ 30,098,992	$ 29,076,093	$ 28,189,546	$28,413,000	$ 29,549,000
Interest revenue	67,173	5,728	69,170	37,258	207,032	249,000	200,000
Intergovernmental	388,000	--	--	--	--	--	--
Sale of surplus water	--	--	1,512,150	812,150	567,500	2,200,000	1,300,000
TOTAL REVENUES	$ 29,853,405	$ 30,638,933	$ 31,680,312	$ 29,925,501	$ 28,964,078	$30,862,000	$ 31,049,000
OPERATION AND MAINTENANCE COSTS[(4)]							
Personnel services[(5)]	$ 6,959,984	$ 6,972,182	$ 6,865,371	$ 7,151,904	$ 6,367,886	$ 7,346,000	$ 7,592,000
Operations[(6)]	9,768,281	12,924,281	14,345,271	12,241,670	11,430,023	13,439,000	13,291,000
Claims expense	119,730	79,381	77,008	16,297	12,020	9,000	12,000
Insurance	173,610	184,163	206,639	216,658	263,536	215,000	255,000
TOTAL OPERATION AND MAINTENANCE COSTS	$ 17,021,605	$ 20,160,007	$ 21,494,289	$ 19,626,529	$ 18,073,465	$21,009,000	$ 21,150,000
NET REVENUES	$ 12,831,800	$ 10,478,926	$ 10,186,023	$ 10,298,972	$ 10,116,081	$ 9,853,000	$ 9,899,000
DEBT SERVICE							
2007 Bonds[(7)]	$ 6,337,958	$ 6,339,571	$ 6,338,994	$ 6,341,289	$ 6,341,195	$ 6,337,961	$ --
2017 Bonds[(8)]	--	--	--	--	--	--	5,333,627
TOTAL DEBT SERVICE	$ 6,337,958	$ 6,339,571	$ 6,338,994	$ 6,341,289	$ 6,341,195	$ 6,337,961	$ 5,333,627
DEBT SERVICE COVERAGE	2.02	1.65	1.61	1.62	1.60	1.55	1.86
NET REVENUES AVAILABLE FOR OTHER PURPOSES	$ 6,493,842	$ 4,139,355	$ 3,847,029	$ 3,957,683	$ 3,774,886	$ 3,515,039	$ 4,565,373

(1) Based on actual unaudited operating results through January, 2017. The projections do not include any year-end adjustments.
(2) Based on preliminary budget for Fiscal Year 2018.
(3) Amounts for Fiscal Year 2012 through 2016 reflect charges for services as set forth in the City's Audited Financial Statements for Fiscal Years 2012 through 2016, respectively. Decreases in service charge revenues in Fiscal Years 2014 through 2016 reflect the City's water conservation efforts in response to recent statewide drought conditions. See the caption "CERTAIN RISKS TO BONDHOLDERS—Drought Declaration." Charges for services are projected to increase by approximately 1% in Fiscal Year 2017 and to increase by approximately 4% in Fiscal Year 2018.
(4) Operations and maintenance costs do not include depreciation or amortization. Includes costs to reimburse general fund for flood control and storm drain repairs and maintenance which the City attributes to the water fund.
(5) The decrease in personnel services costs in Fiscal Year 2016 is due to a $1 million credit for pension expenses pursuant to GASB 68. Personnel services costs are projected to increase by approximately 15% in Fiscal Year 2017 and to increase by approximately by approximately 3% in Fiscal Year 2018, due to salary increases and increases in pension costs. Fiscal Year 2017 and 2018 projections do not reflect potential year-end adjustments.
(6) Includes cost of imported water. Operations expenses fluctuate due to varying annual costs related to water purchases and treatment. Operations expenses are projected to increase by approximately 18% in Fiscal Year 2017 and to decrease by approximately 1% in Fiscal Year 2018.
(7) To be refunded from the proceeds of the 2017 Bonds.
(8) Preliminary, subject to change. Assumes the issuance of the 2017 Bonds.
Source: The City.

Defined Benefit Pension Plan

Summary of Plans. The City contributes to California Public Employees Retirement System ("CalPERS"), an agent multiple-employer public employee defined benefit pension plan for all of the City's qualified permanent and probationary employees who participate in the City's Miscellaneous and Safety Plans. 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. CalPERS acts as a common investment and administrative agent for participating public entities within the State, including the City. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

CalPERS plan benefit provisions and all other requirements are established by State statute and City resolution or ordinance. Participants in the City's CalPERS plan contribute the full amount of the required employee contribution, which is up to 7% of their annual covered salary for the Miscellaneous Plan, depending on benefit level. The City's CalPERS Plan provisions and benefits in effect at June 30, 2016 are summarized as follows:

City of Pomona
Summary of CalPERS Miscellaneous Plan Benefit Provisions

	Tier 1[(1)]	***Tier 2***[(1)]	***PEPRA***
Hire Date	***Prior to 8/14/2011***	***On or after 8/14/2011 but prior to 1/1/2013***	***On or after 1/1/2013***
Benefit Formula	2.0% at 55	2.0% at 60	2.0% at 62
Benefit Vesting Schedule	5 years	5 years	5 years
Benefit Payments	Monthly for life	Monthly for life	Monthly for life
Retirement Age	Minimum 50 yrs	Minimum 50 yrs	Minimum 52 yrs
Monthly Benefits, as a % of Eligible Compensation	1.426% - 2.418%, 50 yrs – 63+ yrs, respectively	1.092% - 2.418%, 50 yrs – 63+ yrs, respectively	1.000% - 2.500%, 52 yrs – 67+ yrs, respectively
Required Employee Contribution Rate	7.000%	7.000%	6.250%
Required City Contribution Rate	17.053%	17.053%	17.053%

(1) Plan is closed to new entrants.
Source: Audited Financial Statements of the City for Fiscal Year 2016.

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be 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, expressed as a percentage of payroll, necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

[For the year ended June 30, 2016, the employer contributions recognized as a reduction to the net pension liability for all the Miscellaneous Plan was $3,803,283.]

The City's contribution rates for the Miscellaneous Plan for Fiscal Years 2015 and 2016 were 17.053% and 19.749%, respectively. [For Fiscal Years 2015 and 2016, the City's contributions to its Miscellaneous Plan totaled $3,803,283 and $4,653,491, respectively, which were equal to the respective annual required contributions (each, an "ARC") of the City.] For Fiscal Years 2015 and 2016, the City paid

$________ and $________, respectively, of such CalPERS miscellaneous plan contributions from the Water Fund. The City currently expects its annual required contribution in Fiscal Year 2017 to be approximately $________ (assuming that the City elects the lump sum payment option), with $________ to be paid from the Water Fund.

The Normal Cost contribution rates for Fiscal Years 2017 and 2018 for the Miscellaneous Plan have been established by CalPERS at 8.060% and 7.888%, respectively, of annual covered payroll. Based on CalPERS' August 2016 actuarial valuation report for the City's Miscellaneous Plan, the City's Fiscal Year 2017 and Fiscal Year 2018 payments for its unfunded liability for the Miscellaneous Plan have been established at $3,123,767 and $3,697,518, respectively.

Employees hired on or after January 1, 2013 who meet the definition of a "New CalPERS Member" are subject to the California Public Employees' Pension Reform Act of 2013 ("AB 340"), which was signed by the State Governor on September 12, 2012. AB 340 established a new pension tier (2% at 62 formula) with a maximum benefit formula of 2.5% at age 67. Benefits for such participants are calculated on the highest average annual compensation over a consecutive 36 month period. Employees are required to pay at least 50% of the total normal cost rate.

Effective January 1, 2013, AB 340: (i) requires public retirement systems and their participating employers to share equally with employees the normal cost rate for such retirement systems; (ii) prohibits employers from paying employer-paid member contributions to such retirement systems for employees hired after January 1, 2013 who were not already enrolled in CalPERS through their previous employers; (iii) establishes a compulsory maximum non-safety benefit formula of 2.5% at age 67; (iv) defines final compensation as the highest average annual pensionable compensation earned during a 36 month period; and (v) caps pensionable income at $110,100 ($132,120 for employees not enrolled in Social Security) subject to Consumer Price Index increases.

Provisions in AB 340 will not likely have a material effect on City's contributions in the short term. However, additional employee contributions, limits on pensionable compensation and higher retirement ages for new members will reduce the City's total pension liability and potentially reduce City contribution levels in the long term.

Net Pension Liability, Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions. The following table shows the changes in net pension liability during Fiscal Year 2015 for the City's Miscellaneous Plan.

Miscellaneous Plan	*Total Pension Liability (a)*	*Plan Fiduciary Net Position (b)*	*Net Pension Liability/(Assets) (c)=(a)-(b)*
	Increase (Decrease)		
Balance at: 6/30/2014 (Valuation Date) [(1)]	$ 254,669,734	$ 207,812,443	$ 46,857,291
Changes Recognized for the Measurement Period			
Service Cost	3,161,189	--	3,161,189
Interest on the Total Pension Liability	18,495,828	--	18,495,828
Changes of Benefit Terms	--	--	--
Difference between Expected and Actual Experience	(3,363,816)	--	(3,363,816)
Changes of Assumptions	(4,427,183)	--	(4,427,183)
Contribution from the Employer	--	3,747,091	(3,747,091)
Contributions from Employees	--	1,766,013	(1,766,013)
Net Investment Income	--	4,578,528	(4,578,528)
Benefit Payments including Refunds of Employee Contributions	(13,367,634)	(13,367,634)	--
Plan to Plan Resource Movement	--	(521)	521
Administrative Expense	--	(235,754)	235,754
Net Changes During 2014-15	498,384	(3,512,277)	(4,010,661)
Balance at: 6/30/2015 (Measurement Date) [(1)]	$ 255,168,118	$ 204,300,166	$ 50,867,952

[(1)] The fiduciary net position includes receivables for employee service buybacks, deficiency reserves, fiduciary self-insurance and OPEB (as defined below) expense. This may differ from the plan assets reported in the funding actuarial valuation report.
Source: Audited Financial Statements of the City for Fiscal Year 2016.

As of the start of the measurement period (July 1, 2014), the net pension liability for the Miscellaneous Plan was $46,857,291. For the measurement period ending June 30, 2015 (the measurement date), the City incurred a pension expense/(income) of $3,996,959 for both the Miscellaneous Plan and Safety Plan. Note that no adjustments have been made for contributions subsequent to the measurement date. Adequate treatment of any contributions made after the measurement date is the responsibility of the City. As of June 30, 2016, the City has deferred outflows and deferred inflows of resources related to pensions as follows (includes both Miscellaneous and Safety Plans):

	Deferred Outflows of Resources	*Deferred Inflows of Resources*
Current year contributions that occurred after the measurement date of June 30, 2015	$ 11,791,373	$ --
Changes of assumptions	--	(5,897,071)
Differences between Expected and Actual Experiences	--	(3,105,709)
Net Difference between Projected and Actual Earnings on Pension Plan Investments	19,249,497	(23,622,900)
Total	$ 31,040,870	$ (32,625,680)

Source: Audited Financial Statements of the City for Fiscal Year 2016.

$11,791,373 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 ended June 30, 2017. Other amounts reported as deferred outflows or deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Measure Period Ended June 30:	***Deferred Outflows/(Inflows) of Resources***
2016	$ (9,506,247)
2017	(5,620,383)
2018	(3,061,926)
2019	4,812,373

Source: Audited Financial Statements of the City for Fiscal Year 2016.

A summary of principal assumptions and methods used to determine the total pension liability for Fiscal Year 2016 is shown below.

City of Pomona Miscellaneous CalPERS Plans
Summary of Actuarial Assumptions

Valuation Date	June 30, 2014
Measurement Date	June 30, 2015
Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial Assumptions(1):	
Discount Rate	7.65%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.5% Net of Pension Plan Investment and Administrative Expenses; includes inflation
Mortality Rate Table(2)	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA of up to 2.75% until Purchase Power Protection Allowance Floor on Purchase Power applies, 2.75% thereafter

(1) Actuarial assumptions were the same for all Plans.
(2) The Mortality Rate Table 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 from the CalPERS website.
(3) Net of pension plan investment expenses, including inflation
Source: Audited Financial Statements of the City for Fiscal Year 2016.

The following table sets forth the schedule of funding for the City's Miscellaneous Plan. The employer contribution rate for Fiscal Year 2017 is 21.586% of annual covered payroll for the Miscellaneous Plan and payment for its unfunded liability has been established at $3,123,767.

Valuation Date (June 30)	***Accrued Liability***	***Market Value of Assets (MVA)***	***Unfunded Liability***	***Funded Ratio***	***Annual Covered Payroll***
2011	$224,309,938	$177,419,801	$46,890,137	79.1%	$23,667,462
2012	231,289,438	170,187,344	61,102,094	73.6	23,046,877
2013	235,600,974	183,795,478	51,805,496	78.0	21,207,342
2014	251,305,918	207,630,193	43,675,725	82.6	21,134,245
2015	259,811,428	203,993,535	55,817,893	78.5	22,232,767

Source: CalPERS Actuarial Report Dated August 2016.

CalPERS reported significant investment losses in 2009. CalPERS earnings reports for Fiscal Years 2010 through 2016 reported an investment gain of 13.3%, 21.7%, 0.1%, 13.2%, 18.4%, 2.4% and 0.61%, respectively. Future earnings performance may increase or decrease future contribution rates for plan participants, including the City. The CalPERS pension trust pays all retiree benefit payments associated with the City's plan.

Actuarial Methods. The staff actuaries at CalPERS annually prepare an actuarial valuation which covers a Fiscal Year ending approximately 15 months before the actuarial valuation is delivered (thus, the actuarial valuations delivered to the City in fall 2016 covered the City's Fiscal Year ended June 30, 2015). The actuarial valuations express the City's required contribution rates in percentages of covered payroll, which percentages the City must contribute in the Fiscal Year immediately following the Fiscal Year in which the actuarial valuation is prepared (thus, the City's contribution rate derived from the actuarial valuation as of June 30, 2015, which was delivered in fall 2016, affects the City's Fiscal Year 2017-18 required contribution rate). CalPERS rules require the City to implement the actuary's recommended rates. CalPERS provides a lump sum payment option that the City may opt to pay in July of each year, rather than having payment transmitted as a percentage of each reported biweekly payroll.

In calculating the annual actuarially recommended contribution rates, the CalPERS actuary calculates on the basis of certain assumptions the actuarial present value of benefits that CalPERS will fund under the CalPERS plans, which includes two components, the normal cost and the total pension liability. The normal cost represents the actuarial present value of benefits that CalPERS will fund under the CalPERS plans that are attributed to the current year, and the actuarial accrued liability represents the actuarial present value of benefits that CalPERS will fund that are attributed to past years. The total pension liability represents an estimate of the actuarial shortfall between actuarial value of assets on deposit at CalPERS and the present value of the benefits that CalPERS will pay under the CalPERS plans to retirees and active employees upon their retirement. The total pension liability is based on several assumptions such as, among others, the rate of investment return, average life expectancy, average age of retirement, inflation, salary increases and occurrences of disabilities. In addition, the total pension liability includes certain actuarial adjustments such as, among others, the actuarial practice of smoothing losses and gains over multiple years (which is described in more detail below). As a result, the total pension liability may be considered an estimate of the unfunded actuarial present value of the benefits that CalPERS will fund under the CalPERS plans to retirees and active employees upon their retirement and not as a fixed expression of the liability that the City owes to CalPERS under its CalPERS plans.

In each actuarial valuation, the CalPERS actuary estimates the actuarial value of the assets (the "Actuarial Value") of the CalPERS plans at the end of the Fiscal Year (which assumes, among other things, that the rate of return during that Fiscal Year equaled the assumed rate of return, currently 7.50%. As described below, these policies and actuarial assumptions have changed significantly in recent years and are expected to change or be modified further by CalPERS in the future. The CalPERS actuary uses a smoothing technique to determine Actuarial Value that is calculated based on certain policies. Certain significant recent changes in assumptions include the following:

1. On December 21, 2016, the CalPERS Board voted to lower the CalPERS discount rate to 7.0% over the next three years in accordance with the following schedule: 7.375% in fiscal year 2017-18, 7.25% in fiscal year 2018-19 and 7.00% in fiscal year 2019-20. The new discount rate will go into effect July 1, 2017 for the State and July 1, 2018 for public agencies.

2. On November 17, 2015, the CalPERS Board approved changes that could affect the assumed investment return rate in the future. In years in which CalPERS' investment returns are more than 2% greater than forecast, the long-term assumed investment return rate will be reduced by a maximum of 0.25%. CalPERS estimates that this change will reduce the assumed investment return rate by approximately 1% (to 6.5%) within 20 years.

3. On February 18, 2014, the CalPERS Board approved changes to actuarial assumptions and methods based upon a recently completed experience study. These changes include: moving from using smoothing of the market value of assets to obtain the actuarial value of assets to direct smoothing of employer contribution rates; increased life expectancy; changes to retirement ages (earlier for some groups and later for others); lower rates of disability retirement; and other changes.

4. On April 17, 2013, the CalPERS Board approved a plan: (i) to replace the current 15-year asset-smoothing policy with a 5-year direct-rate smoothing process; and (ii) to replace the current 30-year rolling amortization of unfunded liabilities with a 30-year fixed amortization period. CalPERS' Chief Actuary has stated that the revised approach provides a single measure of funded status and unfunded liabilities, less rate volatility in extreme years, a faster path to full funding and more transparency to employers such as the City about future contribution rates. These changes are expected to accelerate the repayment of unfunded liabilities (including CalPERS' fiscal year 2009 market losses described above) of the City's CalPERS plan in the near term; the exact magnitude of the potential contribution rate increases is not known at this time, but may be significant. These changes were reflected beginning with the June 30, 2014 actuarial valuation affecting contribution rates for Fiscal Year 2016 and thereafter. The City budgets for its annual pension contributions based on the rates established by CalPERS each year.

5. On March 14, 2012, the CalPERS Board approved a change in the inflation assumption used in the actuarial assumptions used to determine employer contribution rates. This reduced the assumed investment return from 7.75% to 7.50%, reduced the long-term payroll growth assumption from 3.25% to 3.00%, and adjusted the inflation component of individual salary scales from 3.25% to a merit scale varying by duration of employment, an assumed annual inflation component of 3.00% and an annual production growth of 0.25%. Although the full impact of such changes is not yet clear, CalPERS has estimated that they could result in net increases in future contribution levels of approximately 1% to 2%; however, the reduction in the inflation assumption could partially mitigate increases, if any, in the City's required annual contributions resulting from the reduction in the assumed investment rate of return, as described above.

Changes in Pension Accounting Standards. In June 2012, the Governmental Accounting Standards Board ("GASB") adopted new standards (GASB Statement No. 68, or "GASB 68") with respect to accounting and financial reporting by state and local government employers for defined benefit pension plans. The new standards revise the accounting treatment of defined benefit pension plans, changing the way expenses and liabilities are calculated and how state and local government employers report those expenses and liabilities in their financial statements. Major changes include: (i) the inclusion of unfunded pension liabilities on the government's balance sheet (previously, such unfunded liabilities were typically included as notes to the government's financial statements); (ii) pension expense incorporates more rapid recognition of actuarial experience and investment returns and is no longer based on the employer's actual contribution amounts; (iii) lower actuarial discount rates that are required to be used for underfunded plans in certain cases for purposes of the financial statements; (iv) closed amortization periods for unfunded liabilities that are required to be used for certain purposes of the financial statements; and (v) the difference between expected and actual investment returns will be recognized over a closed five-year smoothing period. The reporting requirements took effect in the Fiscal Year 2015. Based on the adoption of the new accounting standards, beginning with the Fiscal Year 2015 actuarial valuation, the ARC and the annual pension expense will be different. GASB 68 is a change in accounting reporting and disclosure requirements, but it does not change the City's pension plan funding obligations.

For additional information relating to the City's plan, see Note 12 to the City's audited financial statements for Fiscal Year 2016 attached to the Official Statement as Appendix A.

The above information is primarily derived from information produced by CalPERS, its independent accountants and its actuaries. The City has not independently verified the information provided and makes no representations nor expresses any opinion as to the accuracy of the information provided by CalPERS.

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

Other Post-Employment Benefits

Collateral Benefits Plan. The Collateral Benefits Plan provides a supplemental retirement benefit to City employees upon resigning from the City and concurrently retiring with CalPERS. The supplemental benefit is a monthly benefit of $100 from the first of the month following retirement from the City until the age of 65 for Tier 1 and Tier 2 employees. Tier 1 employees include Mid-Management and Confidential, Police Officers' Association, City Employees' Association, and Management Group B employees, and are required to have at least 20 years of City service upon retiring after July 1, 1987. Tier 2 employees include Executive Management Group A employees and are required to have at least one year of City service upon retiring after July 1, 1991. Employees hired after July 1, 2011, are not eligible for this plan. There are 88 participants receiving collateral benefits at June 30, 2016.

Collateral Benefits Funding Policy. The City's funding policy for the Collateral Benefits Plan is to contribute the annual required contribution. The annual required contribution equals the sum of (i) normal cost, and (ii) amortization of the unfunded actuarial accrued liability. GASB Statement 27 requires that the City determine the plan's annual pension cost based on the most recent actuarial valuation. The annual pension cost equals the plan's annual required contribution, adjusted for historical differences between the annual required contribution ("ARC") and amounts contributed. The actuary has determined the City's ARC equal to the sum of (a) normal cost, and (b) amortization of the unfunded actuarial accrued liability.

For the year ending June 30, 2016, the City's annual pension cost for the Collateral Benefits Plan of $102,949 was equal to the actuarial required contribution. The following table provides 3 years of historical information of the Annual Pension Cost for the Collateral Benefits Plan:

Year Ending (June 30)	*Annual Pension Cost (APC)*	*Percentage of APC Contributed*	*Net Pension Obligation (Asset)*
2014	$ 110,032	100%	$ --
2015	110,032	100	--
2016	102,949	100	--

Source: Audited Financial Statements of the City for Fiscal Year 2016.

Collateral Benefits Funding Status and Funding Progress. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The table below shows an analysis of the actuarial value of assets as a percentage of the actuarial accrued liability and the unfunded actuarial accrued liability as a percentage of the annual covered payroll.

Schedule of Funding Progress
Collateral Benefits Plan

Actuarial Valuation Date (July 1)	*Actuarial Value of Assets*	*Actuarial Accrued Liability*	*Unfunded Actuarial Accrued Liability (UAAL)*	*Funded Ratio*	*Covered Payroll*	*UAAL as a % of Covered Payroll*
2009	$ 179,275	$ 954,779	$ (775,504)	18.8%	n/a	n/a
2012	220,801	976,744	(755,943)	22.6	n/a	n/a
2014	258,073	905,593	(647,520)	28.5	n/a	n/a

Source: Audited Financial Statements of the City for Fiscal Year 2016.

PEMHCA Plan. Employees of the City who retire through CalPERS, their spouses, and eligible dependents, may receive health plan coverage through the Public Employees' Medical and Hospital Care Program Plan (the "PEMHCA Plan"). The PEMHCA Plan is a single employer defined benefit plan which provides the retirees a monthly medical contribution that is not to exceed the cost of the plan selected, with the maximum contribution limited for individual retirees based on bargaining groups as listed below:

Bargaining Group	*Benefit*
Pomona City Council Members	$ 700
Pomona Executive Management Group	700
Pomona Mid-Management/Confidential Employees' Association	700
Pomona City Employees' Association	700
Pomona Police Managers' Association	700
Pomona Police Officers' Association	700
Firefighters (Pre-Merger with Los Angeles County Fire District)	465

Source: Audited Financial Statements of the City for Fiscal Year 2016.

There are 488 employees eligible to receive or are receiving post-employment benefits at June 30, 2016.

PEMCHA Plan Funding Policy. The required contribution of the City is based on a pay-as-you-go financing requirement. For Fiscal Year 2016, the City contributed $3,393,250 to the PEMCHA Plan, of which $________ was paid from the Water Fund.

The annual cost of the PEMHCA Plan to the City is calculated based on the City's ARC, an amount actuarially determined within the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excesses) over a period not to exceed 30 years.

The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation to the plan:

	Total
Annual required contribution	$ 6,736,902
Interest on net OPEB obligation	792,089
Adjustment to annual required contribution	(1,014,032)
Annual OPEB cost (expense)	6,514,959
Contributions made	3,393,250
Increase in net OPEB obligation	3,121,709
Net OPEB obligation - beginning of year	19,802,228
Net OPEB obligation - end of year	$ 22,923,937

Source: Audited Financial Statements of the City for Fiscal Year 2016.

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the PEMHCA Plan, and the net OPEB obligation for Fiscal Year 2016 is as follows:

Year Ending (June 30)	***Annual OPEB Cost***	***Annual Contribution***	***% of Annual OPEB Cost Contributed***	***Net OPEB Obligation***
2014	$ 5,252,076	$ 3,107,605	59.2%	$ 17,668,252
2015	5,479,146	3,345,170	61.1	19,802,228
2016	6,514,959	3,393,250	52.1	22,923,937

Source: Audited Financial Statements of the City for Fiscal Year 2016.

Collateral Benefits Funding Status and Funding Progress. As of January 1, 2016, the most recent actuarial valuation date, the PEMHCA Plan was zero percent funded. The Actuarial Accrued Liability ("AAL") for benefits was $88,492,843 and the actuarial value of assets was $0 resulting in an Unfunded Actuarial Accrued Liability ("UAAL") of $88,492,843. The covered payroll (annual payroll of active employees covered by the plan) was $39,293,795 and the ratio of UAAL to the covered payroll was 225.2%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The table below shows an analysis of the actuarial value of assets as a percentage of the actuarial accrued liability and the unfunded actuarial accrued liability as a percentage of the annual covered payroll.

Schedule of Funding Progress *PEMHCA Plan*						
Actuarial Valuation Date (January 1)	***Actuarial Value of Assets***	***Entry Age Actuarial Accrued Liability***	***Unfunded Actuarial Accrued Liability (UAAL)***	***Funded Ratio***	***Covered Payroll***	***UAAL as a % of Covered Payroll***
2012	$ --	$ 77,168,916	$ (77,168,916)	0.0%	$ 36,101,000	213.8%
2014	--	76,618,515	(76,618,515)	0.0	40,318,000	190.0
2016	--	88,492,843	(88,492,843)	0.0	39,293,795	225.2

Source: Audited Financial Statements of the City for Fiscal Year 2016.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2016, actuarial valuation, the entry age normal ("EAN") cost method was used. The EAN normal cost equals the level annual amount of contribution from the employee's date of hire (entry date) to their retirement date that is sufficient to fund the projected benefit. The actuarial assumptions include a 4.0% investment rate of return which is based on the expected return on funds invested by CalPERS, and an annual healthcare cost trend rate of 7.0% and 6.5% for PPO and HMO respectively and reduced to an ultimate rate of 5.0% thereafter. The actuarial assumption for inflation was 2.75%. As of the valuation date, there are no eligible plan assets. The UAAL is being amortized over an initial 30 years using the level percentage-of-pay method on a closed basis. The remaining amortization period at June 30, 2016, was 22 years. As of the actuarial valuation date of January 1, 2016, the City had 508 active eligible participants and 693 eligible retired participants and beneficiaries.

For additional information relating to the City's post-employment benefit obligations, see Note 13 to the City's audited financial statements for Fiscal Year 2016 attached to the Official Statement as Appendix A.

CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES

Article XIIIB

Article XIIIB of the California State Constitution 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 of the particular governmental entity for the prior fiscal year, as adjusted for changes in the cost of living and population. The "base year" for establishing such appropriation limit is the 1978-79 State fiscal year 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 subject to Article XIIIB generally include the proceeds of taxes levied by or for the State or other entity of local government, exclusive of certain State subventions, refunds of taxes and benefit payments from retirement, unemployment, insurance and disability insurance funds. "Proceeds of taxes" include, but are not limited to, all tax revenues and the proceeds to an entity of government from: (a) regulatory licenses, user charges, and user fees (but only to the extent such proceeds exceed the cost reasonably borne by the entity in providing the service or regulation); and (b) the investment of tax revenues. Article XIIIB includes a requirement that if an entity's revenues in any year exceed the amounts permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two years.

Certain expenditures are excluded from the appropriations limit, including payments of indebtedness existing or legally authorized as of January 1, 1979, or of bonded indebtedness thereafter approved by a vote of electors of the issuing entity and payments required to comply with court or federal mandates which without discretion require an expenditure for additional services or which unavoidably make the provision of existing services more costly.

The City is of the opinion that its charges for Water Service do not exceed the costs it reasonably bears in providing such services and therefore are not subject to the limits of Article XIIIB. The City has covenanted in the Indenture that, to the fullest extent permitted by law, it will fix and prescribe, at the commencement of each Fiscal Year, rates and charges for the Water Service which are reasonably expected to be at least sufficient to yield during each Fiscal Year Net Revenues equal to 120% of the Debt Service (including the 2017 Bonds) in such Fiscal Year. See the caption "SECURITY FOR THE 2017 BONDS—Rate Covenant."

Proposition 218

General. An initiative measure entitled the "Right to Vote on Taxes Act" (the "Initiative") was approved by the voters of the State at the November 5, 1996 general election. The Initiative added Article XIIIC and Article XIIID to the California Constitution. According to the "Title and Summary" of the Initiative prepared by the California Attorney General, the Initiative limits "the authority of local governments to impose taxes and property-related assessments, fees and charges."

Article XIIID. Article XIIID defines the terms "fee" and "charge" to mean "any levy other than an *ad valorem* tax, a special tax or an assessment, imposed by an agency upon a parcel or upon a person as an incident of property ownership, including user fees or charges for a property-related service." A "property-related service" is defined as "a public service having a direct relationship to property ownership." Article XIIID further provides that reliance by an agency on any parcel map (including an assessor's parcel map) may be considered a significant factor in determining whether a fee or charge is imposed as an incident of property ownership.

Article XIIID requires that any agency imposing or increasing any property-related fee or charge must provide written notice thereof to the record owner of each identified parcel upon which such fee or charge is to be imposed and must conduct a public hearing with respect thereto. The proposed fee or charge may not be imposed or increased if a majority of owners of the identified parcels file written protests against it. As a result, if and to the extent that a fee or charge imposed by a local government for water service is ultimately determined to be a "fee" or "charge" as defined in Article XIIID, the local government's ability to increase such fee or charge may be limited by a majority protest.

In addition, Article XIIID includes a number of limitations applicable to existing fees and charges, including provisions to the effect that: (i) revenues derived from the fee or charge may not exceed the funds required to provide the property-related service; (ii) such revenues may not be used for any purpose other than that for which the fee or charge was imposed; (iii) the amount of a fee or charge imposed upon any parcel or person as an incident of property ownership may not exceed the proportional cost of the service attributable to the parcel; and (iv) no such fee or charge may be imposed for a service unless that service is actually used by, or immediately available to, the owner of the property in question. Property-related fees or charges based on potential or future use of a service are not permitted.

Based upon the California Court of Appeal decision in *Howard Jarvis Taxpayers Association v. City of Los Angeles*, 85 Cal. App. 4th 79 (2000), which was denied review by the State Supreme Court, it was generally believed that Article XIIID did not apply to charges for water services that are "primarily based on the amount consumed" (i.e., metered water rates), which had been held to be commodity charges related to consumption of the service, not property ownership. The Supreme Court stated in *Bighorn-Desert View Water Agency v. Verjil*, 39 Cal. 4th 205 (2006) (the "*Bighorn* Case"), however, that fees for ongoing water service through an existing connection were property-related fees and charges. The Supreme Court specifically disapproved the holding in *Howard Jarvis Taxpayers Association v. City of Los Angeles* that metered water rates are not subject to Proposition 218. The City has complied with the notice and public hearing requirements of Article XIIID in determining whether to change Water System rates and charges.

On April 20, 2015, the California Court of Appeal, Fourth District, issued an opinion in Capistrano Taxpayers Association, Inc. v. City of San Juan Capistrano upholding tiered water rates under Proposition 218 provided that the tiers correspond to the actual cost of furnishing service at a given level of usage. The opinion was specific to the facts of the case, including a finding that the City of San Juan Capistrano did not attempt to calculate the actual costs of providing water at various tier levels. The City's water rates are described under the caption "THE WATER SYSTEM—Water System Rates and Charges." The City is studying the Capistrano Taxpayers Association ruling but does not currently expect the decision to affect its water rate structure. The City believes that its current water rates comply with the requirements of Proposition 218 and expects that any future water rates will comply with Proposition 218's procedural and substantive requirements to the extent applicable thereto.

Article XIIIC. Article XIIIC provides that the initiative power may not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge and that the power of initiative to affect local taxes, assessments, fees and charges is applicable to all local governments. Article XIIIC does not define the terms "local tax," "assessment," "fee" or "charge," so it was unclear whether the definitions set forth in Article XIIID referred to above were applicable to Article XIIIC. Moreover, the provisions of Article XIIIC are not expressly limited to local taxes, assessments, fees and charges imposed after November 6, 1996. On July 24, 2006, the State Supreme Court held in the *Bighorn* Case that the provisions of Article XIIIC included rates and fees charged for domestic water use. In the decision, the Court noted that the decision did not address whether an initiative to reduce fees and charges could override statutory rate setting obligations. In any event, the City does not believe that Article XIIIC grants to the voters within the City the power to repeal or reduce rates and charges for the Water Service in a manner which would be inconsistent with the contractual obligations of the City. However, there can be no assurance of the availability of particular remedies adequate to protect the Beneficial Owners of the 2017 Bonds. Remedies available to Beneficial Owners of the 2017 Bonds in the event of a default by the City are dependent upon judicial actions which are often subject to discretion and delay and could prove both expensive and time consuming to obtain. So long as the 2017 Bonds are held in book-entry form, DTC (or its nominee) will be the sole registered owner of the 2017 Bonds and the rights and remedies of the 2017 Bond Owners will be exercised through the procedures of DTC.

In addition to the specific limitations on remedies contained in the applicable documents themselves, the rights and obligations with respect to the 2017 Bonds and the Indenture are subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws affecting creditors' rights, to the application of equitable principles if equitable remedies are sought, and to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public agencies in the State. The various opinions of counsel to be delivered with respect to such documents, including the opinion of Bond Counsel (the form of which is attached as Appendix C), will be similarly qualified.

Proposition 26

On November 2, 2010, voters in the State approved Proposition 26. Proposition 26 amends Article XIIIC of the State Constitution to expand the definition of "tax" to include "any levy, charge, or exaction of any kind imposed by a local government" except the following: (a) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege;

(b) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product; (c) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections, and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof; (d) a charge imposed for entrance to or use of local government property, or the purchase, rental or lease of local government property; (e) a fine, penalty or other monetary charge imposed by the judicial branch of government or a local government as a result of a violation of law; (f) a charge imposed as a condition of property development; and (g) assessments and property-related fees imposed in accordance with the provisions of Article XIIID. Proposition 26 applies to charges imposed or increased after November 2, 2010 and provides that the local government bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor's burdens on, or benefits received from, the governmental activity. The City believes that its water rates and charges are not taxes under Proposition 26.

Future Initiatives

Articles XIIIB, XIIIC and XIIID and Proposition 26 were adopted as measures that qualified for the ballot pursuant to California's initiative process. From time to time other initiatives could be proposed and adopted affecting the City's revenues or ability to increase revenues.

CERTAIN RISKS TO BONDHOLDERS

The following information should be considered by prospective investors in evaluating the 2017 Bonds. However, the following does not purport to be an exhaustive listing of risks and other considerations may be relevant to making an investment decisions with respect to the 2017 Bonds. In addition, the order in which the following information is presented is not intended to reflect the relative importance of any such risks.

Limited Obligations

The obligation of the City to pay the 2017 Bonds is a limited obligation of the City and is not secured by a legal or equitable pledge or charge or lien upon any property of the City or any of its income or receipts, except the Net Revenues of the Water System. The obligation of the City to pay the 2017 Bonds does not constitute an obligation of the City to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation.

Accuracy of Assumptions

To estimate the revenues available to pay debt service on the 2017 Bonds, the City has made certain assumptions with regard to the rates and charges to be imposed in future years, the expenses associated with operating the Water System and the interest rate at which funds will be invested. The City believes these assumptions to be reasonable, but to the extent that any of these assumptions fail to materialize, the Net Revenues available to pay debt service on the 2017 Bonds will, in all likelihood, be less than those projected herein. The City may choose, however, to maintain compliance with the rate covenant set forth in the Indenture in part by means of contributions from available reserves or resources, including transfers from the Rate Stabilization Fund. In such event, Net Revenues may generate amounts which are less than 1.20 times Debt Service in any given Fiscal Year. See the caption "SECURITY FOR THE 2017 BONDS—Rate Covenant."

Water System Demand

There can be no assurance that the demand for water services will occur as described in this Official Statement. Reduction in levels of demand could require an increase in rates or charges in order to comply with the rate covenant.

Water System Expenses

There can be no assurance that the City's expenses will be consistent with the descriptions in this Official Statement. Water System Operation and Maintenance Costs may vary with labor costs (including costs related to pension liabilities), treatment costs, regulatory compliance costs and other factors. Increases in expenses could require an increase in rates or charges in order to comply with the rate covenant.

Limited Recourse on Default

If the City defaults on its obligation to pay the principal of and interest on the 2017 Bonds, the Trustee has the right to declare the total unpaid principal of the 2017 Bonds, together with the accrued interest thereon to be immediately due and payable. However, in the event of a default and such acceleration there can be no assurance that the City will have sufficient funds to pay the accelerated amounts due on the 2017 Bonds from Net Revenues.

Rate-Setting Process under Proposition 218

Proposition 218, which added Articles XIIIC and XIIID to the State Constitution, affects the City's ability to maintain existing rates and impose rate increases, and no assurance can be given that future rate increases will not encounter majority protest opposition or be challenged by initiative action authorized under Proposition 218. In the event that future proposed rate increases cannot be imposed as a result of majority protest or initiative, the City might thereafter be unable to generate Net Revenues in the amounts required by the Indenture to pay the 2017 Bonds. The City believes that the current water rates approved by the City Council were effected under the public hearing and majority protest provisions of Proposition 218. See the caption "CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES."

Natural Disasters

The occurrence of any natural disaster in the City, including, without limitation, fire, earthquake, landslide, drought or flood, could have an adverse material impact on the economy within the City, its Water Revenue Fund and the revenues available for the payment of the 2017 Bonds. Portions of the Water System may be subject to unpredictable seismic activity. [A safety report for parts of the City's municipal water system states that there are ____ known earthquake fault zones located approximately __ miles to __ miles from portions of the Water System. The City does not maintain earthquake insurance for the Water System.]

The occurrence of natural disasters in the area of the Water System could result in substantial damage to the Water System which, in turn, could substantially reduce revenue generated by the Water System and affect the ability of the City to pay the 2017 Bonds. The City maintains liability insurance for the Water System and property casualty insurance (for losses other than from seismic events) for certain portions of the Water System. See the captions "SECURITY FOR THE 2017 BONDS—Insurance; Reconstruction, Repair and Replacement" and "THE WATER SYSTEM—Insurance." However, there can be no assurance that specific losses will be covered by insurance or, if covered, that claims will be paid in full by the applicable insurers.

Drought Declaration

On January 17, 2014, the State Governor declared a drought state of emergency (the "Declaration") with immediate effect. The Declaration includes the following orders, among others: (a) local urban water suppliers, including the City, are encouraged to implement their local water shortage contingency plans (the City's plan is discussed below); (b) local urban water suppliers, including the City, are encouraged to update their urban water management plans to prepare for extended drought conditions; (c) the Department of Water Resources (the "DWR") and the State Water Resources Control Board (the "SWRCB") are directed to expedite the processing of water transfers; (d) the SWRCB is directed to put water rights holders on notice that they may be required to cease or reduce water diversions in the future; (e) the SWRCB is directed to consider modifying requirements for reservoir releases or diversion limitations; and (f) DWR is directed to take necessary actions to protect water quality and supply in the Sacramento-San Joaquin River Delta/San Francisco Bay Estuary (the "Bay-Delta"), including the installation of temporary barriers or temporary water supply connections, while minimizing impacts to aquatic species.

In addition, on July 15, 2014, the SWRCB adopted emergency measures requiring water suppliers to implement mandatory Statewide water conservation actions, which are to remain in effect for 270 days. On March 17, 2015, the SWRCB adopted additional emergency regulations limiting outdoor irrigation to two days per week, extending certain measures set forth in the July 15, 2014 action for an additional 270 days, prohibiting outdoor irrigation for 48 hours following rain and prohibiting restaurants from serving water to customers unless requested.

On April 1, 2015, the California Governor issued an executive order extending the measures set forth in the Declaration and adopting the following additional orders, among others: (i) the SWRCB was directed to impose restrictions to reduce potable urban water usage, including usage by commercial, industrial and institutional properties and golf courses, by 25% from 2013 amounts through February 28, 2016; and (ii) portions of a water supplier's service area with higher per capita use must achieve proportionally greater reductions than areas with lower per capita use.

On May 6, 2015, the SWRCB adopted regulations in response to the Governor's executive order that required the City to effect a 20% reduction from 2013 water usage. On November 13, 2015, the Governor issued Executive Order B-36-15, which called for an extension of urban water use restrictions until October 31, 2016.

On February 2, 2016, the SWRCB extended its previous emergency regulations through October 2016 while making available credits and adjustments of up to 8% in urban water suppliers' conservation mandates based upon climate, water-efficient growth and investments in drought-resilient supply sources. The City applied for and received a 2% adjustment to its conservation standard from the SWRCB due to a coding correction that changed the City from a coastal climate measurement to an inland valley climate measurement, which resulted in greater allowable water use. The adjusted target required the City to effect an 18% reduction from 2013 water usage.

After precipitation improved in California through the winter, on May 9, 2016 the Governor issued Executive Order B-37-16, which required the SWRCB to adjust its emergency regulations through the end of January 2017 to account for differing water supply conditions across California. It also directed the SWRCB and DWR to develop a long-term framework and requirements for increasing water efficiency, eliminating water waste, and strengthening local resilience. The order also allowed the SWRCB to extend emergency regulations in February 2017 if dry conditions persisted. On May 18, 2016 the SWRCB adopted a revised regulation gives water agencies the ability to establish their own conservation standards based on a "stress test" of supply reliability. By June 22, 2016, water agencies were required to submit self-certifications to the SWRCB demonstrating that they have sufficient supplies to withstand three additional years of severe drought. Any identified percentage gap between supplies and demands would become the water agency's updated mandatory conservation target.

The City demonstrated that it has more than sufficient supplies to meet its projected demands, even if California endures three more years of drought. Consequently, the City's mandatory conservation target was eliminated, retroactive to June 1, 2016. On February 8, 2017 the emergency regulation was extended another 270 days with a review scheduled for May 2017. Water suppliers are not required to update supply and demand information and the City continues to have a conservation requirement of 0%. Despite the extension of the emergency regulations through May 2017, water supply conditions have improved significantly across California; however, the City continues to implement conservation measures adopted on July 18, 2016, requiring a 10% reduction in water use relative to 2013 from all customers (as discussed under the caption "—City Response to Drought").

City Response to Drought. Under Ordinance No. 4122 of the City Council adopted on June 15, 2009 (the "Drought Ordinance"), the City implemented certain permanent water conservation measures, including limits on watering hours and duration, limits on vehicle washing and a requirement that decorative water fountains use only re-circulated water. Further, under the Drought Ordinance, the City responds to drought conditions in stages according to the severity of such conditions. Upon the declaration of a Level 1 Water Supply Shortage, a 10% reduction in water usage is required for all customers and further restrictions on use are implemented, including additional limits on watering days and a requirement that all leaks or malfunctions in a user's plumbing or distribution system be repaired within 72 hours. The City also may impose other restrictions upon reasonable notice in the event of a Level 1 water shortage.

Upon the declaration of a Level 2 Water Supply Shortage, the City further limits watering days and requires leaks or malfunctions in a user's plumbing or distribution system to be repaired within 48 hours. Further, Level 2 requirements include a general prohibition on filling ornamental lakes and ponds, additional restrictions on vehicle washing and a prohibition against filling residential pools or spas by more than 1 foot per week. Under Level 2 conditions, the City may also impose additional restrictions as it deems necessary upon reasonable notice to customers.

In the event of severe drought conditions, the City may declare a Level 3 Water Supply Emergency Shortage. A Level 3 declaration implements a prohibition against all watering or irrigating with potable water (with limited exceptions), a requirement that leaks and malfunctions in a user's plumbing or distribution system be repaired within 24 hours and permits the City to stop providing new potable water service except under limited circumstances. Level 3 restrictions also permit the City to discontinue service to customers who willfully violate the requirements of a Level 3 shortage.

The City is currently implementing Level 1 conservation requirements under the Drought Ordinance. Level 1 conservation measures were adopted by the City on July 18, 2016.

The City does not believe that the implementation of Level 1 Water Shortage conservation measures under the Drought Ordinance will have a material adverse effect on its ability to generate sufficient Net Revenues to pay the principal of and interest on the 2017 Bonds when due. See the Official Statement under the caption "SECURITY FOR THE 2017 BONDS—Limited Obligations Payable from Net Revenues."

Limitations on Remedies

The ability of the City to comply with its covenants under the Indenture and to generate Net Revenues sufficient to pay principal of and interest on the 2017 Bonds may be adversely affected by actions and events outside of the control of the City and may be adversely affected by actions taken (or not taken) by voters, property owners, taxpayers or persons obligated to pay assessments, fees and charges. See the caption "CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES—Proposition 218." Furthermore, the remedies available to the owners of the 2017 Bonds upon the occurrence of an event of default under the Indenture are in many respects dependent upon judicial actions which are often subject to discretion and delay and could prove both expensive and time consuming to obtain.

In addition, usual equity principles may limit the specific enforcement under State law of certain remedies, as may the exercise by the United States of America of the powers delegated to it by the federal constitution, and the reasonable and necessary exercise, in certain exceptional situations, of the police power inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose. Bankruptcy proceedings, or the exercise of powers by the federal or state government, if initiated, could subject the owners of the 2017 Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitations, or modification of their rights. Remedies may be limited since the Water System serves an essential public purpose.

In addition to the limitations on remedies contained in the Indenture, the rights and obligations under the Indenture may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against cities in the State of California. The opinion to be delivered by Bond Counsel concurrently with the issuance of the 2017 Bonds will be subject to such limitations and the various other legal opinions to be delivered concurrently with the issuance of the 2017 Bonds will be similarly qualified. See Appendix C. In the event that the City fails to comply with its covenants under the Indenture or fails to pay principal of and interest on the 2017 Bonds, there can be no assurance of the availability of remedies adequate to protect the interest of the holders of the 2017 Bonds.

Loss of Tax Exemption

In order to maintain the exclusion from gross income for federal income tax purposes of interest on the Series BE Bonds, the City has covenanted in the Indenture to comply with the applicable requirements of the Internal Revenue Code of 1986, as amended (the "Code"), and not to take any action or fail to take any action if such action or failure to take such action would adversely affect the exclusion from gross income of interest on the Series BE Bonds under Section 103 of the Code. Interest on the Series BE Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date of issuance of such Series BE Bonds as a result of acts or omissions of the City in violation of this or other covenants in the Indenture applicable to the Series BE Bonds. The Series BE Bonds are not subject to redemption or any increase in interest rates should an event of taxability occur and will remain outstanding until maturity or prior redemption in accordance with the provisions contained in the Indenture. See the caption "TAX MATTERS."

Secondary Market

There can be no guarantee that there will be a secondary market for the 2017 Bonds or, if a secondary market exists, that the 2017 Bonds can be sold for any particular price. Occasionally, because of general market conditions or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then prevailing circumstances. Such prices could be substantially different from the original purchase price.

Parity Obligations

The Indenture permits the City to enter into additional Contracts or issue Bonds payable from Net Revenues of the Water System on a parity with the 2017 Bonds, subject to the terms and conditions set forth therein. The entry into of additional Contracts or the issuance of Bonds could result in reduced Net Revenues available to pay the 2017 Bonds. The City has covenanted to maintain Debt Service coverage of 115%, as further described under the caption "SECURITY FOR THE 2017 BONDS—Additional Indebtedness."

APPROVAL OF LEGAL PROCEEDINGS

The valid, legal and binding nature of the 2017 Bonds is subject to the approval of Stradling Yocca Carlson & Rauth, a Professional Corporation, acting as Bond Counsel. The form of such legal opinion is attached hereto as Appendix C, and such legal opinion will be attached to each 2017 Bond. Certain legal matters will be passed upon for the City by Stradling Yocca Carlson & Rauth, a Professional Corporation, as Disclosure Counsel, and by Arnold M. Alvarez-Glasman, Esquire, City Attorney, for the Underwriter by its counsel, Fox Rothschild LLP, and for the Trustee and the Escrow Bank by its counsel.

From time to time Bond Counsel represents the Underwriter on matters unrelated to the issuance of the 2017 Bonds or other City obligations.

LITIGATION

At the time of delivery of and payment for the 2017 Bonds, the City will certify that there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, regulatory agency, public board or body, pending or, to the knowledge of the City, threatened against the City affecting the existence of the City or the titles of its directors or officers to their respective offices or seeking to restrain or to enjoin the sale or delivery of the 2017 Bonds, the application of the proceeds thereof in accordance with the Indenture, or in any way contesting or affecting the validity or enforceability of the 2017 Bonds, the Indenture, or any action of the City contemplated by any of said documents, or in any way contesting the completeness or accuracy of this Official Statement or any amendment or supplement thereto, or contesting the powers of the City or its authority with respect to the 2017 Bonds or any action of the City contemplated by any of said documents, nor to the knowledge of the City, is there any basis therefor.

TAX MATTERS

Series BE Bonds

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest (and original issue discount) on the Series BE Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. In the further opinion of Bond Counsel, interest (and original issue discount) on the Series BE Bonds is exempt from State of California personal income tax. Bond Counsel notes that, with respect to corporations, interest on the Series BE Bonds may be included as an adjustment in the calculation of alternative minimum taxable income, which may affect the alternative minimum tax liability of such corporations.

Bond Counsel's opinion as to the exclusion from gross income for federal income tax purposes of interest (and original issue discount) on the Series BE Bonds is based upon certain representations of fact and certifications made by the City and others and is subject to the condition that the City complies with all requirements of the Code that must be satisfied subsequent to the issuance of the Series BE Bonds to assure that interest (and original issue discount) on the Series BE Bonds will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause interest (and original issue discount) on the Series BE Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Series BE Bonds. The City has covenanted to comply with all such requirements.

In the opinion of Bond Counsel, the difference between the issue price of a Series BE Bond (the first price at which a substantial amount of the Series BE Bonds of a maturity is to be sold to the public) and the stated redemption price at maturity of such Series BE Bond constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Beneficial Owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a Beneficial Owner will increase the Beneficial Owner's basis in the applicable Series BE Bond. The amount of original issue discount that accrues to the Beneficial Owner of a Series BE Bond is excluded from the gross income of such Beneficial Owner for federal income tax purposes, is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and is exempt from State of California personal income tax.

The amount by which a Series BE Bond Owner's original basis for determining loss on sale or exchange in the applicable Series BE Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable bond premium, which must be amortized under Section 171 of the Code; such amortizable bond premium reduces the Series BE Bond Owner's basis in the applicable Series BE Bond (and the amount of tax-exempt interest received with respect to the Series BE Bonds), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of bond premium may result in a Series BE Bond Owner realizing a taxable gain when a Series BE Bond is sold by the Owner for an amount equal to or less (under certain circumstances) than the original cost of the Series BE Bond to the Owner. Purchasers of the Series BE Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable bond premium.

The Internal Revenue Service (the "IRS") has initiated an expanded program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the Series BE Bonds will be selected for audit by the IRS. It is also possible that the market value of the Series BE Bonds might be affected as a result of such an audit of the Series BE Bonds (or by an audit of similar municipal obligations). No assurance can be given that in the course of an audit, as a result of an audit, or otherwise, Congress or the IRS might not change the Code (or interpretation thereof) subsequent to the issuance of the Series BE Bonds to the extent that it adversely affects the exclusion from gross income of interest (and original issue discount) on the Series BE Bonds or their market value.

SUBSEQUENT TO THE ISSUANCE OF THE SERIES BE BONDS, THERE MIGHT BE FEDERAL, STATE OR LOCAL STATUTORY CHANGES (OR JUDICIAL OR REGULATORY INTERPRETATIONS OF FEDERAL, STATE OR LOCAL LAW) THAT AFFECT THE FEDERAL, STATE OR LOCAL TAX TREATMENT OF THE SERIES BE BONDS OR THE MARKET VALUE OF THE SERIES BE BONDS. TAX REFORM PROPOSALS ARE BEING CONSIDERED BY CONGRESS. IT IS POSSIBLE THAT LEGISLATIVE CHANGES MIGHT BE INTRODUCED IN CONGRESS, WHICH, IF ENACTED, WOULD RESULT IN ADDITIONAL FEDERAL INCOME OR STATE TAX BEING IMPOSED ON OWNERS OF TAX-EXEMPT STATE OR LOCAL OBLIGATIONS, SUCH AS THE SERIES BE BONDS. THE INTRODUCTION OR ENACTMENT OF ANY OF SUCH CHANGES COULD ADVERSELY AFFECT THE MARKET VALUE OR LIQUIDITY OF THE SERIES BE BONDS. NO ASSURANCE CAN BE GIVEN THAT, SUBSEQUENT TO THE ISSUANCE OF THE SERIES BE BONDS, SUCH CHANGES (OR OTHER CHANGES) WILL NOT BE INTRODUCED OR ENACTED OR INTERPRETATIONS WILL NOT OCCUR. BEFORE PURCHASING ANY OF THE SERIES BE BONDS, ALL POTENTIAL PURCHASERS SHOULD CONSULT THEIR TAX ADVISORS REGARDING POSSIBLE STATUTORY CHANGES OR JUDICIAL OR REGULATORY CHANGES OR INTERPRETATIONS, AND THEIR COLLATERAL TAX CONSEQUENCES RELATING TO THE SERIES BE BONDS.

Bond Counsel's opinions may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. Bond Counsel has not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Indenture and the Tax Certificate relating to the Series BE Bonds permit certain actions to be taken or to be omitted if a favorable opinion of Bond Counsel is provided with respect thereto. Bond Counsel expresses no opinion as to the effect on the exclusion from gross income of interest (and original issue discount) for federal income tax purposes with respect to any Series BE

Bond if any such action is taken or omitted based upon the advice of counsel other than Stradling Yocca Carlson & Rauth, a Professional Corporation.

Although Bond Counsel has rendered an opinion that interest (and original issue discount) on the Series BE Bonds is excluded from gross income for federal income tax purposes provided that the City continues to comply with certain requirements of the Code, the ownership of the Series BE Bonds and the accrual or receipt of interest (and original issue discount) on the Series BE Bonds may otherwise affect the tax liability of certain persons. Bond Counsel expresses no opinion regarding any such tax consequences. Accordingly, before purchasing any of the Series BE Bonds, all potential purchasers should consult their tax advisors with respect to collateral tax consequences relating to the Series BE Bonds.

Should interest (and original issue discount) on the Series BE Bonds become includable in gross income for federal income tax purposes, the Series BE Bonds are not subject to early redemption and will remain outstanding until maturity or until redeemed in accordance with the Indenture.

Series BF Bonds

In the opinion of Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest on the Series BF Bonds is exempt from State of California personal income tax.

With certain exceptions, the difference between the issue price of a Series BF Bond (the first price at which a substantial amount of the Series BF Bonds of the same maturity is to be sold to the public) and the stated redemption price at maturity with respect to such Series BF Bond (to the extent the redemption price at maturity is greater than the issue price) constitutes original issue discount. Original issue discount accrues under a constant yield method. The amount of original issue discount deemed received by the Beneficial Owner of a Series BF Bond will increase the Beneficial Owner's basis in the Series BF Bond. Beneficial Owners of the Series BF Bonds should consult their own tax advisors with respect to taking into account any original issue discount on the Series BF Bonds.

The amount by which a Series BF Bond Beneficial Owner's original basis for determining loss on sale or exchange in the applicable Series BF Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable bond premium, which the Beneficial Owner of a Series BF Bond may elect to amortize under Section 171 of the Code; such amortizable bond premium reduces the Series BF Bond Beneficial Owner's basis in the applicable Series BF Bond (and the amount of taxable interest received with respect to the Series BF Bonds), and is deductible for federal income tax purposes. The basis reduction as a result of the amortization of bond premium may result in a Series BF Bond Beneficial Owner realizing a taxable gain when a Series BF Bond is sold by the Beneficial Owner for an amount equal to or less (under certain circumstances) than the original cost of the Series BF Bond to the Beneficial Owner. The Beneficial Owners of the Series BF Bonds that have a basis in the Series BF Bonds that is greater than the principal amount of the Series BF Bonds should consult their own tax advisors with respect to whether or not they should elect such premium under Section 171 of the Code.

The tax discussion set forth above is included for general information only and may not be applicable depending upon a Series BF Bond Owner's particular situation. The ownership and disposal of the Series BF Bonds and the accrual or receipt of interest on the Series BF Bonds may otherwise affect the tax liability of certain persons. Bond Counsel expresses no opinion regarding any such tax consequences. BEFORE PURCHASING ANY OF THE SERIES BF BONDS, ALL POTENTIAL PURCHASERS SHOULD CONSULT THEIR INDEPENDENT TAX ADVISORS WITH RESPECT TO THE TAX CONSEQUENCES RELATING TO THE SERIES BF BONDS AND THE TAXPAYER'S PARTICULAR CIRCUMSTANCES.

A complete copy of the proposed opinion of Bond Counsel is set forth in Appendix C.

RATING

The City expects that S&P Global Ratings, a Standard & Poor's Financial Services, LLC business ("S&P") will assign the 2017 Bonds the rating of "___." There is no assurance that any credit rating given to the 2017 Bonds will be maintained for any period of time or that a rating may not be lowered or withdrawn entirely by S&P if, in the judgment of S&P, circumstances so warrant. Any downward revision or withdrawal of such rating may have an adverse effect on the market price of the 2017 Bonds. Such rating reflects only the views of S&P, and an explanation of the significance of such rating may be obtained from S&P. Generally, rating agencies base their ratings on information and materials furnished to them (which may include information and material from the City which is not included in this Official Statement) and on investigations, studies and assumptions by the rating agencies.

The City has covenanted in a Continuing Disclosure Certificate to file on the Municipal Securities Rulemaking Board's Electronic Municipal Market Access System ("EMMA") notices of any rating changes on the 2017 Bonds. See the caption "CONTINUING DISCLOSURE UNDERTAKING" below and Appendix E—"FORM OF CONTINUING DISCLOSURE CERTIFICATE." Notwithstanding such covenant, information relating to rating changes on the 2017 Bonds may be publicly available from the rating agencies prior to such information being provided to the City and prior to the date the City is obligated to file a notice of rating change on EMMA. Purchasers of the 2017 Bonds are directed to the ratings agencies and their respective websites and official media outlets for the most current ratings changes with respect to the 2017 Bonds after the initial issuance of the 2017 Bonds.

In providing a rating on the 2017 Bonds, S&P may have performed independent calculations of coverage ratios using its own internal formulas and methodology which may not reflect the provisions of the Indenture. The City makes no representations as to any such calculations, and such calculations should not be construed as a representation by the City as to past or future compliance with any bond covenants, the availability of particular revenues for the payment of Debt Service or for any other purpose.

UNDERWRITING

The 2017 Bonds will be purchased by B.C. Ziegler and Company (the "Underwriter") pursuant to a Bond Purchase Agreement, dated _______, 2017, by and between the City and the Underwriter (the "Purchase Contract"). Under the Purchase Contract, the Underwriter has agreed to purchase all, but not less than all, of the 2017 Bonds for an aggregate purchase price of $_____________ (representing the principal amount of the 2017 Bonds, less Underwriter's discount of $_____________, [plus/less] net original issue [premium/discount] of $_____________). The Purchase Contract provides that the Underwriter will purchase all of the 2017 Bonds if any are purchased, the obligation to make such a purchase being subject to certain terms and conditions set forth in the Purchase Contract, the approval of certain legal matters by counsel and certain other conditions.

The initial public offering prices stated on the inside cover page of this Official Statement may be changed from time to time by the Underwriter. The Underwriter may offer and sell the 2017 Bonds to certain dealers (including dealers depositing 2017 Bonds into investment trusts), dealer banks, banks acting as agents and others at prices lower than said public offering prices.

CONTINUING DISCLOSURE UNDERTAKING

The City has covenanted in a Continuing Disclosure Certificate for the benefit of the holders and Beneficial Owners of the 2017 Bonds to provide certain financial information and operating data relating to the City by not later than March 1 following the end of the City's Fiscal Year (currently its Fiscal Year ends on June 30) (the "Annual Report"), commencing with the report for Fiscal Year ending June 30, 2017, and to provide notices of the occurrence of certain enumerated events. The Annual Report and the notices of enumerated events will be filed by the City with EMMA for municipal securities disclosures, maintained on the Internet at http://emma.msrb.org/. The specific nature of the information to be contained in the Annual Report and the notice of material events is set forth in Appendix E. These covenants have been made in order to assist the Underwriter in complying with subsection (b)(5) of Rule 15c2-12 adopted by the Securities and Exchange Commission.

The City has not complied with all of its previous continuing disclosure undertaking in the last five years as follows:

FINANCIAL INTERESTS

The fees being paid to the Underwriter, Bond Counsel, Disclosure Counsel, Fox Rothschild LLP, as counsel to the Underwriter, the Trustee and the Escrow Bank are contingent upon the issuance and delivery of the 2017 Bonds. From time to time, Bond Counsel represents the Underwriter on matters unrelated to the 2017 Bonds.

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MISCELLANEOUS

Insofar as any statements made in this Official Statement involve matters of opinion or of estimates, whether or not expressly stated, they are set forth as such and not as representations of fact. No representation is made that any of such statements made will be realized. Neither this Official Statement nor any statement which may have been made verbally or in writing is to be construed as a contract with the Owners of the 2017 Bonds.

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

CITY OF POMONA

By:____
City Manager

APPENDIX A

FINANCIAL STATEMENTS

APPENDIX B

DEFINITIONS AND SUMMARY OF THE INDENTURE

The following is a summary of certain provisions of the Indenture which are not described elsewhere. This summary does not purport to be comprehensive and reference should be made to the Indenture for a full and complete statement of the provisions thereof.

[TO COME]

APPENDIX C

FORM OF OPINION OF BOND COUNSEL

Upon issuance of the 2017 Bonds, Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel, proposes to render its final approving opinion in substantially the following form:

______, 2017

City of Pomona
505 South Garey Avenue
Pomona, California 91766

Re: City of Pomona 2017 Refunding Revenue Bonds (Water Facilities Project) Series BE and City of Pomona 2017 Refunding Revenue Bonds (Water Facilities Project) Series BF (Taxable)

Members of the City Council:

We have examined a certified copy of the record of the proceedings of the City of Pomona (the "City") relative to the issuance of the $________ City of Pomona 2017 Refunding Revenue Bonds (Water Facilities Project) Series BE (the "Series BE Bonds") and the $________ City of Pomona 2017 Refunding Revenue Bonds (Water Facilities Project) Series BF (Taxable) (the "Series BF Bonds," and together with the Series BE Bonds, the "2017 Bonds"), dated the date hereof, and such other information and documents as we consider necessary to render this opinion. In rendering this opinion, we have relied upon certain representations of fact and certifications made by the City, the initial purchaser of the 2017 Bonds and others. We have not undertaken to verify through independent investigation the accuracy of the representations and certifications relied upon by us.

The 2017 Bonds are being issued pursuant to an Indenture of Trust, dated as of ______ 1, 2017 (the "Indenture"), by and between the City and Zions Bank, a division of ZB, National Association, as trustee (the "Trustee"). The 2017 Bonds mature on the dates and in the amounts referenced in the Indenture. The 2017 Bonds are dated their date of delivery and bear interest at the rates per annum referenced in the Indenture. The 2017 Bonds are registered in the form set forth in the Indenture.

Based on our examination as Bond Counsel of existing law, certified copies of such legal proceedings and such other proofs as we deem necessary to render this opinion, we are of the opinion, as of the date hereof and under existing law, that:

1. The proceedings of the City show lawful authority for the issuance and sale of the 2017 Bonds under the laws of the State of California now in force, and the Indenture has been duly authorized, executed and delivered by the City, and, assuming due authorization, execution and delivery by the Trustee, as appropriate, the 2017 Bonds and the Indenture are valid and binding obligations of the City enforceable against the City in accordance with their terms.

2. The obligation of the City to make the payments of principal of and interest on the 2017 Bonds from Net Revenues (as such term is defined in the Indenture) is an enforceable obligation of the City and does not constitute an indebtedness of the City in contravention of any constitutional or statutory debt limit or restriction.

3. Under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest (and original issue discount) on the Series BE Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. It should be noted that, with respect to corporations, such interest

may be included as an adjustment in the calculation of alternative minimum taxable income, which may affect the alternative minimum tax liability of such corporations.

4. Interest (and original issue discount) on the 2017 Bonds is exempt from State of California personal income tax.

5. The amount by which a Series BE Bond Owner's original basis for determining loss on sale or exchange in the applicable Series BE Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable bond premium, which must be amortized under Section 171 of the Internal Revenue Code of 1986, as amended (the "Code"); such amortizable bond premium reduces the Series BE Bond Owner's basis in the applicable Series BE Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of Series BE Bond premium may result in a Series BE Bond Owner realizing a taxable gain when a Series BE Bond is sold by the Owner for an amount equal to or less (under certain circumstances) than the original cost of the Series BE Bond to the Owner. Purchasers of the Series BE Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable bond premium.

6. The difference between the issue price of a Series BE Bond (the first price at which a substantial amount of the Series BE Bonds of a maturity is to be sold to the public) and the stated redemption price at maturity of such Series BE Bond constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Series BE Bond Owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a Series BE Bond Owner will increase the Series BE Bond Owner's basis in the applicable Series BE Bond. The amount of original issue discount that accrues to the Owner of a Series BE Bond is excluded from the gross income of such Series BE Bond Owner for federal income tax purposes, is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and is exempt from State of California personal income tax

7. Under existing statutes, regulations, rulings and judicial decisions, interest on the Series BF Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Code.

The opinions expressed herein as to the exclusion from gross income of interest on the Series BE Bonds are based upon certain representations of fact and certifications made by the City and are subject to the condition that the City comply with all requirements of the Code that must be satisfied subsequent to the issuance of the 2017 Bonds to assure that such interest (and original issue discount) on the Series BE Bonds will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause interest (and original issue discount) on the Series BE Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Series BE Bonds. The City has covenanted to comply with all such requirements.

The opinions expressed herein may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. Our engagement ends as of the date of issuance of the 2017 Bonds. The Indenture and the Tax Certificate relating to the Series BE Bonds permit certain actions to be taken or to be omitted if a favorable opinion of Bond Counsel is provided with respect thereto. No opinion is expressed herein as to the effect on the exclusion from gross income of interest (and original issue discount) on the Series BE Bonds for federal income tax purposes with respect to any Series BE Bond if any such action is taken or omitted based upon the opinion or advice of counsel other than ourselves. Other than expressly stated herein, we express no other opinion regarding tax consequences with respect to the Series BE Bonds.

Any federal tax advice contained herein with respect to the Series BF Bonds is not intended or written to be used, and it cannot be used, for the purpose of avoiding penalties under the Code. The federal tax advice contained herein with respect to the Series BF Bonds was written to support the promoting and marketing of the Series BF Bonds. Before purchasing any of the Series BF Bonds, all potential purchasers should consult their independent tax advisors with respect to the tax consequences relating to the Series BF Bonds and the taxpayer's particular circumstances.

The opinions expressed herein are based upon our analysis and interpretation of existing laws, regulations, rulings and judicial decisions and cover certain matters not directly addressed by such authorities. We call attention to the fact that the rights and obligations under the Indenture and the 2017 Bonds are subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws affecting creditors' rights, to the application of equitable principles if equitable remedies are sought, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public agencies in the State of California.

Our opinion is limited to matters governed by the laws of the State of California and federal law. We assume no responsibility with respect to the applicability or the effect of the laws of any other jurisdiction.

We express no opinion herein as to the accuracy, completeness or sufficiency of the Official Statement relating to the 2017 Bonds or other offering material relating to the 2017 Bonds and expressly disclaim any duty to advise the owners of the 2017 Bonds with respect to matters contained in the Official Statement.

Respectfully submitted,

APPENDIX D

INFORMATION CONCERNING DTC

The information in this section concerning DTC and DTC's book entry only system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the completeness or accuracy thereof. The following description of the procedures and record keeping with respect to beneficial ownership interests in the 2017 Bonds, payment of principal, premium, if any, accreted value, if any, and interest on the 2017 Bonds to DTC Participants or Beneficial Owners, confirmation and transfers of beneficial ownership interests in the 2017 Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the 2017 Bonds. The 2017 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered 2017 Bond will be issued for each annual maturity of the 2017 Bonds, each in the aggregate principal amount of such annual maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC is rated AA+ by Standard & Poor's. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of 2017 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2017 Bonds on DTC's records. The ownership interest of each actual purchaser of each 2017 Bonds ("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 2017 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive bonds representing their ownership interests in 2017 Bonds, except in the event that use of the book entry system for the 2017 Bonds is discontinued.

To facilitate subsequent transfers, all 2017 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of 2017 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2017 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2017 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of 2017 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2017 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the 2017 Bonds documents. For example, Beneficial Owners of 2017 Bonds may wish to ascertain that the nominee holding the 2017 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the 2017 Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to 2017 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts 2017 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the 2017 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A 2017 Bond Owner shall give notice to elect to have its 2017 Bonds purchased or tendered, through its Participant, to the Trustee, and shall effect delivery of such 2017 Bond by causing the Direct Participant to transfer the Participant's interest in the 2017 Bonds, on DTC's records, to the Trustee. The requirement for physical delivery of 2017 Bond in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the 2017 Bond are transferred by Direct Participants on DTC's records and followed by a book entry credit of tendered 2017 Bond to the Trustee's DTC account.

DTC may discontinue providing its services as depository with respect to the 2017 Bonds at any time by giving reasonable notice to the City or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, physical certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book entry only transfers through DTC (or a successor securities depository). In that event, 2017 Bonds will be printed and delivered to DTC.

THE TRUSTEE, AS LONG AS A BOOK ENTRY ONLY SYSTEM IS USED FOR THE 2017 BONDS, WILL SEND ANY NOTICE OF REDEMPTION OR OTHER NOTICES TO OWNERS ONLY TO DTC. ANY FAILURE OF DTC TO ADVISE ANY DTC PARTICIPANT, OR OF ANY DTC PARTICIPANT TO NOTIFY ANY BENEFICIAL OWNER, OF ANY NOTICE AND ITS CONTENT OR EFFECT WILL NOT AFFECT THE VALIDITY OF SUFFICIENCY OF THE PROCEEDINGS RELATING TO THE REDEMPTION OF THE 2017 BONDS CALLED FOR REDEMPTION OR OF ANY OTHER ACTION PREMISED ON SUCH NOTICE.

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

Upon issuance of the 2017 Bonds, the City proposes to enter into a Continuing Disclosure Certificate in substantially the following form:

[TO COME]

APPENDIX F

GENERAL INFORMATION REGARDING THE CITY OF POMONA

The following information is presented as general background data. The 2017 Bonds are payable solely from the Net Revenues as described in the Official Statement. The taxing power of the City, the State or any political subdivision thereof is not pledged to the payment of the 2017 Bonds.

General Information

The City was incorporated in January 1888 and became a charter city in 1911. The City now encompasses approximately 22.9 square miles. The City is located approximately 30 miles east of downtown Los Angeles, in the eastern portion of the County of Los Angeles, adjacent to Orange and San Bernardino Counties.

The City Charter provides for a council-manager form of government, with an elected council of seven members including a mayor. City Councilmembers are elected by district for overlapping four-year terms. The Mayor is the presiding officer of the Council and is elected at large for a two-year term. The City Manager appoints department heads on the basis of specialized knowledge, experience and education in their area of responsibility.

Budgeted City full-time employees number ___ for the Fiscal Year 2017, of which ___ (___ sworn officers and ___ civilian personnel) will be assigned to the Police Department.

Population

The City has an estimated current population of 155,604. Table F-1 sets forth total population for the City, the County of Los Angeles (the "County") and the State of California (the "State").

Table F-1
City of Pomona, County of Los Angeles and State of California
Population

January 1	*City of Pomona*	*County of Los Angeles*	*State of California*
2012	151,672	9,956,722	37,881,357
2013	153,410	10,023,753	38,239,207
2014	154,140	10,093,053	38,567,459
2015	154,712	10,155,069	38,907,642
2016	155,604	10,241,335	39,255,883

Source: State of California, Department of Finance, E-4 Population Estimates for Cities, Counties and State, 2011-2016, with 2010 Census Counts.

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Employment and Industry

Table F-2 summarizes the civilian labor force, civilian employment and civilian unemployment figures over the period from 2011 through 2015 in the City, the County, the State and the United States.

Table F-2
City of Pomona, County of Los Angeles, State of California and United States
Labor Force, Employment and Unemployment Yearly Average

Year and Area	*Civilian Labor Force*	*Civilian Employment*[(1)]	*Civilian Unemployment*[(2)]	*Civilian Unemployment Rate*[(3)]
2011				
Pomona	66,900	57,800	9,000	13.5%
Los Angeles County	4,928,500	4,327,900	600,500	12.2
California	18,419,500	16,260,100	2,159,400	11.7
United States	153,617,000	139,869,000	13,747,000	8.9
2012				
Pomona	66,600	58,500	8,100	12.1%
Los Angeles County	4,921,800	4,385,300	536,500	10.9
California	18,554,800	16,630,100	1,924,700	10.4
United States	154,975,000	142,469,000	12,506,000	8.1
2013				
Pomona	67,100	59,900	7,300	10.8%
Los Angeles County	4,979,000	4,494,400	484,600	9.7
California	18,671,600	17,002,900	1,668,700	8.9
United States	155,389,000	143,929,000	11,460,000	7.4
2014				
Pomona	67,800	91,600	6,200	9.2%
Los Angeles County	5,025,900	4,611,500	414,300	8.2
California	18,811,400	17,397,100	1,414,300	7.5
United States	155,922,000	146,305,000	9,617,000	6.2
2015				
Pomona	67,500	62,500	5,100	7.5%
Los Angeles County	5,011,700	4,674,800	336,900	6.7
California	18,981,800	17,798,600	1,183,200	6.2
United States	157,130,000	148,834,000	8,296,000	5.3

(1) Includes persons involved in labor-management trade disputes.
(2) Includes all persons without jobs who are actively seeking work.
(3) The unemployment rate is computed from unrounded data; therefore, it may differ from rates computed from rounded figures in this table.

Source: California Employment Development Department, March 2015 Benchmark; U.S. Department of Labor, Bureau of Labor Statistics.

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Table F-3 sets forth the industry employment and the labor force estimates for the years 2011 through 2015 for the Los Angeles-Long Beach-Glendale MSA Metropolitan Statistical Area ("MSA"). Annual industry employment information is not compiled by sector for the City.

Table F-3
Los Angeles-Long Beach-Glendale MSA
Industry Employment and Labor Force
Annual Average

Type of Employment	***2011***	***2012***	***2013***	***2014***	***2015***
Total Farm	5,600	5,400	5,500	5,200	5,000
Total Nonfarm	3,945,700	4,036,000	4,112,700	4,189,000	4,274,200
Total Private	3,380,200	3,479,100	3,561,400	3,632,800	3,707,800
Goods Producing	476,000	480,800	488,800	488,000	490,800
Mining and Logging	4,100	4,300	4,500	4,300	3,900
Construction	105,100	109,200	116,200	119,600	126,100
Manufacturing	366,900	367,400	368,200	364,100	360,800
Durable Goods	204,200	204,300	204,300	202,900	202,400
Nondurable Goods	162,800	163,100	163,800	161,300	158,400
Service Providing	3,469,700	3,555,200	3,623,900	3,701,000	3,783,400
Private Service Producing	2,904,200	2,998,400	3,072,600	3,144,800	3,217,000
Trade, Transportation and Utilities	750,700	767,400	781,800	798,800	817,800
Wholesale Trade	205,800	211,900	218,700	222,500	227,000
Retail Trade	393,000	400,900	405,600	413,000	420,500
Transportation, Warehousing and Utilities	151,800	154,500	157,500	163,400	170,400
Information	192,000	191,500	196,400	198,000	202,700
Financial Activities	210,100	212,400	213,000	211,100	214,200
Professional and Business Services	542,500	571,100	593,200	599,100	600,300
Educational and Health Services	677,300	699,500	702,100	720,700	742,200
Leisure and Hospitality	394,700	415,800	440,500	466,600	488,100
Other Services	137,000	141,700	145,700	150,500	151,700
Government	565,500	556,800	551,200	556,200	566,400
Total, All Industries	3,951,300	4,041,400	4,118,100	4,194,200	4,279,200

Note: The "Total All Industries" data is not directly comparable to the employment data found herein.
Source: State of California, Employment Development Department, Labor Market Information Division, Los Angeles-Long Beach-Glendale MSA Industry Employment & Labor Force - by Annual Average, March 2015 Benchmark.

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Major Employers

Table F-4 sets forth the principal employers in the City as of June 30, 2016.

Table F-4
City of Pomona
Principal Employers

Employer	*Number of Employees*
Pomona Valley Hospital	3,720
Pomona Unified School District	2,926
California State Polytechnic University	2,612
Fairplex	954
Casa Colina Rehabilitation Center	938
City of Pomona	685
Verizon	596
County of Los Angeles Department of Social Services	400
First Transit	348
Inland Valley Care & Rehab	341
Kittrich Corporation	256
Torn & Glasser Inc.	242
Hayward Industries Inc.	230
Walmart Stores Inc.	207
Anheuser Busch Sales Pomona	204

Source: City of Pomona, *Comprehensive Annual Financial Report, Fiscal Year Ended June 30, 2016.*

Commercial Activity

Trade outlet and retail sales activity are summarized in Tables F-5 and F-6 based on reports of the State Board of Equalization.

Table F-5
City of Pomona
Total Taxable Transactions and Number of Sales Permits
2011 through 2015[(1)]

Calendar Year	*Retail Sales*[(2)]	*Retail Sales Permits*	*Total Taxable Transactions*[(2)]	*Issued Sales Permits*
2011	727,128	3,331	1,100,664	4,649
2012	767,593	3,343	1,191,591	4,658
2013	781,599	3,326	1,239,009	4,635
2014	817,869	3,409	1,331,872	4,747
2015	863,851	[(3)]	1,353,565	[(3)]

(1) Reflects latest information available.
(2) Dollar amounts are in thousands.
(3) Number of permits has not been provided for 2015 for cities
Source: California State Board of Equalization.

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Table F-6
City of Pomona
Taxable Retail Sales
2011 through 2015[(1)(2)(3)]

Type of Business	***2011***	***2012***	***2013***	***2014***	***2015[(3)]***
Motor Vehicle & Parts Dealers	$ 79,344	$ 104,207	$ 11,419	$ 114,994	$ 59,541
Home Furnishings & Appliance Stores	17,171	20,365	18,584	14,208	7,064
Building Materials & Garden Equipment & Supplies	70,021	70,799	75,990	82,983	24,161
Food & Beverage Stores	64,460	64,480	66,580	74,060	37,157
Gasoline Stations	220,722	221,196	209,743	203,028	85,667
Clothing & Clothing Accessories Stores	14,507	15,382	16,757	24,764	11,227
General Merchandise Stores	45,548	49,353	55,789	65,141	33,469
Food Services & Drinking Places	121,307	130,544	138,537	149,208	72,351
Other Retail Group	94,049	91,267	88,201	89,483	43,546
Retail Stores Totals	727,128	767,593	781,599	817,869	394,187
All Other Outlets	373,536	423,998	457,410	514,002	247,452
Total All Outlets	$ 1,110,664	$ 1,191,591	$ 1,239,009	$ 1,331,872	$ 641,640

(1) Reflects latest information available.
(2) Dollar amounts are in thousands.
(3) Taxable Sales for California Cities by Type of Business only available through 2nd quarter.
Source: California State Board of Equalization.

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Building Activity

Table F-7 summarizes building activity in the City from 2011 through 2015, reflecting the latest available information.

Table F-7
City of Pomona
Building Permit Valuations
2011 through 2015

	2011	***2012***	***2013***	***2014***	***2015***
Residential					
Single Family	$10,694,610	$15,507,704	$777,507	$7,319,268	$ 0
Multi-Family	0	0	20,099,673	465,485	18,517,719
Alteration/Additions	1,872,566	2,617,489	1,076,346	1,407,155	2,081,911
Total	$12,567,176	$18,125,193	$21,953,526	$9,191,908	$20,599,630
Non-Residential					
New Commercial	$1,641,278	$7,860,216	$19,807,867	$12,353,859	$3,907,805
New Industry	0	0	23,158,611	7,528,131	0
Other[1]	1,809,698	2,058,722	18,614,425	14,703,483	718,453
Alteration/Additions	10,776,263	3,919,130	9,411,917	5,685,716	10,330,437
Total	$14,227,239	$13,838,068	$70,992,820	$40,271,189	$14,956,695
Total All Industry					
Total					
Single Family Units	47	67	4	35	0
Multi-Family Units	0	0	251	4	159
Total	47	67	255	39	159

[1] Includes churches and religious buildings, hospitals and institutional buildings, schools and educational buildings, residential garages, public works and utilities buildings.

Source: California Homebuilding Foundation/Construction Industry Research Board.