



CITY OF LONG BEACH

R-23

DEPARTMENT OF FINANCIAL MANAGEMENT

333 West Ocean Boulevard 6th Floor • Long Beach, CA 90802 • (562) 570-6465 • Fax (562) 570-5836

August 16, 2016

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Receive the supporting documentation into the record regarding the debt issuance by the City of Long Beach; adopt a Resolution authorizing the issuance of Senior Sewer Revenue Refunding Bonds, Series 2016A, by the Board of Water Commissioners on behalf of the City, in a principal amount not to exceed \$11,500,000, and authorize the execution of all necessary related documents. (Citywide)

DISCUSSION

In May 2011, the Long Beach Water Department (LBWD) refunded its Commercial Paper Notes with a Revolving Line of Credit in a principal amount not to exceed \$20,000,000. Proceeds from the Revolving Line of Credit were used to pay off the principal balance of \$4,000,000 of the Commercial Paper Notes, fund sewer capital improvements, and pay the cost of issuance associated with the Revolving Line of Credit.

The LBWD proposes to issue Senior Sewer Revenue Refunding Bonds, Series 2016A (Series 2016A Bonds). The Series 2016A Bonds proceeds will be used to pay off the outstanding principal balance of \$11,250,000 under the Revolving Line of Credit and pay the cost of issuance associated with the Series 2016A Bonds. The debt service for the Series 2016A Bonds will be payable from revenues generated from the Sewer Revenue Fund.

The LBWD also proposes to extend the term of the Revolving Line of Credit for a period of three years and reduce the not-to-exceed amount from \$20,000,000 to \$10,000,000 to maintain financial flexibility.

The Board of Water Commissioners adopted a Resolution on August 3, 2016, authorizing the issuance of the Series 2016A Bonds (Attachment A).

This matter was reviewed by Deputy City Attorney Richard F. Anthony on July 27, 2016 and by Assistant Finance Director Lea Eriksen on July 25, 2016.

HONORABLE MAYOR AND CITY COUNCIL

August 16, 2016

Page 2

TIMING CONSIDERATIONS

City Council action is requested on August 16, 2016, to take advantage of the current low interest rate environment.

FISCAL IMPACT

There is no impact to the General Fund as this is an obligation of the Sewer Revenue Fund (EF 311) in the Water Department (WA), and will be repaid with revenues from charges to customers for sewer usage. There is no local job impact associated with this recommendation.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



JOHN GROSS
DIRECTOR OF FINANCIAL MANAGEMENT



CHRISTOPHER J. GARNER
GENERAL MANAGER
LONG BEACH WATER DEPARTMENT

JG:DN
K:\EXEC\COUNCIL LETTERS\TREASURY\08-16-16 ccl - 2016A SEWER REVENUE BONDS.DOC

ATTACHMENTS

APPROVED:



PATRICK H. WEST
CITY MANAGER

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

RESOLUTION NO.

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LONG BEACH APPROVING THE ISSUANCE OF THE SENIOR SEWER REVENUE REFUNDING BONDS, SERIES 2016A BY THE BOARD OF WATER COMMISSIONERS, ON BEHALF OF THE CITY OF LONG BEACH

WHEREAS, Section 3.52.110 et seq. of the Long Beach Municipal Code provides that revenue bonds may be issued and sold on behalf of the City of Long Beach, California (the "City") by the Board of Commissioners of any department of the City, which has its own Board of Commissioners, for the purposes of such department, with the approval of the City Council expressed by resolution; and

WHEREAS, the Board of Water Commissioners of the City (the "Board") proposes to issue revenue bonds to be designated "City of Long Beach, California Senior Sewer Revenue Refunding Bonds, Series 2016A" (the "Series 2016A Bonds") in an aggregate principal amount of not to exceed \$11,500,000, on behalf of the City, for purposes of the sanitary sewer system of City, to refinance, by refunding on a current basis, the full \$11,250,000 principal balance currently outstanding under the revolving line of credit provided to the Board under a Credit Agreement, dated as of May 1, 2011 (the "Credit Agreement"), by and between the Board and Wells Fargo Bank, National Association (the "Bank") and the related promissory note of the Board evidencing the amounts owing to the Bank for repayment of advances made by the Bank under such Credit Agreement; and

WHEREAS, in connection with the issuance of the Series 2016A Bonds, the Board desires to reduce the not-to-exceed amount of the revolving line of credit made available by the Bank under the Credit Agreement from a not-to-exceed amount at any

OFFICE OF THE CITY ATTORNEY
CHARLES PARKIN, City Attorney
333 West Ocean Boulevard, 11th Floor
Lona Beach, CA 90802-4664

1 one time outstanding of \$20,000,000 to a not-to-exceed amount at any one time
2 outstanding of \$10,000,000, and to extend the term during which the Bank has agreed to
3 make advances under the revolving line of credit available to the Board for an additional
4 period of up to three (3) years, unless further extended pursuant to, and otherwise
5 subject to the terms of, the Credit Agreement; and

6 WHEREAS, the City Council now desires to approve the issuance of the
7 Series 2016A Bonds by the Board, on behalf of the City;

8 NOW, THEREFORE, the City Council of the City of Long Beach hereby
9 resolves as follows:

10 Section 1. That the issuance and sale of the Series 2016A Bonds by the
11 Board, on behalf of the City, in an aggregate principal amount not to exceed \$11,500,000, is
12 hereby approved. The Series 2016A Bonds shall be issued as special, limited obligations of
13 the City and shall be secured by a pledge of and lien on, and shall be payable from, the net
14 revenues of the Sewer Enterprise of the City. The Series 2016A Bonds shall not be a debt
15 of the City, nor a legal or equitable pledge, charge, lien or encumbrance upon any of the
16 City's property or upon any of the City's income, receipts or revenues, except the revenues
17 of the Sewer Enterprise of the City. The general fund of the City shall not be liable for the
18 payment of the Series 2016A Bonds or interest thereon, nor shall the full faith and credit or
19 the taxing power of the City be pledged therefor.

20 Section 2. That the City Clerk is hereby authorized and directed to forward
21 to the Board, without a delay, a certified copy of this Resolution.

22 Section 3. This resolution shall take effect immediately upon its adoption
23 by the City Council, and the City Clerk shall certify the vote adopting this resolution.

24 ///
25 ///
26 ///
27 ///
28 ///

OFFICE OF THE CITY ATTORNEY
CHARLES PARKIN, City Attorney
333 West Ocean Boulevard, 11th Floor
Long Beach, CA 90802-4664

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

I hereby certify that the foregoing resolution was adopted by the City Council
of the City of Long Beach at its meeting of _____, 2016 by the
following vote:

Ayes: Councilmembers: _____

Noes: Councilmembers: _____

Absent: Councilmembers: _____

City Clerk

OFFICE OF THE CITY ATTORNEY
CHARLES PARKIN, City Attorney
333 West Ocean Boulevard, 11th Floor
Long Beach, CA 90802-4664

RESOLUTION NO. WD-1360

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

A RESOLUTION OF THE BOARD OF WATER COMMISSIONERS OF THE CITY OF LONG BEACH AUTHORIZING THE ISSUANCE AND SALE OF CITY OF LONG BEACH, CALIFORNIA SENIOR SEWER REVENUE REFUNDING BONDS, SERIES 2016A; APPROVING A THIRD SUPPLEMENTAL SENIOR TRUST INDENTURE; AN AMENDMENT TO CREDIT AGREEMENT, A BOND PURCHASE AGREEMENT, A CONTINUING DISCLOSURE CERTIFICATE, PRELIMINARY AND FINAL OFFICIAL STATEMENTS AND RELATED DOCUMENTS; AUTHORIZING AND DIRECTING THE EXECUTION THEREOF AND AUTHORIZING ACTIONS RELATED THERETO

WHEREAS, the City of Long Beach (the "City") is a city organized and existing under a charter duly and regularly adopted (the "Charter") pursuant to the provisions of the Constitution of the State of California; and

WHEREAS, the Board of Water Commissioners of the City (the "Board"), acting on its own behalf and on behalf of the City, under the Charter and Section 3.52.110 et seq. of the Long Beach Municipal Code (the "Bond Law"), may issue revenue bonds for the purposes of the sanitary sewer system (the "Enterprise") of the City under the jurisdiction of the Water Department of the City (the "Water Department"), with the approval of the City Council of the City (the "City Council") expressed by resolution; and

WHEREAS, the Board, pursuant to Section 1725(a) of Article XVII of the Charter and Resolution No. WD-1282 of the Board, adopted on May 5, 2011, has previously authorized the issuance of short-term revenue certificate obligations through

OFFICE OF THE CITY ATTORNEY
CHARLES PARKIN, City Attorney
333 West Ocean Boulevard, 11th Floor
Long Beach, CA 90802-4664

1 (i) the implementation of a revolving line of credit (the "Revolving Line of Credit") under a
2 Credit Agreement, dated as of May 1, 2011, as amended (the "Credit Agreement"), by
3 and between the Board and Wells Fargo Bank, National Association (the "Bank"), under
4 which the Board may obtain Advances (as defined in the Credit Agreement) in an amount
5 of not to exceed \$20,000,000 at any one time outstanding in order to refund and
6 restructure the City's then-outstanding senior sewer revenue commercial paper notes, to
7 finance on either a reimbursement or forward funding basis the acquisition, construction
8 and equipping of improvements to the Enterprise, and to finance certain costs of
9 issuance, and (ii) the delivery of a promissory note secured by a subordinate pledge of
10 and lien on net revenues of the Enterprise (the "Note") evidencing the amounts owed on
11 all Advances, revolving loans and term loans made by the Bank to the Board under the
12 Credit Agreement; and

13 WHEREAS, the Bank's commitment to make Advances under the Credit
14 Agreement (as extended) currently expires, subject to the terms of the Credit Agreement,
15 on May 26, 2017 (the "Commitment Expiration Date"), and the total principal balance
16 outstanding under the Revolving Line of Credit and the Note is currently \$11,250,000;
17 and

18 WHEREAS, the Board, acting on its own behalf and on behalf of the City,
19 has determined that it is in the best interest of the Board, the City and the Enterprise to (i)
20 refinance, by refunding on a current basis, the full \$11,250,000 principal balance
21 currently outstanding under the Revolving Line of Credit and the Note through the
22 issuance of senior sewer revenue bonds, (ii) maintain capacity to issue short-term
23 subordinate sewer revenue certificate obligations through Advances under the Credit
24 Agreement (the repayment obligations for which will be evidenced by the Note), in a
25 principal amount not to exceed \$10,000,000 at any one time outstanding (by reducing the
26 amount of the Revolving Line of Credit to be made available by the Bank under the Credit
27 Agreement), for the purpose of financing, on either a reimbursement or a forward-funding
28 basis, improvements to the Enterprise, and (iii) extend the Commitment Expiration Date

OFFICE OF THE CITY ATTORNEY
CHARLES PARKIN, City Attorney
333 West Ocean Boulevard, 11th Floor
Long Beach, CA 90802-4664

1 of the Bank under the Credit Agreement for an additional term of up to three (3) years,
2 unless further extended pursuant to, and otherwise subject to the terms of, the Credit
3 Agreement; and

4 WHEREAS, the senior sewer revenue bonds proposed to be issued by the
5 Board, on behalf of the City, shall be issued in accordance with the Master Senior Trust
6 Indenture, dated as of June 1, 2009, originally executed by and between the Board,
7 acting on its own behalf and on behalf of the City, and U.S. Bank National Association, as
8 trustee, as heretofore supplemented and amended (the "Master Senior Indenture"), and
9 as to be supplemented and amended by the hereinafter defined Third Supplemental
10 Senior Indenture, and shall be designated as the "City of Long Beach, California Senior
11 Sewer Revenue Refunding Bonds, Series 2016A" (the "Series 2016A Bonds"); and

12 WHEREAS, in connection with the issuance of the Series 2016A Bonds, the
13 Board has determined to replace U.S. Bank National Association as trustee thereunder
14 and to appoint The Bank of New York Mellon Trust Company, N.A. as replacement
15 trustee (hereinafter, the "Trustee") for all purposes of the Master Senior Indenture and the
16 Third Supplemental Senior Indenture; and

17 WHEREAS, in connection with the issuance of the Series 2016A Bonds, it
18 is desirable to make certain amendments to the Master Senior Indenture and such
19 amendments will be set forth in the Third Supplemental Senior Indenture herein
20 approved; and

21 WHEREAS, in connection with the issuance of the Series 2016A Bonds and
22 the desired reduction (from \$20,000,000 to \$10,000,000) of the not-to-exceed amount of
23 the Revolving Line of Credit to be made available by the Bank to the Board under the
24 Credit Agreement, and the extension of the Commitment Expiration Date of the Bank
25 under the Credit Agreement for an additional term of up to three (3) years, it is necessary
26 to make certain amendments to Credit Agreement, which amendments will be set forth in
27 the hereinafter defined Amendment to Credit Agreement; and

28 WHEREAS, there have been presented to the Board the following

1 documents:

2 (a) a form of the Third Supplemental Senior Trust Indenture (the "Third
3 Supplemental Senior Indenture"), by and between the Board, acting on its own behalf
4 and on behalf of the City, and the Trustee;

5 (b) a form of the Amendment to Credit Agreement (the "Amendment to
6 Credit Agreement"), by and between the Board, acting on its own behalf and on behalf of
7 the City, and the Bank;

8 (c) a form of the Bond Purchase Agreement (the "Bond Purchase
9 Agreement"), by and between the Board, acting on its own behalf and on behalf of the
10 City, and Morgan Stanley & Co. LLC, as underwriter (the "Underwriter");

11 (d) a form of the Continuing Disclosure Certificate (the "Continuing
12 Disclosure Certificate"), to be executed by the Board, acting on its own behalf and on
13 behalf of the City; and

14 (e) a form of the Preliminary Official Statement (the "Preliminary Official
15 Statement") relating to the offering and sale of the Series 2016A Bonds; and

16 WHEREAS, said documents will be modified and amended to reflect the
17 various details applicable to the Series 2016A Bonds and said documents are subject to
18 completion to reflect the results of the sale of the Series 2016A Bonds; and

19 WHEREAS, the Board wishes at this time to authorize all proceedings
20 relating to the issuance and sale of the Series 2016A Bonds and the execution and
21 delivery of all agreements and documents relating thereto and to the transactions
22 authorized by this resolution;

23 NOW, THEREFORE, the Board of Water Commissioners of the City of
24 Long Beach resolves and declares as follows:

25 Section 1. Recitals. That the above recitals are true and correct and are
26 incorporated herein by reference.

27 Section 2. Issuance of the Series 2016A Bonds. For the purposes set
28 forth in the foregoing recitals, the Board, on behalf of the City, hereby authorizes the

1 issuance of the Series 2016A Bonds in the aggregate principal amount of not to exceed
2 \$11,500,000 under and pursuant to the Charter, the Bond Law, the Master Senior
3 Indenture and the Third Supplemental Senior Indenture, subject to the approval of the
4 City Council of such issuance expressed by resolution of the City Council. The Series
5 2016A Bonds proceeds, and any other moneys made available in connection with the
6 retirement of the outstanding principal balance under the Revolving Line of Credit and the
7 related Note, may be used to satisfy all payment obligations of the Board, on behalf of the
8 City, to the Bank in connection with the refinancing and retirement in full of the principal
9 balance currently outstanding under the Revolving Line of Credit and the Note and to pay
10 the costs of issuance of the Series 2016A Bonds.

11 The Series 2016A Bonds shall be dated, shall bear interest at the rates
12 (subject to the limitations provided herein), shall mature on the dates, shall be issued in
13 the form, shall be subject to redemption, and shall otherwise be issued on the terms and
14 conditions all as set forth in the Master Senior Indenture and the Third Supplemental
15 Senior Indenture and in accordance with this Resolution. The Series 2016A Bonds shall
16 bear interest at such rates with respect to the various maturities such that the All-in True
17 Interest Cost (as hereinafter defined) for the Series 2016A Bonds does not exceed 4.00%
18 per annum. The "All-in True Interest Cost" shall be that rate which, when used in
19 computing the present worth of all payments of principal and interest to be paid on the
20 Series 2016A Bonds (compounded on the first interest payment date, and semiannually
21 thereafter), produces an amount equal to the purchase price of the Series 2016A Bonds
22 taking into account any original issue premium or discount, accrued interest,
23 underwriter's fees and any and all costs of issuance of the Series 2016A Bonds.

24 Section 3. Pledge to Secure the Series 2016A Bonds. Net Revenues
25 and any other security as set forth in the Master Senior Indenture and the Third
26 Supplemental Senior Indenture are hereby irrevocably pledged in accordance with the
27 terms of the Master Senior Indenture and the Third Supplemental Senior Indenture to
28 secure the Series 2016A Bonds and any additional Bonds or other obligations which may

1 be subsequently issued under and secured by the terms of the Master Senior Indenture.

2 Section 4. Special Obligations. The Series 2016A Bonds shall be
3 special, limited obligations of the City, secured by, and payable from, Net Revenues and
4 from the funds and accounts held by the Trustee under the Master Senior Indenture and
5 the Third Supplemental Senior Indenture and such other amounts pledged therefor, as
6 and to the extent described in the Master Senior Indenture and the Third Supplemental
7 Senior Indenture. The Series 2016A Bonds are not to be and shall not be secured by the
8 taxing power of the City.

9 Section 5. Form of Series 2016A Bonds. The Series 2016A Bonds and
10 the Trustee's Certificate of Authentication to appear thereon shall be in substantially the
11 form set forth in an exhibit to the Third Supplemental Senior Indenture with necessary or
12 appropriate variations, omissions and insertions as permitted or required by the Master
13 Senior Indenture or the Third Supplemental Senior Indenture or as appropriate to
14 adequately reflect the terms of the Series 2016A Bonds and the obligation represented
15 thereby.

16 Section 6. Execution of the Series 2016A Bonds. Each of the Series
17 2016A Bonds shall be executed on behalf of the City by any one or more of the following:
18 the President of the Board (the "President"), the General Manager of the Water
19 Department, the Assistant General Manager, Director of Operations or the Director of
20 Finance or any other Authorized Board Representative (as defined in the Master Senior
21 Indenture) designated by the President or the General Manager (each a "Designated
22 Officer"), and attested by the Secretary of the Board (the "Secretary"). Any such
23 signatures may be by manual or facsimile signature and the seal of the City may be
24 impressed or printed on the Series 2016A Bonds. Additionally, each of the Series 2016A
25 Bonds shall be authenticated by the signature of the Trustee as required and permitted
26 by the Master Senior Indenture. Any facsimile signature of a Designated Officer of the
27 Board or the Water Department shall be of the same force and effect as if such signature
28 were manually placed on such Series 2016A Bonds.

1 Section 7. Approval of Third Supplemental Senior Indenture. The Third
2 Supplemental Senior Indenture, in the form on file with the Secretary, is hereby
3 approved. Any of the Designated Officers, each acting alone, are hereby authorized and
4 directed to execute and deliver the Third Supplemental Senior Indenture in such form
5 together with such changes, insertions and omissions as may be approved by the officer
6 executing such Third Supplemental Senior Indenture upon consultation with Norton Rose
7 Fulbright US LLP ("Bond Counsel"), such execution to be conclusive evidence of such
8 approval; and the Secretary is hereby authorized and directed to attest thereto. The
9 Board hereby authorizes the delivery and performance of the Third Supplemental Senior
10 Indenture.

11 Section 8. Approval of Amendment to Credit Agreement. The
12 Amendment to Credit Agreement, in the form on file with the Secretary, is hereby
13 approved. Any of the Designated Officers, each acting alone, are hereby authorized and
14 directed to execute and deliver the Amendment to Credit Agreement in such form
15 together with such changes, insertions and omissions as may be approved by the officer
16 executing such Amendment to Credit Agreement upon consultation with Bond Counsel,
17 such execution to be conclusive evidence of such approval; and the Secretary is hereby
18 authorized and directed to attest thereto. The Board hereby authorizes the delivery and
19 performance of the Amendment to Credit Agreement.

20 Section 9. Confirmation of Underwriter; Approval of Bond Purchase
21 Agreement. The Board hereby confirms the selection of Morgan Stanley & Co. LLC as
22 the Underwriter of the Series 2016A Bonds. The Designated Officers, each acting alone,
23 are hereby authorized and directed to negotiate the Bond Purchase Agreement for the
24 Series 2016A Bonds with the Underwriter and to determine the following matters with
25 respect to the Series 2016A Bonds: (a) the aggregate principal amount of the Series
26 2016A Bonds to be issued and sold under the Master Senior Indenture and the Third
27 Supplemental Senior Indenture and pursuant thereto, but not to exceed \$11,500,000; (b)
28 the respective maturity dates and principal amounts of the Series 2016A Bonds of each

1 maturity; (c) the sinking fund installments, if any, with respect to any term Series 2016A
2 Bonds; (d) the Underwriter's discount at which the Series 2016A Bonds are to be sold to
3 the Underwriter, but not to exceed 0.70% of the par amount thereof (exclusive of any
4 original issue discount); and (e) the respective rates of interest to be borne by the Series
5 2016A Bonds of each maturity; provided that the All-in True Interest Cost of the Series
6 2016A Bonds shall not exceed 4.00% per annum.

7 The Bond Purchase Agreement, in the form on file with the Secretary, is
8 hereby approved. Any of the Designated Officers, each acting alone, are hereby
9 authorized and directed to execute and deliver the Bond Purchase Agreement in such
10 form together with such changes, insertions and omissions as may be approved by the
11 officer executing such Bond Purchase Agreement upon consultation with Bond Counsel,
12 such execution to be conclusive evidence of such approval. The Board hereby approves
13 the negotiated sale of the Series 2016A Bonds to the Underwriter pursuant to the Bond
14 Purchase Agreement.

15 Section 10. Approval of Continuing Disclosure Certificate. The Continuing
16 Disclosure Certificate, in the form on file with the Secretary, is hereby approved. Any of
17 the Designated Officers, each acting alone, are hereby authorized and directed to
18 execute and deliver the Continuing Disclosure Certificate in such form together with such
19 changes, insertions and omissions as may be approved by the officer executing such
20 Continuing Disclosure Certificate upon consultation with Bond Counsel, such execution to
21 be conclusive evidence of such approval. The Board hereby authorizes the delivery and
22 performance of the Continuing Disclosure Certificate.

23 Section 11. Approval of the Preliminary Official Statement and Final
24 Official Statement. The Board hereby approves the Preliminary Official Statement, in the
25 form on file with the Secretary, together with such changes therein or additions thereto
26 which are approved by the General Manager, the Assistant General Manager, Director of
27 Operations and/or the Director of Finance, including such changes therein or additions
28 thereto as any such officer shall determine (upon consultation with Disclosure Counsel

OFFICE OF THE CITY ATTORNEY
CHARLES PARKIN, City Attorney
333 West Ocean Boulevard, 11th Floor
Long Beach, CA 90802-4664

1 and Bond Counsel) are necessary or appropriate to make such Preliminary Official
2 Statement "final" within the meaning of Securities Exchange Commission Rule 15c2-12
3 ("Rule 15c2-12"). The Board approves, authorizes and ratifies the distribution (via printed
4 format and/or electronic means) by the Underwriter of said Preliminary Official Statement
5 to prospective purchasers of the Series 2016A Bonds. In connection with the distribution
6 of the Preliminary Official Statement, any of the General Manager, the Assistant General
7 Manager, Director of Operations or the Director of Finance is hereby authorized to certify
8 that the preliminary official statement is as of its date "deemed final" for purposes of
9 Securities Exchange Commission Rule 15c2-12 and to execute a certificate or certificates
10 to such effect.

11 The General Manager, the Assistant General Manager, Director of
12 Operations and/or the Director of Finance are hereby authorized to cause to be prepared,
13 and to execute in the name of and on and on behalf of the Board, a final Official
14 Statement (including any supplements or amendments) in substantially the form of the
15 Preliminary Official Statement with such changes therein (and additions thereto) to reflect
16 the terms of the sale of the Series 2016A Bonds and to comply with applicable federal
17 securities laws as the General Manager, the Assistant General Manager, Director of
18 Operations and/or the Director of Finance shall approve (upon consultation with
19 Disclosure Counsel and Bond Counsel). The execution of the final Official Statement by
20 any of the foregoing officers shall constitute conclusive evidence of the Board's approval
21 of any and all changes or revisions therein from the form of the Preliminary Official
22 Statement. The Board hereby approves the distribution of the final Official Statement (via
23 printed format and/or electronic means) for use in selling the Series 2016A Bonds at such
24 time or times as the General Manager, the Assistant General Manager, Director of
25 Operations and/or the Director of Finance (after consultation with the Board's municipal
26 advisor, Disclosure Counsel, Bond Counsel and such other advisors the Board believes
27 to be useful). The Underwriter is hereby authorized to distribute (via printed format
28 and/or electronic means) such final Official Statement (including any supplements or

OFFICE OF THE CITY ATTORNEY
CHARLES PARKIN, City Attorney
333 West Ocean Boulevard, 11th Floor
Long Beach, CA 90802-4664

1 amendments) in connection with the sale of Series 2016A Bonds to the public.

2 Section 12. Appointment of Trustee, Paying Agent and Registrar. The
3 Board hereby approves and ratifies the appointment of The Bank of New York Mellon
4 Trust Company, N.A. as replacement trustee, bond registrar and paying agent under the
5 Master Senior Indenture and Third Supplemental Senior Indenture and for the Series
6 2016A Bonds. The appointment of The Bank of New York Mellon Trust Company, N.A.
7 as Trustee and bond registrar shall be effective upon such time as the requirements
8 under the Master Senior Indenture for the replacement of U.S. Bank National Association
9 as trustee shall have been satisfied and The Bank of New York Mellon Trust Company,
10 N.A shall have executed a written acceptance of its appointments. Such appointments
11 shall remain in effect until the Board shall, by supplemental agreement or by resolution,
12 name a substitute or successor thereto. Each of the Designated Officers, acting alone,
13 are hereby authorized and directed to take such actions and to execute and deliver such
14 instruments as may be necessary or desirable to effect the appointment of, and
15 acceptance by, The Bank of New York Mellon Trust Company, N.A. as Trustee and bond
16 registrar under the Master Senior Indenture and Third Supplemental Senior Indenture
17 and for the Series 2016A Bonds.

18 Section 13. Municipal Advisor for Series 2016A Bonds. The Board hereby
19 confirms the appointment of KNN Public Finance as municipal advisor to the Board in
20 connection with the issuance of the Series 2016A Bonds.

21 Section 14. Bond Counsel. The Board hereby confirms the selection of
22 Norton Rose Fulbright US LLP as Bond Counsel in connection with the issuance of the
23 Series 2016A Bonds.

24 Section 15. Disclosure Counsel. The Board hereby confirms the selection
25 of Stradling Yocca Carlson & Rauth, a Professional Corporation, as Disclosure Counsel
26 in connection with the issuance of the Series 2016A Bonds.

27 Section 16. Additional Authorization. Each of the President, the General
28 Manager, the Assistant General Manager, Director of Operations and/or the Director of

1 Finance, the Secretary, and all officers, agents and employees of the Water Department,
2 for and on behalf of the Board, be and they hereby are authorized and directed to do any
3 and all things necessary to effect the execution and delivery of the Series 2016A Bonds,
4 the Third Supplemental Senior Indenture, the Amendment to Credit Agreement, the Bond
5 Purchase Agreement, the Continuing Disclosure Certificate and the final Official
6 Statement, and to carry out the terms thereof. The President, the Secretary, the General
7 Manager, the Assistant General Manager, Director of Operations and/or the Director of
8 Finance and all other officers, agents and other employees of the Water Department are
9 further authorized and directed, for and on behalf of the Board, to execute all papers,
10 documents, certificates, notices and other instruments, that may be required in order to
11 carry out the authority conferred by this Resolution, the Master Senior Indenture, the
12 Third Supplemental Senior Indenture and the Credit Agreement (as amended by the
13 Amendment to Credit Agreement) or to evidence the same authority and its exercise.
14 The foregoing authorization includes, but is in no way limited to, authorizing the General
15 Manager of the Water Department to direct the investment of the proceeds of the Series
16 2016A Bonds in one or more of the permitted investments provided for under the Master
17 Senior Indenture pending their use, if applicable, and authorizing the execution by the
18 General Manager, the Assistant General Manager, Director of Operations and/or the
19 Director of Finance, any one of them, of a tax certificate as required by the Third
20 Supplemental Senior Indenture for the purpose of complying with the rebate
21 requirements of the Code, any documents required by The Depository Trust Company in
22 connection with the issuance of the Series 2016A Bonds in book-entry form, any
23 documents required by the Trustee to effect the transfer to it of all property held by the
24 prior trustee and any documents required by the Bank in connection with effectuating the
25 Amendment to Credit Agreement as authorized by this Resolution.

26 Section 17. Costs of Issuance. The Board authorizes funds of the Water
27 Department, together with the proceeds of the Series 2016A Bonds, to be used to pay
28 costs of issuance of the Series 2016A Bonds, including, but not limited to, costs and

1 expenses of attorneys, accountants, municipal advisors, the Bank (including its counsel's
2 fees), the Trustee (including its counsel's fees), the costs associated with rating
3 agencies, printing publication and mailing expenses; and any related filing fees thereof.

4 Section 18. Approval of the City. The Board hereby requests the City
5 Council to approve the issuance of the Series 2016A Bonds.

6 Section 19. Severability of Invalid Provisions. If any one or more of the
7 provisions contained in this Resolution shall for any reason be held to be invalid, illegal or
8 unenforceable in any respect, then such provision or provisions shall be deemed
9 severable from the remaining provisions contained in this Resolution and such invalidity,
10 illegality or unenforceability shall not affect any other provision of this Resolution, and this
11 Resolution shall be construed as if such invalid or illegal or unenforceable provision had
12 never been contained herein. The Board hereby declares that it would have adopted this
13 Resolution and each and every Section, paragraph, sentence, clause or phrase hereof
14 and authorized the issuance of the Series 2016A Bonds pursuant thereto irrespective of
15 the fact that any one or more Sections, paragraphs, sentences, clauses or phrases of this
16 Resolution may be held illegal, invalid or unenforceable.

17 Section 20. Section Headings and References; Interpretation. The
18 headings or titles of the several Sections hereof, and any table of contents appended to
19 copies hereof, shall be solely for convenience of reference and shall not affect the
20 meaning, construction or effect of this Resolution.

21 All references herein to "Section" and other subdivisions are to the
22 corresponding Sections or subdivisions of this Resolution; the words "herein," "hereof,"
23 "hereby," "hereunder" and other words of similar import refer to this Resolution as a
24 whole and not to any particular Section or subdivision hereof; and words of the masculine
25 gender shall mean and include words of the feminine and neuter genders.

26 Section 21. Governing Law. This Resolution shall be construed and
27 governed in accordance with the laws of the State of California.

28 Section 22. This Resolution shall take effect immediately upon its

OFFICE OF THE CITY ATTORNEY
CHARLES PARKIN, City Attorney
333 West Ocean Boulevard, 11th Floor
Long Beach, CA 90802-4664

1 adoption by the Board, and the Secretary to the Board shall certify the vote adopting this
2 Resolution.

3 I hereby certify that this Resolution was adopted by the Board of Water
4 Commissioners of the City of Long Beach at its meeting on August 3, 2016, by the
5 following vote:

6 Ayes: Commissioners: ART LEVINE; ROBERT SHANNON
7 GLORIA CORDERO;
8 HARRY SALTZGAVER;
9 FRANK MARTINEZ;
10 _____

11 Noes: Commissioners: NONE

12 Absent: Commissioners: NONE

13
14 
15 Secretary
16 BOARD OF WATER COMMISSIONERS
17
18
19
20
21
22
23
24
25
26
27
28

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.

PRELIMINARY OFFICIAL STATEMENT DATED _____, 2016

NEW ISSUE – BOOK-ENTRY-ONLY

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

In the opinion of Norton Rose Fulbright US LLP, Los Angeles, California, Bond Counsel, under existing law, interest on the Series 2016A Bonds is exempt from personal income taxes of the State of California and, assuming compliance with the tax covenants described herein, interest on the Series 2016A Bonds is excludable from the gross income of the owners thereof for federal income tax purposes. In the further opinion of Bond Counsel, interest on the Series 2016A Bonds is not treated as an item of tax preference for purposes of the federal alternative minimum tax. See “TAX MATTERS” herein.

[City Logo]

\$9,700,000*

[Sewer Dept. Logo]

**City of Long Beach, California
Senior Sewer Revenue Refunding
Bonds
Series 2016A**

Dated: Date of Delivery

Due: As shown on inside front cover

The City of Long Beach, California (the “City”), acting by and through its Board of Water Commissioners (the “Board”), is issuing its Senior Sewer Revenue Refunding Bonds, Series 2016A (the “Series 2016A Bonds”) to provide funds to repay amounts previously advanced to the City and currently outstanding under a revolving line of credit and related note pursuant to a Credit Agreement (the “Credit Agreement”) and pay the costs of issuance of the Series 2016A Bonds, as described herein. See “PLAN OF REFUNDING AND APPLICATION OF THE SERIES 2016A BOND PROCEEDS.” The Series 2016A Bonds are being issued pursuant to Chapter 3.52 et seq., of the Municipal Code, the Master Senior Trust Indenture, dated as of June 1, 2009, as amended (the “Master Senior Indenture”), by and between the Board, acting on its own behalf and on behalf of the City, and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”), and the Third Supplemental Senior Trust Indenture, dated as of September 1, 2016 (the “Third Supplemental Senior Indenture,” and together with the Master Senior Indenture, the “Senior Indenture”), by and between the Board, acting on its own behalf and on behalf of the City, and the Trustee.

The Series 2016A Bonds will be issued as fully registered bonds in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company (“DTC”), New York, New York. Individual purchases and sales of the Series 2016A Bonds may be made in book-entry form only in denominations of \$5,000 and integral multiples thereof. Purchasers will not receive certificates representing their interest in the Series 2016A Bonds. Interest on the Series 2016A Bonds will be payable on May 1 and November 1 of each year, commencing on November 1, 2016. So long as the Series 2016A Bonds are held by DTC, the principal of and interest on the Series 2016A Bonds will be payable by wire transfer to DTC, which in turn will be required to remit such principal and interest to the DTC participants for subsequent disbursement to the beneficial owners of the Series 2016A Bonds, as more fully described herein.

Maturity Schedule on Inside Front Cover

The Series 2016A Bonds are subject to optional redemption as described herein. See “DESCRIPTION OF THE Series 2016A BONDS—Redemption Provisions.”

The Series 2016A Bonds are special limited obligations of the City payable solely from and secured by a pledge of (a) Net Revenues, which generally consists of certain income and revenue received by the Board from the operations of the City’s Sewer Enterprise less all amounts which are required to be used for Operation and Maintenance Costs of the Sewer Enterprise, and (b) all moneys and securities (excluding moneys and securities on deposit in any Rebate Fund) held from time to time by the Trustee under the Senior Indenture. **NONE OF THE PROPERTIES OF THE SEWER ENTERPRISE ARE SUBJECT TO ANY MORTGAGE OR OTHER LIEN FOR THE BENEFIT OF THE OWNERS OF THE SERIES 2016A BONDS AND NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION OR AGENCY OF THE STATE OF CALIFORNIA IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE SERIES 2016A BONDS. NEITHER THE SERIES 2016A BONDS NOR THE OBLIGATION TO PAY THE PRINCIPAL OF OR INTEREST THEREON CONSTITUTES A DEBT OF THE**

* Preliminary; subject to change.

CITY, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL LIMIT ON INDEBTEDNESS.

This cover page is not intended to be a summary of the terms of, or the security for, the Series 2016A Bonds. Investors are advised to read this Official Statement in its entirety to obtain information essential to the making of an informed investment decision, giving particular attention to the matters discussed under “CERTAIN INVESTMENT CONSIDERATIONS” herein. Capitalized terms used on this cover page and not otherwise defined have the meanings set forth herein.

The Series 2016A Bonds are offered, when, as and if issued by the City, subject to the approval of validity by Norton Rose Fulbright US LLP, Bond Counsel to the City, and to certain other conditions. Certain legal matters will be passed upon for the City by the Office of the City Attorney of the City. Certain legal matters will be passed upon for the City by Stradling Yocca Carlson & Rauth, a Professional Corporation, as Disclosure Counsel. Certain legal matters will be passed upon for the Underwriter by its counsel, Kutak Rock LLP. It is expected that the Series 2016A Bonds in book-entry form will be available for delivery through the facilities of DTC on or about _____, 2016.

Morgan Stanley

Date of Official Statement: _____, 2016

MATURITY SCHEDULE

\$9,700,000*

**City of Long Beach, California
Senior Sewer Revenue Refunding Bonds
Series 2016A**

Maturity Date (May 1)	Principal Amount	Interest Rate	Yield	CUSIP Numbers[†]
--------------------------------------	-----------------------------	--------------------------	--------------	--------------------------------------

* Preliminary; subject to change.

† Copyright 2016, American Bankers Association. CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by the CUSIP Service Bureau, managed on behalf of the American Bankers Association by Standard & Poor's. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services Bureau. CUSIP numbers are included solely for the convenience of the registered owners of the applicable Bonds. None of the City or the Underwriters are responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the applicable Bonds or as included herein.

CITY OF LONG BEACH

Dr. Robert Garcia
Mayor

Lena Gonzalez, *First District*
Jeannine Pearce, *Second District*
Suzie Price, *Third District*
Daryl Supernaw, *Fourth District*
Stacy Mungo, *Fifth District*

Dee Andrews, *Sixth District*
Roberto Uranga, *Seventh District*
Al Austin, *Eighth District*
Rex Richardson, *Ninth District*

CITY OFFICIALS

Charles Parkin, *City Attorney*
Laura L. Doud, *City Auditor*

BOARD OF WATER COMMISSIONERS

Frank Martinez, *President*
Arthur Levine, *Vice President*
Robert Shannon, *Secretary*

Gloria Cordero, *Member*
Harry Saltzgaver, *Member*

WATER DEPARTMENT ADMINISTRATORS

Chris Garner, *General Manager*
Tai Tseng, *Director of Operations*

B. Anatole Falagan, *Assistant General Manager*
Paul Fujita, *Director of Finance*

City Staff

Patrick H. West, *City Manager*
Tom Modica, *Assistant City Manager*
John Gross, *Director of Financial Management*
David S. Nakamoto, *City Treasurer*
Maria de la Luz Garcia, *City Clerk*

Professional Services

KNN Public Finance, LLC
Los Angeles, California
Municipal Advisor

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

Norton Rose Fulbright US LLP
Los Angeles, California
Bond Counsel

Stradling Yocca Carlson & Rauth, a Professional
Corporation
Newport Beach, California
Disclosure Counsel

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

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 with respect to the offer or sale of the Series 2016A Bonds other than as set forth in this Official Statement and, if given or made, such other information or representation 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 Series 2016A 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 Series 2016A Bonds. Statements contained in this Official Statement that involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of facts.

The information set forth in this Official Statement has been obtained from official sources and other sources that are believed to be reliable, but it is not guaranteed as to accuracy or completeness, and is not to be construed as a representation of the Underwriter. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the City since the date hereof. This Official Statement is submitted in connection with the sale of the Series 2016A Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

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

Certain statements included or incorporated by reference in this Official Statement constitute “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as “plan,” “expect,” “estimate,” “budget” or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. No assurance is given that actual results will meet the City’s forecasts in any way, regardless of the level of optimism communicated in the information. The City is not obligated to issue any updates or revisions to the forward-looking statements if or when its expectations, or events, conditions or circumstances on which such statements are based occur. See “CONTINUING DISCLOSURE” herein.

In connection with the offering of the Series 2016A Bonds, the Underwriter may overallocate or effect transactions that stabilize or maintain the market prices of the Series 2016A Bonds at levels above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriter may offer and sell the Series 2016A Bonds to certain dealers, dealer banks and banks acting as agent at prices lower than the public offering prices stated on the inside cover page of this Official Statement, and those public offering prices may be changed from time to time by the Underwriter.

The Bonds have not been registered under the Securities Act of 1933, as amended (the “Securities Act”), in reliance upon an exemption from the registration requirements contained in the Securities Act. The Series 2016A Bonds have not been registered or qualified under the securities laws of any state.

The City maintains a website, however, the information presented on the website is not a part of this Official Statement and should not be relied on in making an investment decision with respect to the Series 2016A Bonds.

TABLE OF CONTENTS

	Page
INTRODUCTION	1
The City, the Department and the Board	1
Authority for Issuance	1
Security and Sources of Payment for the Series 2016A Bonds	2
No Reserve Fund	3
Outstanding Obligations	3
Continuing Disclosure	3
Forward-Looking Statements	3
Certain Risk Factors	3
Additional Information	4
PLAN OF REFUNDING AND APPLICATION OF THE SERIES 2016A BOND PROCEEDS	4
Plan of Refunding	4
Sources and Uses of Funds	4
DESCRIPTION OF THE SERIES 2016A BONDS	4
General	4
Redemption Provisions	5
SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2016A BONDS	6
Pledge of Net Revenues	6
Rate Covenant	7
No Reserve Fund	8
Flow of Funds	8
Additional Obligations	10
Events of Default and Remedies; No Acceleration	12
OUTSTANDING OBLIGATIONS AND DEBT SERVICE SCHEDULE	12
Senior Bonds	12
Subordinate Obligations	12
Debt Service Requirements	13
THE DEPARTMENT	13
General	13
The Board of Water Commissioners	13
Management	15
Employees	16
Retirement Programs	16
Insurance	18
Investment Policy	18
THE SEWER ENTERPRISE	18
Service Area	18
Existing Facilities	19
Sewage Treatment	19
Regulatory Compliance	20
Historic Sewer System Connections	21
Largest Sewer System Customers	21
Capital Improvement Program	21
Sewer Enterprise Rates and Charges	22
Comparative Wastewater Rates	24
Collection Procedures	25
Rate Regulation	25
Financial Statements	27
Department Payments to the City	27
Historical Operating Results	27
Projected Sewer Enterprise Operating Results and Debt Service Coverage	28
CERTAIN INVESTMENT CONSIDERATIONS	29
Special Obligations	29

Rate Covenant Not a Guarantee	30
Increased Costs.....	30
Rate-Setting Process Under Proposition 218.....	30
Statutory and Regulatory Compliance.....	31
Aging Components of Sewer Enterprise	31
Accuracy of Assumptions.....	31
Impact of Water Conservation on Net Revenues.....	31
Limitations on Remedies	32
LITIGATION	32
No Litigation Relating to the Series 2016A Bonds	32
Litigation Relating to the Department and the Sewer Enterprise	32
CERTAIN LEGAL MATTERS	32
TAX MATTERS	33
RATINGS.....	35
CONTINUING DISCLOSURE.....	35
UNDERWRITING	35
MUNICIPAL ADVISOR	36
INDEPENDENT AUDITORS	36
MISCELLANEOUS.....	36

APPENDIX A – COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE LONG BEACH WATER DEPARTMENT FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2015	A-1
APPENDIX B – DEMOGRAPHIC AND ECONOMIC INFORMATION FOR THE CITY OF LONG BEACH.....	B-1
APPENDIX C – CERTAIN DEFINITIONS AND SUMMARY OF THE SENIOR INDENTURE	C-1
APPENDIX D – PROPOSED FORM OF BOND COUNSEL OPINION	D-1
APPENDIX E – BOOK-ENTRY-ONLY SYSTEM	E-1
APPENDIX F – FORM OF CONTINUING DISCLOSURE CERTIFICATE	F-1

OFFICIAL STATEMENT

\$9,700,000*
City of Long Beach, California
Senior Sewer Revenue Refunding Bonds
Series 2016A

INTRODUCTION

This Introduction is qualified in its entirety by reference to the more detailed information included and referred to elsewhere in this Official Statement. The offering of the Series 2016A Bonds (as defined below) to potential investors is made only by means of this entire Official Statement. Capitalized terms used in this Official Statement and not otherwise defined will have the respective meanings assigned to them in “APPENDIX C—CERTAIN DEFINITIONS AND SUMMARY OF THE SENIOR INDENTURE.”

The purpose of this Official Statement, which includes the cover page and the Appendices hereto, is to furnish information with respect to the City of Long Beach, California (the “City”), the Board of Water Commissioners of the City (the “Board”), the Water Department of the City (the “Department”), and the City’s \$9,700,000* Senior Sewer Revenue Refunding Bonds, Series 2016A (the “Series 2016A Bonds”).

The City, the Department and the Board

The City is a municipal corporation and chartered city organized and existing under the Charter of the City of Long Beach, California (the “Charter”) and the Constitution and the laws of the State of California (the “State”). The Department was established July 1, 1911, by a voter approved amendment to the Charter, to regulate and control the use, sale and distribution of water owned or controlled by the City. The Department subsequently assumed responsibility for various functions of the City’s sanitary sewer system, including operations and maintenance, and, as provided in the Charter, has full and complete jurisdiction over the City’s sewer system. The Board was established in 1931 and governs the Department and is comprised of five members appointed by the Mayor of the City, subject to confirmation by the City Council of the City (“City Council”). The operations of the Sewer Enterprise are accounted for in an enterprise fund established and maintained by the City on its books (the “Sewer Fund”). See “THE DEPARTMENT” for additional information about the Department and the Board.

Authority for Issuance

The Board is authorized under the Charter and the Municipal Code of the City (the “Municipal Code”) to, on behalf of the City, issue revenue bonds, including refunding bonds, to finance improvements to the Sewer Enterprise (as defined herein). The Series 2016A Bonds are being issued pursuant to Chapter 3.52 *et seq.*, of the Municipal Code, the Master Senior Trust Indenture, dated as of June 1, 2009, as amended (the “Master Senior Indenture”), by and between the Board, acting on its own behalf and on behalf of the City, and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”), and the Third Supplemental Trust Indenture, to be dated as of September 1, 2016 (the “Third Supplemental Senior Indenture,” and together with the Master Senior Indenture, the “Senior Indenture”), by and between the Board, acting on its own behalf and on behalf of the City, and the Trustee. The Series

* Preliminary; subject to change.

2016A Bonds have been authorized by Resolution No. WD-____ adopted by the Board on _____, 2016 (the “Board Resolution”) and Resolution No. RES-16-____, adopted by the City Council on _____, 2016 (the “City Council Resolution,” and together with the Board Resolution, the “Resolutions”). See “APPENDIX C— CERTAIN DEFINITIONS AND SUMMARY OF THE SENIOR INDENTURE.”

Purpose of Series 2016A Bonds

Proceeds from the sale of the Series 2016A Bonds, along with certain other available moneys, will be used to repay amounts previously advanced to the City and currently outstanding under a revolving line of credit and related note pursuant to a Credit Agreement, dated as of May 1, 2011, by and between the Board, acting on its own behalf and on behalf of the City, and Wells Fargo Bank, National Association, as amended by the Amendment to Credit Agreement, dated as of _____, 2016 (the “Credit Agreement”), and pay the costs of issuance of the Series 2016A Bonds, all as further described herein. See “PLAN OF REFUNDING AND APPLICATION OF THE SERIES 2016A BOND PROCEEDS” and “THE SERIES 2016A BONDS.”

Security and Sources of Payment for the Series 2016A Bonds

The Series 2016A Bonds are special limited obligations of the City payable solely from and secured by a pledge of (a) Net Revenues (as defined herein), which include certain income and revenue received by the Board from the operations of the Sewer Enterprise (as defined herein) less all amounts which are required to be used for Operation and Maintenance Costs (as defined herein) of the Sewer Enterprise, and (b) all moneys and securities (excluding moneys and securities on deposit in any Rebate Fund) held from time to time by the Trustee under the Senior Indenture. The “Sewer Enterprise” includes the entire public sanitary sewer collection system in the City, including, but not limited to, all facilities, properties and improvements at any time owned, controlled or operated by the Board for the collection of sanitary sewage for the residents of the City and adjacent areas, and any necessary lands, rights, entitlements and other property useful in connection therewith, together with all extensions thereof and improvements thereto at any time acquired, constructed or installed by the City. The term “Sewer Enterprise” does not include any facilities, properties or improvements constituting any portion of the water system of the City. For more information on the Sewer Enterprise, see “THE SEWER ENTERPRISE” herein. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2016A BONDS.”

Pursuant to the Senior Indenture, the City may issue additional obligations secured by the pledge of and payable from the Net Revenues on a parity basis with the Series 2016A Bonds (together with the Series 2016A Bonds, the “Senior Bonds”), and the City may also issue or incur other obligations secured by and payable from the Trust Estate on a basis junior and subordinate to the Series 2016A Bonds and other Senior Bonds (“Subordinate Obligations”), subject to the terms of the Senior Indenture. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2016A BONDS.”

None of the properties of the Sewer Enterprise are subject to any mortgage or other lien for the benefit of the owners of the Series 2016A Bonds and neither the full faith and credit nor the taxing power of the City, the State or any political subdivision or agency of the State is pledged to the payment of the principal of or interest on the Series 2016A Bonds. Neither the Series 2016A Bonds nor the obligation to pay principal of or interest thereon constitutes a debt of the City, the State or any of its political subdivisions within the meaning of any Constitutional limitation on indebtedness.

Rate Covenant

Pursuant to the Senior Indenture, the City has covenanted that it will at all times during each Fiscal Year fix, prescribe, revise and collect rates, fees, and charges at specified levels for the services and facilities furnished by the Sewer Enterprise. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2016A BONDS—Rate Covenant.”

No Reserve Fund

The Board will not establish or maintain a debt service reserve fund for the Series 2016A Bonds. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2016A BONDS.”

Outstanding Obligations

Senior Bonds. As of the date of issuance of the Series 2016A Bonds, the Series 2016A Bonds are the only Senior Bonds outstanding under the Senior Indenture.

Subordinate Obligations. Although all amounts currently outstanding as of the date of issuance of the Series 2016A Bonds will be repaid with a portion of the proceeds of the Series 2016A Bonds, the Credit Agreement will remain in place following the issuance of the Series 2016A Bonds. The Credit Agreement constitutes a Subordinate Obligation pursuant to the Senior Indenture. Subject to the terms of the Credit Agreement, the City may draw up to \$10 million to pay costs of improvements, facilities and other expenditures related to the Sewer Enterprise. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2016A BONDS – Outstanding Obligations.”

Continuing Disclosure

In connection with the issuance of the Series 2016A Bonds, the Board will agree to provide, or to cause to be provided, to the Municipal Securities Rulemaking Board (“MSRB”) through its Electronic Municipal Market Access system (“EMMA”), for purposes of Rule 15c2-12(b)(5) (“Rule 15c2-12”) adopted by the U.S. Securities and Exchange Commission (“SEC”) under the Securities Exchange Act of 1934, as amended, certain annual financial information and operating data relating to the Department and the Sewer Enterprise, and notice of certain enumerated events. These covenants will be made in order to assist the Underwriter (as defined herein) in complying with Rule 15c2-12. See “CONTINUING DISCLOSURE” and “APPENDIX F—FORM OF CONTINUING DISCLOSURE CERTIFICATE.”

Forward-Looking Statements

This Official Statement contains statements relating to future results that are forward-looking statements. When used in this Official Statement, the words “estimate,” “anticipate,” “forecast,” “project,” “intend,” “propose,” “plan,” “expect” and similar expressions identify forward-looking statements. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material.

Certain Risk Factors

See “CERTAIN RISK FACTORS” for a description of certain risks associated with an investment in the Series 2016A Bonds.

Additional Information

Brief descriptions of the Series 2016A Bonds, the Senior Indenture and certain other documents are included in this Official Statement and the appendices hereto. Such descriptions do not purport to be comprehensive or definitive. All references herein to such documents and any other documents, statutes, laws, reports or other instruments described herein are qualified in their entirety by reference to each such document, statute, law, report or other instrument. Information contained herein has been obtained from officers, employees and records of the City, the Board, the Department and from other sources believed to be reliable. The information herein is subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder will under any circumstances create any implication that there has been no change in the affairs of the City, the Board, the Department or the Sewer Enterprise since the date hereof. This Official Statement is not to be construed as a contract or agreement between the City or the Board and the purchasers or owners of any of the Series 2016A Bonds.

PLAN OF REFUNDING AND APPLICATION OF THE SERIES 2016A BOND PROCEEDS

Plan of Refunding

Proceeds of the Series 2016A Bonds, together with certain available moneys of the Department, will be used to: (a) repay amounts previously advanced to the City and currently outstanding under the Credit Agreement; and (b) pay the costs associated with issuing the Series 2016A Bonds.

Sources and Uses of Funds

The Board anticipates applying the proceeds of the Series 2016A Bonds and certain other available moneys of the Department for the following purposes:

Sources of Funds

Principal Amount of Series 2016A Bonds

Original Issue Premium

Available Moneys of the Department

Total Sources

Uses of Funds

Repayment of Subordinate Obligations under Credit Agreement

Costs of Issuance¹

Total Uses

¹ Includes Underwriter's discount, fees of Trustee, Municipal Advisor, Bond Counsel, Disclosure Counsel, printing expenses and miscellaneous fees and expenses.

DESCRIPTION OF THE SERIES 2016A BONDS

General

The Series 2016A Bonds will bear interest at the rates and mature on the dates and in the amounts set forth on the inside front cover page of this Official Statement. Interest will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The Series 2016A Bonds will be dated their initial date of delivery, and will bear interest from that date payable semi-annually on May 1 and November 1 of each year, commencing November 1, 2016 (each an "Interest Payment Date"). Interest due and payable on the Series 2016A Bonds on any Interest Payment Date will be paid to the person who is the registered

owner (DTC, so long as the book-entry system with DTC is in effect) as of the Record Date. Each Series 2016A Bond will bear interest from the Interest Payment Date next preceding the date of authentication thereof unless such date of authentication is an Interest Payment Date, in which event such Series 2016A Bond will bear interest from such date of authentication, or unless such date of authentication is after a Record Date and before the next succeeding Interest Payment Date, in which event such Series 2016A Bond will bear interest from such succeeding Interest Payment Date, or unless such date of authentication is on or before October 15, 2016, in which event such Series 2016A Bond will bear interest from its date of delivery. If interest on the Series 2016A Bonds is in default, Series 2016A Bonds issued in exchange for Series 2016A Bonds surrendered for transfer or exchange will bear interest from the last Interest Payment Date to which interest has been paid in full on the Series 2016A Bonds surrendered.

The Series 2016A Bonds will be issued in denominations of \$5,000 and integral multiples thereof. The Series 2016A Bonds will be issued in fully registered form and will be registered in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository for the Series 2016A Bonds. Individual purchases may be made in book entry form only. Purchasers will not receive certificates representing their interest in the Series 2016A Bonds purchased. So long as Cede & Co., as nominee of DTC, is the registered owner of the Series 2016A Bonds, references herein to the Bondholders or registered owners means Cede & Co. and does not mean the Beneficial Owners of the Series 2016A Bonds.

So long as Cede & Co. is the registered owner of the Series 2016A Bonds, the principal of and interest on the Series 2016A Bonds will be payable by wire transfer by the Trustee to Cede & Co., as nominee for DTC, which is required, in turn, to remit such amounts to the DTC Participants (as defined herein) for subsequent disbursement to the Beneficial Owners. See “APPENDIX E—BOOK ENTRY ONLY SYSTEM.”

Redemption Provisions

Optional Redemption. The Series 2016A Bonds maturing on or before May 1, 20__ are not subject to optional redemption prior to maturity. The Series 2016A Bonds maturing on or after May 1, 20__ are redeemable at the option of the Board on or after May 1, 20__, in whole or in part at any time, from any moneys that may be provided for such purpose and at a redemption price equal to 100% of the principal amount of the Series 2016A Bonds to be redeemed plus accrued interest to the date fixed for redemption, without premium.

Notices of Redemption to Bondholders; Conditional Notice of Optional Redemption. The Trustee shall give notice of redemption, in the name of the Board, at least twenty (20) days but not more than sixty (60) days before each redemption, to the respective Bondholders of any Series 2016A Bonds or portions of Series 2016A Bonds designated for redemption, at their addresses appearing in the registration books of the Registrar, by first-class mail, postage prepaid, (or with respect to Series 2016A Bonds held by DTC by an express delivery service for delivery on the next following Business Day by certified, registered or overnight mail or by telecopy, email transmission, or other electronic means of communication).

Each notice of redemption shall specify the date of issue, the maturity date, the interest rate and the CUSIP number of the Series 2016A Bonds to be redeemed, if less than all Series 2016A Bonds of a maturity date and interest rate are called for redemption the numbers of the Series 2016A Bonds assigned to the Series 2016A Bonds to be redeemed, the principal amount to be redeemed, the date fixed for redemption, the redemption price, the place or places of payment, the Trustee’s name, that payment will be made upon presentation and surrender of the Series 2016A Bonds to be redeemed, that interest, if any, accrued to the date fixed for redemption and not paid will be paid as specified in said notice, and that on

and after said date interest thereon will cease to accrue. Such notice shall further state that on such date, if sufficient moneys are then available for such redemption, there shall become due and payable, upon each Series 2016A Bond to be redeemed, the redemption price thereof or the redemption price of the specified portions of the principal thereof in the case of Series 2016A Bonds to be redeemed in part only, together with interest accrued to the redemption date, and that from and after such date, interest thereon shall cease to accrue.

The Board may provide that, if by the date of mailing of notice of any optional redemption there shall not have been deposited with the Trustee moneys sufficient to redeem all the Series 2016A Bonds called for redemption, then such notice shall state that it is subject to the availability of funds for such purpose not later than the opening of business on the redemption date and shall be of no effect unless funds sufficient for such purpose are available. In the event sufficient moneys are not on deposit on the required date, then the redemption shall be canceled and on such cancellation date notice shall be given to the Bondholders of such Series 2016A Bonds to be redeemed in the manner notice of optional redemption was given (as described above).

Failure to give any required notice of redemption as to any particular Series 2016A Bonds will not affect the validity of the call for redemption of any Series 2016A Bonds in respect of which no failure occurs. Any defect in any redemption notice shall not in any manner affect the validity of the proceedings for redemption of any Series 2016A Bond.

Effect of Redemption. On the date so designated for redemption, notice having been given in the manner and under the conditions provided in the Senior Indenture and moneys for payment of the redemption price being held in trust to pay the redemption price, the Series 2016A Bonds so called for redemption shall become and be due and payable on the redemption date, interest on such Series 2016A Bonds shall cease to accrue from and after such redemption date, such Series 2016A Bonds shall cease to be entitled to any lien, benefit or security under the Senior Indenture and the owners of such Series 2016A Bonds shall have no rights in respect thereof except to receive payment of the redemption price.

Selection of Series 2016A Bonds for Redemption; Series 2016A Bonds Redeemed in Part. The Series 2016A Bonds are subject to redemption in such order of maturity and interest rate as the Board may direct and by lot, selected in such manner as the Trustee (or DTC, as long as DTC is the securities depository for the Series 2016A Bonds) shall deem appropriate, within a maturity and interest rate.

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2016A BONDS

Pledge of Net Revenues

The Series 2016A Bonds are special limited obligations of the City payable solely from and secured by a pledge of (a) Net Revenues, which consists of Gross Revenues received by the Board from the operations of the City's Sewer Enterprise less all amounts which are required to pay Operation and Maintenance Costs of the Sewer Enterprise, (b) all moneys and securities (excluding moneys and securities on deposit in any Rebate Fund) held from time to time by the Trustee under the Master Senior Indenture, and (c) earnings on amounts described in (a) and (b) above. "Net Revenues" means, for any period, an amount equal to all of the Gross Revenues (as defined below) received during such period less, the amount required to pay all Operation and Maintenance Costs becoming payable during such period.

"Gross Revenues" means all gross charges received for, and all other gross income and receipts derived by the Board. from, the ownership and operation of the Sewer Enterprise or otherwise arising from the Sewer Enterprise including but not limited to, investment earnings thereon; but excluding (a) the proceeds of any ad valorem property taxes levied for the purpose of paying general obligation bonds of

the Board or the City relating to the Sewer Enterprise, (b) the proceeds of any special assessments or special taxes levied upon real property within any improvement district for the purpose of paying special assessment bonds or special tax obligations of the Board or the City relating to the Sewer Enterprise, and (c) customer deposits.

NONE OF THE PROPERTIES OF THE SEWER ENTERPRISE ARE SUBJECT TO ANY MORTGAGE OR OTHER LIEN FOR THE BENEFIT OF THE OWNERS OF THE SERIES 2016A BONDS AND NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION OR AGENCY OF THE STATE OF CALIFORNIA IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE SERIES 2016A BONDS. NEITHER THE SERIES 2016A BONDS NOR THE OBLIGATION TO PAY THE PRINCIPAL OF OR INTEREST THEREON CONSTITUTES A DEBT OF THE CITY, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL LIMIT ON INDEBTEDNESS.

Rate Covenant

The Board, acting on its own behalf and on behalf of the City, has covenanted under the Senior Indenture to fulfill the following requirements:

(a) The Board will establish, fix, prescribe, revise and collect rates, fees and charges for the services and facilities furnished by the Sewer Enterprise, so that Net Revenues in each Fiscal Year will be at least equal to the following amounts:

(i) the Aggregate Annual Debt Service on any Outstanding Senior Bonds required to be funded by the Board in such Fiscal Year as required by the Master Senior Indenture or any Supplemental Indenture with respect to the Outstanding Senior Bonds;

(ii) the required deposits to any Debt Service Reserve Fund which may be established by a Supplemental Indenture;

(iii) the reimbursement or repayment of other amounts owed to any Credit Provider or Liquidity Provider as required by a Supplemental Indenture;

(iv) the interest on and principal of any indebtedness required to be funded during such Fiscal Year other than for Outstanding Senior Bonds, but including Subordinate Obligations; and

(v) payments of any reserve requirement for debt service for any indebtedness other than Outstanding Senior Bonds, but including Subordinate Obligations.

(b) In addition, the Board covenants, with the approval of the City Council with respect to rates, to fix, prescribe, revise and collect rates, fees and charges for the services and facilities furnished by the Sewer Enterprise during each Fiscal Year which are sufficient to yield Net Revenues which are at least equal to 125% of the amount described in the paragraph (a)(i) above for such Fiscal Year.

(c) The Board has covenanted that if Net Revenues in any Fiscal Year are less than the amounts specified in paragraphs (a) or (b) above, the Board will retain and direct a Consultant to make recommendations as to the revision of the operations of the Sewer Enterprise and its schedule of rates, fees and charges for the services and facilities furnished by the Enterprise, and after receiving such recommendations or giving reasonable opportunity for such recommendations to be made, the Board

shall take all lawful measures to revise the schedule of rates, fees and charges as may be necessary to produce Net Revenues in the amounts specified in paragraph (a) and (b) of this Section in the next succeeding Fiscal Year.

(d) In the event that Net Revenues for any Fiscal Year are less than the amounts specified in paragraph (a) or (b) above, but the Board promptly has taken prior to or during the next succeeding Fiscal Year all lawful measures to revise the schedule of rates, fees and charges as described in paragraph (c) above, such deficiency in Net Revenues shall not constitute an Event of Default under the Senior Indenture. Nevertheless, if after taking the measures required as described in paragraph (c) above to revise the schedule of rates, fees and charges, Net Revenues in the next succeeding Fiscal Year (as evidenced by the audited financial statements of the Water Department relating to the Sewer Enterprise for such Fiscal Year) are less than the amounts specified in paragraph (a) or (b) above, such deficiency in Net Revenues shall constitute an Event of Default under the Senior Indenture.

See “APPENDIX C—CERTAIN DEFINITIONS AND SUMMARY OF THE SENIOR INDENTURE.”

No Reserve Fund

The Board will not establish or maintain a Debt Service Reserve Fund for the Series 2016A Bonds.

Flow of Funds

Pursuant to the Charter, the City has established the Sewer Revenue Fund, which the City agrees to continue to hold and maintain for the purposes and uses set forth in the Senior Indenture. The Charter provides that all revenue from every source collected by the Department in connection with the possession, management and control of the Sewer Enterprise is to be deposited in the Sewer Revenue Fund. The Charter provides that none of the money in or belonging to the Sewer Revenue Fund may be appropriated or used for any purpose except for the purposes for which said fund was established, including the following: for the necessary expense of operating and maintaining the sewer system; for the payment of the principal and interest, or either, due or coming due upon outstanding bonds, notes, certificates or other evidences of indebtedness issued against revenues from said sewer system; for the necessary expense of constructing, extending and improving such sewer system, including purchases of lands and other property; to return and pay into the general fund of the City, from time to time, upon resolution of the Board, from any surplus money in the Sewer Revenue Fund, any sums paid by the City from funds raised by taxation or the payment of the principal or interest of any municipal bonds issued by the City for and on account of the sewer system; and to be transferred to the general fund of the City, if and when, in the judgment of the Board, such monies are no longer necessary for the purposes of the Board. (While the Charter permits the transfer of Department funds no longer necessary for the purposes of the Board to the General Fund of the City, the passage of Proposition 218 significantly limits the transfer of surplus revenue to the General Fund, for expenditure on non-sewer related purposes. See “THE SEWER ENTERPRISE—Rate Regulation—Proposition 218” herein.)

All of the Gross Revenues, when and as received, will be deposited by the Board in the Sewer Revenue Fund. Amounts in the Sewer Revenue Fund will be applied for the uses and purposes set forth in the Charter and the Senior Indenture, including payment of Operation and Maintenance Costs, and for the uses and purposes set forth in the documents authorizing the issuance of any Additional Bonds (as defined herein). The Board will withdraw amounts on deposit in the Sewer Revenue Fund and apply such amounts at the times and for the purposes, and in the priority, as follows:

FIRST – Operation and Maintenance Costs. On or prior to the twentieth (20th) day of each month, the Board shall deposit or cause to be deposited in the Operation and Maintenance Account an amount equal to one-twelfth (1/12th) of the estimated Operation and Maintenance Costs for the then current Fiscal Year as set forth in the budget of the Department for such Fiscal Year as finally approved by the Board. In the event that the balance in the Operation and Maintenance Account at any time is insufficient to make any required payments therefrom, additional amounts at least sufficient to make such payments shall immediately be deposited in the Operation and Maintenance Account from the Sewer Revenue Fund, and such additional amounts shall be credited against the next succeeding monthly deposit from the Sewer Revenue Fund. All amounts in the Operation and Maintenance Account shall be used and applied by the Board to pay Operation and Maintenance Costs as the same may become due. Moneys in the Operation and Maintenance Account do not comprise Net Revenues and are not pledged and are not required to be applied to pay or secure the payment of the Senior Bonds.

“Operation and Maintenance Costs” means the reasonable and necessary costs and expenses paid by the Board for maintaining and operating the Sewer Enterprise, including but not limited to (a) the cost of operating the Sewer Enterprise, (b) the reasonable expenses of management and repair and other costs and expenses necessary to maintain and preserve the Sewer Enterprise in good repair and working order, and (c) the reasonable administrative costs of the Board attributable to the operation and maintenance of the Sewer Enterprise; but in all cases excluding (i) interest expense relating to obligations of the City or the Board with respect to the Sewer Enterprise; (ii) depreciation, replacement and obsolescence charges or reserves therefor; and (iii) amortization of intangibles or other bookkeeping entries of a similar nature.

SECOND –Senior Debt Service Funds. A sufficient amount of Gross Revenues shall be transferred or caused to be transferred by the Board, without priority and on an equal basis, except as to timing of payment, to (A) the Trustee for deposit in the respective Senior Debt Service Funds in the amounts, at the times and in the manner provided in the Senior Indenture to provide for the payment of the principal of and interest to become due on the Outstanding Senior Bonds, and (B) such other parties for the payment of amounts, other than principal and interest, due on the Outstanding Senior Bonds. On or before the second (2nd) Business Day prior to each Payment Date, the Board shall cause the City Treasurer to withdraw from the Sewer Revenue Fund and to pay to the Trustee the full amount required to make the interest and/or principal payments due on such Payment Date. The City Treasurer also will cause sufficient amounts to be withdrawn from the Sewer Revenue Fund and transferred to such other parties, including, but not limited to, Credit Providers, for the payment of amounts due under such agreements entered into by the Board, acting on its own behalf and on behalf of the City, pursuant to which the Board, acting on its own behalf and on behalf of the City, has granted such parties a lien on amounts in the Sewer Revenue Fund on parity with the lien granted to holders of the Senior Bonds.

THIRD –Senior Debt Service Reserve Funds. A sufficient amount of Gross Revenues shall be transferred or caused to be transferred by the Board, without priority and on an equal basis, except as to timing of payment, to the Senior Debt Service Reserve Funds, if any, at the times and in such amounts as specified in a Supplemental Indenture and to be used in the manner specified in such Supplemental Indenture. The Series 2016A Bonds are not secured by amounts available, if any, in the Senior Debt Service Reserve Funds.

FOURTH – Subordinate Obligation Debt Service Fund. A sufficient amount of Gross Revenues shall be transferred or caused to be transferred by the Board, at such times, to pay the debt service and such other amounts on any indebtedness that is payable from Net Revenues on a basis subordinate to the Senior Bonds (including Subordinate Obligations), but only to the extent

(except as otherwise provided in the Senior Indenture) a specific pledge of Net Revenues has been made in writing to the payment of debt service on such indebtedness. The payment obligations of the Board incurred under the Credit Agreement constitute Subordinate Obligations pursuant to the Senior Indenture.

FIFTH – Subordinate Obligation Debt Service Reserve Funds. A sufficient amount of Gross Revenues shall be transferred or caused to be transferred by the Board, at such times, to fund a deficiency in any debt service reserve fund established for the benefit of indebtedness that is payable from Net Revenues on a basis subordinate to the Senior Bonds (including Subordinate Obligations), but only to the extent (except as otherwise provided in the Senior Indenture) a specific pledge of Net Revenues has been made in writing to the fund of such debt service reserve fund.

The Senior Indenture provides that all moneys and investments on deposit in the Sewer Revenue Fund and not on deposit in any of the funds or subaccounts or used for any of the purposes set forth above shall be used by the Board for any lawful purpose.

Additional Obligations

Senior Bonds. Pursuant to the Master Senior Indenture, the Board may by Supplemental Indenture, issue or incur bonds, notes, loans, advances or indebtedness payable from the Net Revenues to provide financing for the Sewer Enterprise in such principal amount as will be determined by the Board. The Board, on behalf of the City, may issue or incur any such Senior Bonds subject to the following specific conditions:

(a) no event of default shall have occurred and be continuing under any Credit Facility or Liquidity Facility; and

(b) there shall be delivered to the Trustee a certificate, dated as of a date between the date of pricing of the Senior Bonds being issued and the date of issuance and delivery of such Senior Bonds (both dates inclusive), prepared by an Authorized Board Representative showing that the Net Revenues, calculated in accordance with accounting principles consistently applied, for the most recent completed Fiscal Year or for a more recent 12-month period selected by the Board, in either case verified by a certificate or opinion of the City Auditor, plus (at the option of the Board) any Additional Revenues, were at least equal to 125% of Maximum Aggregate Annual Debt Service with respect to all Outstanding Senior Bonds, Unissued Program Bonds and the proposed Series of Senior Bonds, calculated as if the proposed Series of Senior Bonds and the full Authorized Amount of such proposed Program Bonds (as applicable) were then Outstanding.

The provisions of (b) above will not apply to any Senior Bonds if:

(i) the Senior Bonds being issued are for the purpose of refunding then Outstanding Senior Bonds and there is delivered to the Trustee instead, a certificate of an Authorized Board Representative showing that Maximum Aggregate Annual Debt Service after the issuance of such Refunding Bonds will not exceed Maximum Aggregate Annual Debt Service prior to the issuance of such Refunding Bonds;

(ii) the Senior Bonds being issued constitute Notes and there is delivered to the Trustee, instead, a certificate prepared by an Authorized Board Representative showing that the principal amount of the proposed Notes being issued, together with the principal amount of any Notes then Outstanding, does not exceed 10% of the Net Revenues for any 12 consecutive

months out of the most recent 24 months immediately preceding the issuance of the proposed Notes (verified by a certificate or opinion of the City Auditor) and there is delivered to the Trustee a certificate of an Authorized Board Representative setting forth calculations showing that for each of the Fiscal Years during which the Notes will be Outstanding, and taking into account the debt service becoming due on such Notes, the Board will be in compliance with the rate covenant described above under “—Rate Covenant;” or

(iii) the Senior Bonds being issued are to pay costs of completing a Specified Project for which Senior Bonds have previously been issued and the principal amount of such Senior Bonds being issued for completion purposes does not exceed an amount equal to 10% of the principal amount of the Senior Bonds originally issued for such Specified Project and reasonably allocable to the Specified Project to be completed as shown in a written certificate of an Authorized Board Representative and there is delivered to the Trustee (A) a Consultant's certificate stating that the nature and purpose of such Specified Project has not materially changed and (B) a certificate of an Authorized Board Representative to the effect that (1) all of the proceeds (including investment earnings on amounts in the Construction Fund allocable to such Specified Project) of the original Senior Bonds issued to finance such Specified Project have been or will be used to pay Costs of the Specified Project, (2) the then estimated Costs of the Specified Project exceed the sum of the Costs of the Specified Project already paid plus moneys available in the Construction Fund established for the Specified Project (including unspent proceeds of Senior Bonds previously issued for such purpose), and (3) the proceeds to be received from the issuance of the such Senior Bonds plus moneys available in the Construction Fund established for the Specified Project (including unspent proceeds of the Senior Bonds previously issued for such purpose) will be sufficient to pay the remaining estimated Costs of the Specified Project.

See “APPENDIX C—CERTAIN DEFINITIONS AND SUMMARY OF THE SENIOR INDENTURE” for the definition of defined terms and a further description of the terms and provisions relating to the issuance of additional Senior Bonds pursuant to the Senior Indenture.

Subordinate Obligations. Pursuant to the Senior Indenture, the Board may also, from time to time incur indebtedness which is subordinate to the Senior Bonds and which indebtedness is, in the Senior Indenture, referred to as Subordinate Obligations. Such indebtedness shall be incurred at such times and upon such terms as the Board shall determine; provided that:

(a) any resolution or indenture of the Board authorizing the issuance of any such Subordinate Obligations shall specifically state that such lien on or security interest granted in the Net Revenues and other security as set forth in the Senior Indenture is subordinate to the lien on and security interest in such Net Revenues and other security and other assets granted to secure the Senior Bonds;

(b) payment of principal of and interest and other amounts due on such Subordinate Obligations shall be permitted; provided that all deposits and payments required to be made for Operation and Maintenance Costs, for debt service and other amount with respect to the Senior Bonds and any Debt Service Reserve Funds for Senior Bonds as described in the first three paragraphs designated “First,” “Second” and “Third” under “—Flow of Funds” above have been made or satisfied; and

(c) except for obligations incurred pursuant to the Credit Agreement, any such Subordinate Obligations, if a default in payment, may not be accelerated if any Senior Bonds are outstanding.

Events of Default and Remedies; No Acceleration

Events of Default under the Senior Indenture and related remedies are described in “APPENDIX C—CERTAIN DEFINITIONS AND SUMMARY OF THE SENIOR INDENTURE—Defaults and Remedies.” The Senior Indenture provides that except with respect to a Credit Provider or a Liquidity Provider as provided in a Senior Supplemental Indenture or a written agreement between the Board and a Credit Provider or Liquidity Provider, in no event, upon the occurrence and continuation of an Event of Default, shall the Trustee or the Holders of the Senior Bonds (including the Series 2016A Bonds), a Credit Provider or any other party have the right to accelerate the payment of principal of and interest on the Senior Bonds Outstanding. The Trustee is authorized to take certain actions upon the occurrence of an Event of Default, including proceedings to enforce the obligations of the Board under the Senior Indenture.

OUTSTANDING OBLIGATIONS AND DEBT SERVICE SCHEDULE

Senior Bonds

As of the date of issuance of the Series 2016A Bonds, the Series 2016A Bonds are the only Senior Bonds outstanding under the Senior Indenture.

Subordinate Obligations

Although all amounts currently outstanding as of the date of issuance of the Series 2016A Bonds will be repaid with a portion of the proceeds of the Series 2016A Bonds, the Credit Agreement will remain in place following the issuance of the Series 2016A Bonds. The payment obligations of the Board under the Credit Agreement constitute Subordinate Obligations pursuant to the Senior Indenture. Subject to the terms of the Credit Agreement, the City may draw up to \$10 million to pay costs of improvements, facilities and other expenditures related to the Sewer Enterprise. The Credit Agreement generally provides for interest to be paid on drawings at a variable rate. As long as no event of default under the Credit Agreement has occurred, unpaid advances outstanding at the expiration of the Credit Agreement will be payable in equal quarterly installments over four years. At the time of issuance of the Series 2016A Bonds, the expiration date of the Credit Agreement is expected to be extended to September __, 2019. The Credit Agreement specifies events of default including but not limited to failure to pay fees and other amounts payable under the Credit Agreement, breach of covenants, and the occurrence of events of default under other obligation payable from the Sewer Enterprise Fund. Upon the occurrence of an event of default, all amounts due under the Credit Agreement are immediately due and payable. Until paid, such amounts will bear interest at the otherwise applicable rate for drawings, plus 6.0% per annum.

[Remainder of page intentionally left blank.]

Debt Service Requirements

The following table sets forth the debt service funding requirements for the Series 2016A Bonds.

<u>Year Ended September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
------------------------------------	------------------	-----------------	-------------------------------

Total

THE DEPARTMENT

General

The Department was established on July 1, 1911, by a voter-approved amendment to the Charter, to regulate and control the use, sale and distribution of water owned or controlled by the City. In February 1988, the Department assumed the responsibility of the various functions of the Sewer Enterprise, including operations and maintenance. The Board, established in 1931, governs the Department and is comprised of five members appointed by the Mayor of the City, subject to confirmation by the City Council. The members of the Board serve overlapping five-year terms to assure continuity of operations. Pursuant to the Charter, the Board is the governing body of the Department and the General Manager of the Department (the “General Manager”) administers the affairs of the Department.

The Department’s service area encompasses the boundaries of the City, an area of approximately 50 square miles, with a population estimated at approximately 473,577, and some customers outside the City limits. In February 1988, the Department assumed the responsibility of the various functions of the Sewer Enterprise, including operations and maintenance. While the Department operates and maintains both the water system and the sanitary Sewer Enterprise, for purposes of this Official Statement, references to the Sewer Enterprise do not include the water system.

The Board of Water Commissioners

Under the Charter, the Board is granted the possession, management and control of the Sewer Enterprise. Pursuant to the Charter, the Board also has the power and duty to make and enforce all necessary rules and regulations governing the construction, maintenance, operation, connection to and use

of the Sewer Enterprise and to acquire, construct, extend, maintain and operate all improvements, utilities, structures and facilities the Board deems necessary or convenient for purposes of the Department. The members of the Board serve with only nominal compensation. Certain matters regarding the administration of the Department also require the approval of the City Council.

The Charter grants the Board, subject to the approval of City Council by ordinance, the power to establish the rates and charges for sewer service. Such rates and charges are to be fair and reasonable, taking into consideration, among other things, the nature of the use and the value of the service.

The Board is comprised of five members. The current members of the Board are as follows:

Frank Martinez, President. Mr. Martinez was appointed to the Board by Mayor Bob Foster in August 1, 2013 and confirmed by the Long Beach City Council. He replaces former Commissioner Frank Clarke. Mr. Martinez becomes the 61st Long Beach citizen to serve on the Board. Throughout his 26 year industry career, Mr. Martinez has lead diverse teams of professionals in the design, construction and real estate marketplace. As Executive Vice President for Griffin Structures, Inc. Mr. Martinez provides leadership for all business lines for the company including community outreach, business development, strategic planning, and public relations. Mr. Martinez is a member of several associations including the Association of California Water Authorities; American Public Works Association; Construction Management Association of America, and the California Parks & Recreation Society. He also serves as Co-Chair of the CSU Long Beach Construction Engineering and Management Department Advisory Board.

Arthur Levine, Vice-President. Commissioner Arthur (Art) Levine was appointed to the Board of Water Commissioners by Long Beach Mayor Bob Foster in April 2014. He is the host of Straight Talk, a cable news and talk show in its 19th year on the air and served on the faculty of Cal State Long Beach for 40 years before retiring in 2014 to become Professor Emeritus of Ethics and Legal Studies. Commissioner Levine has also been involved in numerous organizations including Leadership Long Beach.

Gloria Cordero, Member. Gloria Cordero was appointed to the Board of Water Commissioners by Long Beach Mayor Robert Garcia in January 2015. Gloria received her MA from the University of Southern California in Public Administration and a BA in Sociology from California State University at Long Beach. As a principal in Cordero & Associates, Gloria brings her varied background in public affairs and her knowledge of creating an advocacy base for a local utility and public agencies and her ability to work within local communities and with community and business organizations. In 2006, Gloria was appointed Deputy Director of Community Affairs by newly-elected Mayor Bob Foster to further the vision of the Mayor specifically in the areas of education, workforce development, nonprofits and business and community outreach. Gloria was named Government Affairs Director for Long Beach City College in 2001. She was responsible for advocacy for community colleges until 2002, including local, state and federal legislative issues. Gloria began a 17-year career with Southern California Edison in 1983 as an Educational Representative and held that position until 1989. She developed and created energy efficiency and safety programs for school districts in Los Angeles, South Bay and Long Beach.

Harry Saltzgaver, Member. Harry Saltzgaver was appointed to the Board of Water Commissioners by Long Beach Mayor Bob Foster in October 2012. Mr. Saltzgaver has served as the Executive Editor of Gazette Newspapers since 1992. He has been in the newspaper business for more than 30 years, with experience on both weekly and metropolitan daily papers in Colorado and California. Mr. Saltzgaver previously served on the Long Beach Parks and Recreation Commission for 11 years. He is the Chair-elect of the Goodwill SOLAC board of directors and a Trustee of the Grand Prix of Long

Beach Foundation. He is a former member of numerous boards, including Women Shelter of Long Beach, Precious Lamb Preschool, Public Corporation for the Arts and the Long Beach Chamber of Commerce.

Robert Shannon, Secretary. Mr. Shannon was appointed to the Board of Water Commissioners by Long Beach Mayor Bob Foster in April 2014. Prior to his (semi) retirement in 2013, Robert (Bob) Shannon served as a municipal lawyer for 44 years in the cities of Los Angeles and Long Beach. He worked initially as a Criminal Prosecutor and later as a Civil Litigator in State and Federal court. First elected in 1998, he served for 15 years as the City Attorney of Long Beach. He is currently the Administrative Hearing Officer for the city of Anaheim. Mr. Shannon distributes food as a volunteer for the nonprofit Meals on Wheels.

Management

The management and operations of the Department are under the direction of the General Manager. The Department's financial affairs are supervised by the Department's Deputy General Manager, Business. Legal counsel is provided to the Department by the Office of the City Attorney of the City. Below are brief biographies of the senior management team for the Department.

Chris Garner, General Manager. The Long Beach Board of Water Commissioners appointed Christopher Garner as General Manager of the Long Beach Water Department on September 3, 2015. He reports directly to the Long Beach Board of Water Commissioners. Mr. Garner oversees the day to day operation and business activity of one of the most reliable and advanced municipal retail water agencies in the country. Mr. Garner leads a team of over 230 water system professionals in regulating the sale, use, and distribution of water in the city of Long Beach, California's seventh largest city. The Department operates one of the largest groundwater treatment facilities in the United States. Mr. Garner has been with the City of Long Beach organization for 30 years. He transferred to the Gas Department in 1987 and was a leader in the energy industry for twenty-seven years. Through the years, Mr. Garner has held the management positions of Gas Acquisition and Transportation Officer, Superintendent of Gas Supply and Regulatory Affairs, Manager of Business Operations and Gas Supply, and Manager of Energy Services before he held the position of the Gas Department's General Manager for sixteen years. Mr. Garner received a B.S. and M.S. in Business Administration from Loyola Marymount University.

B. Anatole Falagan, P.E., Assistant General Manager. Anatole Falagan is the Assistant General Manager for the Long Beach Water Department, where he has been employed since 2005. He reports to the General Manager. Mr. Falagan has a variety of responsibilities, including financial management, human resource management, technology operations, land & lease management and safety administration. He is also responsible for the Department's utility billing, budget and rate development for potable water, reclaimed water and sewer services. Mr. Falagan previously served 16 years in a number of key positions with the Metropolitan Water District of Southern California ("MWD"), the world's largest water supply agency. He began his career in 1983 as an engineer with Albert H. Halff Associates, Inc., of Fort Worth, Texas. In 1989, he joined the MWD's engineering division as a Project Manager, and in 1996 was promoted to Branch Manager in MWD's Planning and Resources Division. In 1999, he was appointed Assistant Group Manager for Water Resources where he oversaw a staff of 86 employees and a \$22 million budget. Mr. Falagan is a registered Professional Engineer in the State of California and the State of Texas. Mr. Falagan holds a B.S. and M.S. in Civil Engineering from Stanford University and an M.B.A. from University of California, Irvine.

Tai Tseng, Director of Operations. Tai Tseng is the Director of Operations for the Long Beach Water Department, where he has been employed since 2003. He reports directly to the Department's General Manager. Mr. Tseng is responsible for the operations of the Department's Operations Bureau, which includes the groundwater treatment plant, water quality laboratory, water services (potable and

reclaimed), sewer services, security and emergency preparedness, telemetry and the warehouse. Mr. Tseng joined the Long Beach Water Department in 2003 as a Senior Engineer, implementing research initiatives in seawater desalination and other special projects. In 2004, he was promoted to Water Treatment Superintendent, where he was responsible for the operations of the 62.5 million gallons per day groundwater treatment plant as well as the country's largest seawater desalination research facility. He also oversaw contract operations of the Water Replenishment District's Leo Vander Lans Advanced Water Treatment Facility. Prior to joining the Long Beach Water Department, Mr. Tseng worked in the private sector, consulting in the area of water, storm water and sewer design and drinking water regulatory compliance. Mr. Tseng was the past grand prize recipient of American Society of Civil Engineer (ASCE) outstanding national student research award (undergraduate and graduate) and has numerous publications in peer reviewed journals and conference proceedings. Mr. Tseng earned his B.S. and M.S. in Civil Engineering from the University of Colorado at Boulder and is a registered Professional Civil Engineer and a Certified T5 Operator in the State of California.

Paul Fujita, Director of Finance. Paul Fujita is the Director of Finance for the Long Beach Water Department, where he has been employed since 2003. He reports to the Assistant General Manager. Mr. Fujita is responsible for managing the financial activities of the Department including development and approval of fiscal year budgets, monitoring and reporting expenditures against budget, and facilitating all information and data necessary for preparation of the Department's Certified Annual Financial Report (CAFR) and other financial reports. He is also involved in the process of the Department's utility billing, budget and rate development for potable water, reclaimed water and sewer services. Mr. Fujita began his career with the City of Long Beach in 1990 with the Office of the City Auditor, where he was an Audit Manager. His responsibilities included planning and conducting financial, operational and contract compliance audits of the various City departments, agencies and contractors. Prior to joining the City of Long Beach, he was as an auditor with the Federal Government's Defense Contract Audit Agency, where he was responsible for conducting contract compliance and performance audits and evaluating bid proposals of aerospace and military contractors in the Los Angeles and Orange County regions. Mr. Fujita earned his B.S. in Business Administration, Accounting from California State University, Long Beach.

Employees

During Fiscal Year 2015-2016, the Department has 229.35 Full Time Equivalents, many of whom perform work for both the Water and Sewer Funds. For Fiscal Year 2015-2016 the Sewer Fund comprises approximately 17% of the Department's employee costs. Department employees are represented by the International Association of Machinists and Aerospace Workers ("IAM") and the Association of Engineering Employees ("AEE").

The previous collective bargaining agreements with IAM and AEE have expired. The parties are currently operating under the expired contracts and new contracts are currently being negotiated. The Projected Operating Results do not take into account any salary or other employee related increases, if any, which may result from such negotiations.

Retirement Programs

Salaries and benefits costs of the Sewer Enterprise include funding of retirement benefits for employees assigned to the Sewer Enterprise who, as City employees, participate in the California Public Employees Retirement System ("PERS"). Retirement payments paid from Sewer Enterprise revenues, with respect to employees assigned to the Sewer Enterprise, were approximately \$478,000 in Fiscal Year 2012-13, approximately \$423,000 in Fiscal Year 2013-14, and approximately \$433,000 in Fiscal Year 2014-15. The City estimates that the required contribution for Fiscal Year 2015-16 will be approximately

\$476,000 and projects that the required contribution for Fiscal Year 2016-17 will be approximately \$648,000. Payments to PERS constitute Operation and Maintenance Costs of the Sewer Enterprise.

For a variety of reasons, including investment losses, the City has experienced significant unfunded liabilities, and retirement costs payable with respect to all City employees, including those assigned to the Sewer Enterprise, have increased in recent years. (The Sewer Enterprise is allocated approximately 1.2% of the City's total PERS liability.) As of June 30, 2014, the City's "Miscellaneous Plan" with PERS (in which the City employees assigned to the Sewer Enterprise participate) had an unfunded liability (with respect to all participating City employees, including employees assigned to the General Fund, the Sewer Fund, and other enterprise funds) of approximately \$438 million (market value basis), and a funded ratio of 81.1% (market value basis).

As a result, required contributions from the City are expected to continue to increase. See "APPENDIX A—COMPREHENSIVE ANNUAL FINANCIAL REPORT OF LONG BEACH WATER DEPARTMENT FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015 — Note 5 to the Basic Financial Statements" for additional information about the pension plan.

Changes to Pension Reporting. On June 25, 2012, the Governmental Accounting Standards Board ("GASB") approved two new standards with respect to pension accounting and financial reporting standards for state and local governments and pension plans. The new standards are set forth in GASB Statements 67 and 68 and replace GASB Statement 27 and most of GASB Statements 25 and 50. The changes impact the accounting treatment of pension plans in which state and local governments participate, including the City's pension plans. Major changes include: 1) the inclusion of unfunded pension liabilities on the government's balance sheet (currently, such unfunded liabilities were previously typically included as notes to the government's financial statements); 2) more components of full pension costs are shown as expenses regardless of actual contribution levels; 3) lower actuarial discount rates are required to be used for underfunded plans in certain cases for purposes of the financial statements; 4) closed amortization periods for unfunded liabilities are required to be used for certain purposes of the financial statements; and 5) the difference between expected and actual investment returns are to be recognized over a closed five-year smoothing period.

In addition, GASB Statement 68 states that, for pensions within the scope of the statement, a cost-sharing employer that does not have a special funding situation is required to recognize a net pension liability, deferred outflows of resources, deferred inflows of resources related to pensions, and pension expense based on its proportionate share of the net pension liability for benefits provided through the pension plan. While the new accounting standards change financial statement reporting requirements, they do not impact funding policies of the pension systems. The reporting requirements for pension plans took effect for the fiscal year beginning mid-2013 and the reporting requirements for government employers will take effect for the fiscal year beginning mid-2014. The Comprehensive Annual Financial Report of the City for the Fiscal Year Ended September 30, 2015 reflects implementation of the new GASB requirements, and resulted in the recognition of a net pension liability of the Sewer Enterprise of approximately \$5.9 million. See "APPENDIX A—COMPREHENSIVE ANNUAL FINANCIAL REPORT OF LONG BEACH WATER DEPARTMENT FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015 — Note 5" for a discussion of the impact of GASB 68.

Other Post Employment Benefits. In addition to required contributions for retirement benefits for employees, the City pays certain post-employment health care and other non-pension benefits ("OPEB") for such employees. The City's OPEB related payments (for all employees of the City, including employees assigned to the Water Department) were approximately \$6.2 million in Fiscal Year 2014-15, and are expected to increase in the future. See "APPENDIX A—COMPREHENSIVE ANNUAL FINANCIAL REPORT OF LONG BEACH WATER DEPARTMENT FOR THE FISCAL YEAR

ENDED SEPTEMBER 30, 2015 — Note 6 to the Basic Financial Statements” for additional information about the post-retirement health care benefits (including funded status and funding progress) provided to the employees of the City.

Insurance

The Senior Indenture obligates the City to obtain and maintain commercial insurance or to provide self-insurance with respect to the facilities constituting the Sewer Enterprise in such amounts and against such risks as are customarily maintained by sewer systems similarly situated and operating like properties. The City expects to self-insure a portion of the risk of loss as permitted by the Senior Indenture. The City expects that any self-insurance or additional insurance procured would be sufficient to fund necessary repair or replacement of any other portion of the Sewer Enterprise, however, no assurance can be given as to the adequacy of any such self-insurance or any additional insurance. Significant damage to the Sewer Enterprise could result in a lack of the ability to generate sufficient Net Revenues to repay the Series 2016A Bonds.

The Department participates in the City’s self-insured program for workers’ compensation, property and tort liability. The City and the Department’s management believe that sufficient funds are being accumulated in the City’s Insurance Internal Service Fund to meet losses as they arise. The Department contributes to the Insurance Internal Service Fund based on future projections and past loss experience. In addition, various risk control techniques, including safety training for all employees, regular property appraisals, and the inclusion of appropriate legal provisions in third party contracts, have been implemented to minimize risk losses.

Investment Policy

The Department’s cash and investments, including restricted cash and investments, are pooled with the other City funds and maintained by the City Treasurer. Interest income and gains and losses earned on pooled cash and investments are allocated monthly to the various pool participants based on their average daily cash balances. The Department is required by the Charter to participate in the City Treasurer’s pool.

The City maintains an Investment Policy, which, pursuant to the provisions of Section 53646 of the California Government Code, is annually submitted to and reviewed by the Investment Committee of the City and approved by the City Council. Quarterly reports are also provided to the City Manager, City Auditor, and the City Council which detail investment activity and portfolio balances. In addition, the Investment Advisory Committee, comprised of the Offices of the City Manager, City Auditor, City Attorney, Director of Financial Management, City Treasurer, City Controller, Budget and Performance Bureau Manager, and the Chief Financial Officers of the Water Department, the Harbor Department, and Development Services Department meets monthly, or as needed, with the City’s investment advisor to review investment policies and strategies and to make recommendations consistent with approved investment policies.

THE SEWER ENTERPRISE

Service Area

The area served by the Sewer Enterprise encompasses approximately 50 square miles with a population of approximately 473,577. The Sewer Enterprise currently serves a customer base of 85,518 accounts.

Existing Facilities

Pipelines. The Sewer Enterprise consists of 28 sewer pump stations and approximately 714 miles of pipelines, with pipe sizes up to 48 inches in diameter. Over 80% of the gravity sewer system consists of 8-inch diameter pipes. Larger pipes (i.e., 15 inches or larger) are mainly intercepted by Los Angeles County Sanitation Districts (“LACSD”) sewer trunk mains that run throughout the City. (As described below, LACSD is responsible for the treatment of sewage generated in the City.) There are approximately 130 interconnections between the Sewer Enterprise and the LACSD trunk mains, and the subcatchments that connect to the trunk mains vary in size. Over one-third of the Sewer Enterprise’s pipelines are at least 50 years of age, and about 4% of the system has an unknown age.

Facilities. The Sewer Enterprise includes other structures that help carry flow through its pipes with inverted siphons or parallel interceptors. The Sewer Enterprise utilizes twelve inverted siphons, which help transport flow under obstructions, and parallel interceptors have been put in place to relieve original pipe when it can no longer carry peak flows. Flow split between a parallel interceptor and original pipe often occurs at a common manhole or at a connection section of sewer line constructed between the parallel sewers.

The Department operates 27 of the 28 pump stations in the Sewer Enterprise. The other pump station is operated by the Long Beach Public Works Department. Each pump station consists of one to four pumping units, which vary in capacity from one horsepower to 30 horsepower. The force mains, which carry flow from the pump station to a discharge point, range in size from two to 15 inches in diameter and 20 to approximately 7,000 feet in length.

Sewage Treatment

Treatment of sewage generated in the City is undertaken by LACSD at facilities owned and operated by LACSD. The Sewer Enterprise delivers over 40 million gallons per day to the LACSD facilities located on the north and south sides of the City. From these facilities, some treated sewage is converted to recycled water and used for irrigation of parks, golf courses, cemeteries, and athletic fields. Recycled water not used for those purposes flows into the Pacific Ocean.

Currently, a majority of the City’s wastewater is delivered to the LACSD Joint Water Pollution Control Plant (“JWPCP”). The remaining portion of the City’s wastewater is delivered to LACSD’s Long Beach Water Reclamation Plant.

The JWPCP, located in the City of Carson is the largest of the LACSD’s wastewater treatment plants. It provides advanced primary and partial secondary treatment for 350 million gallons of wastewater per day. At JWPCP, the treated wastewater is disinfected with chlorine and sent to the Pacific Ocean through networks of outfalls that extend two miles off the Palos Verdes Peninsula to a depth of 200 feet.

The 17 acre Long Beach Water Reclamation Plant, located in the City, provides primary, secondary, and tertiary treatment for approximately 25 million gallons of wastewater per day. Almost 5 million gallons per day of the purified water is reused at over 40 reuse sites. The remainder is discharged to the San Gabriel River and ultimately the Pacific Ocean.

Pursuant to State law, LACSD consists of a number of independent districts (the “Sanitation Districts”), formed around efficient transportation networks based on topographical boundaries rather than political boundaries, which operate and maintain the facilities needed to collect, treat, and dispose of wastewater and industrial wastes. The Sanitation Districts work cooperatively under a Joint

Administration Agreement. Although most of the City is within Sanitation District No. 3, the City falls within several sanitation districts, each of which is governed by its own Board of Directors, consisting of the mayor of each city within the District and the chair of the County of Los Angeles Board of Supervisors for unincorporated territory.

Each Sanitation District imposes charges for the treatment services provided by LACSD. Such charges are collected directly from property through a line item in property tax bills billed and collected by Los Angeles County. The City is not responsible for the payment of treatment costs to LACSD.

The JWPCP is operated pursuant to the terms of a National Pollutant Discharge Elimination System (“NPDES”) permit issued by the State Department of Environmental Protection, Los Angeles Regional Water Quality Control Board (the “Regional Board”). There can be no assurances that wastewater treatment charges imposed on property owners in the City will not significantly increase as a result of increased regulatory requirements with respect to LACSD facilities.

Regulatory Compliance

The Department is required to comply with various federal and State rules and regulations in connection with the operation and maintenance of the Sewer Enterprise. The Department believes it is in material compliance with all federal and State rules and regulations pertaining to sewer collection systems. Following is a discussion of certain federal and State rules and regulations that must be complied with by the Department in connection with the operation of the Sewer Enterprise. See “CERTAIN INVESTMENT CONSIDERATIONS—Statutory and Regulatory Compliance.”

In recent years regulatory officials have become increasingly concerned about potential impact of sanitary sewer overflows (“SSOs”) on the environment and on public health. This concern has led to increasingly stringent reporting requirements for SSO events as well as to an increasing number of enforcement cases under the Clean Water Act’s prohibition of unpermitted discharges to waters in the State. On May 2, 2006, the State Water Resources Control Board issued Order No. 2006-0003-DWQ (the “SSO Order”). Among other things, the SSO Order requires development of a Sewer System Management Plan (“SSMP”) by sewer system agencies (such as the City) to more effectively manage wastewater collection systems. The primary requirements are designed to improve collection system performance by: implementing reporting requirements, minimizing SSOs, providing capacity to accommodate peak flows; and maintaining or improving the condition of the collection system infrastructure in order to provide reliable service into the future. The SSMP must be updated every 5 years and must include any significant program changes.

In order to comply with the requirements of the SSO Order, the Department adopted the first SSMP in 2009. The 5-year update was completed in 2014, and the next update will be completed in 2019. The City believes that the SSMP satisfies the requirements of the SSO Order.

In addition, the Sewer Enterprise is considered a “satellite collection system” and is subject to permitting requirements under the Statewide General Waste Discharge Requirements for Sanitary Sewer Systems. The City believes it is in material compliance with such requirements.

Historic Sewer System Connections

The following table shows historic billed connections to the Sewer System for the five most recent Fiscal Years:

CITY OF LONG BEACH SEWER SYSTEM Historic Sewer System Connections

<i>Fiscal Year</i>	<i>Residential</i>	<i>Other*</i>	<i>Total</i>
2011	80,638	7,347	87,985
2012	80,598	7,115	87,713
2013	80,510	7,133	87,643
2014	78,903	6,374	85,277
2015	79,362	6,476	85,838

* Commercial and Industrial
Source: City.

Largest Sewer System Customers

The following table sets forth the type of business of the ten largest customers of the Sewer System of the City in Fiscal Year 2014-15, as determined by the amount of their respective payments.

CITY OF LONG BEACH SEWER SYSTEM Category Largest Sewer System Customers—Fiscal Year 2014-15

<i>Customer Business Category</i>	<i>Revenues</i>	<i>% of Total</i>
Government ⁽¹⁾	\$299,000	1.74%
Education	177,000	1.03
Education	100,000	0.58
Healthcare	66,000	0.39
Education	44,000	0.26
Manufacturing	33,000	0.19
Hotel	32,000	0.18
Hotel	24,000	0.14
Manufacturing	22,000	0.13
Manufacturing	21,000	0.12
Top Ten Total	\$818,000	4.76%
Total All Other Users	16,339,000	95.24
Total Sewer System	\$17,157,000	100.00%

(1) Includes City departments.
Source: The Department.

Capital Improvement Program

The Department is committed to addressing the substantial challenges posed by an aging sanitary sewer infrastructure, much of which is between 60 and 80 years old. As of September 30, 2015, the sanitary sewer collection system totaled 714 miles of sewer pipelines. The Department developed the first City-wide Sewer Master Plan in 1991, which provided an initial prioritization of sewer deficiencies to be addressed. The Department has a program of maintenance, monitoring and repair of sewer lines

including: an annual pipeline cleaning program and fats, oil and grease program to address impacts to lines; a video monitoring program to assess conditions of pipelines; and an annual sewer infrastructure repair program.

In fiscal year 2008, the Department completed a comprehensive Sewer Master Plan Update (“SMPU”), providing the Department with an evaluation and prioritization of current capacity deficiencies. The 2008 SMPU included the development of a dynamic hydraulic model to assess existing collection system performance, as well as to evaluate the system for future conditions. As described in “Regulatory Compliance,” the Department adopted its first SSMP in 2009, which was designed to improve collection system performance by, among other things, minimizing SSOs, providing capacity to accommodate peak flows, and maintaining or improving the condition of the collection system infrastructure in order to provide reliable service in the future.

In 2013, the Department further evaluated its collection system performance after a majority of capacity deficient-related capital improvements identified in the 2008 SMPU were completed. This evaluation and a condition assessment of select sewer lift stations were part of the 2013 SMPU. Additionally, the Department completed a 2014 Sewer Master Plan Supplemental Report, which included an evaluation of the structural condition of pipelines determined through the Department’s existing video monitoring efforts. The Department also updated its SSMP in 2014. Based on these plans, the Department developed and began implementation of a multi-year Capital Improvement Program to address aging infrastructure identified by the Master Plan analysis.

The following table shows projected capital improvement expenditures.

**City of Long Beach Sewer Enterprise
5-Year Capital Improvement Program**

Fiscal Year Ended	
<u>September 30</u>	<u>Amount</u>
2016	\$3,774,000
2017	3,794,000
2018	3,934,000
2019	3,784,000
2020	4,016,000

The Sewer Enterprise capital improvement program is expected to be funded in each of the years in the table from then-current revenues.

Sewer Enterprise Rates and Charges

The Department is obligated by the Charter and by the Senior Indenture to establish rates and collect charges in an amount sufficient to service the indebtedness of the Sewer Enterprise and to meet its expenses of operation and maintenance. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2016A BONDS—Rate Covenant” herein. The Charter also provides that the rates will be fair and reasonable, taking into consideration, among other things, the nature of the use and the value of the service provided. Sewer service rates are set by the Board and approved by the City Council and are not subject to regulation by the California Public Utilities Commission (the “CPUC”) or by any other state or federal agency. See “—Rate Regulation—Proposition 218” below.

Charges to users of the Sewer Enterprise generally consist of two components: a volumetric charge (based on metered water usage, as described below), and a service charge. For volumetric sewer rates, there are several customer classifications, including single family residential; duplex residential; multi-family residential; City Departments; commercial; and industrial.

Volumetric sewer rates for single family residential, duplex residential and multi-family residential are computed based on the average of actual potable water use during the winter billing periods. The average volume is recalculated annually. For those residential customers with no previous history of use during the winter billing periods, the average volume for the water service size in which the customer falls is used.

The State is currently facing a significant drought. In response, the Governor and state agencies have implemented significant water conservation measures, including mandatory reductions in water consumption on water systems in the State, including the City. The City believes that use of winter periods for the determination of volumetric billing mitigates potential declines in consumption resulting from such water conservation measures, since such measures most significantly affect landscaping watering and the outdoor water uses, and therefore are less significant in winter months. See “CERTAIN INVESTMENT CONSIDERATIONS - Impact of Water Conservation on Net Revenues.”

The following tables show volumetric charges and capacity charges for the last ten years. As shown in the table, the City raised rates approximately 9% for Fiscal Year 2010-11, 5% for Fiscal Year 2011-12, 4% for Fiscal Year 2014-15 and 4% for Fiscal Year 2015-16.

**CITY OF LONG BEACH SEWER SYSTEM
Sewer System Service Volumetric Charges**

Effective Date (October 1)	Volumetric Rate Charges⁽¹⁾
2005	\$0.154
2006	0.179
2007	0.207
2008	0.248
2009	0.303
2010	0.330
2011	0.347
2012	0.347
2013	0.347
2014	0.361
2015	0.375

⁽¹⁾ Table shows charge per billing unit. One (1) billing unit equals 100 cubic feet.

**CITY OF LONG BEACH SEWER SYSTEM
Sewer System Service Daily Service Charges**

Effective Date (October 1)	3/4"⁽¹⁾	1"	1-1/2"	2"	3"	4"	6"	8"	10"	12"	16"
2005	0.111	0.176	0.320	0.464	0.960	1.521	2.800	4.400	7.198	8.798	14.397
2006	0.129	0.204	0.371	0.538	1.114	1.764	3.248	5.104	8.350	10.206	16.701
2007	0.149	0.237	0.430	0.624	1.292	2.046	3.768	5.921	9.686	11.839	19.373
2008	0.179	0.284	0.516	0.749	1.550	2.455	4.522	7.105	11.623	14.207	23.248
2009	0.218	0.346	0.630	0.914	1.891	2.995	5.517	8.668	14.180	17.333	28.363
2010	0.238	0.377	0.687	0.996	2.061	3.265	6.014	9.448	15.456	18.893	30.916
2011	0.250	0.396	0.721	1.046	2.164	3.428	6.315	9.920	16.229	19.838	32.462
2012	0.250	0.396	0.721	1.046	2.164	3.428	6.315	9.920	16.229	19.838	32.462
2013	0.250	0.396	0.721	1.046	2.164	3.428	6.315	9.920	16.229	19.838	32.462
2014	0.260	0.412	0.750	1.088	2.251	3.565	6.568	10.317	16.878	20.632	33.760
2015	0.270	0.428	0.780	1.132	2.341	3.708	6.831	10.730	17.553	21.457	35.110

⁽¹⁾ Normal residential size
Source: The City

The Department currently expects that volumetric charges and service charges will continue to increase by approximately 4% per year. See “Projected Sewer Enterprise Operating Results and Debt Service Coverage” Sewer rate increases are subject to approval by the City Council and the notice, hearing and protest provisions of Proposition 218 described under the caption “Rate Regulation.” There can be no assurance that the City Council will adopt additional rate increases in the future. However, the City has covenanted to set rates and charges in amounts that are expected to be sufficient to pay debt service while the Series 2016A Bonds are outstanding. See the caption “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2016A BONDS—Rate Covenant.”

Comparative Wastewater Rates

Set forth below is a schedule of comparative wastewater rates effective for the City (for the typical single family residence) and wastewater service providers located in the State.

**CITY OF LONG BEACH SEWER SYSTEM
Comparative Sewer Service Charge Rates**

<i>Sewer Service Provider</i>	<i>Monthly Sewer Service Charge⁽¹⁾</i>
Long Beach ⁽²⁾	\$25.91
San Jose	36.11
Los Angeles	45.10
San Diego	51.31
Sacramento	52.00
Oakland	60.85
San Francisco	113.32

⁽¹⁾ Typical single family residential household using 10 billing units.

⁽²⁾ Includes LACSD Service Charge of \$13.58.

Source: Raftelis Rate Survey, May 2016.

Collection Procedures

Water and Sewer service are billed on a consolidated City utility bill that may also include Refuse and Gas service. The consolidated bill is generated and mailed every 28 to 32 days. The hierarchy of payment application on the consolidated utility bill is in the following order: Refuse, Sewer, Water, Gas. If the bill is not paid within 19 days after the bill date, the bill becomes past due. A late payment charge is assessed if the unpaid balance is not received 3 days from the due date printed on the bill. A shut off notice is generated after 15 days from the late payment assessment date. After the specified date on the shut off notice passes, an order is generated to terminate service and close the account. When an account is closed, the customer receives a Closing Bill and a Final Closing Notice. A collection charge will be added to the Closing Bill total if the entire balance is not paid by the due date indicated. If a Closing Bill remains unpaid, it is written-off and sent to a collection agency.

Currently, the Sewer Enterprise allowance for doubtful accounts expense is 1/3 of 1% of total Sewer revenues, which amounted to approximately \$56,000 in Fiscal Year 2014-15.

Rate Regulation

City Council and Board Approval. The sewer rates are subject to approval by the City Council. The authority of the Board to impose and collect sewer rates and charges is not subject to the general regulatory jurisdiction of the CPUC or any other state agency. It is possible that future legislative and/or regulatory changes could subject sewer rates and/or the service area of the Department to the jurisdiction of the CPUC or to other limitations or requirements.

Proposition 218. On November 5, 1996, the voters of the State approved Proposition 218, known as the “Right to Vote on Taxes Act” (“Proposition 218”). Proposition 218 added Articles XIIC and XIID to the State Constitution, which contain a number of provisions affecting the ability of the local governments to levy and collect both existing and future taxes, assessments, fees, and charges. The City is a local government within the meaning of Articles XIIC and XIID.

Section 3 of Article XIIC expressly extends the initiative power to give voters the power to reduce or repeal local taxes, assessments, fees and charges, regardless of the date such taxes, assessments, fees or charges were imposed. Section 3 expands the initiative power to include reducing or repealing assessments, fees and charges, which had previously been considered administrative rather than legislative matters and therefore beyond the initiative power. This extension of the initiative power is not limited by the terms of Article XIIC to fees imposed after November 6, 1996, the effective date of Proposition 218, and absent other legal authority could result in the reduction in any existing taxes, assessments or fees and charges imposed prior to November 6, 1996. “Fees” and “charges” are not expressly defined in Article XIIC or in Senate Bill 919, the Proposition 218 Omnibus Implementation Act (“SB 919”), which was enacted in 1997 to prescribe specific procedures and parameters for local jurisdictions in complying with Article XIIC and Article XIID. However, on July 24, 2006, the California Supreme Court ruled in *Bighorn-Desert View Water Agency v. Verjil* (the “Bighorn Decision”) that charges for ongoing water delivery are property-related fees and charges within the meaning of Article XIID and are also fees or charges within the meaning of Section 3 of Article XIIC. The California Supreme Court held that such water service charges may, therefore, be reduced or repealed through a local voter initiative pursuant to Section 3 of Article XIIC, although the water agency’s governing board may then raise other fees or impose new fees without prior voter approval.

In the Bighorn Decision, the California Supreme Court stated that nothing in Section 3 of Article XIIC authorizes initiative measures that impose voter-approval requirements for future increases in fees or charges for water delivery. The California Supreme Court stated that water providers may determine

rates and charges upon proper action of the governing body and that the governing body may increase a charge which was not affected by a prior initiative or impose an entirely new charge. The California Supreme Court further stated in the Bighorn Decision that it was not holding that the initiative power is free of all limitations and was not determining whether the initiative power is subject to the statutory provision requiring that water service charges be set at a level that will pay debt service on bonded debt and operating expenses. Such initiative power could be subject to the limitations imposed on the impairment of contracts under the contract clause of the United States Constitution. Additionally, SB 919 provides that the initiative power provided for in Proposition 218 “will not be construed to mean that any owner or beneficial owner of a municipal security, purchased before or after (the effective date of Proposition 218) assumes the risk of, or in any way consents to, any action by initiative measure that constitutes an impairment of contractual rights” protected by the United States Constitution. However, no assurance can be given that the City’s voters will not, in the future, approve an initiative which reduces or repeals local taxes, assessments, fees or charges.

Article XIID defines a “fee” or “charge” as any levy other than an ad valorem tax, special tax, or assessment imposed upon a parcel or upon a person as an incident of property ownership, including a user fee or charge for a property-related service. A “property-related service” is defined as “a public service having a direct relationship to a property ownership.” In the Bighorn Decision, the California Supreme Court held that a public water agency’s charges for ongoing water delivery are fees and charges within the meaning of Article XIID. Article XIID 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, the local government’s ability to increase such fee or charge may be limited by a majority protest.

In addition, Article XIID also 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 will not exceed the funds required to provide the property-related service; (ii) such revenues will 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 will 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.

The Department believes that it has complied with the requirements of Proposition 218 with respect to the charges that it currently imposes. Such compliance included mailing of notices to affected property owners (and separately, to ratepayers) in connection with rate changes implemented immediately subsequent to the Bighorn Decision. The Department expects to comply with the requirements of Proposition 218 with respect to future proposed rate increases.

In the event that proposed increased rates or charges cannot be imposed as a result of a majority protest or an initiative, such circumstances may adversely affect the ability of the Department to generate revenues sufficient to pay the principal of or the interest on the Series 2016A Bonds.

As discussed above, Article XIIC removes limitations on the initiative power in matters of local taxes, assessments, fees, and charges. In addition, a California court has held that utility rates are not subject to the same constitutional restrictions that are applied to the use of the initiative process for tax measures. Consequently, the voters of the City could, by future initiative, repeal, reduce, or prohibit the future imposition or increase of any local tax, assessment, fee, or charge.

Proposition 26. On November 2, 2010, voters in the State approved Proposition 26. Proposition 26 amends Article XIII C of the California 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 XIII D. 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 sewer service rates and charges are not taxes under Proposition 26.

Financial Statements

Audited financial statements for the Department are included in Appendix A to this Official Statement. The financial statements of the Water Department reflect both the Sewer Enterprise and the City’s water enterprise. Moneys in the water enterprise fund are not pledged to and will not be available for payment of the Series 2016A Bonds.

Department Payments to the City

In Fiscal Year 2015, the Department made interagency payments to the City for services provided to the Department including utility billing and collection services, technology services, general city overhead, workers compensation, and liability and property insurance payments totaling \$2,849,055 million. In addition, the Department pays pipeline permit fees to the City pursuant to Section 15.44 *et seq.* of the Municipal Code. The City charges pipeline permit fees for lines which are located in the public right-of-way. The amount of the pipeline permit fee is based upon a base rate (adjusted for the pipe size diameter) times the per lineal feet of pipe located in the public right-of-way. Title 15 of the Municipal Code sets forth the annual base rate per lineal foot and provides for an annual consumer price index adjustment to the pipeline permit fee. For Fiscal Year 2015 the pipeline permit fee paid to the City with respect to the Sewer Enterprise was approximately \$4.45 million. The interagency payments and the pipeline permit fees paid to the City are Operation and Maintenance Costs for purposes of the Senior Indenture and therefore are payable prior to the payment of debt service on the Series 2016A Bonds.

Historical Operating Results

The following table presents the revenues and expenses of the Department, debt service on the Senior Lien Bonds and debt service coverage with respect to the Senior Lien Bonds for the past five fiscal years.

Summary of Sewer Enterprise Operating Revenues and Expenses
Fiscal Years Ended September 30, 2015
(dollars in thousands)

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Operating Revenue:					
Volumetric Charges ⁽¹⁾	\$5,774	\$6,162	\$6,303	\$6,431	\$6,241
Service Charges	9,880	10,380	10,477	10,637	10,916
Maintenance Services	86	86	86	86	86
Other	708	697	445	799	660
Total Operating Revenue	<u>\$16,448</u>	<u>\$17,325</u>	<u>\$17,311</u>	<u>\$17,953</u>	<u>\$17,903</u>
Expenses ⁽²⁾ :					
Personal Services	\$3,607	\$3,748	\$4,122	\$4,043	\$4,021
Operations and Maintenance ⁽³⁾	9,528	8,988	9,246	9,475	9,993
Total Operating Expenses	<u>\$13,135</u>	<u>\$12,737</u>	<u>\$13,368</u>	<u>\$13,518</u>	<u>\$14,014</u>
Net Operating Income	\$3,313	\$4,589	\$3,943	\$4,435	\$3,889
Net Non-Operating Income/(Expense)	<u>(\$538)</u>	<u>(\$1,161)</u>	<u>(\$761)</u>	<u>(\$434)</u>	<u>(\$208)</u>
Amount Available for Debt Service	\$2,775	\$3,428	\$3,182	\$4,001	\$3,681
Debt Service ⁽⁴⁾	\$27	\$57	\$54	\$76	\$79
Coverage	102.78x	60.14x	58.93x	52.64x	46.59x

⁽¹⁾ Volumetric Charges are reflected as “Metered Water Sales” in the Department’s audited financial statements. Amounts are net of provision for doubtful accounts expense.

⁽²⁾ Expenses exclude depreciation, amortization and other non-cash items.

⁽³⁾ Operations & Maintenance includes annual operating costs, but excludes depreciation, amortization and other non-cash activity.

⁽⁴⁾ Debt service includes interest payments only previously paid pursuant to the Credit Agreement.

Source: City of Long Beach—Water Department

For further information concerning the financial position of the Enterprise, see the audited financial statements included in Appendix A.

Projected Sewer Enterprise Operating Results and Debt Service Coverage

The estimated projected operating results (the “Projected Operating Results”) for the Sewer Enterprise for the current and next four Fiscal Years are set forth below, reflecting certain significant assumptions concerning future events and circumstances. The financial forecast represents the Department’s estimate of projected financial results of the Sewer Enterprise based upon its judgment. The Projected Operating Results reflect additional sewer rate increases, which are subject to City Council approval and satisfaction of the requirements of Proposition 218.

The assumptions set forth herein and in the footnotes to the chart below are material in the development of the Projected Operating Results, and variations in the assumptions may produce substantially different actual financial results. Actual operating results achieved during the projection period may vary from those presented in the forecast and such variations may be material and adverse. See the caption “CERTAIN INVESTMENT CONSIDERATIONS —Accuracy of Assumptions.”

**City of Long Beach Sewer Enterprise
Projected Operating Results
(dollars in thousands)**

	2016	2017	2018	2019	2020
Operating Revenue:					
Volumetric Charges ⁽¹⁾	\$6,284	\$6,535	\$6,797	\$7,069	\$7,351
Service Charges ⁽¹⁾	11,492	11,952	12,430	12,927	13,444
Maintenance Services	86	86	86	86	86
Other	405	359	359	359	359
Total Operating Revenue	<u>\$18,267</u>	<u>\$18,932</u>	<u>\$19,672</u>	<u>\$20,441</u>	<u>\$21,240</u>
Expenses ⁽²⁾ :					
Personal Services	\$3,850	\$4,329	\$4,438	\$4,549	\$4,662
Operations and Maintenance	9,890	10,182	10,257	10,332	10,407
Total Operating Expenses	<u>\$13,740</u>	<u>\$14,511</u>	<u>\$14,695</u>	<u>\$14,881</u>	<u>\$15,069</u>
Net Operating Income	\$4,527	\$4,421	\$4,977	\$5,560	\$6,171
Net Non-Operating Income/(Expense)	<u>(\$35)</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Amount Available for Debt Service	\$4,492	\$4,421	\$4,977	\$5,560	\$6,171
Debt Service ⁽³⁾	\$121	\$734	\$735	\$736	\$733
Coverage	37.12x	6.02x	6.77x	7.56x	8.42x

⁽¹⁾ Volumetric Charges are reflected as "Metered Water Sales" in the Department's audited financial statements. Amounts are net of Provision for doubtful accounts expense. Assumes 4% rate increases each year. Such increases are subject to City Council approval and Proposition 218 requirements. See "Sewer Enterprise Rates and Charges."

⁽²⁾ Expenses exclude depreciation, amortization and other non-cash items. Such increases are subject to City Council approval. Personal services increases include increases due to promotions and merit raises; does not include any increase which may result from current labor negotiations.

⁽³⁾ Preliminary; subject to change.

Source: City of Long Beach—Water Department

CERTAIN INVESTMENT CONSIDERATIONS

The ability of the Department to pay principal of and interest on the Series 2016A Bonds depends primarily upon the receipt of revenues from the Sewer Enterprise. Some of the events which could prevent the Department from receiving a sufficient amount of revenues to enable it to pay the principal of and interest on the Series 2016A Bonds are summarized below. The following description of investment considerations is not intended to be an exhaustive list associated with the purchase of the Series 2016A Bonds and the order of the investment considerations set forth below does not necessarily reflect the relative importance of the various risks.

Special Obligations

The Series 2016A Bonds are special limited obligations of the City payable solely from and secured by a pledge of and lien upon Net Revenues derived by the Board from the operations of the Sewer Enterprise and certain other funds pledged under the Senior Indenture. The Series 2016A Bonds will be issued with a pledge of and lien upon Net Revenues on parity with any additional Senior Bonds hereafter issued or incurred. Neither the Series 2016A Bonds nor the obligation to pay principal of or

interest thereon constitutes a debt of the City, the State or any of its political subdivisions within the meaning of any Constitutional limitation on indebtedness, or a pledge of the full faith and credit of the City. The Series 2016A Bonds are not secured by a pledge of the taxing power of the City. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2016A BONDS.”

Rate Covenant Not a Guarantee

The Series 2016A Bonds are payable from Net Revenues only after and subordinate to, the prior payment from Gross Revenues of Operation and Maintenance Costs of the Sewer Enterprise. “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2016A BONDS—Flow of Funds.” The City’s ability to pay the principal of and interest on the Series 2016A Bonds depends on its ability to generate Net Revenues at the levels required by the Senior Indenture. Although the City has covenanted in the Senior Indenture to impose rates, fees, and charges as more particularly described herein, and expects that sufficient revenues will be generated through the imposition and collection of such rates, fees, charges, and other revenues described herein, there is no assurance that the imposition and collection of such rates, fees, charges, and other revenues will result in the generation of Net Revenues in the amounts required by the Senior Indenture. No assurance can be made that revenues of the Sewer Enterprise, estimated or otherwise, will be realized by the Department in amounts sufficient to pay the principal of and interest on the Series 2016A Bonds. Among other matters, general and local economic conditions and changes in law and government regulations (including initiatives and moratoriums on growth) could adversely affect the amount of revenues realized by the Department. A continuation of the drought could reduce the amount of water used by residences and business in the City, which thereby could reduce Net Revenues of the Sewer Enterprise, since revenues depend in part on metered water consumption. In addition, the realization of future revenues is subject to, among other things, the capabilities of management of the Department, and the ability of the Department to establish, maintain and collect rates and charges sufficient to pay the Operation and Maintenance Costs of the Sewer Enterprise and the principal of and interest on the Series 2016A Bonds. See “THE SEWER ENTERPRISE – Sewer Enterprise Rates and Charges” herein.

Increased Costs

The actual cost of operating and maintaining the Sewer Enterprise and implementing necessary capital improvements will depend on a variety of factors, including but not limited to potential rising costs or shortages of labor or materials; the discovery of unforeseen subsurface conditions; earthquakes, floods, or other natural disasters; severe weather conditions; and other events outside of the City’s control. There can be no assurances that actual costs will not significantly exceed the costs projected by the Department. If the actual costs of operating and maintaining the Sewer Enterprise and implementing necessary capital improvements significantly exceed the costs projected by the City, then there could be a material adverse impact on the ability of the Department to generate Net Revenues in the amounts required by the Senior Indenture.

Rate-Setting Process Under Proposition 218

Proposition 218, which added Articles XIII C and XIII D to the State Constitution, affects the Department’s ability to impose future 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 Department might thereafter be unable to generate sufficient revenues to pay the principal and interest on the Series 2016A Bonds. See “THE SEWER ENTERPRISE – Sewer Enterprise Rates and Charges” herein.

The City has covenanted to fix rates and collect charges for services provided through the Sewer Enterprise at a level at least sufficient to meet its debt service requirements, as set forth under “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2016A BONDS—Rate Covenant” herein. The City believes that the current rates of the Sewer Enterprise have been imposed in compliance with Proposition 218.

Statutory and Regulatory Compliance

Laws and regulations governing the collection and disposal of sewage are enacted and promulgated by federal, state and local government agencies. Compliance with laws and regulations governing the collection and disposal of sewage may be costly, and, as more stringent standards may be enacted to protect the environment and water quality, these costs will likely increase. Existing conditions, as well as anticipated regulatory requirements, could require significant increases in capital and/or operating costs of the Department. “THE SEWER ENTERPRISE – Regulatory Compliance”.

Claims against the Sewer Enterprise for failure to comply with applicable laws and regulations could be significant. Such claims would be payable from the Sewer Enterprise Fund. In addition to claims by private parties, changes in the scope and standards for sewer systems such as the Sewer Enterprise also may lead to administrative orders issued by federal or State regulators. Future compliance with such orders can also impose substantial additional costs on the Sewer Enterprise Fund. No assurance can be given that the cost of compliance with such laws, regulations and orders would not adversely affect the ability of the Sewer Enterprise to generate revenues sufficient to pay the principal and interest on the Series 2016A Bonds.

Aging Components of Sewer Enterprise

Significant portions of the pipeline within the Sewer Enterprise are significantly older than their originally expected useful lives. There can be no assurances that this will not result in higher-than-expected pipe failures or higher-than-expected repair and replacement costs. See “THE SEWER ENTERPRISE – Existing Facilities.”

Accuracy of Assumptions

To estimate the revenues available to pay debt service on the Series 2016A Bonds, the City has made certain assumptions with regard to the rates and charges to be imposed in future years, and the expenses associated with operating the Sewer Enterprise. The Department 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 could be materially less than those projected herein. See “THE SEWER ENTERPRISE—Projected Sewer Enterprise Operating Results and Debt Service Coverage” and “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2016A BONDS —Rate Covenant.”

Impact of Water Conservation on Net Revenues

Implementation of the City’s response to State mandates relating to water conservation in response to the Statewide drought could adversely affect Net Revenues to the extent that it results in reduced water use in the City. As discussed under the caption “THE SEWER ENTERPRISE—Sewer Enterprise Rates and Charges,” a volumetric charge based on water use is a component of the Sewer Enterprise rates. Lower water usage by customers in response to drought measures adopted by the City could result in reduced water consumption and, consequently, lower Net Revenues

There can be no assurance that reduced water consumption in the City will not adversely affect Net Revenues available to pay debt service on the Series 2016A Bonds. The City has covenanted in the Senior Indenture to set rates and charges at levels sufficient to pay such debt service while the Series 2016A Bonds are outstanding. See the caption “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2016A BONDS —Rate Covenant.”

Limitations on Remedies

Upon the occurrence and continuance of an event of default under the Senior Indenture, the owners of the Series 2016A Bonds have limited remedies. Enforceability of the rights and remedies of the owners of the Series 2016A Bonds, and the obligations incurred by the City, may become subject to the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditor’s rights generally, now or hereafter in effect, equity principles which may limit the specific enforcement under State law of certain remedies, the exercise by the United States of America of the powers delegated to it by the Constitution, the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose, and the limitations on remedies against counties in the State. Bankruptcy proceedings, or the exercise of powers by the Federal or State government, if initiated, could subject the owners of the Series 2016A Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise and consequently may entail risks of delay, limitation, or modification of their rights.

LITIGATION

No Litigation Relating to the Series 2016A Bonds

There is no action, suit or proceeding known to be pending or threatened, restraining or enjoining the issuance, sale, execution, or delivery of the Series 2016A Bonds or in any way contesting or affecting the validity of the Series 2016A Bonds or any proceedings of the City or the Board taken with respect to the issuance or sale thereof, or the power of the Department to collect the Net Revenues pledged to the payment of the Series 2016A Bonds.

Litigation Relating to the Department and the Sewer Enterprise

While there are litigation matters pending against the City related to the Department and the Sewer Enterprise, these claims and suits are of a nature usually incident to the operation of the Sewer Enterprise and, in the aggregate, in the opinion of City and Department management, based upon the advice of the Office of the City Attorney, will not have a material adverse effect on the Net Revenues or financial condition of the Sewer Enterprise. [[CONFIRM]]

CERTAIN LEGAL MATTERS

The validity of the Series 2016A Bonds and certain other legal matters are subject to the approving opinion of Norton Rose Fulbright US LLP, Bond Counsel to the City. A complete copy of the proposed form of Bond Counsel’s opinion is contained in Appendix D attached hereto. Bond Counsel has not undertaken any responsibility for the accuracy, completeness or fairness of this Official Statement or other offering materials relating to the Series 2016A Bonds and expresses no opinion relating thereto. Certain legal matters in connection with the Series 2016A Bonds will be passed upon for the City by the Office of the City Attorney of the City. Certain legal matters in connection with this Official Statement will be passed upon for the City by Stradling Yocca Carlson & Rauth, a Professional Corporation, Disclosure Counsel to the City. Certain legal matters will be passed upon for the Underwriter by Kutak

Rock LLP. All of the fees of Bond Counsel and Disclosure Counsel with regard to the issuance of the Series 2016A Bonds are contingent upon the issuance and delivery of the Series 2016A Bonds.

TAX MATTERS

The Internal Revenue Code of 1986 (the “Code”) imposes certain requirements that must be met subsequent to the issuance and delivery of the Series 2016A Bonds for interest thereon to be and remain excluded from the gross income of the owners thereof for federal income tax purposes. Noncompliance with such requirements could cause the interest on the Series 2016A Bonds to be included in the gross income of the owners thereof for federal income tax purposes retroactive to the date of issue of the Series 2016A Bonds. The Board, acting on its own behalf and on behalf of the City, has covenanted in the Master Senior Indenture not to take any action or omit to take any action that, if taken or omitted, respectively, would adversely affect the exclusion of the interest on the Series 2016A Bonds from the gross income of the owners thereof for federal income tax purposes.

In the opinion of Norton Rose Fulbright US LLP, Los Angeles, California, Bond Counsel to the City, under existing law, interest on the Series 2016A Bonds is exempt from personal income taxes of the State of California and, assuming compliance with the aforementioned covenants, interest on the Series 2016A Bonds is excludable from the gross income of the owners thereof for federal income tax purposes. Bond Counsel is of the further opinion that interest on the Series 2016A Bonds is not treated as an item of tax preference for purposes of computing the alternative minimum tax on individuals and corporations. The receipt or accrual of interest on the Series 2016A Bonds, however, owned by a corporation may affect the computation of its alternative minimum taxable income and, thus, its alternative minimum tax liability. In rendering the foregoing opinions, Bond Counsel will rely upon representations and certifications of the Board, and of others, made in certificates dated the date of delivery of the Series 2016A Bonds pertaining to the use, expenditure, and investment of the proceeds of the Series 2016A Bonds.

The initial public offering price of certain Series 2016A Bonds (the “Discount Bonds”) may be less than the amount payable on such Series 2016A Bonds at maturity. An amount equal to the difference between the initial public offering price of a Discount Bond (assuming that a substantial amount of the Discount Bonds of that maturity are sold to the public at such price) and the amount payable at maturity of such Discount Bond constitutes original issue discount to the initial purchaser of such Discount Bond. To the extent it has accrued, such original issue discount will be treated as interest excludable from gross income for federal income tax purposes, subject to the same terms and conditions as those for other interest on the Series 2016A Bonds described above, and will increase the initial purchaser’s adjusted basis in such Discount Bond, affecting such purchaser’s gain or loss upon the sale or other disposition of such Discount Bond. Original issue discount will accrue actuarially in accordance with the constant interest method over the life of a Discount Bond, taking into account the semiannual compounding of accrued interest, at the yield to maturity on such Discount Bond, and generally will be allocated to an initial purchaser in a different amount from the amount of the payment denominated as interest actually received by the initial purchaser during its tax year.

The purchase price of certain Series 2016A Bonds (the “Premium Bonds”) paid by an owner may be greater than the amount payable on such Bonds at maturity. An amount equal to the excess of a purchaser’s tax basis in a Premium Bond over the amount payable at maturity constitutes bond premium to such purchaser. The basis for federal income tax purposes of a Premium Bond in the hands of such purchaser must be reduced each year by such bond premium, but no federal income tax deduction is allowed as a result of such reduction in basis for bond premium. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other disposition of a Premium Bond. The amount of premium that is amortizable each

year by a purchaser is determined by using such purchaser's yield to maturity (or, in some cases with respect to a callable bond, the yield based on the call date that results in the lowest yield on the bond). Purchasers of Premium Bonds should consult with their own tax advisors with respect to the determination of bond premium on Premium Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Premium Bonds.

Bond Counsel has not undertaken to advise whether events after the date of issuance of the Series 2016A Bonds may affect the tax status of interest on the Series 2016A Bonds or the tax consequences of the ownership of, or the receipt or accrual of interest on, the Series 2016A Bonds. No assurance can be given that pending or future legislation, or amendments to the Code, if enacted into law, or any proposed legislation or amendments to the Code, will not contain provisions that could directly or indirectly reduce the benefit of the exemption of interest on the Series 2016A Bonds from personal income taxation by the State of California or of the exclusion of the interest on the Series 2016A Bonds from the gross income of the owners thereof for federal income tax purposes. Except as described above, Bond Counsel expresses no other opinion with respect to any other federal, state or local tax consequences under present law, or proposed legislation, resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Series 2016A Bonds. Furthermore, Bond Counsel expresses no opinion as to any federal, state or local tax law consequences with respect to the Series 2016A Bonds, or the interest thereon, if any action is taken with respect to the Series 2016A Bonds or the proceeds thereof upon the advice or approval of other counsel.

Although Bond Counsel is of the opinion that interest on the Series 2016A Bonds is exempt from California personal income tax and that interest on the Series 2016A Bonds is excluded from the gross income of the owners thereof for federal income tax purposes, an owner's federal, state or local tax liability may otherwise be affected by the ownership or disposition of such owner's Series 2016A Bonds. The nature and extent of these other tax consequences will depend upon the owner's other items of income or deduction. Prospective purchasers of the Series 2016A Bonds should be aware that the ownership of tax-exempt obligations such as the Series 2016A Bonds may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a financial asset securitization investment trust, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

Bond Counsel's opinion is not a guarantee of a result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the covenants of the Board described above. No ruling has been sought from the Internal Revenue Service (the "Service") with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel's opinion is not binding on the Service. The Service has an ongoing program of auditing the tax-exempt status of the interest on municipal obligations. If an audit of the Series 2016A Bonds is commenced, under current procedures the Service is likely to treat the City as the "taxpayer," and the owners of the Series 2016A Bonds would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Series 2016A Bonds, the City may have different or conflicting interests from the owners of the Series 2016A Bonds. Public awareness of any future audit of the Series 2016A Bonds could adversely affect the value and liquidity of the Series 2016A Bonds during the pendency of the audit, regardless of the ultimate outcome.

Existing law may change so as to reduce or eliminate the benefit to holders of the Series 2016A Bonds of the exclusion of interest thereon from gross income for federal income tax purposes. Proposed legislative or administrative action, whether or not taken, could also affect the value and marketability of the Series 2016A Bonds. Prospective purchasers of the Series 2016A Bonds should consult with their own tax advisors with respect to any proposed changes in tax law.

A copy of the form of opinion of Bond Counsel relating to the Series 2016A Bonds is included in Appendix [D].

RATINGS

S&P Global Ratings, a Standard & Poor's Financial Services LLC business ("S&P"), has assigned the Series 2016A Bonds ratings of "___." Such credit rating reflects only the view of such organization and any desired explanation of the meaning and significance of such credit rating, including the methodology used and any outlook thereon, should be obtained from S&P. Generally, a rating agency bases its credit rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that the rating will remain in effect for any given period of time or that any such rating will not be revised, either downward or upward, or withdrawn entirely, or a positive, negative or stable outlook announced, if, in its judgment, circumstances so warrant. Any downward revision or withdrawal or announcement of negative outlook could have an adverse effect on the market price of the Series 2016A Bonds. Maintenance of the rating will require periodic review of current financial data and other updating information by S&P.

CONTINUING DISCLOSURE

At the time of issuance of the Series 2016A Bonds, the Board, acting on its own behalf and on behalf of the City, will execute a Continuing Disclosure Certificate (the "Continuing Disclosure Certificate"), which will provide for disclosure obligations on the part of the Board. Under the Continuing Disclosure Certificate, the Board will covenant for the benefit of Owners and Beneficial Owners of the Series 2016A Bonds to provide certain financial information and operating data relating to Sewer Enterprise by not later than 210 days after the end of the prior fiscal year (the "Annual Reports"), and to provide notices of the occurrence of certain enumerated events (the "Listed Events"). The Annual Reports and the notices of Listed Events will be filed with the MSRB through its EMMA System. Currently the Department's Annual Report is filed as part of the City's required continuing disclosure filings. See "APPENDIX F—FORM OF CONTINUING DISCLOSURE CERTIFICATE." These covenants will be made in order to assist the underwriter for the Series 2016A Bonds in complying with Rule 15c2-12. The City has not failed in the previous five years to comply in all material respects with any previous undertakings with regard to the Rule to provide annual reports or notices of enumerated events.

UNDERWRITING

The Board has entered into a bond purchase agreement (the "Bond Purchase Agreement") with Morgan Stanley & Co. LLC as underwriter for the Series 2016A Bonds (the "Underwriter"), pursuant to which the Underwriter agrees, subject to certain conditions, to purchase the Series 2016A Bonds from the City at a purchase price of \$_____, which represents the aggregate principal amount of the Series 2016A Bonds of \$_____, plus an original issue premium of \$_____, less an Underwriter's discount of \$_____. The Bond Purchase Agreement provides that the Underwriter will purchase all of the Series 2016A Bonds if any of the Series 2016A Bonds are purchased, and that the obligation to make such purchase is subject to certain terms and conditions set forth in the Bond Purchase Agreement including, among others, the approval of certain legal matters by counsel. The initial public offering

prices or yields of the Series 2016A Bonds may be changed from time to time by the Underwriter. The Underwriter may offer and sell the Series 2016A Bonds into unit investment trusts or money market funds at prices lower than the public offering prices stated on the inside front cover hereof.

The Underwriter has provided the following paragraph for inclusion on the Official Statement:

Morgan Stanley, parent company of Morgan Stanley & Co. LLC, has entered into a retail distribution arrangement with its affiliate Morgan Stanley Smith Barney LLC. As part of the distribution arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Series 2016A Bonds.

MUNICIPAL ADVISOR

KNN Public Finance, LLC (the “Municipal Advisor”) has assisted the City with various matters relating to the planning, structuring and delivery of the Series 2016A Bonds. The Municipal Advisor has not been engaged, nor have they undertaken, to make an independent verification or assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement. The Municipal Advisor is an independent financial advisory firm and is not engaged in the business of underwriting or distributing municipal securities or other public securities.

INDEPENDENT AUDITORS

The financial statements of the Water Department as of September 30, 2015, and for the years then ended, are included in this Official Statement as Appendix A. These financial statements have been audited by KPMG LLP, independent auditors, as stated in their report appearing therein. KPMG LLP was not requested to consent to the inclusion of its report in Appendix A and it has not undertaken to update its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by KPMG LLP with respect to any event subsequent to the date of its report.

MISCELLANEOUS

The summaries of and references to all documents, statutes, reports and other instruments referred to herein do not purport to be complete, comprehensive, or definitive and each such summary and reference is qualified in its entirety by reference to each document, statute, report, or instrument.

The Board has authorized the execution and delivery of this Official Statement by an authorized signatory of the Department.

BOARD OF WATER COMMISSIONS OF THE CITY
OF LONG BEACH, acting on its own behalf and on
behalf of the City of Long Beach

By _____
General Manager,
City of Long Beach Water Department

APPENDIX A
COMPREHENSIVE ANNUAL FINANCIAL REPORT OF LONG BEACH WATER
DEPARTMENT FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015

**APPENDIX B
DEMOGRAPHIC AND ECONOMIC INFORMATION FOR
THE CITY OF LONG BEACH**

[USE APPENDIX A FROM GENERAL FUND FINANCING]

APPENDIX C
CERTAIN DEFINITIONS AND SUMMARY OF THE SENIOR INDENTURE

APPENDIX D
PROPOSED FORM OF BOND COUNSEL OPINION

APPENDIX E BOOK-ENTRY-ONLY SYSTEM

The information in this Appendix F under the caption “General” concerning The Depository Trust Company, New York, New York (“DTC”), and DTC’s book-entry system has been obtained from DTC and the City takes no responsibility for the completeness or accuracy thereof. The City does not give any assurances that DTC, Direct Participants (as defined below) or Indirect Participants (as defined below) will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Series 2016A Bonds, (b) certificates representing ownership interest in or other confirmation of ownership interest in the Series 2016A Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Series 2016A Bonds, or that they will do so on a timely basis, or that DTC, Direct Participants or Indirect Participants will act in the manner described in this Appendix F. The City is not responsible or liable for the failure of DTC or any DTC Direct or Indirect Participant to make any payment or give any notice to a Beneficial Owner with respect to the Series 2016A Bonds or an error or delay relating thereto. The current “Rules” applicable to DTC are on file with the Securities and Exchange Commission and the current “Procedures” of DTC to be followed in dealing with DTC’s Direct and Indirect Participants are on file with DTC.

General

DTC will act as securities depository for the Series 2016A Bonds. The Series 2016A Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of each Series of the Series 2016A Bonds, in the aggregate principal amount of such maturity and Series, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to DTC’s Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. The information on such web site is not incorporated herein by reference.

Purchases of Series 2016A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2016A Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series 2016A Bond (“Beneficial Owner”) is in turn to be

recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2016A Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2016A Bonds, except in the event that use of the book-entry system for the Series 2016A Bonds is discontinued.

To facilitate subsequent transfers, all Series 2016A 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 Series 2016A 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 Series 2016A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2016A Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Series 2016A Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2016A Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of the Series 2016A Bonds may wish to ascertain that the nominee holding the Series 2016A 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 Series 2016A Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2016A 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 Authority 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 Series 2016A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal of, premium, if any, and interest on the Series 2016A 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 nor its nominee or the Trustee, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of such principal, premium, if any, and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or 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.

DTC may discontinue providing its services as depository with respect to the Series 2016A 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, Series 2016A Bond certificates are required to be printed and delivered as described in the Indenture.

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, certificates will be printed and delivered and the provisions of the Senior Indenture will apply.

APPENDIX F
FORM OF CONTINUING DISCLOSURE CERTIFICATE

This **Agreement of Removal, Appointment and Acceptance** (this “Agreement”) by and among the **Board of Water Commissioners of the City of Long Beach** (the “Issuer”), **U.S. Bank National Association**, a national banking association (the “Prior Trustee”), and **The Bank of New York Mellon Trust Company, N.A.**, a national banking association duly organized and existing under the laws of the United States (the “Successor Trustee”), is dated as of September 5, 2016.

RECITALS:

WHEREAS, the Issuer and the Prior Trustee entered into Master Senior Trust Indenture dated as of June 1, 2009 for the Sewer Revenue Fund (the “Master Indenture”), a First Supplemental Senior Trust Indenture dated as of June 1, 2009 (the “First Supplemental Indenture”) and a Second Supplemental Senior Trust Indenture dated May 1, 2011 (the “Second Supplemental Indenture”) and collectively referred to as (the “Indentures”).

WHEREAS, the Issuer desires to remove the Prior Trustee from the trusts created pursuant to the Indentures and the Issuer desires to appoint the Successor Trustee as trustee to succeed the Prior Trustee under the Indentures; and

WHEREAS, the Successor Trustee is willing to accept such appointment as successor trustee under the Indentures.

NOW, THEREFORE, the Issuer, the Prior Trustee and the Successor Trustee, for and in consideration of the premises and of other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, hereby consent and agree as follows:

ARTICLE I

THE PRIOR TRUSTEE

SECTION 1.01. Pursuant to Section 9.09 of the Master Indenture, the Issuer hereby notifies the Prior Trustee that it is being removed as trustee under the Indentures effective as of September 5, 2016, (the “Effective Date”).

SECTION 1.02. The Prior Trustee hereby assigns, transfers, delivers and confirms to the Successor Trustee all the right, title, and interest of the Prior Trustee in and to the trusts under the Indentures and all the estates, properties, rights, powers, trusts, duties and obligations of the Trustee under the Indentures. The Prior Trustee shall execute and deliver such further instruments and shall do such other things as the Successor Trustee or the Issuer may reasonably require so as to more fully and certainly vest and confirm in the Successor Trustee all the estates, properties, rights, powers, trusts, duties and obligations hereby assigned, transferred, delivered and confirmed to the Successor Trustee as trustee.

Further, the Prior Trustee hereby represents and warrants to the Issuer and the Successor Trustee that:

- (a) No covenant or condition contained in the Indentures has been waived by the Prior Trustee or, to the best of the knowledge of the Prior Trustee, by the holders of the percentage in aggregate principal amount of the Bonds required by the Indentures to effect any such waiver;
- (b) There is no action, suit or proceeding pending or, to the best of the knowledge of the Prior Trustee, threatened against the Prior Trustee before any court or any governmental

authority arising out of any action or omission by the Prior Trustee as trustee under the Indentures;

- (c) As of the Effective Date of this Agreement, the Prior Trustee will hold no moneys or property under the Indentures;
- (d) This Agreement has been duly authorized, executed and delivered on behalf of the Prior Trustee and, assuming the due authorization, execution and delivery hereof by the Issuer and the Successor Trustee, constitutes its legal, valid and binding obligation; and
- (e) To the best of the knowledge of the Prior Trustee, no event has occurred and is continuing which is, or after notice or lapse of time would become, an Event of Default under Section 8.01 of the Master Indenture.

SECTION 1.03. The Prior Trustee shall deliver to the Successor Trustee, as of or promptly following the Effective Date, all of the documents in its possession listed on **Exhibit A** hereto, including any such documents needed by the Successor Trustee in relation to the Bonds which are not listed on **Exhibit A** hereto.

ARTICLE II

THE ISSUER

SECTION 2.01. The Issuer hereby removes the Prior Trustee as trustee under the Indentures. All conditions relating to the appointment of The Bank of New York Mellon Trust Company, N.A. as Successor Trustee under the Indentures have been met by the Issuer, and the Issuer hereby appoints the Successor Trustee as trustee under the Indentures with like effect as if originally named as trustee in the Indentures.

SECTION 2.02. The officer of the Issuer executing this Agreement on behalf of the Issuer hereby certifies that the Issuer has the power and authority to: (a) remove the Prior Trustee as trustee under the Indentures; (b) appoint the Successor Trustee as trustee under the Indentures; and (c) execute and deliver such agreements and other instruments as may be necessary or desirable to effectuate the removal of the Prior Trustee and the succession of the Successor Trustee as trustee under the Indentures.

SECTION 2.03. The Issuer hereby represents and warrants to the Prior Trustee and the Successor Trustee that:

- (a) the Issuer is a commission existing under the Charter of the City of Long Beach, duly and validly organized and existing pursuant to the laws of the State of California;
- (b) this Agreement has been duly and validly authorized, executed and delivered by the Issuer and, assuming the due authorization, execution and delivery hereof by the Prior Trustee and the Successor Trustee, constitutes a legal, valid and binding obligation of the Issuer;
- (c) the Issuer has not appointed any trustee other than the Prior Trustee and its predecessors; and
- (d) the Issuer will continue to perform its obligations under the Indentures.

ARTICLE III

THE SUCCESSOR TRUSTEE

SECTION 3.01. The Successor Trustee hereby represents and warrants to the Prior Trustee and to the Issuer that:

- (a) the Successor Trustee is qualified and eligible under the provisions of Section 9.08 of the Indenture to be appointed successor trustee and has full power and authority to execute and deliver this Agreement and to perform its obligations hereunder; and
- (b) this Agreement has been duly and validly authorized, executed and delivered by the Successor Trustee and, assuming the due authorization, execution and delivery hereof by the Issuer and the Prior Trustee, constitutes a legal, valid and binding obligation of the Successor Trustee.

SECTION 3.02. The Successor Trustee hereby accepts its appointment as successor trustee under the Indentures and accepts the estates, properties, rights, powers, trusts, duties and obligations of the Prior Trustee as trustee under the Indenture, upon the terms and conditions set forth therein, with like effect as if originally named as trustee under the Indentures.

ARTICLE IV

MISCELLANEOUS

SECTION 4.01. This Agreement and the resignation, appointment and acceptance effected hereby shall be effective as of the opening of business on the Effective Date.

SECTION 4.02. This Agreement shall be governed by and construed in accordance with the laws governing the Indentures, and except as otherwise expressly provided herein or unless the context otherwise requires, all terms used herein which are defined in the Indentures shall have the meaning assigned to them in the Indentures.

SECTION 4.03. Notwithstanding the resignation of the Prior Trustee effected hereby, the Issuer shall remain obligated under Section 9.07 of the Master Indenture to compensate, reimburse and indemnify the Prior Trustee in connection with its trusteeship under the Indentures.

SECTION 4.04. The parties hereto agree that this Agreement does not constitute (a) an assumption by the Successor Trustee of any liability of the Prior Trustee arising out of any actions or inaction by the Prior Trustee under the Indentures or (b) an assumption by the Prior Trustee of any liability of the Successor Trustee arising out of any actions or inaction by the Successor Trustee under the Master Indenture.

SECTION 4.05. This Agreement may be executed in any number of counterparts each of which shall be an original, but such counterparts shall together constitute but one and the same instrument.

SECTION 4.06. The Issuer, the Prior Trustee and the Successor Trustee hereby acknowledge receipt of an executed and acknowledged counterpart of this Agreement and the effectiveness thereof.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement of Removal, Appointment and Acceptance to be duly executed and acknowledged all as of the day and year first above written.

**Board of Water Commissioners of the City of
Long Beach, as Issuer**

By: _____
Name:
Title:

U.S. Bank National Association, as Prior Trustee

By: _____
Name:
Title:

**The Bank of New York Mellon Trust Company, N.A.,
as Successor Trustee**

By: _____
Name:
Title:

Exhibit A

Documents to be delivered to Successor Trustee (to the extent within the possession of the Prior Trustee), which documents may be in electronic form:

1. File of original closing documents under the Indentures.
2. Copies of any notices sent by the Prior Trustee to the Issuer which are not otherwise publicly available.
3. Any moneys, property or collateral held in relation to the Bonds.
4. Copies of the most current compliance items either received or sent by Prior Trustee
5. List of any documents, which, to the knowledge of the Prior Trustee, have not been furnished to the Prior Trustee, or if none, a statement to that effect.

BOND PURCHASE AGREEMENT

 \$[PAR]
 City of Long Beach, California
 Senior Sewer Revenue Refunding Bonds
 Series 2016A

 August [__], 2016

Board of Water Commissioners
 of the City of Long Beach
1800 East Wardlow Road
Long Beach, CA 90807

Ladies and Gentlemen:

The undersigned, Morgan Stanley & Co. LLC (the “*Underwriter*”), hereby offers to enter into this Bond Purchase Agreement (this “*Bond Purchase Agreement*”) with the Board of Water Commissioners of the City of Long Beach (the “*Board*”), on its own behalf and on behalf of the City of Long Beach (the “*City*”), which upon acceptance of this offer by the Board, will be binding upon the Board and the Underwriter. This offer is made subject to the written acceptance of this Bond Purchase Agreement by the Board and the delivery of such acceptance to the Underwriter at or prior to 6:00 p.m., Los Angeles time, on the date hereof and, if not so accepted, will be subject to withdrawal by the Underwriter upon written notice to the Board at any time prior to acceptance hereof by the Board.

The Board acknowledges and agrees that (i) the purchase and sale of the Bonds (as hereinafter defined) pursuant to this Bond Purchase Agreement is an arm’s-length commercial transaction between the Board and the Underwriter, and that the Underwriter has financial and other interests that differ from those of the Board, (ii) in connection therewith and with the discussions, undertakings and procedures leading up to the consummation of such transaction, the Underwriter is and has been acting solely as a principal and is not acting as the agent, fiduciary, financial advisor or municipal advisor of the Board, (iii) the Underwriter has not assumed an advisory or fiduciary responsibility in favor of the Board with respect to the offering contemplated hereby or the discussions, undertakings and procedures leading thereto (irrespective of whether the Underwriter has provided other services or is currently providing other services to the Board on other matters) and the Underwriter has no obligation to the Board with respect to the offering contemplated hereby except the obligations expressly set forth in this Bond Purchase Agreement and (iv) the Board has consulted its own legal, financial and other advisors to the extent it has deemed appropriate.

Section 1. Purchase and Sale of Bonds.

(a) Subject to the conditions, and upon the basis of the representations, warranties and covenants hereinafter set forth, the Underwriter hereby agrees to purchase from the Board, and the Board hereby agrees to sell to the Underwriter, all (but not less than all) of the \$[PAR] aggregate principal amount of City of Long Beach, California

Senior Sewer Revenue Refunding Bonds, Series 2016A (the “**Bonds**”) at a price of \$[_____] (which price is equal to the aggregate principal amount of the Bonds, [plus] [net] original issue [premium] of \$[_____] and less an Underwriter’s discount of \$[_____]).

The Bonds are being issued pursuant to the Charter of the City (the “**City Charter**”), Chapter 3.52 et seq. of the Long Beach Municipal Code, certain provisions of the Revenue Bond Law of 1941, Section 54300, et seq., of the Government Code of the State of California, the Master Senior Trust Indenture, dated as of June 1, 2009, as amended (the “**Master Senior Indenture**”), by and between the Board, acting on its own behalf and on behalf of the City, and The Bank of New York Mellon Trust Company, N.A., as successor trustee (the “**Trustee**”), and the Third Supplemental Senior Trust Indenture, dated as of September 1, 2016, (the “**Third Supplemental Senior Indenture**,” and together with the Master Senior Indenture, the “**Senior Indenture**”) by and between the Board, acting on its own behalf and on behalf of the City, and the Trustee. The Bonds are being issued for the purpose of refunding on a current basis all of the \$11,500,000 principal balance currently outstanding under the Credit Agreement, dated as of May 1, 2011 (the “**Credit Agreement**”), by and between the Board and Wells Fargo Bank, National Association (“**Wells Fargo**”). Additionally, a portion of the Bond proceeds will be used to pay the costs of issuance related to the sale and delivery of the Bonds.

The Senior Indenture, that certain Continuing Disclosure Certificate, executed by the Board and dated September [___], 2016 (the “**Continuing Disclosure Certificate**”), and this Bond Purchase Agreement are referred to herein collectively as the “**Financing Agreements**.” All capitalized terms used and not defined herein shall have the meanings assigned to such terms in the Senior Indenture.

(b) The Bonds shall be dated their date of delivery, and shall mature on the dates and bear interest at the rates per annum, and shall be subject to redemption, all as set forth in Schedule A attached hereto. As provided in the Senior Indenture, the Bonds shall be special limited obligations of the City payable solely from and secured by a pledge of the Net Revenues of the Enterprise (as such terms are defined in the Master Senior Indenture) and amounts on deposit in certain funds and accounts held under the Senior Indenture, as provided therein. The Bonds shall be substantially in the form described in, and shall be issued as Bonds for the purposes set forth in, the City Charter and the Senior Indenture, and that such Bonds be payable from and secured by Net Revenues and certain other funds pledged thereto. The Bonds will not be, and shall not represent or constitute, a debt of the City within the meaning of any constitutional limitation on indebtedness and neither the full faith and credit nor the taxing power of the City will be pledged to the payment of the principal of or interest on the Bonds.

(c) The Board hereby ratifies, confirms and approves the use and distribution by the Underwriter prior to the date hereof of the Preliminary Official Statement relating to the Bonds, dated August [___], 2016 (which, including the cover page, inside cover page and all appendices thereto, all documents and information incorporated therein by reference and all amendments and supplements thereto prior to the execution hereof is

referred to herein as the “*Preliminary Official Statement*”) in connection with the marketing of the Bonds. The Board hereby represents that the Preliminary Official Statement previously furnished to the Underwriter was and is hereby “deemed final” by the Board as of its date for purposes of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 (the “*Rule*”), except for the omission of offering prices, interest rates, selling compensation, aggregate principal amount, principal amount per maturity, dates of mandatory sinking fund payments, delivery dates, ratings, and any other terms of the Bonds as permitted and specified in the Rule.

(d) The Board hereby agrees to deliver or to cause to be delivered to the Underwriter the Official Statement, dated the date hereof (which, including the cover page, inside cover page and all appendices thereto, and as disseminated in its printed physical form or in electronic form in all respects materially consistent with such physical form, is referred to herein as the “*Official Statement*”), in “designated electronic format” (as defined in Rule G-32 of the Municipal Securities Rulemaking Board (the “*MSRB*”)) and to deliver as many conformed, printed copies of the Official Statement as the Underwriter shall reasonably request, to such addresses as the Underwriter shall specify, to enable the Underwriter to comply with the obligations of the Underwriter pursuant to the Rule, MSRB Rule G-32 and all other applicable rules of the MSRB. The Board agrees to deliver or cause to be delivered such Official Statements within seven business days after the execution hereof, but in any event at least two business days prior to Closing Date. The Board also agrees that if the Official Statement is amended or supplemented after the date hereof, the Board will deliver or cause to be delivered to the Underwriter as many copies of such amendment or supplement as the Underwriter shall request to comply with the rules of the MSRB. The Underwriter agrees to file the Official Statement (including the Official Statement as it may be amended or supplemented and provided to the Underwriter) with the MSRB through its Electronic Municipal Market Access system within one business day after receipt from the Board, but in no event later than the Closing Date. The Preliminary Official Statement and/or the Official Statement may be delivered in printed and/or electronic form to the extent permitted by applicable rules of the MSRB and as may be agreed by the Board and the Underwriter. The Official Statement shall be in the form of the Preliminary Official Statement, with such changes as are necessary to reflect the sale of the Bonds or are approved by the Underwriter. The Board hereby approves of the use and distribution by the Underwriter of the Official Statement (including all amendments and supplements thereto) in connection with the offer and sale of the Bonds.

(e) The Underwriter agrees to make a bona fide public offering of all the Bonds at prices not in excess of the respective initial public offering prices or at yields not lower than the initial public offering yields set forth in the Official Statement. The Underwriter reserves the right to (i) overallot or effect transactions which stabilize or maintain the market prices or yields of the Bonds at levels above those which might otherwise prevail in the open market; and (ii) discontinue such stabilizing, if commenced, at any time without prior notice.

(f) The Board authorizes the Underwriter to use copies of the Preliminary Official Statement and the Official Statement and copies of the forms of the Senior

Indenture and the Continuing Disclosure Certificate, and any supplements or amendments thereto, and the information contained in each of such documents, in connection with the public offering and sale of the Bonds.

(g) Between the date of this Bond Purchase Agreement and the date which is 25 days following the End of the Underwriting Period, as defined in the Rule (the “**End of the Underwriting Period**”), (i) the Board shall not supplement or amend the Official Statement or cause the Official Statement to be supplemented or amended without the prior written notice to the Underwriter; and (ii) if any event shall occur which might or would cause the Official Statement, as then supplemented or amended, to contain any untrue statement of a material fact or to omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, the Board shall promptly notify the Underwriter, and if in the opinion of the Underwriter or the Board such event requires the preparation and publication of a supplement or amendment to the Official Statement, the Board will at its expense supplement or amend the Official Statement in a form and in a manner so that the Official Statement, as so supplemented or amended, does not, contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; and the Board and the Underwriter agree that the End of the Underwriting Period shall be the time of the Closing unless the Underwriter gives notice to the Board that an Underwriter retains an unsold balance of Bonds, in which case the End of the Underwriting Period shall be the first date as of which no Underwriter retains an unsold balance of the Bonds. The Underwriter agrees to promptly notify the Board of such date.

(h) The Board will undertake, pursuant to the Senior Indenture and the Continuing Disclosure Certificate, to provide, or cause to be provided, certain annual financial information and notices of the occurrence of certain enumerated events. A description of this undertaking is set forth in the Preliminary Official Statement and will also be set forth in the Official Statement.

Section 2. Closing. At 8:00 a.m., California time, September [___], 2016, or at such other time on such earlier or later date as shall have been mutually agreed upon by the Board and the Underwriter (the “**Closing**” or the “**Closing Date**”), the Board will deliver the Bonds to the Underwriter through the facilities of The Depository Trust Company (“**DTC**”) in New York, New York. Physical delivery of the Bonds shall be made to the Trustee, as agent for DTC under the Fast Automated Securities Transfer System, and the Underwriter will accept such delivery and pay the purchase price of such Bonds as set forth in Section 1 hereof by federal funds wire. The consummation of the purchase and delivery of such Bonds as aforesaid shall be made at the offices of Norton Rose Fulbright US LLP, Bond Counsel (“**Bond Counsel**”) in Los Angeles, California, or at such other place as shall be agreed upon by the Board and the Underwriter.

The Bonds shall be executed, authenticated and delivered under and in accordance with the provisions of this Bond Purchase Agreement and the Senior Indenture. The Bonds shall be in definitive form, shall bear CUSIP numbers, and shall be fully registered bonds, registered in the name of Cede & Co., as nominee for DTC, with one bond for each maturity of the Bonds in the principal amount of such maturity.

Section 3. Representations of the Underwriter and the Board.

(a) The Underwriter hereby represents that it has full power and authority to enter into this Bond Purchase Agreement, that the execution, delivery and performance of this Bond Purchase Agreement and the purchase of the Bonds contemplated herein have been duly authorized by the Underwriter, and that this Bond Purchase Agreement, upon due authorization, execution and delivery by the Board, will be a valid and binding obligation of the Underwriter.

(b) The Board hereby represents as follows:

(i) the City is a charter city and municipal corporation duly organized and existing pursuant to the Constitution and laws of the State of California and the City Council of the City, by resolution (the “*City Council Resolution*”), has duly approved the issuance of the Bonds by the Board;

(ii) the Board is a commission existing under the City Charter and has all necessary power and authority to enter into and perform its duties under the Financing Agreements;

(iii) the Board has, on or before the date hereof, duly adopted a resolution authorizing the issuance of the Bonds (the “*Board Resolution*,” and together with the City Council Resolution, the “*Resolutions*”) and taken all action necessary to be taken by it prior to such date for (A) the issuance, sale and delivery of the Bonds upon the terms and conditions and for the purposes described herein, in the Senior Indenture and in the Official Statement; (B) the execution and delivery of the Financing Agreements and performance of its obligations thereunder; (C) the authorization of the distribution of the Preliminary Official Statement and the approval, execution, delivery and distribution of the Official Statement; and (D) the carrying out of, giving effect to, consummating and performing the transactions and obligations contemplated to be performed by it by the Financing Agreements and by the Official Statement, provided that no representation is made with respect to compliance with the securities or “blue sky” laws of the various states of the United States, and such resolution has not been amended, modified or repealed and is in full force and effect on the date hereof;

(iv) the delivery of the Preliminary Official Statement and the execution and delivery by the Board of the Financing Agreements and the Official Statement, the compliance by it with the terms, conditions or provisions hereof and thereof, and the consummation on its part of the transactions herein and therein contemplated do not and will not, in any respect material for the performance by the Board of its obligations under the Financing Agreements, conflict with or constitute a breach of or a default under nor contravene any law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Board is a party or is otherwise subject, nor does any such execution, delivery, adoption or compliance

result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the properties or assets of the Board under any such law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, deed of trust, resolution, agreement or other instrument in any respect material to the performance by the Board of its obligations under the Financing Agreements, except as provided in the Financing Agreements;

(v) except as may be required under “blue sky” or other securities laws of any state, there is no consent, approval, authorization or other order of, or filing with, or certification by, any regulatory authority having jurisdiction over the Board required for the execution, delivery and sale of the Bonds or the consummation by the Board of the transactions contemplated by the Financing Agreements or the Official Statement, which has not been duly obtained or made on or prior to the date hereof;

(vi) except as described in the Official Statement, there is no action, suit, proceeding, inquiry or investigation before or by any court, public board or body pending against or, to the best knowledge of the Board, threatened against or affecting the Board wherein an unfavorable decision, ruling or finding would adversely affect (A) the validity or enforceability of, or the authority or ability of the Board to perform its obligations under, the Financing Agreements; or (B) the transactions contemplated to be performed by it under the Financing Agreements or by the Official Statement;

(vii) the Board is not in default as to the payment of principal or interest with respect to an obligation issued or incurred by the Board on its own behalf or on behalf of the City;

(viii) the Board will cooperate with the Underwriter in the qualification of the Bonds for offering and sale and the determination of the eligibility of the Bonds for investment under the laws of such jurisdictions as the Underwriter shall designate, and will use its best efforts to continue such qualification in effect so long as required for the distribution of the Bonds by the Underwriter, provided that the Board shall not be required to take any action which would subject it to service of process or to register as a foreign corporation in any jurisdiction where it is not now so subject (and it is understood that the Board is not responsible for compliance with or the consequences of failure to comply with applicable “blue sky” laws);

(ix) as of its date and the date hereof, the Preliminary Official Statement (excluding information concerning DTC and the book-entry system and any information provided by the Underwriter for inclusion therein under the caption “UNDERWRITER” as to which no representation is made) did not, except as to the information permitted to be omitted by Rule, contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made,

not misleading. As of the date hereof and at all times subsequent hereto to and including the date which is 25 days following the End of the Underwriting Period, the Official Statement (excluding information concerning DTC and the book-entry system and any information provided by the Underwriter for inclusion therein under the caption “UNDERWRITER” as to which no representation is made) did not and will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(x) if the Official Statement is supplemented or amended pursuant to Section 1(h) hereof, at the time of each supplement or amendment thereto, the Official Statement as so supplemented or amended (excluding information concerning DTC and the book-entry system and any information provided by the Underwriter for inclusion therein under the caption “UNDERWRITER” as to which no representation is made) will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(xi) the financial statements of, and other financial information regarding, the Long Beach Water Department (the “*Department*”) contained in the Official Statement fairly present the financial position and results of the operations of the Department as of the dates and for the periods therein set forth, and, to the best of the Board’s knowledge, (A) the audited financial statements have been prepared in accordance with generally accepted accounting principles consistently applied, and (B) the other historical financial information has been determined on a basis substantially consistent with that of the Board’s audited financial statements included in the Official Statement;

(xii) [the Board has not failed in the five-year period prior to the date hereof to comply in all material respects with any continuing disclosure undertakings with regard to the Rule, to provide annual reports or notices of enumerated events specified in such rule;]

(xiii) the proceeds from the sale to the Underwriter of the Bonds will be applied in the manner and for the purposes specified in the Financing Agreements;

(xiv) the Board covenants that it will not take any action which would cause interest on the Bonds to become includable in gross income for federal income tax purposes or subject to State of California personal income taxes; and

(xv) any certificate of the Board delivered to the Underwriter in connection with the transactions contemplated by the Official Statement and this Bond Purchase Agreement shall be deemed a representation by the Board to the Underwriter as to the statements made therein.

Section 4. Conditions to the Obligations of the Underwriter. The obligations of the Underwriter under this Bond Purchase Agreement have been undertaken in reliance on, and shall be subject to, the due performance by the parties hereto of their respective obligations and agreements to be performed hereunder, and on and as of the date of delivery of this Bond Purchase Agreement and on and as of the Closing Date. The obligations of the Underwriter hereunder to accept delivery of and pay for the Bonds at the Closing are also subject, in the discretion of the Underwriter, to the following further conditions:

(a) at the time of the Closing, (i) the Resolutions and the Financing Agreements shall be in full force and effect and shall not have been rescinded, amended, modified or supplemented, except as may have been agreed to by the Underwriter, and the Board shall have adopted or executed and delivered, as the case may be, and there shall be in full force and effect such additional resolutions, agreements, opinions and certificates (including such certificates as may be required by regulations of the Internal Revenue Service in order to establish the tax-exempt character of interest on the Bonds), which resolutions, agreements, opinions and certificates shall be reasonably satisfactory in form and substance to the Underwriter, and there shall have been taken in connection therewith and in connection with the issuance of the Bonds all such action as shall, in the opinion of the Underwriter, be necessary in connection with the transactions contemplated hereby; (ii) the Bonds shall have been duly issued, authenticated and delivered; (iii) the Official Statement (as amended and supplemented) shall be true and correct in all materials respects, and shall not omit any statement or information necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; and (iv) the Board shall perform or have performed all of its obligations under or specified in the Financing Agreements to be performed by the Board at or prior to the Closing;

(b) on the Closing Date, there shall be delivered to the Underwriter in form satisfactory to the Underwriter:

(i) executed counterparts of the Financing Agreements, the Official Statement and the Bonds, certified copies of the Resolutions and such other documents and certificates as the Underwriter or its counsel may reasonably require in order to evidence the accuracy or satisfaction of any of the representations or conditions herein contained;

(ii) an approving opinion of Bond Counsel, substantially in the form attached as Appendix D to the Official Statement, and a letter from Bond Counsel addressed to the Underwriter expressly permitting the Underwriter to rely on such approving opinion as if the Underwriter was an addressee thereof;

(iii) a supplemental opinion of Bond Counsel dated the Closing Date, addressed to the Underwriter, to the effect that:

(A) this Bond Purchase Agreement and the Continuing Disclosure Certificate have been duly authorized, executed and delivered by the Board and assuming due authorization, execution and delivery by

and validity against the other parties thereto, constitute valid and binding agreements of the Board, enforceable in accordance with their respective terms, except that the rights and obligations under this Bond Purchase Agreement and the Continuing Disclosure Certificate and the enforceability thereof are subject to and may be limited by bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other similar laws affecting creditors' rights, to the application of equitable principles, to the possible unavailability of specific performance or injunctive relief, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against public agencies in the State of California;

(B) the Bonds are not subject to the registration requirements of the Securities Act of 1933, as amended (the "Securities Act"), and the Senior Indenture is exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended (the "Trust Indenture Act"); and

(C) the statements contained in the Official Statement under the captions "DESCRIPTION OF THE SERIES 2016A BONDS," "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2016A BONDS," and "TAX MATTERS" and in "APPENDIX C—CERTAIN DEFINITIONS AND SUMMARY OF THE SENIOR INDENTURE," and "APPENDIX D—FORM OF BOND COUNSEL OPINION" (excluding the statements under each such caption relating to DTC, Cede & Co. and the book-entry system, as to all of which we express no view), insofar as the statements contained under such captions purport to summarize certain provisions of the Bonds and the Senior Indenture and our opinion concerning certain tax matters relating to the Bonds, present an accurate summary of such provisions for and opinion for the purpose of use in the Official Statement; and

(iv) a letter, dated the Closing Date and addressed to the Board and the Underwriter of Stradling Yocca Carlson & Rauth, a Professional Corporation, Disclosure Counsel ("*Disclosure Counsel*"), to the effect that based upon its participation in the preparation of the Official Statement as Disclosure Counsel, without assuming any responsibility for the accuracy, completeness or fairness of any of the statements contained in the Official Statement nor making any representation regarding independent verification of the accuracy, completeness or fairness of any of the statements contained in the Official Statement, such counsel advises that during the course of such representation of the Board as disclosure counsel on this matter, no information came to the attention of the attorneys in such firm rendering legal services in connection with such representation which caused them to believe that the Official Statement as of its date or as of the Closing Date (except for any financial, statistical or economic data or forecasts, numbers, charts, tables, graphs, estimates, projections, assumptions or expressions of opinion, the information in Appendices A, B, C, D and E to the Official Statement or any information about book-entry or DTC

included therein, as to which no opinion or view is expressed) contained or contains any untrue statement of a material fact or omitted or omits to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(v) an opinion of Kutak Rock LLP, counsel to the Underwriter, dated the Closing Date, addressed to the Underwriter, in form and substance satisfactory to the Underwriter;

(vi) a certificate, dated the Closing Date, signed by an authorized official of the Board, and in form and substance satisfactory to the Underwriter, to the effect that:

(A) except as described in the Official Statement, there is no action, suit, proceeding or investigation at law or in equity before or by any court, public board or body pending or, to the best knowledge of the Board, threatened against or affecting the City or the Board, wherein an unfavorable decision, ruling or finding would adversely affect the validity or enforceability of, or the authority or ability of the Board to perform its obligations under, any of the Financing Agreements or the transactions contemplated to be performed by it as described in the Official Statement, or which would restrain or enjoin the sale, execution or issuance of the Bonds or in any way contest or affect the validity of the Bonds, the proceedings of the Board taken with respect to the issuance, delivery or sale thereof, the pledge or application of any moneys or securities provided for the payment of the Bonds and the existence or powers of the Board or the title of any officers of the Board to their respective positions;

(B) the representations and warranties of the Board contained in this Bond Purchase Agreement are true and correct in all material respects on and as of the Closing Date;

(C) the Board has complied, or is presently in compliance, with all agreements and has satisfied all conditions on its part to be observed or satisfied under the Resolutions and the Financing Agreements at or prior to the Closing; and

(D) the information and statements in the Official Statement (except with respect to DTC and the book-entry system and the information under the caption "UNDERWRITING") do not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(vii) an opinion of the City Attorney, dated the Closing Date, addressed to the City, the Underwriter and the Trustee, to the effect that:

(A) the City is a municipal corporation and charter city, duly organized and validly existing under and by virtue of the City Charter and the Constitution and laws of the State of California;

(B) the Board is a commission existing under the City Charter, and has the full legal right, power and authority to enter into the Financing Agreements and to perform and observe the agreements and covenants on its part contained therein, and by proper action has duly authorized the execution and delivery thereof;

(C) the Board Resolution approving and authorizing the execution and issuance of the Bonds, the Financing Agreements and the Official Statement was duly adopted at a meeting of the Board, which was called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout and has not been amended from the date of its adoption;

(D) the City Council Resolution approving and authorizing the issuance and delivery of the Bonds was duly adopted at meeting of the City Council, which was called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout and has not been amended from the date of its adoption;

(E) by all necessary official action, the Board has duly authorized and approved (1) the distribution and use of the Preliminary Official Statement and the Official Statement by the Underwriter in connection with the offering and sale of the Bonds, (2) the execution and delivery of the Official Statement, (3) the execution and issuance of the Bonds in accordance with the Senior Indenture, and (4) the execution and delivery by the Board of the Financing Agreements, and such authorizations and approvals are in full force and effect on the Closing Date;

(F) except as described in the Official Statement, there is no action, suit, proceeding or investigation at law or in equity before or by any court, public board or body pending or, to my knowledge after due investigation (which only involved conversations with the General Manager, the City Clerk and the Secretary of the Board), threatened against or affecting the City or the Board in which an unfavorable decision, ruling or finding would adversely affect the City's or the Board's participation in or consummation of the transactions contemplated by the Official Statement, the Bonds, the Senior Indenture or this Bond Purchase Agreement, or in any way contesting the existence of the Board or the powers of the Board with respect thereto, or the ability of the Board to collect or receive the revenues that are the source of the payment of the Bonds or to apply such revenues to the payment of the Bonds;

(G) the Financing Agreements and the Official Statement have been duly executed and delivered by the Board, and the Financing Agreements, assuming the due authorization, execution and delivery thereof by the other parties thereto, each constitute the legal, valid and binding obligations of the Board, on its own behalf and on behalf of the City, enforceable against the Board in accordance with their respective terms, except as such enforcement may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or limiting creditors' rights generally, or by the availability of equitable remedies;

(H) to my knowledge, no authorization, approval, consent or other order of the State of California or any other governmental authority or agency within the State of California having jurisdiction over the City is required for the valid adoption of the Board Resolution or the valid authorization, execution and delivery by the City and the Board of the Bonds, the Financing Agreements or the Official Statement;

(I) the Board is not in material breach of any of the terms or provisions of, or in violation of or default under, any resolution, indenture, mortgage, deed of trust or other agreement or instrument to which the Board is now a party or by which it or any of its properties is bound, or any judgment, order, rule or regulation applicable to the Board of any court or of any regulatory, body or administrative agency or other governmental body having jurisdiction over the Board or any of its properties, or the Constitution of the State of California or any statute, ordinance or resolution of any jurisdiction applicable to the Board, which in any material adverse way affects the execution and issuance of the Bonds or the validity or enforceability thereof or of the any of the Financing Agreements, or materially adversely affects the ability of the Board to observe or perform any of its obligations thereunder;

(J) to my knowledge, the adoption of the Board Resolution, the execution and delivery of the Bonds, the Financing Agreements and the Official Statement and compliance with the terms thereof, under the circumstances contemplated thereby, do not and will not conflict with or constitute on the part of the City or the Board a breach of or default under any agreement or other instrument to which the City and the Board are parties or by which they are bound or any court order or consent decree to which the City or the Board is subject;

(K) based on my examination and my participation at conferences at which the Official Statement was discussed, the statements contained in the Official Statement under the caption "LITIGATION" do not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; and

(L) the Bonds have been duly issued, authorized, executed and delivered by the City and the Board, as applicable;

(viii) a certificate of the Trustee, dated the date of the Closing, to the effect that:

(A) the Trustee is a national banking association existing under the laws of the United States, and has full power and is qualified to accept and comply with the terms of the Senior Indenture to which it is a party, and to perform its obligations stated thereunder;

(B) the Trustee has accepted the duties and obligations imposed on it by the Senior Indenture to which it is a party;

(C) no consent, approval, authorization or other action by any governmental or regulatory authority having jurisdiction over the Trustee that has not been obtained is or will be required for the consummation by the Trustee of the transactions contemplated by the Senior Indenture to which it is a party to be undertaken by the Trustee;

(D) compliance with the terms of the Senior Indenture to which it is a party will not conflict with, or result in a violation or breach of, or constitute a default under, any material agreement or material instrument to which the Trustee is a party or by which it is bound, or, to the best knowledge of the Trustee, after reasonable investigation, any law, rule, regulation, order or decree of any court or governmental agency or body having jurisdiction over the Trustee or any of its activities or properties (except that no representation, warranty or agreement is made by the Trustee with respect to any federal or State of California securities or “blue sky” laws or regulations); and

(E) to the knowledge of the Trustee, there is no action, litigation, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court or governmental agency, public board or body pending and served on or threatened against or affecting the existence of the Trustee, seeking to restrain or enjoin the execution or issuance of any of the Bonds by the Trustee, or contesting or affecting the powers of the Trustee or its authority to execute, deliver, enter into and perform its obligations under the Senior Indenture to which it is a party or its authority to execute and issue the Bonds, wherein an unfavorable decision, ruling or finding would adversely affect the validity of the Bonds or the Senior Indenture to which it is a party;

(ix) an opinion of counsel to the Trustee, addressed to the Board and the Underwriter, dated the date of Closing, in form and substance acceptable to the Board and the Underwriter.

(x) an executed copy of a tax certificate in form and substance satisfactory to Bond Counsel, together with a copy of the completed and executed IRS Form 8038-G;

(xi) written evidence satisfactory to the Underwriter that S&P Global Ratings, a Standard & Poor's Financial Services LLC business ("S&P"), has issued a rating of "[__]" on the Bonds, and such rating shall be in effect on and as of the Closing Date;

(xii) a copy of the DTC Blanket Letter of Representations executed by the City;

(xiii) copies of the Report of Proposed Debt Issuance and the Report of Final Sale required to be delivered by the California Debt and Investment Advisory Commission; and

(xiv) copies of all closing documents required by, and delivered pursuant to, the Senior Indenture, and such additional legal opinions, certificates, proceedings, instruments and other documents as the Underwriter, counsel for the Underwriter or Bond Counsel may reasonably request.

If the Board shall be unable to satisfy the conditions to the Underwriter's obligations contained in this Bond Purchase Agreement or if the Underwriter's obligations shall be terminated for any reason permitted by this Bond Purchase Agreement, this Bond Purchase Agreement shall terminate and neither the Board nor the Underwriter shall have any further obligation hereunder, nor any liability to any other party with respect to such termination.

Section 5. Termination of Agreement. The Underwriter may terminate this Bond Purchase Agreement by notification to the Board if at any time after the date hereof and prior to the Closing:

(a) an amendment to the Constitution of the United States or the State shall have been passed or legislation shall have been introduced in or enacted by the Congress of the United States or the legislature of any state having jurisdiction of the subject matter or legislation pending in the Congress of the United States shall have been amended or legislation shall have been recommended to the Congress of the United States or to any state having jurisdiction of the subject matter or otherwise endorsed for passage (by press release, other form of notice or otherwise) by the President of the United States, the Treasury Department of the United States, the Internal Revenue Service or the Chairman or ranking minority member of the Committee on Finance of the United States Senate or the Committee on Ways and Means of the United States House of Representatives, or legislation shall have been proposed for consideration by either such Committee by any member thereof or presented as an option for consideration by either such Committee by the staff of such Committee or by the staff of the joint Committee on Taxation of the Congress of the United States, or legislation shall have been favorably reported for passage to either House of the Congress of the United States by a Committee of such House to which such legislation has been referred for consideration, or a decision shall

have been rendered by a court of the United States or of the State or the Tax Court of the United States, or a ruling shall have been made or a regulation or temporary regulation shall have been proposed or made or any other release or announcement shall have been made by the Treasury Department of the United States, the Internal Revenue Service or other federal or State authority, with respect to federal or State taxation upon revenues or other income of the general character to be derived by the Board or upon interest received on obligations of the general character of the Bonds which, in the judgment of the Underwriter, may have the purpose or effect, directly or, indirectly, of affecting the tax status of the Board, its property or income, their securities (including the Bonds) or the interest thereon, or any tax exemption granted or authorized by State legislation; or

(b) legislation shall have been introduced in or enacted, resolution passed, or considered for enactment with an effective date prior to the Closing Date, or a decision by a court of the United States shall have been rendered, the effect of which is that the Bonds, including any underlying obligations, or the Indenture, as the case may be, are not exempt from the registration, qualification or other requirements of the Securities Act of 1933, as amended and as then in effect, the Securities Exchange Act of 1934, as amended and as then in effect, or the Trust Indenture Act of 1939, as amended and as then in effect; or

(c) a stop order, ruling, regulation or offering circular by the Securities and Exchange Commission or any other governmental agency having jurisdiction of the subject matter shall have been issued or made or any other event occurs, the effect of which is that the issuance, offering or sale of the Bonds, including any underlying obligations, or the execution of the Senior Indenture, as contemplated hereby or by the Official Statement, is or would be in violation of any provisions of the federal securities laws, including the Securities Act of 1933, as amended and as then in effect, the Securities Exchange Act of 1934, as amended and as then in effect, or the Trust Indenture Act of 1939, as amended and as then in effect; or

(d) there shall have occurred any outbreak of hostilities or any national or international calamity or crisis, including a financial crisis, the effect of which on the financial markets of the United States is such as, in the reasonable judgment of the Underwriter, would materially adversely affect the market for or market price of the Bonds; or

(e) there shall be in force a general suspension of trading on the New York Stock Exchange, the effect of which on the financial markets of the United States is such as, in the reasonable judgment of the Underwriter, would materially adversely affect the market for or market price of the Bonds; or

(f) a general banking moratorium shall have been declared by federal, New York or California authorities; or

(g) the New York Stock Exchange or other national securities exchange, or any governmental or regulatory authority, shall impose, as to the Bonds or obligations of the general character of the Bonds, any material restrictions not now in force, or increase

materially those now in force, with respect to the extension of credit by, or the charge to the net capital requirements of the Underwriter, which, in the reasonable judgment of the Underwriter, would materially adversely affect the market for or market price of the Bonds; or

(h) any rating of the Bonds shall have been changed, withdrawn, suspended or placed on “credit watch,” or “negative outlook” and such action, in the reasonable opinion of the Underwriter, shall materially and adversely affect the market price for the Bonds; or

(i) any event shall occur, or information become known which, in the reasonable judgment of the Underwriter, makes untrue in any material respect any statement or information contained in the Official Statement, or has the effect that the Official Statement contains any untrue statement of material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; or

(j) there shall have occurred a change in the financial position, results of operations or financial condition of the Enterprise which in the reasonable opinion of the Underwriter materially adversely affects the market for the Bonds; or

(k) the purchase of and payment for the Bonds by the Underwriter, or the resale of the Bonds by the Underwriter, on the terms and conditions herein provided, shall be prohibited by any applicable law, governmental authority, board, agency or commission.

Section 6. Expenses.

(a) Except as specifically provided in Section 6(b) below, the Underwriter shall be under no obligation to pay and the Board shall pay or cause to be paid the expenses incident to, or in connection with, the offering, issuance and sale of the Bonds, including, but not limited to, (i) the cost of the preparation, printing or other reproduction (for distribution prior to, on or after the date of acceptance of this Bond Purchase Agreement) of the Financing Agreements, the Preliminary Official Statement and the Official Statement in reasonable quantities for distribution including, without limitation, the costs of distribution and delivery of the Preliminary Official Statement and Official Statement in reasonable quantities; (ii) charges made by rating agencies for the rating of the Bonds; (iii) the cost of printing the Bonds; (iv) the fees and expenses of the personnel and staff of the Board designated to facilitate the execution and delivery of the Bonds; (v) the fees and expenses of the Trustee; (vi) the fees and expenses of the Board’s financial advisors, accountants and other consultants, legal counsel and Bond Counsel and Disclosure Counsel to the Board; (vii) any expenses incurred on behalf of the Board’s employees which are incidental to the issuance of the Bonds, including but not limited to meals, transportation and lodging of those employees; and (viii) all other expenses relating to the sale and delivery of the Bonds, except those expressly provided for in Section 6(b) below. The aforesaid costs and expenses shall be paid out of the proceeds of the sale of Bonds or by the Board.

(b) The Underwriter shall pay (i) the cost of qualifying the Bonds for sale in various states chosen by the Underwriter; (ii) any fees charged by the MSRB; (iii) the fees and expenses of counsel to the Underwriter; (iv) the fees of the California Debt and Investment Advisory Commission; and (v) all other expenses incurred by it in connection with its offering and distribution of the Bonds, including travel and advertising expenses.

(c) In the event that either the Board or the Underwriter shall have paid obligations of the other as set forth in this Section, adjustment shall be made at the Closing or as soon thereafter as practicable.

Section 7. Miscellaneous.

(a) Except as otherwise specifically provided in this Bond Purchase Agreement, all notices, demands and formal actions under this Bond Purchase Agreement shall be in writing and mailed, telegraphed or personally delivered:

to the Underwriter: Morgan Stanley & Co. LLC
Suite 2400
1999 Avenue of the Stars
Los Angeles, CA 90067
Attention: Tom Wynne

to the Board: Board of Water Commissioners of the City of Long Beach
4th Floor
1800 East Wardlow Road
Long Beach, CA 90807-4994
Attention: General Manager

with a copy to: City of Long Beach
333 West Ocean Boulevard
Long Beach, CA 90802
Attention: Treasurer

(b) This Bond Purchase Agreement will inure to the benefit of and be binding upon the Board and the Underwriter and their respective successors and assigns, and will not confer any rights upon any other person, partnership, association or corporation other than the City and persons, if any, controlling the Underwriter within the meaning of the Securities Act or the Securities Exchange Act. The terms “successors” and “assigns” shall not include any purchaser or holder of any of the Bonds.

(c) All of the representations and agreements of the Board in this Bond Purchase Agreement shall remain operative and in full force and effect regardless of (i) any investigation made by or on behalf of the Underwriter, (ii) delivery of and any payment for the Bonds hereunder, or (iii) termination of the Underwriter’s obligation to accept delivery of the Bonds pursuant to this Bond Purchase Agreement.

(d) Section headings have been inserted in this Bond Purchase Agreement as a matter of convenience or for reference only, and it is agreed that such section headings

are not a part of this Bond Purchase Agreement and will not be used in the interpretation of any provisions of this Bond Purchase Agreement.

(e) If any provision of this Bond Purchase Agreement shall be held or deemed to be or shall, in fact, be invalid, inoperative or unenforceable as applied in any particular case in any jurisdiction or jurisdictions, or in all jurisdictions because it conflicts with any provisions of any constitution, statute, rule of public policy, or for any other reason, such circumstances shall not have the effect of rendering the provision in question invalid, inoperative or unenforceable in any other case or circumstance, or of rendering any other provision or provisions of this Bond Purchase Agreement invalid, inoperative or unenforceable to any extent whatever.

(f) This Bond Purchase Agreement may be executed in several counterparts, each of which shall be regarded as an original and all of which shall constitute one and the same document.

(g) For all purposes of this Bond Purchase Agreement, a default shall not be deemed to be continuing if it has been cured, waived or otherwise remedied. This Bond Purchase Agreement shall be governed by and construed in accordance with the laws of the State of California applicable to contracts made and performed within such state.

(h) The Preliminary Official Statement and/or the Official Statement may be delivered in printed and/or electronic form to the extent permitted by applicable rules of the MSRB and as may be agreed by the Board and the Underwriter. If the Official Statement is prepared for distribution in electronic form, the Board hereby confirms that it does not object to distribution of the Official Statement in electronic form.

(i) This Bond Purchase Agreement when accepted by the Board in writing as heretofore specified shall constitute the entire agreement between the Board and the Underwriter and is made solely for the benefit of the Board, the City and the Underwriter (including the successors or assigns of the Underwriter or any members of the syndicate, if any). No other person shall acquire or have any right hereunder or by virtue hereof.

(j) This Bond Purchase Agreement constitutes the entire agreement between the parties hereto with respect to the matters covered hereby, and supersedes all prior agreements and understandings between the parties. The Bond Purchase Agreement shall only be amended, supplemented or modified in a writing signed by both of the parties hereto.

[Remainder of page intentionally left blank; signature page follows]

If the foregoing is in accordance with your understanding of this Bond Purchase Agreement please sign and return to us the enclosed duplicate copies hereof, whereupon it will become a binding agreement among the Board and the Underwriter in accordance with its terms.

Very truly yours,

MORGAN STANLEY & CO. LLC, as Underwriter

By _____
Executive Director

This Bond Purchase Agreement is accepted and agreed to as of the date first above written:

BOARD OF WATER COMMISSIONERS
OF THE CITY OF LONG BEACH

By _____
General Manager

APPROVED AS TO FORM:

By _____
Assistant City Attorney

[Signature page to Bond Purchase Agreement]

APPENDIX A

\$[PAR]
City of Long Beach, California
Senior Sewer Revenue Refunding Bonds
Series 2016A

**MATURITY DATES, PRINCIPAL AMOUNTS,
INTEREST RATES, YIELDS AND PRICES**

Maturity (May 1)	Principal Amount	Interest Rate	Yield	Price
	\$	%	%	

*

REDEMPTION PROVISIONS

Optional Redemption

The Bonds maturing on or before May 1, 20[___] are not subject to optional redemption prior to maturity. The Bonds maturing on or after May 1, 20[___] are redeemable at the option of the Board on or after May 1, 20[___], in whole or in part at any time, from any moneys that may be provided for such purpose and at a redemption price equal to 100% of the principal amount of the Bonds to be redeemed plus accrued interest to the date fixed for redemption, without premium.

THIRD SUPPLEMENTAL SENIOR TRUST INDENTURE

between

BOARD OF WATER COMMISSIONERS OF THE CITY OF LONG BEACH

and

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.,
as Trustee

relating to

\$ _____
City of Long Beach, California
Senior Sewer Revenue Refunding Bonds
Series 2016A

Dated as of September 1, 2016

TABLE OF CONTENTS

	Page
ARTICLE I	DEFINITIONS; INTERPRETATIONS 2
Section 1.01.	Definitions..... 2
Section 1.02.	Article and Section References..... 4
ARTICLE II	THE SERIES 2016A BONDS 4
Section 2.01.	Designation of the Series 2016A Bonds; Principal Amount 4
Section 2.02.	Series 2016A Bonds Issued Under the Master Senior Indenture; Security; Parity..... 4
Section 2.03.	General Terms of the Series 2016A Bonds..... 5
Section 2.04.	Execution of Series 2016A Bonds 6
Section 2.05.	Transfer and Exchange of Series 2016A Bonds 6
Section 2.06.	Book-Entry Bonds 6
ARTICLE III	REDEMPTION..... 8
Section 3.01.	Notices to Bondholders..... 8
Section 3.02.	Redemption Dates..... 10
Section 3.03.	Optional Redemption of the Series 2016A Bonds..... 10
Section 3.04.	Selection of Series 2016A Bonds for Redemption; Series 2016A Bonds Redeemed in Part..... 10
Section 3.05.	Payment of Series 2016A Bonds Called for Redemption..... 10
Section 3.06.	Effect of Redemption Call 10
ARTICLE IV	ESTABLISHMENT OF FUNDS AND APPLICATION THEREOF..... 11
Section 4.01.	Establishment of Funds and Accounts 11
Section 4.02.	Application of Series 2016A Bond Proceeds..... 11
Section 4.03.	Series 2016A Debt Service Fund..... 11
Section 4.04.	Series 2016A Costs of Issuance Fund..... 12
Section 4.05.	Sources of Payment of Series 2016A Bonds 13
Section 4.06.	No Debt Service Reserve Fund for Series 2016A Bonds 13
ARTICLE V	TAX COVENANTS 13
Section 5.01.	Tax Covenants 13
ARTICLE VI	APPOINTMENT OF TRUSTEE..... 17
Section 6.01.	Appointment of Replacement Trustee 17
ARTICLE VII	AMENDMENTS TO MASTER SENIOR INDENTURE 18
Section 7.01.	Amendment to Article I of the Master Senior Indenture 18
Section 7.02.	Amendment to Article III of Master Senior Indenture 18
Section 7.03.	Amendments to Section 4.04 of the Master Senior Indenture 18
Section 7.04.	Amendments to Article VI of the Master Senior Indenture..... 18
Section 7.05.	Amendment to Section 8.01(d) of the Master Senior Indenture..... 19
Section 7.06.	Amendment to Section 8.10 of the Master Senior Indenture..... 20
Section 7.07.	Amendment to Section 9.03 of the Master Senior Indenture..... 20

TABLE OF CONTENTS
(continued)

	Page
Section 7.08. Amendment to Section 10.03 of the Master Senior Indenture.....	20
Section 7.09. Amendment to Section 12.06 of the Master Senior Indenture.....	20
Section 7.10. Amendment to Section 12.07 of the Master Senior Indenture.....	20
Section 7.11. Amendment of Section 7.09 of the First Supplemental Senior Indenture	21
ARTICLE VIII MISCELLANEOUS	21
Section 8.01. Notices	21
Section 8.02. Modification of Master Senior Indenture and this Third Supplemental Senior Indenture.....	22
Section 8.03. Parties Interested Herein	22
Section 8.04. Severability	22
Section 8.05. Payments or Actions Occurring on Non-Business Days	22
Section 8.06. Governing Law	22
Section 8.07. Captions	22
Section 8.08. Counterparts	22
 EXHIBIT A - FORM OF BOND.....	 A-1
EXHIBIT B - DEBT SERVICE SCHEDULE	B-1
EXHIBIT C - FORM OF COSTS OF ISSUANCE FUND REQUISITION.....	C-1

THIRD SUPPLEMENTAL SENIOR TRUST INDENTURE

THIS THIRD SUPPLEMENTAL SENIOR TRUST INDENTURE (this “*Third Supplemental Senior Indenture*”), dated as of September 1, 2016, is made by and between the **BOARD OF WATER COMMISSIONERS OF THE CITY OF LONG BEACH**, a commission existing under the Charter of the City of Long Beach (the “*Board*”), acting on its own behalf and on behalf of the City of Long Beach, a charter city and municipal corporation organized and existing under the Constitution and laws of the State of California (the “*City*”) and **THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.**, as successor trustee (the “*Trustee*”), and supplements that certain Master Senior Trust Indenture, dated as of June 1, 2009, as amended (the “*Master Senior Indenture*”), originally executed by and between the Board, acting on its own behalf and on behalf of the City, and U.S. Bank National Association, as the prior trustee (which prior trustee is being replaced as trustee under the Master Senior Indenture upon the execution and delivery of this Third Supplemental Indenture and acceptance by the Trustee of such appointment pursuant hereto).

WHEREAS, the Master Senior Indenture provides, in Section 2.09 thereof, for the issuance of Bonds (as defined in the Master Senior Indenture), and, in Section 10.02 thereof, for the execution and delivery of Supplemental Senior Indentures (as defined in the Master Senior Indenture) setting forth the terms of such Bonds; and

WHEREAS, the Board has heretofore executed and delivered the First Supplemental Senior Trust Indenture, dated as of June 1, 2009 (the “First Supplemental Senior Indenture”), providing for the issuance from time to time and setting forth the terms of the City of Long Beach, California Senior Sewer Revenue Commercial Paper Notes, Series A (Tax-Exempt) and City of Long Beach, California Senior Sewer Revenue Commercial Paper Notes, Series B (Taxable) under a Commercial Paper Program pursuant to the Master Senior Indenture, which Commercial Paper Program was suspended by the Board in 2011, and all of which Commercial Paper Notes have been paid off and retired; and

WHEREAS, the Board has heretofore executed and delivered the Second Supplemental Senior Trust Indenture, dated as of May 1, 2011, amending the Master Senior Indenture in certain respects in connection with the establishment and implementation of a revolving line of credit pursuant to a Credit Agreement with Wells Fargo Bank, National Association under which the Board may from time to time borrow amounts in the form of advances from such bank a party thereto, the payment obligations of the Board under which Credit Agreement constitute Subordinate Obligations pursuant to the Master Senior Indenture; and

WHEREAS, the Board now, for the purpose of providing money to refinance certain capital improvements to the Enterprise (as defined in the Master Senior Indenture) and pay related costs of issuance, by execution and delivery of this Third Supplemental Senior Indenture and in compliance with the provisions of the Master Senior Indenture, sets forth the terms of its \$_____ City of Long Beach, California Senior Sewer Revenue Refunding Bonds, Series 2016A (the “*Series 2016A Bonds*”), provides for the deposit and use of the proceeds of the Series 2016A Bonds and makes other provisions relating to the Series 2016A Bonds, including

in connection therewith, providing for the appointment of a replacement trustee under the Master Senior Indenture (and all prior Supplemental Indentures thereto); and

WHEREAS, the Board, on its own behalf and on behalf of the City, desires to amend certain provisions of the Master Senior Indenture pursuant to this Third Supplemental Senior Indenture and the execution and delivery of this Third Supplemental Senior Indenture does not require the consent of any Holders (as defined in the Master Senior Indenture) because no Bonds (other than the Series 2016A Bonds being delivered concurrently therewith) will be Outstanding at the time such amendments become effective; and

WHEREAS, the Series 2016A Bonds are being issued as Bonds, as provided for in Section 2.09 of the Master Senior Indenture.

GRANTING CLAUSE

In order to secure the payment of the Series 2016A Bonds, the Board hereby pledges, assigns and grants to the Trustee with respect to the Series 2016A Bonds all of the liens, rights, interests and privileges set forth in the Granting Clause of, and elsewhere, in the Master Senior Indenture.

ARTICLE I

DEFINITIONS; INTERPRETATIONS

Section 1.01. Definitions. The following definitions shall apply to terms used in this Third Supplemental Senior Indenture unless the context clearly requires otherwise. Capitalized terms not otherwise defined in this Section 1.01 or elsewhere in this Third Supplemental Senior Indenture shall have the same meanings as set forth in the Master Senior Indenture.

“Authorized Denominations” means \$5,000 principal amount and integral multiples thereof.

“Bank” means Wells Fargo Bank, National Association, as provider of the Revolving Line of Credit.

“Book-Entry Bonds” means the Series 2016A Bonds held by DTC (or its nominee) as the registered owner thereof pursuant to the terms and provisions of Section 2.06 hereof.

“Cede & Co.” means Cede & Co., the nominee of DTC, and any successor nominee of DTC with respect to the Series 2016A Bonds.

“Costs of Issuance” means all items of expense directly or indirectly payable by or reimbursable to the Board relating to the authorization, issuance, sale and delivery of the Series 2016A Bonds and the refinancing, by refunding on a current basis, of the outstanding balance under the Revolving Line of Credit and the Note, including but not limited to printing expenses, rating agency fees, filing and recording fees, initial fees, expenses, and charges of the Trustee, and their counsel, including the Trustee’s first annual administrative fee, fees, charges and disbursements of attorneys, financial advisors, accounting firms, consultants and other

professionals, fees and charges for preparation, execution and safekeeping of the Series 2016A Bonds and any other cost, charge or fee in connection with the original issuance of the Series 2016A Bonds and the refinancing, by refunding on a current basis, of the outstanding balance under the Revolving Line of Credit and the Note.

“*Credit Agreement*” means the Credit Agreement, dated as of May 1, 2011, by and between the Board and the Bank.

“*DTC*” means The Depository Trust Company, a limited-purpose trust company organized under the laws of the State of New York, and its successors and assigns.

“*Holder*” or “*Bondholder*” means, with respect to the Series 2016A Bonds, the registered owner of any Series 2016A Bond including DTC or its nominee as the sole registered owner of Book-Entry Bonds.

“*Interest Payment Date*” means each May 1 and November 1, commencing on [November 1, 2016], the dates upon which interest on the Series 2016A Bonds become due and payable.

“*Master Senior Indenture*” means the Master Senior Trust Indenture, dated as of June 1, 2009, as amended, by and between the Board and the Trustee, under which the Series 2016A Bonds are authorized and secured.

“*Note*” means the promissory note secured by a subordinate pledge of and lien on the Net Revenues of the Enterprise evidencing the amounts owed on all Advances (as defined in the Credit Agreement), revolving loans and terms loans made by the Bank to the Board under the Credit Agreement.

“*Participants*” means the participants of DTC which include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations.

“*Paying Agent*” means, for purposes of this Third Supplemental Senior Indenture, the Trustee, or any other institution appointed by the Board.

“*Permitted Investments*” means, with respect to this Third Supplemental Senior Indenture, those investments designated as Permitted Investments under the Master Senior Indenture.

“*Person*” means a corporation, association, partnership, limited liability company, joint venture, trust, organization, business, individual or government or any government agency or political subdivision thereof.

“*Record Date*” means, with respect to the Series 2016A Bonds, for a May 1 Interest Payment Date, the preceding April 15 and for a November 1 Interest Payment Date, the preceding October 15.

“*Registered Owner*” means a Person in whose name a Series 2016A Bond is registered in the registration books of the Registrar.

“*Registrar*” means, for purposes of this Third Supplemental Senior Indenture, the Trustee, or any other institution appointed by the Board.

“*Representation Letter*” means the Blanket Issuer Letter of Representations dated September 27, 1995 from the City to DTC.

“*Revolving Line of Credit*” means the revolving line of credit available under the Credit Agreement.

“*Third Supplemental Senior Indenture*” means this Third Supplemental Senior Trust Indenture, dated as of September 1, 2016, by and between the Board, acting on its own behalf and on behalf of the City, and the Trustee and which sets forth the terms of the Series 2016A Bonds.

“*Series 2016A Bonds*” means the \$_____ aggregate principal amount of Bonds issued under the Master Senior Indenture and this Third Supplemental Senior Indenture and designated “City of Long Beach, California Senior Sewer Revenue Refunding Bonds, Series 2016A.”

“*Series 2016A Costs of Issuance Fund*” means the fund of such designation established in Section 4.01(b) hereof and into which money is to be deposited to pay Costs of Issuance of the Series 2016A Bonds.

“*Series 2016A Debt Service Fund*” means the Debt Service Fund of such designation established in Section 4.01(a) hereof and into which money is to be deposited to pay debt service on the Series 2016A Bonds.

Section 1.02. Article and Section References. Except as otherwise indicated, references to Articles and Sections are to Articles and Sections of this Third Supplemental Senior Indenture.

ARTICLE II

THE SERIES 2016A BONDS

Section 2.01. Designation of the Series 2016A Bonds; Principal Amount. The Bonds authorized to be issued under the Master Senior Indenture and this Third Supplemental Senior Indenture shall be designated as the “City of Long Beach, California Senior Sewer Revenue Refunding Bonds, Series 2016A,” which shall be issued in the original principal amount of \$_____.

Section 2.02. Series 2016A Bonds Issued Under the Master Senior Indenture; Security; Parity. The Series 2016A Bonds are issued under and subject to the terms of the Master Senior Indenture and are secured by and payable from the Net Revenues and other security provided in the Granting Clauses of the Master Senior Indenture and this Third Supplemental Senior Indenture and in accordance with the terms of the Master Senior Indenture and this Third Supplemental Senior Indenture.

Section 2.03. General Terms of the Series 2016A Bonds. The Series 2016A Bonds shall, upon initial issuance, be dated _____, 2016. Each Series 2016A Bond shall bear interest from the Interest Payment Date next preceding the date of authentication thereof unless such date of authentication is an Interest Payment Date, in which event such Series 2016A Bond shall bear interest from such date of authentication, or unless such date of authentication is after a Record Date and before the next succeeding Interest Payment Date, in which event such Series 2016A Bond shall bear interest from such succeeding Interest Payment Date, or unless such date of authentication is prior to [October 15, 2016], in which event such Series 2016A Bond shall bear interest from _____, 2016. If interest on the Series 2016A Bonds shall be in default, Series 2016A Bonds issued in exchange for Series 2016A Bonds surrendered for transfer or exchange shall bear interest from the Interest Payment Date to which interest has been paid in full on the Series 2016A Bonds surrendered. The Series 2016A Bonds shall be issued in Authorized Denominations of \$5,000 of original principal amount or integral multiples thereof.

Interest on the Series 2016A Bonds shall be paid on [November 1, 2016] and semiannually thereafter on May 1 and November 1.

Interest on the Series 2016A Bonds shall be calculated on the basis of a year of 360 days and twelve 30-day months.

At least fifteen (15) Business Days prior to each date on which principal of or interest on any Series 2016A Bond shall be due and payable, the Trustee shall notify the Board of such payment, the date such payment is due and the amount of such payment and the Series 2016A Bonds to which such payment relates. Such notice shall be given in writing.

The Series 2016A Bonds shall be issued in the original principal amount of \$_____ and shall mature in the years and in the amounts and bear interest at the annual rates set forth in the following schedule:

May 1 of the Year	Principal Amount	Interest Rate
------------------------------	-----------------------------	--------------------------

The Series 2016A Bonds shall be substantially in the form of Exhibit A attached hereto.

Principal and interest on the Series 2016A Bonds will be paid in money of the United States that at the time of payment is legal tender for payment of public and private debts.

Payment of the principal of the Series 2016A Bonds shall be made upon surrender of the Series 2016A Bonds to the Trustee or its agent at its designated corporate trust operations or agency office; provided that with respect to the Series 2016A Bonds which are Book-Entry Bonds, the payment of the principal shall be made as provided in Section 2.06 hereof and the Representation Letter. Payment of interest on the Series 2016A Bonds which are not Book-Entry Bonds shall be paid by check of the Trustee mailed by first-class mail to the person who is the Bondholder thereof on the Record Date immediately preceding each Interest Payment Date, except that in the case of an Bondholder of \$1,000,000 or more in aggregate principal amount of Series 2016A Bonds, upon written request of such Bondholder to the Trustee received at least ten (10) days prior to the applicable Record Date, specifying the account or accounts to which such payment shall be made (which request shall remain in effect until revoked or reversed by such Bondholder in a subsequent writing delivered to the Trustee), such interest shall be paid in immediately available funds by wire transfer to such account or accounts on each such following Interest Payment Date. The payment of interest on Book-Entry Bonds shall be made as provided in Section 2.06 hereof and the Representation Letter. With respect to all Series 2016A Bonds, interest due and payable on any Interest Payment Date shall be paid to the person who is the Bondholder as of the Record Date.

If the principal of a Series 2016A Bond becomes due and payable, but shall not have been paid as a result of a default hereunder, and no provision is made for its payment, then such Series 2016A Bond shall bear interest at the same rate after such default as on the day before the default occurred.

Section 2.04. Execution of Series 2016A Bonds. The Series 2016A Bonds shall be executed for the Board, on its own behalf and on behalf of the City, by the manual or facsimile signature of any of the President of the Board, the General Manager of the Water Department, the Assistant General Manager, the Director of Operations or the Director of Finance or any other Authorized Board Representative designated by the President or the General Manager, attested by the manual or facsimile signature of the Secretary to the Board, pursuant to and in accordance with Section 2.03 of the Master Senior Indenture.

Section 2.05. Transfer and Exchange of Series 2016A Bonds. Subject to the provisions of Section 2.06 with respect to Book-Entry Bonds, Series 2016A Bonds may be presented to the Registrar for transfer or exchange in accordance with Section 2.06 of the Master Senior Indenture.

The Registrar will not, however, be required to transfer or exchange any such Series 2016A Bond during the period established by the Registrar for selection of Series 2016A Bonds for redemption or any Series 2016A Bond which has been selected for redemption.

Section 2.06. Book-Entry Bonds.

(a) Except as provided in subparagraph (c) of this Section, the Bondholder of all of the Series 2016A Bonds shall be DTC and the Series 2016A Bonds shall be registered in the name of Cede & Co., as nominee for DTC. Payment of principal and redemption price of and interest on any Series 2016A Bond registered in the name of Cede & Co. shall be made by wire transfer of New York clearing house or equivalent next day funds or by wire transfer of same

day funds to the account of Cede & Co. at the address indicated on the Record Date or special record date for Cede & Co. in the registration books of the Registrar.

(b) The Series 2016A Bonds shall be initially issued in the form of a separate single authenticated fully registered bond for each separate stated maturity and interest rate. Upon initial issuance, the ownership of such Series 2016A Bonds shall be registered in the registration books of the Registrar in the name of Cede & Co., as nominee of DTC. The Trustee, the Registrar, the City and the Board may treat DTC (or its nominee) as the sole and exclusive owner of the Series 2016A Bonds registered in its name for the purposes of paying the principal and redemption price of and interest on the Series 2016A Bonds, selecting the Series 2016A Bonds or portions thereof to be redeemed, giving any notice permitted or required to be given to Bondholders under the Master Senior Indenture or this Third Supplemental Senior Indenture, registering the transfer of Series 2016A Bonds, obtaining any consent or other action to be taken by Bondholders and for all other purposes whatsoever, and neither the Trustee, the Registrar, the City nor the Board shall be affected by any notice to the contrary. Neither the Trustee, the Registrar, the City nor the Board shall have any responsibility or obligation to any Participant, any person claiming a beneficial ownership interest in the Series 2016A Bonds under or through DTC or any Participant, or any other person which is not shown on the registration books as being a Bondholder, with respect to the accuracy of any records maintained by DTC or any Participant; the payment by DTC or any Participant of any amount in respect of the principal and redemption price of or interest on the Series 2016A Bonds; any notice which is permitted or required to be given to Bondholders under the Master Senior Indenture or this Third Supplemental Senior Indenture; the selection by DTC or any Participant of any person to receive payment in the event of a partial redemption of the Series 2016A Bonds; any consent given or other action taken by DTC as Bondholder; or any other purpose. The Trustee shall pay all principal and redemption price of and interest on the Series 2016A Bonds only to or “upon the order of” DTC, and all such payments shall be valid and effective to fully satisfy and discharge the City’s and the Board’s obligations with respect to the principal and redemption price of and interest on the Series 2016A Bonds to the extent of the sum or sums so paid. No person other than DTC shall receive an authenticated Series 2016A Bond evidencing the obligation of the City and the Board to make payments of principal, redemption price and interest pursuant to the Master Senior Indenture and this Third Supplemental Senior Indenture. Upon delivery by DTC to the Trustee of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions herein with respect to Record Dates, the word “Cede & Co.” in this Third Supplemental Senior Indenture shall refer to such new nominee of DTC.

(c) In the event the Board determines that it is in the best interest of the beneficial owners that they be able to obtain Series 2016A Bond certificates, and notifies DTC, the Trustee and the Registrar of such determination, then DTC will notify the Participants of the availability through DTC of Series 2016A Bond certificates. In such event, the Trustee shall authenticate and the Registrar shall transfer and exchange Series 2016A Bond certificates as requested by DTC and any other Bondholders in appropriate amounts. DTC may determine to discontinue providing its services with respect to the Series 2016A Bonds at any time by giving notice to the City, the Board and the Trustee and discharging its responsibilities with respect thereto under applicable law. Under such circumstances (if there is no successor securities depository), the Board and the Trustee shall be obligated to deliver Series 2016A Bond certificates as described

in this Third Supplemental Senior Indenture. In the event Series 2016A Bond certificates are issued, the provisions of the Master Senior Indenture and this Third Supplemental Senior Indenture shall apply to, among other things, the transfer and exchange of such certificates and the method of payment of principal and redemption price of and interest on such certificates. Whenever DTC requests the City, the Board and the Trustee to do so, the Trustee, the City and the Board will cooperate with DTC in taking appropriate action after reasonable notice (i) to make available one or more separate certificates evidencing the Series 2016A Bonds to any Participant having Series 2016A Bonds credited to its DTC account or (ii) to arrange for another securities depository to maintain custody of certificates evidencing the Series 2016A Bonds.

(d) Notwithstanding any other provision of the Master Senior Indenture and this Third Supplemental Senior Indenture to the contrary, so long as any Series 2016A Bond is registered in the name of Cede & Co., as nominee of DTC, all payments with respect to the principal and redemption price of and interest on such Series 2016A Bond and all notices with respect to such Series 2016A Bond shall be made and given, respectively, to DTC as provided in the Representation Letter.

(e) In connection with any notice or other communication to be provided to Bondholders pursuant to the Master Senior Indenture and this Third Supplemental Senior Indenture by the Board or the Trustee with respect to any consent or other action to be taken by Bondholders, the Board or the Trustee, as the case may be, shall establish a special record date for such consent or other action and give DTC notice of such special record date not less than fifteen (15) calendar days in advance of such special record date to the extent possible. Notice to DTC shall be given only when DTC is the sole Bondholder.

(f) NEITHER THE CITY, THE BOARD NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO PARTICIPANTS OR BENEFICIAL OWNERS WITH RESPECT TO: THE PAYMENT BY DTC TO ANY PARTICIPANT OF THE PRINCIPAL AND REDEMPTION PRICE OF OR INTEREST ON THE SERIES 2016A BONDS; THE PROVIDING OF NOTICE TO PARTICIPANTS OR BENEFICIAL OWNERS; THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY PARTICIPANT; OR ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS BONDHOLDER OF THE SERIES 2016A BONDS.

ARTICLE III

REDEMPTION

Section 3.01. Notices to Bondholders. If the Board wishes that any Series 2016A Bonds be redeemed pursuant to the provision of this Third Supplemental Senior Indenture, the Board will notify the Trustee of the applicable provision, the Series 2016A Bonds being redeemed, the redemption date, the maturity date, the interest rate, the CUSIP number and the principal amount of the Series 2016A Bonds to be redeemed and other necessary particulars. The Board will give notice to the Trustee at least thirty (30) days before the redemption date, provided that the Trustee may, at its option, waive such notice or accept notice at a later date. The Trustee shall give notice of redemption, in the name of the Board, at least twenty (20) days but not more than sixty (60) days before each redemption, to the respective Bondholders of any

Series 2016A Bonds or portions of Series 2016A Bonds designated for redemption, at their addresses appearing in the registration books of the Registrar, by first-class mail, postage prepaid (or with respect to Series 2016A Bonds that are held by DTC by an express delivery service for delivery on the next following Business Day by certified, registered or overnight mail or by telecopy, email transmission, or other electronic means of communication).

Each notice of redemption shall specify the date of issue, the maturity date, the interest rate and the CUSIP number of the Series 2016A Bonds to be redeemed, if less than all Series 2016A Bonds of a maturity date and interest rate are called for redemption the numbers of the Series 2016A Bonds assigned to the Series 2016A Bonds to be redeemed, the principal amount to be redeemed, the date fixed for redemption, the redemption price, the place or places of payment, the Trustee's name, that payment will be made upon presentation and surrender of the Series 2016A Bonds to be redeemed, that interest, if any, accrued to the date fixed for redemption and not paid will be paid as specified in said notice, and that on and after said date interest thereon will cease to accrue. Such notice shall further state that on such date, if sufficient moneys are then available for such redemption, there shall become due and payable, upon each Series 2016A Bond to be redeemed, the redemption price thereof or the redemption price of the specified portions of the principal thereof in the case of Series 2016A Bonds to be redeemed in part only, together with interest accrued to the redemption date, and that from and after such date, interest thereon shall cease to accrue.

The Board may provide that, if by the date of mailing of notice of any optional redemption there shall not have been deposited with the Trustee moneys sufficient to redeem all the Series 2016A Bonds called for redemption, then such notice shall state that it is subject to the availability of funds for such purpose not later than the opening of business on the redemption date and shall be of no effect unless funds sufficient for such purpose are available. In the event sufficient moneys are not on deposit on the required date, then the redemption shall be canceled and on such cancellation date notice shall be given to the Bondholders of such Series 2016A Bonds to be redeemed in the manner provided in this Section.

Failure to give any required notice of redemption as to any particular Series 2016A Bonds will not affect the validity of the call for redemption of any Series 2016A Bonds in respect of which no failure occurs. Any notice sent as provided herein will be conclusively presumed to have been given whether or not actually received by the addressee. When notice of redemption is given, Series 2016A Bonds called for redemption become due and payable on the date fixed for redemption at the applicable redemption price. In the event that funds are deposited with the Trustee sufficient for redemption, interest on the Series 2016A Bonds to be redeemed will cease to accrue on and after the date fixed for redemption.

If any Series 2016A Bonds, at the time of redemption, are not Book-Entry Bonds, then, at the time of the mailing required by the first paragraph of this Section, such redemption notice shall also be given, by certified, registered or overnight mail or by telecopy, email transmission, or other electronic means of communication, to the following address (or to such other address or to such other securities depositories or information services as the Board may designate in writing to the Trustee):

The Depository Trust Company
55 Water Street, 50th Floor
New York, NY 10041-0099
Attention: Call Notification
Facsimile: (212) 855-7232

Failure to give the notice described in the immediately preceding paragraph or any defect in any redemption notice shall not in any manner affect the validity of the proceedings for redemption of any Series 2016A Bond.

Section 3.02. Redemption Dates. The date fixed for redemption of Series 2016A Bonds to be redeemed pursuant to any optional redemption provision as set forth in Section 3.03 hereof shall be a date permitted by the Board in the notice delivered pursuant to Section 3.01 hereof.

Section 3.03. Optional Redemption of the Series 2016A Bonds. The Series 2016A Bonds maturing on or before May 1, 20__ are not subject to optional redemption prior to maturity. The Series 2016A Bonds maturing on or after May 1, 20__ are redeemable at the option of the Board on or after May 1, 20__, in whole or in part at any time, from any moneys that may be provided for such purpose and at a redemption price equal to 100% of the principal amount of the Series 2016A Bonds to be redeemed plus accrued interest to the date fixed for redemption, without premium.

Section 3.04. Selection of Series 2016A Bonds for Redemption; Series 2016A Bonds Redeemed in Part. The Series 2016A Bonds are subject to redemption in such order of maturity and interest rate as the Board may direct and by lot, selected in such manner as the Trustee (or DTC, as long as DTC is the securities depository for the Series 2016A Bonds) shall deem appropriate, within a maturity and interest rate.

Upon surrender of a Series 2016A Bond to be redeemed, in part only, the Trustee will authenticate for the holder a new Series 2016A Bond of the same maturity and interest rate equal in principal amount to the unredeemed portion of the Series 2016A Bonds surrendered.

Section 3.05. Payment of Series 2016A Bonds Called for Redemption. Upon surrender to the Trustee or the Trustee's agent, Series 2016A Bonds called for redemption shall be paid at the redemption price stated in the notice, plus, when applicable, interest accrued to the date fixed for redemption.

Section 3.06. Effect of Redemption Call. On the date so designated for redemption, notice having been given in the manner and under the conditions provided herein and moneys for payment of the redemption price being held in trust to pay the redemption price, the Series 2016A Bonds so called for redemption shall become and be due and payable on the redemption date, interest on such Series 2016A Bonds shall cease to accrue from and after such redemption date, such Series 2016A Bonds shall cease to be entitled to any lien, benefit or security under the Master Senior Indenture and this Third Supplemental Senior Indenture and the owners of such Series 2016A Bonds shall have no rights in respect thereof except to receive payment of the redemption price.

Series 2016A Bonds which have been duly called for redemption under the provisions of this Article III and for the payment of the redemption price of which moneys shall be held in trust for the holders of the Series 2016A Bonds to be redeemed, all as provided in this Third Supplemental Senior Indenture, shall not be deemed to be Outstanding under the provisions of the Master Senior Indenture and this Third Supplemental Senior Indenture.

ARTICLE IV

ESTABLISHMENT OF FUNDS AND APPLICATION THEREOF

Section 4.01. Establishment of Funds and Accounts. The following funds and accounts are hereby established:

(a) City of Long Beach, California Senior Sewer Revenue Refunding Bonds Series 2016A Debt Service Fund (the “*Series 2016A Debt Service Fund*”) and therein an Interest Account, a Principal Account and a Redemption Account, to be held by the Trustee; and

(b) City of Long Beach, California Senior Sewer Revenue Refunding Bonds Series 2016A Costs of Issuance Fund (the “*Series 2016A Costs of Issuance Fund*”), to be held by the Trustee.

Section 4.02. Application of Series 2016A Bond Proceeds. The proceeds of the sale of the Series 2016A Bonds, being the amount of \$_____ (which sum represents the par amount of the Series 2016A Bonds of \$_____, [plus/less] [an/a net] original issue [premium/discount] of \$_____, and less an underwriter’s discount of \$_____) shall be transferred or deposited by the Trustee as follows:

(a) \$_____ shall be deposited into the Series 2016A Costs of Issuance Fund; and

(b) \$_____ [together with \$_____ transferred to the Trustee by the City Treasurer from the Sewer Revenue for application as hereafter described.] shall be transferred on the date of delivery of the Series 2016A Bonds to the Bank, in accordance with wire instructions of the Board delivered to the Trustee on or before such date, to prepay and refund on a current basis, the full \$11,250,000 principal balance currently outstanding under the Revolving Line of Credit and the Note, and all accrued and unpaid interest due with respect thereto in connection with such prepayment.

The Trustee may, in its discretion, establish temporary funds and accounts on its books and records to facilitate such transfers described in this Section.

Section 4.03. Series 2016A Debt Service Fund. The Trustee shall make deposits into the Series 2016A Debt Service Fund as follows:

(a) **Interest Account.** The Trustee shall deposit into the Interest Account (i) amounts received from the Board pursuant to Section 4.04 of the Master Senior Indenture to be used to pay interest on the Series 2016A Bonds and, if the Board enters

into an interest rate swap agreement with respect to all or a portion of the Series 2016A Bonds, to pay amounts due and payable to the provider of such agreement at such times as are provided in such interest rate swap agreement and (ii) if the Board enters into an interest rate swap agreement with respect to all or a portion of the Series 2016A Bonds, any amounts received by the Board from the provider of such agreement. The Trustee shall also deposit into the Interest Account any other amounts deposited with the Trustee for deposit in the Interest Account or transferred from other funds and accounts for deposit therein. All amounts held at any time in the Interest Account shall be held on a priority basis for the ratable security and payment of interest due on the Series 2016A Bonds in accordance with their terms and amounts due and payable by the Board under any interest rate swap agreement entered into by the Board with respect to all or a portion of the Series 2016A Bonds (other than any swap termination payments and any other amounts payable thereunder which constitute Bonds) at any time in proportion to the amounts due or accrued with respect to each of them. Earnings on the Interest Account shall be retained in such account.

(b) ***Principal Account.*** The Trustee shall deposit into the Principal Account amounts received from the Board pursuant to Section 4.04 of the Master Senior Indenture to be used to pay principal of the Series 2016A Bonds. The Trustee shall also deposit into the Principal Account any other amounts deposited with the Trustee for deposit into the Principal Account or transferred from other funds and accounts for deposit therein. On or about May 5 of each Fiscal Year, earnings on the Principal Account shall be withdrawn by the Trustee and paid to the Board for deposit into the Sewer Revenue Fund unless an Event of Default exists under the Master Senior Indenture, in which event the earnings shall be retained in such account.

(c) ***Redemption Account.*** The Trustee shall deposit into the Redemption Account amounts received from the Board as provided in the Master Senior Indenture to be used to pay the redemption price of Series 2016A Bonds being redeemed as provided in Section 3.03 hereof. The Trustee shall also deposit into the Redemption Account any other amounts deposited with the Trustee for deposit into the Redemption Account or transferred from other funds and accounts for deposit therein. Earnings on the Redemption Account shall be withdrawn and paid to the Board on the Business Day following a redemption date for deposit into the Sewer Revenue Fund unless an Event of Default exists under the Master Senior Indenture, in which event the earnings shall be retained in such account.

The Series 2016A Debt Service Fund shall be invested and reinvested as directed by the Board in Permitted Investments.

Section 4.04. Series 2016A Costs of Issuance Fund. There shall be deposited into the Series 2016A Costs of Issuance Fund the amount provided in Section 4.02(a) hereof. The Trustee shall make payments or disbursements from the Series 2016A Costs of Issuance Fund upon receipt from the Board of a written requisition in substantially the form attached as Exhibit C hereto.

Moneys held in the Series 2016A Costs of Issuance Fund shall be invested and reinvested as directed by the Board in Permitted Investments. Earnings on the Series 2016A Costs of Issuance Fund shall be deposited into the Series 2016A Debt Service Fund. Any amounts remaining in the Series 2016A Costs of Issuance Fund on _____, 20__ shall be transferred to the Series 2016A Debt Service Fund and the Series 2016A Costs of Issuance Fund shall be closed.

Section 4.05. Sources of Payment of Series 2016A Bonds. The Series 2016A Bonds shall be secured by and payable from the Net Revenues as provided in the Master Senior Indenture. The Board may, but is not obligated to, provide for payment of principal of and interest on the Series 2016A Bonds from any other source or from any other funds of the Board.

Section 4.06. No Debt Service Reserve Fund for Series 2016A Bonds. Pursuant to Section 4.05 of the Master Senior Indenture, the Board may, at the time of issuance of any Series of Bonds or at any time thereafter, provide by Supplemental Indenture for the creation of a Debt Service Reserve Fund as security for such Series of Bonds. The Board hereby determines in connection with the initial issuance of the Series 2016A Bonds that no Debt Service Reserve Fund shall, at the time of initial issuance of such Series 2016A Bonds, be created for such Series.

ARTICLE V

TAX COVENANTS

Section 5.01. Tax Covenants.

(1) **Special Definitions.** When used in this Section 5.01, the following terms have the following meanings:

“*Computation Date*” has the meaning set forth in section 1.148-1(b) of the Tax Regulations.

“*Gross Proceeds*” means any proceeds as defined in section 1.148-1(b) of the Tax Regulations (referring to sale, investment and transferred proceeds), and any replacement proceeds as defined in section 1.148-1(c) of the Tax Regulations, of the Series 2016A Bonds.

“*Investment*” has the meaning set forth in section 1.148-1(b) of the Tax Regulations.

“*Nonpurpose Investment*” means any investment property, as defined in section 148(b) of the Code, in which Gross Proceeds of Series 2016A Bonds are invested and that is not acquired to carry out the governmental purposes of the Series 2016A Bonds.

“*Nongovernmental Person*” refers to any person or entity (including the United States and any agency, department and instrumentality thereof) other than a state or local government, or an agency or instrumentality acting solely on behalf thereof.

“*Rebate Amount*” has the meaning set forth in section 1.148-1(b) of the Tax Regulations.

“*Tax Certificate*” means the Tax Certificate concerning certain matters pertaining to the use of proceeds of, and the investment of Gross Proceeds of, the Series 2016A Bonds, executed and delivered by the Board, acting on its own behalf and on behalf of the City, on the date of delivery of the Series 2016A Bonds, as the same may be supplemented or amended, including any and all exhibits attached thereto.

“*Tax Regulations*” means the United States Treasury Regulations promulgated pursuant to sections 103 and 141 through 150 of the Code or predecessor statutes corresponding thereto.

“*Yield*” of

(i) any Investment has the meaning set forth in section 1.148-5 of the Tax Regulations; and

(ii) the Series 2016A Bonds is computed under section 1.148-4 of the Tax Regulations.

(2) ***Not to Cause Interest to Become Taxable.*** The Board shall not take any action or omit to take any action that, if taken or omitted, respectively, would adversely affect the excludability of interest on any Series 2016A Bonds from the gross income, as defined in section 61 of the Code, of the owners thereof for federal income tax purposes. The Board and the Trustee shall (subject to the applicable provisions of Article X of the Master Senior Indenture) execute such amendments hereof and supplements hereto (and shall comply with the provisions thereof) as are, in the opinion of Bond Counsel, necessary to preserve such exclusion. The Board shall comply with each specific covenant in this Section 5.01 at all times prior to the last maturity of Series 2016A Bonds (and, in the case of subsection (8) of this Section 5.01, until compliance therewith in full), unless and until there shall have been delivered to the Trustee an opinion of Bond Counsel to the effect that failure to comply with such covenant, either generally or to the extent stated therein, shall not adversely affect the excludability of interest on any Series 2016A Bond from the gross income, as defined in section 61 of the Code, of the owners thereof for federal income tax purposes, and thereafter such covenant shall no longer be binding upon the Board, generally or to such extent as the case may be, anything in any other subsection of this Section 5.01 to the contrary notwithstanding.

(3) ***No Private Business Use or Private Payments.*** Except as would not cause any Series 2016A Bond to become a “private activity bond” within the meaning of section 141 of the Code and the Tax Regulations and rulings thereunder, the Board shall at all times prior to the payment and cancellation of the last Series 2016A Bonds to be paid and cancelled:

(i) exclusively own, operate and possess all property the acquisition, construction or improvement of which is financed or refinanced directly or indirectly with proceeds of the Series 2016A Bonds, and not use or permit the use of such proceeds or property (including through contractual arrangements with terms different than those applicable to the general public) in any activity carried on by a Nongovernmental Person that would create private business use described in section 141(b) of the Code; and

(ii) not directly or indirectly impose or accept any charge or other payment by any person or entity in respect of the use by any Nongovernmental Person of proceeds of

the Series 2016A Bonds or of any property the acquisition, construction or improvement of which is to be financed or refinanced directly or indirectly with such proceeds that would constitute a payment described in section 141(b)(2)(B) of the Code (a “private payment”).

Without limiting the foregoing, except as would not cause any Series 2016A Bond to become a “private activity bond” within the meaning of section 141 of the Code and the Tax Regulations and rulings thereunder, the Board will not: (i) permit any Nongovernmental Person to hold any ownership, proprietary or possessory interest in the financed property; (ii) contract with any Nongovernmental Person for the provision of operating or other services with respect to any function of the financed property (unless either (A) such arrangement requires no payment of fees to such Nongovernmental Person other than as direct reimbursement of third party costs or reasonable administrative overhead, or (B) such arrangement conforms to administrative guidance of the Internal Revenue Service in order to assure that such arrangement does not create private business use); or (iii) contract with any Nongovernmental Person for the sale of output or capacity of the financed property unless such contract does not result in private business use under section 1.141-7 of the Treasury Regulations.

(4) ***No Private Loan.*** Except as would not cause any Series 2016A Bond to become a “private activity bond” within the meaning of section 141 of the Code and the Tax Regulations and rulings thereunder, the Board shall not use any proceeds of the Series 2016A Bonds, directly or indirectly, to make or finance a loan to any Nongovernmental Person. For purposes of the foregoing covenant, such proceeds are considered to be “loaned” to a Nongovernmental Person if: (a) property acquired, constructed or improved with such proceeds (or indebtedness refinanced with such proceeds) is sold or leased to such Nongovernmental Person in a transaction that creates indebtedness for federal income tax purposes; (b) capacity in or service from such property is committed to such Nongovernmental Person under a take-or-pay, output or similar contract or arrangement that has the effect of transferring a substantial proprietary interest in such property; or (c) indirect benefits, or burdens and benefits of ownership, of such property are otherwise transferred in a transaction that is the economic equivalent of a loan.

(5) ***Not to Invest at Higher Yield.*** Except as would not cause any Series 2016A Bond to become an “arbitrage bond” within the meaning of section 148 of the Code and the Tax Regulations and rulings thereunder, the Board shall not at any time prior to the final maturity of the Series 2016A Bonds directly or indirectly invest Gross Proceeds in any Investment, if, as a result of such investment, the Yield of any Investment acquired with Gross Proceeds, whether then held or previously disposed of, would materially exceed the Yield of the Series 2016A Bonds within the meaning of said section 148.

(6) ***Not Federally Guaranteed.*** Except to the extent permitted by section 149(b) of the Code and the Tax Regulations and rulings thereunder, the Board shall not take or omit to take any action that would cause any portion of the payment of the principal of or interest on the Series 2016A Bonds to be “federally guaranteed” within the meaning of section 149(b) of the Code and the Tax Regulations and rulings thereunder.

(7) **Information Report.** The Board shall timely file any information required by section 149(e) of the Code with respect to Series 2016A Bonds with the Secretary of the Treasury on Form 8038-G or such other form and in such place as the Secretary may prescribe.

(8) **Rebate of Arbitrage Profits.** Except to the extent otherwise provided in section 148(f) of the Code and the Tax Regulations and rulings thereunder:

(i) The Board shall account for all Gross Proceeds (including all receipts, expenditures and investments thereof) on its books of account separately and apart from all other funds (and receipts, expenditures and investments thereof) and shall retain all records of accounting for at least six years after the day on which the last Series 2016A Bond is discharged. However, to the extent permitted by law, the Board may commingle Gross Proceeds of Series 2016A Bonds with other money of the Board, provided that the Board separately accounts for each receipt and expenditure of Gross Proceeds and the obligations acquired therewith and otherwise complies with applicable Tax Regulations.

(ii) Not less frequently than each Computation Date, the Board shall calculate the Rebate Amount in accordance with rules set forth in section 148(f) of the Code and the Tax Regulations and rulings thereunder. The Board shall maintain a copy of the calculation with its official transcript of proceedings relating to the issuance of the Series 2016A Bonds until six years after the final Computation Date.

(iii) In order to assure the excludability pursuant to section 103(a) of the Code of interest on the Series 2016A Bonds from the gross income of the owners thereof for federal income tax purposes, the Board shall pay to the United States the amount that, when added to the future value of previous rebate payments made for the Series 2016A Bonds, equals (i) in the case of a final Computation Date as defined in section 1.148-3(e)(2) of the Tax Regulations, 100% of the Rebate Amount on such date, and (ii) in the case of any other Computation Date, 90% of the Rebate Amount on such date. In all cases, such rebate payments shall be made by the Board at such times and in such amounts as are or may be required by section 148(f) of the Code and the Tax Regulations and rulings thereunder, and shall be accompanied by Form 8038-T or such other forms and information as is or may be required by section 148(f) of the Code and the Tax Regulations and rulings thereunder for execution and filing by the Board.

(iv) The Board shall exercise reasonable diligence to assure that no errors are made in the calculations and payments required by paragraphs (ii) and (iii) of this subsection (8) of this Section 5.01, and if an error is made, to discover and promptly correct such error within a reasonable amount of time thereafter (and in all events within 180 days after discovery of the error), including payment to the United States of any additional Rebate Amount owed to it, interest thereon, and any penalty imposed under section 1.148-3(h) or other provision of the Tax Regulations.

(9) **Not to Divert Arbitrage Profits.** Except to the extent permitted by section 148 of the Code and the Tax Regulations and rulings thereunder, the Board shall not, at any time prior to the final maturity of the Series 2016A Bonds, enter into any transaction that reduces the amount required to be paid to the United States pursuant to subsection (8) of this Section 5.01

because such transaction results in a smaller profit or a larger loss than would have resulted if the transaction had been at arm's length and had the Yield on the Series 2016A Bonds not been relevant to either party.

(10) **Series 2016A Bonds Not Hedge Bonds.** The Board represents that the Series 2016A Bonds neither are nor will become "hedge bonds" within the meaning of section 149(g) of the Code. Without limitation of the foregoing, (A) the Board will not deliver the Series 2016A Bonds unless on the date of the issuance of the Series 2016A Bonds it reasonably expects that within the three-year period commencing on such date of issuance at least 85% of the spendable proceeds of the Series 2016A Bonds will be expended for the governmental purpose of the Series 2016A Bonds, and (B) at no time will more than 50% of the proceeds of the Series 2016A Bonds be invested in Nonpurpose Investments having a substantially guaranteed yield for a period of four years or more.

(11) **Elections.** The Board hereby directs and authorizes any Authorized Board Representative to make elections permitted or required pursuant to the provisions of the Code or the Tax Regulations, as such Authorized Board Representative (after consultation with Bond Counsel) deems necessary or appropriate in connection with the Series 2016A Bonds, in the Tax Certificate relating to the Series 2016A Bonds or similar or other appropriate certificate, form or document.

(12) **Closing Certificate.** The Board agrees to execute and deliver in connection with the issuance of the Series 2016A Bonds the Tax Certificate, or similar document containing additional representations and covenants pertaining to the exclusion of interest on the Series 2016A Bonds from the gross income of the owners thereof for federal income tax purposes, which representations and covenants are incorporated as though expressly set forth herein.

ARTICLE VI

APPOINTMENT OF TRUSTEE

Section 6.01. Appointment of Replacement Trustee. The Bank of New York Mellon Trust Company, N.A., is hereby appointed as Trustee under the Master Senior Indenture (to replace U.S. Bank National Association, the original trustee and signatory of the Master Senior Indenture). The Bank of New York Mellon Trust Company, N.A. hereby accepts and agrees to execute the trusts specifically imposed on it by the Master Senior Indenture (and each Supplemental Indenture thereto), but only with the additional terms set forth in Article IX of the Master Senior Indenture. The Trustee agrees to perform all the functions and duties of the Trustee (but, for the avoidance of doubt, not the functions and duties of the Issuing and Paying Agent (as defined in the First Supplemental Senior Indenture) unless hereafter agreed to and accepted by the Trustee) under the Master Senior Indenture (and each Supplemental Indenture thereto), subject to the terms and conditions set forth therein. The Trustee hereby confirms that it has delivered to the Board and the original trustee concurrently with the execution and delivery of this Third Supplemental Senior Indenture a written acceptance of its appointment as Trustee hereunder and has assumed such office and accepted all property of the trust created under the Master Senior Indenture (and each Supplemental Indenture thereto) as of the date of delivery of the Series 2016A Bonds pursuant to this Third Supplemental Senior Indenture.

ARTICLE VII

AMENDMENTS TO MASTER SENIOR INDENTURE

Section 7.01. Amendment to Article I of the Master Senior Indenture. The definition of “Credit Agreement” contained in Article I of the Master Senior Indenture (as previously amended by the Second Supplemental Senior Indenture) shall be amended and restated in full following the delivery of the Series 2016A Bonds to read as follows:

“ ‘Credit Agreement’ means the Credit Agreement, dated as of May 1, 2011, by and between the Board, acting on its own behalf and on behalf of the City, and Wells Fargo Bank, National Association, as amended by the [Amendment to Credit Agreement,] dated as of _____, 2016 by and between the Board, acting on its own behalf and on behalf of the City, and Wells Fargo Bank, National Association, which sets forth the terms of a revolving line of credit made available to the Board.’ ”

Section 7.02. Amendment to Article III of Master Senior Indenture. The second paragraph of Article II of the Master Senior Indenture shall be amended by adding a new sentence to follow the first sentence of such paragraph as follows:

“Upon any partial early redemption of any Term Bonds of a Series, the Board shall deliver to the Trustee a revised schedule of sinking fund installments to be payable thereafter with respect to the unredeemed portion of any such Term Bonds.”

Section 7.03. Amendments to Section 4.04 of the Master Senior Indenture.

(a) The second line of the third paragraph of Section 4.04 of the Master Senior Indenture shall be amended by deleting therefrom the phrase “by telephone, promptly confirmed.”

(b) The fourth paragraph of Section 4.04 of the Master Senior Indenture shall be amended and restated to read in full as follows:

“On or before the second (2nd) Business Day prior to each Payment Date, the Board shall cause the City Treasurer to withdraw from the Sewer Revenue Fund and to pay to the Trustee the full amount required to make the interest and/or principal payments due on such Payment Date.”

Section 7.04. Amendments to Article VI of the Master Senior Indenture. Article VI of the Master Senior Trust Indenture shall be amended as follows:

(a) The last sentence in the first paragraph of Article VI of the Master Senior Indenture shall be amended and restated to read in full as follows:

“The Board shall direct the investment of moneys held by the Trustee in any funds and accounts established pursuant to this Master Senior Indenture or

any Supplemental Indenture by written instructions of an Authorized Board Representative delivered to the Trustee (upon which the Trustee may conclusively rely); or, in the absence of any such instructions, the Trustee shall hold such moneys uninvested.

(b) The last paragraph of Article VI of the Master Senior Indenture shall be amended and restated to read in full as follows:

“The Board acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Board the right to receive, at no additional cost, brokerage confirmations of security transactions as they occur, the Board will not receive such confirmations to the extent permitted by law. The Trustee will furnish the Board periodic cash transaction statements which include detail for all investment transactions made by the Trustee hereunder.”

(c) Article VI of the Master Senior Indenture shall be amended by adding the following paragraph to the end of such Article:

“For the purpose of valuing Permitted Investments held in any account held by the Trustee hereunder, the Trustee shall value all investments at market. In determining market value of Permitted Investments, the Trustee may use and rely conclusively and without liability upon any generally recognized pricing information service (including brokers and dealers in securities) available to it.”

Section 7.05. Amendment to Section 8.01(d) of the Master Senior Indenture. Section 8.01(d) of the Master Senior Indenture shall be amended and restated to read in full as follows:

“(d) a failure by the Board to observe and perform any covenant, condition, agreement or provision (other than as specified in clauses (a), (b) and (c) of this Section) that are to be observed or performed by the Board and which are contained in this Master Senior Indenture or a Supplemental Indenture, which failure, except for a violation under Section 5.04 hereof which shall be controlled by the provisions set forth therein, shall continue for a period of 60 days after written notice specifying such failure and requesting that it be remedied shall have been given to the Board by the Trustee, which notice may be given at the discretion of the Trustee and shall be given at the written request of Holders of 25% or more of the Principal Amount of the Bonds then Outstanding, unless the Trustee, or the Trustee and the Holders of Bonds in a Principal Amount not less than the Principal Amount of Bonds the Holders of which requested such notice, shall agree in writing to an extension of such period prior to its expiration; provided, however, that the Trustee or the Trustee and the Holders of such principal amount of Bonds shall be deemed to have agreed to an extension of such period if corrective action is initiated by the Board within such period and is being diligently pursued until such failure is corrected, such extension of such period (whether in writing or a deemed extension) not to be longer than one hundred

eighty (180) days from the date of the written default notice delivered to the Board.”

Section 7.06. Amendment to Section 8.10 of the Master Senior Indenture. The first sentence of Section 8.10 of the Master Senior Indenture shall be amended by adding the word “fees” in the sixth line thereof just before the phrase “expenses, liabilities and advances incurred or made by the Trustee.”

Section 7.07. Amendment to Section 9.03 of the Master Senior Indenture. Section 9.03 of the Master Senior Indenture shall be amended by adding the following paragraph to the end of such Section:

“The permissive right of the Trustee to do things enumerated in this Master Senior Indenture shall not be construed as a duty.”

Section 7.08. Amendment to Section 10.03 of the Master Senior Indenture. Sections 10.03(d) and (f) of the Master Senior Indenture shall both be amended by adding the phrase “and the Trustee” just before the phrase “(i) the required consents.”

Section 7.09. Amendment to Section 12.06 of the Master Senior Indenture. Section 12.06 of the Master Senior Indenture shall be amended by replacing the phrase “U.S. Bank National Association, 100 Wall Street, 16th Floor, New York, New York 10005, Attention: Corporate Trust Services, Telephone (212) 361-6140, Facsimile: (212) 514-6841” with the following phrase:

“The Bank of New York Mellon Trust Company, N.A., 400 South Hope Street, Suite #500, Los Angeles, California 90071, Attention: Corporate Trust Services, Telephone: _____, Facsimile: _____.”

Section 7.10. Amendment to Section 12.07 of the Master Senior Indenture. Section 12.07 of the Master Senior Indenture shall be amended and restated to read in full as follows:

“The Trustee shall have the right to accept and act upon instructions, including funds transfer instructions (for purposes of this Section, “Instructions”) given pursuant to this Master Senior Indenture and delivered using Electronic Means (“Electronic Means” shall mean, for purposes of this Section, the following communications methods: e-mail, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys issued by the Trustee, or another method or system specified by the Trustee as available for use in connection with its services hereunder.); provided, however, that the Board shall provide to the Trustee an incumbency certificate listing the Authorized Board Representatives with authority to provide such Instructions and containing specimen signatures of such Authorized Board Representatives, which incumbency certificate shall be amended by the Board, whenever a person is to be added or deleted from the listing. If the Board elects to give the Trustee Instructions using Electronic Means and the Trustee acts upon such Instructions, the Trustee’s understanding of such Instructions shall be deemed controlling. The Board understands and agrees that

the Trustee cannot determine the identity of the actual sender of such Instructions and that the Trustee shall conclusively presume that directions that purport to have been sent by an Authorized Board Representative listed on the incumbency certificate provided to the Trustee have been sent by such Authorized Board Representative. The Board shall be responsible for ensuring that only Authorized Board Representatives transmit such Instructions to the Trustee and that the Board and all Authorized Board Representatives are solely responsible to safeguard the use and confidentiality of applicable user and authorization codes, passwords and/or authentication keys upon receipt by the Board. The Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee's good faith reliance upon and compliance with such Instructions notwithstanding such directions conflict or are inconsistent with a subsequent written instruction. The Board agrees: (i) to assume all risks arising out of the use of Electronic Means to submit Instructions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized Instructions, and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting Instructions to the Trustee and that there may be more secure methods of transmitting Instructions than the method(s) selected by the Board; (iii) that the security procedures (if any) to be followed in connection with its transmission of Instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances; and (iv) to notify the Trustee immediately upon learning of any compromise or unauthorized use of the security procedures."

Section 7.11. Amendment of Section 7.09 of the First Supplemental Senior Indenture. Section 7.09 of the First Supplemental Senior Indenture shall be amended and restated to read in full as follows:

"Reserved."

ARTICLE VIII

MISCELLANEOUS

Section 8.01. Notices.

(a) Any notice, request, direction, designation, consent, acknowledgment, certification, appointment, waiver or other communication required or permitted by this Third Supplemental Senior Indenture or the Series 2016A Bonds must be in writing except as expressly provided otherwise in this Third Supplemental Senior Indenture or the Series 2016A Bonds.

(b) Any notice or other communication to the Board, unless otherwise specified, shall be sufficiently given and shall be deemed given when mailed by first-class mail, postage prepaid, addressed to the Board at the address provided in the Master Senior Indenture, or when delivered by hand and received by the Board at the address provided in the Master Senior Indenture. Any

notice or other communication to the Trustee, unless otherwise specified, shall be sufficiently given and shall be deemed given when mailed by first-class mail, postage prepaid, addressed to the Trustee at the following address: The Bank of New York Mellon Trust Company, N.A., 400 S. Hope Street, Suite 500, Los Angeles, California 90071, Attention: Corporate Trust Services, Telephone: _____, Facsimile: _____, or when delivered by hand and received by the Trustee at such address, which address is hereby designated as the notice address of the successor Trustee for purposes of the Master Senior Indenture. Any addressee may designate additional or different addresses for purposes of the Master Senior Indenture and this Section.

Section 8.02. Modification of Master Senior Indenture and this Third Supplemental Senior Indenture. The Board may, from time to time and at any time, execute and deliver Supplemental Senior Indentures supplementing and/or amending the Master Senior Indenture and this Third Supplemental Senior Indenture in the manner set forth in Article X of the Master Senior Indenture.

Section 8.03. Parties Interested Herein. Nothing in this Third Supplemental Senior Indenture expressed or implied is intended or shall be construed to confer upon, or to give or grant to, any person or entity, other than the Board, the Trustee and the Holders of the Series 2016A Bonds, any right, remedy or claim under or by reason of this Third Supplemental Senior Indenture or any covenant, condition or stipulation hereof, and all covenants, stipulations, promises and agreements in this Third Supplemental Senior Indenture contained by and on behalf of the Board shall be for the sole and exclusive benefit of the Board, the Trustee and the Holders of the Series 2016A Bonds.

Section 8.04. Severability. If any provision of this Third Supplemental Senior Indenture shall be determined to be unenforceable, that shall not affect any other provision of this Third Supplemental Senior Indenture.

Section 8.05. Payments or Actions Occurring on Non-Business Days. If a payment date is not a Business Day at the place of payment or if any action required hereunder is required on a date that is not a Business Day, then payment may be made at that place on the next Business Day or such action may be taken on the next Business Day with the same effect as if payment were made on the action taken on the stated date, and no interest shall accrue for the intervening period.

Section 8.06. Governing Law. This Third Supplemental Senior Indenture shall be governed by and construed in accordance with the laws of the State.

Section 8.07. Captions. The captions in this Third Supplemental Senior Indenture are for convenience only and do not define or limit the scope or intent of any provisions or Sections of this Third Supplemental Senior Indenture.

Section 8.08. Counterparts. This Third Supplemental Senior Indenture may be signed in several counterparts. Each will be an original, but all of them together constitute the same instrument.

[End of Third Supplemental Senior Trust Indenture]

IN WITNESS WHEREOF, the parties hereto have caused this Third Supplemental Senior Trust Indenture to be duly executed, all as of the date first above written.

BOARD OF WATER COMMISSIONERS OF
THE CITY OF LONG BEACH, acting on its
own behalf and on behalf of the City of Long
Beach

By _____
Christopher Garner, General Manager

APPROVED AS TO FORM:

By _____
Assistant City Attorney

THE BANK OF NEW YORK MELLON
TRUST COMPANY, N.A., as Trustee

By _____
Authorized Officer

[Signature page to Third Supplemental Senior Trust Indenture]

EXHIBIT A
FORM OF BOND

No. R-_____

Principal Amount \$_____

UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AS DEFINED IN THE HEREINAFTER DEFINED THIRD SUPPLEMENTAL SENIOR INDENTURE) TO THE TRUSTEE (AS HEREINAFTER DEFINED) FOR REGISTRATION OF, TRANSFER, EXCHANGE, OR PAYMENT, AND ANY SERIES 2016A BOND ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

CITY OF LONG BEACH, CALIFORNIA
SENIOR SEWER REVENUE REFUNDING BOND
SERIES 2016A

<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Original Dated Date</u>	<u>CUSIP</u>
____%	May 1, 20__	_____, 2016	____

REGISTERED OWNER: ----- CEDE & CO (TAX I.D. 013-2555119) -----

PRINCIPAL AMOUNT:

THIS BOND IS A SPECIAL LIMITED OBLIGATION OF THE CITY OF LONG BEACH, CALIFORNIA (THE "CITY"), PAYABLE SOLELY FROM AND SECURED BY A PLEDGE OF NET REVENUES (AS HEREINAFTER DEFINED) DERIVED BY THE BOARD OF WATER COMMISSIONERS OF THE CITY OF LONG BEACH, CALIFORNIA (THE "BOARD") FROM THE OPERATIONS OF THE ENTERPRISE (AS HEREINAFTER DEFINED) AND CERTAIN FUNDS AND ACCOUNTS. NONE OF THE PROPERTIES OF THE ENTERPRISE ARE SUBJECT TO ANY MORTGAGE OR OTHER LIEN FOR THE BENEFIT OF THE OWNERS OF THIS BOND, AND NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY, THE STATE OF CALIFORNIA (THE "STATE") OR ANY POLITICAL SUBDIVISION OR AGENCY OF THE STATE OF CALIFORNIA IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THIS BOND. NEITHER THIS BOND NOR THE OBLIGATION TO PAY PRINCIPAL OF OR INTEREST THEREON CONSTITUTES A DEBT OF THE CITY, THE STATE OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL LIMITATION ON INDEBTEDNESS.

The Board, acting on its own behalf and on behalf of the City, for value received, hereby promises to pay (but only out of the Net Revenues and other assets pledged therefor as hereinafter mentioned) to Cede & Co., or registered assigns, the principal sum of _____ Dollars on the Maturity Date set forth above and to pay interest as provided in this Bond.

1. **Master Senior Indenture; Third Supplemental Senior Indenture.** The Board, acting on its own behalf and on behalf of the City, has entered into a Master Senior Trust Indenture, dated as of June 1, 2009, as amended (the “Master Senior Indenture”) with The Bank of New York Mellon Trust Company, N.A., as successor trustee (the “Trustee”). Such Master Senior Indenture provides that the Board may issue bonds and incur other indebtedness under the terms and conditions set forth in the Master Senior Indenture and Supplemental Senior Indentures. All bonds and other indebtedness issued thereunder and secured thereby are collectively referred to herein as “Bonds.” All capitalized terms not defined herein shall have the meanings set forth in the Master Senior Indenture and the hereinafter defined Third Supplemental Senior Indenture.

This Bond is part of a series of Bonds of the Board issued under the Master Senior Indenture and the Third Supplemental Senior Trust Indenture, dated as of [September 1], 2016 (the “Third Supplemental Senior Indenture”), by and between the Board and the Trustee, and authorized pursuant to the Charter and Section 3.52.110 through 3.52.140 of the Long Beach Municipal Code (the “Bond Law”). The series of Bonds of which this Bond is a part is being issued in the original principal amount of \$_____ and designated as Senior Sewer Revenue Refunding Bonds, Series 2016A (the “Series 2016A Bonds”).

The Master Senior Indenture provides for the incurrence of additional debt, including the issuance of additional Bonds, to be secured under the Master Senior Indenture equally and ratably with the Series 2016A Bonds.

The terms of the Series 2016A Bonds include the terms set forth in the Master Senior Indenture and the Third Supplemental Senior Indenture. Bondholders are referred to the Master Senior Indenture, as amended and supplemented from time to time, and the Third Supplemental Senior Indenture, as amended and supplemented from time to time, for a statement of those terms and for the meanings of any terms used herein which are defined therein.

2. **Source of Payments.** The Series 2016A Bonds are, as provided in the Master Senior Indenture and the Third Supplemental Senior Indenture, together with all other Bonds, if any, secured by and payable from, the Net Revenues, as described below and as defined in the Master Senior Indenture. The Master Senior Indenture pledges the Net Revenues to secure payment of all Bonds issued under the Master Senior Indenture.

The term “Net Revenues” is defined in the Master Senior Indenture to mean, for any period, an amount equal to all of the Gross Revenues received during such period less the amount required to pay all Operation and Maintenance Costs becoming payable during such period.

3. **Interest Rate.** This Bond shall bear interest until the Maturity Date at the Interest Rate shown on the first page of this Bond. Interest on overdue principal and, to the extent

lawful, on overdue interest will be payable at the Interest Rate on this Bond on the day before the default occurred.

Interest on this Bond shall be calculated on the basis of a year of 360 days and twelve 30-day months.

4. **Interest Payment and Record Dates.** Interest hereon will be due and payable on [November 1, 2016] and each May 1 and November 1 thereafter and will be paid to the party who is the registered owner hereof on the Record Date for such payment. The Record Date for a May 1 payment is the preceding April 15, and the Record Date for a November 1 payment is the preceding October 15. If this Bond is not a Book-Entry Bond, as defined in the Third Supplemental Senior Indenture, interest hereon will be paid by check of the Trustee mailed by first-class mail to the person who is the registered owner hereof on the Record Date immediately preceding each Interest Payment Date, except that in the case of a registered owner of \$1,000,000 or more in aggregate principal amount of Series 2016A Bonds, upon written request of such registered owner to the Trustee received at least ten (10) days prior to the applicable Record Date, specifying the account or accounts to which such payment shall be made (which request shall remain in effect until revoked or reversed by such Bondholder in a subsequent writing delivered to the Trustee), such interest shall be paid in immediately available funds by wire transfer to such account or accounts on each such following Interest Payment Date. If this Bond is a Book-Entry Bond, as defined in the Third Supplemental Senior Indenture, interest will be paid as provided in Section 2.06 of the Third Supplemental Senior Indenture. Interest will be paid in money of the United States that at the time of payment is legal tender for payment of public and private debts. If any payment of interest on this Bond is due on a non-Business Day, it will be made on the next Business Day, and no interest will accrue as a result.

5. **Payment of Principal.** Payment of principal of this Bond will be paid at maturity upon surrender of this Bond to the Trustee or its agent except that if this Bond is a Book-Entry Bond, as defined in the Third Supplemental Senior Indenture, principal will be paid as provided in Section 2.06 of the Third Supplemental Senior Indenture. Principal will be paid in money of the United States of America that at the time of payment is legal tender for payment of public and private debts. If any payment of principal of this Bond is due on a non-Business Day, it will be made on the next Business Day, and no interest will accrue as a result.

6. **Redemption.** All redemptions will be made at a redemption price of 100% of the principal amount of the Series 2016A Bonds being redeemed plus interest accrued since the most recent interest payment date.

Optional Redemption. The Series 2016A Bonds maturing on or before May 1, 20__ are not subject to optional redemption prior to maturity. The Series 2016A Bonds maturing on or after May 1, 20__ are redeemable at the option of the Board on or after May 1, 20__, in whole or in part at any time, from any moneys that may be provided for such purpose and at a redemption price equal to 100% of the principal amount of the Series 2016A Bonds to be redeemed plus accrued interest to the date fixed for redemption, without premium.

Notice of Redemption. At least twenty (20) days but not more than sixty (60) days before each redemption, the Trustee will give notice sent as provided in the Third Supplemental Senior Indenture to each registered owner of a Series 2016A Bond to be

redeemed. Failure to give any required notice of redemption will not affect the validity of the call for redemption of any Series 2016A Bond in respect of which no failure occurs. Any notice sent as provided in the Third Supplemental Senior Indenture will be conclusively presumed to have been given whether or not actually received by the addressee.

Effect of Redemption. When notice of redemption is given, Series 2016A Bonds called for redemption shall (except as hereafter provided) become due and payable on the redemption date at the applicable redemption price; in such case when funds are deposited with the Trustee or an agent of the Trustee sufficient for redemption, interest on the Series 2016A Bonds to be redeemed ceases to accrue as of the redemption date.

If by the date of mailing of notice of any optional redemption there shall not have been deposited with the Trustee moneys sufficient to redeem all the Series 2016A Bonds called for redemption, then such notice shall state that it is subject to the availability of funds for such purpose not later than the opening of business on the redemption date and shall be of no effect unless funds sufficient for such purpose are available.

7. **Denominations; Transfer; Exchange.** The Series 2016A Bonds are available in Authorized Denominations of \$5,000 principal amount and integral multiples thereof. A holder may transfer or exchange Series 2016A Bonds in accordance with the Master Senior Indenture and the Third Supplemental Senior Indenture. The Trustee may require a holder, among other things, to furnish appropriate endorsements and transfer documents and to pay any taxes and fees required by law or permitted by the Master Senior Indenture. The Trustee need not transfer or exchange any Series 2016A Bond during the period established by the Registrar for selection of Series 2016A Bonds for redemption or any Series 2016A Bond which has been selected for redemption.

8. **Persons Deemed Owners.** The registered owner of this Bond shall be treated as the owner of it for all purposes.

9. **Unclaimed Money.** If money for the payment of principal or interest remains unclaimed for one year after the date on which any Series 2016A Bond shall have become due and payable (or such longer period as shall be required by state law), the Trustee will pay the money to or for the account of the Board. After that, holders entitled to the money must look only to the Board and not to the Trustee for payment.

10. **Discharge Before Maturity.** If the Board at any time deposits with the Trustee money or Federal Securities as described in the Master Senior Indenture sufficient to pay at maturity principal of and interest on the outstanding Series 2016A Bonds, and if the Board also pays all other sums then payable by the Board under the Master Senior Indenture, the Master Senior Indenture will be discharged. After discharge, Bondholders must look only to the deposited money and securities for payment. If the Board at any time deposits with the Trustee money or Federal Securities as described in the Master Senior Indenture sufficient to pay at maturity, principal of and interest on all or any portion of the outstanding Series 2016A Bonds, such Series 2016A Bonds, with respect to which the deposit was made, shall no longer be deemed to be outstanding and shall no longer be secured by the Master Senior Indenture except to the extent of the funds set aside therefor.

11. **Amendment, Supplement, Waiver.** The Master Senior Indenture, the Third Supplemental Senior Indenture and the Series 2016A Bonds may be amended or supplemented, and any past default or compliance with any provision may be waived, as provided in the Master Senior Indenture. Any consent given by the owner of this Bond shall bind any subsequent owner of this Bond or any Bond delivered in substitution for this Bond.

12. **Defaults and Remedies.** The Master Senior Indenture provides that the occurrences of certain events constitute Events of Default. If an Event of Default occurs and is continuing, the Trustee may exercise the remedies set forth in the Master Senior Indenture and the Third Supplemental Senior Indenture. Under no circumstances does an Event of Default grant any right to accelerate payment of this Bond. An Event of Default and its consequences may be waived as provided in the Master Senior Indenture and the Third Supplemental Senior Indenture. Bondholders may not enforce the Master Senior Indenture or this Bond except as provided in the Master Senior Indenture and the Third Supplemental Senior Indenture. The Trustee may refuse to enforce the Master Senior Indenture or this Bond unless it receives indemnity satisfactory to it. Subject to certain limitations, holders of a majority of the principal amount of the Series 2016A Bonds (determined in accordance with the terms of the Master Senior Indenture and the Third Supplemental Senior Indenture) may direct the Trustee in its exercise of any trust or power.

13. **No Recourse Against Others.** No member, director, officer or employee of the Board or the City shall have any personal liability for any obligations of the Board under this Bond, the Master Senior Indenture or the Third Supplemental Senior Indenture or for any claim based on such obligations or their creation or be subject to any personal liability or accountability by reason of the issuance thereof. Each Bondholder, by accepting this Bond, waives and releases all such liability. The waiver and release are part of the consideration for the issuance of this Bond.

14. **Authentication.** This Bond shall not be valid until the Trustee or an authenticating agent signs the certificate of authentication on this Bond.

15. **Abbreviations.** Customary abbreviations may be used in the name of a Bondholder or an assignee, such as TEN COM(= tenants in common), TENANT (=tenants by the entireties), JT TEN (= joint tenants with right of survivorship and not as tenants in common), CUST (= Custodian), U/G/M/A (= Uniform Gifts to Minors Act) and Utr/M/A (= Uniform Transfers to Minors Act).

It is hereby certified and recited that all acts, conditions and other matters required to exist, to happen and to be performed, precedent to and in the issuance of this Bond, do exist, have happened and have been performed in due time, form and manner as required by the Bond Law (as defined herein), and by the constitution and laws of the State of California.

This Bond shall not be entitled to any benefit under the Indenture, or become valid or obligatory for any purpose, until the certificate of authentication hereon endorsed shall have been signed by the Trustee.

IN WITNESS WHEREOF, THE BOARD OF WATER COMMISSIONERS OF THE CITY OF LONG BEACH, acting on its own behalf and on behalf of the City of Long Beach, has caused this Bond to be executed in its name and on its behalf by the General Manager of the City of Long Beach Water Department and attested by the Secretary to the Board, and this Bond to be dated as of the ____ day of _____, 2016.

BOARD OF WATER COMMISSIONERS OF THE CITY OF LONG BEACH, acting on its own behalf and on behalf of the City of Long Beach

By _____
General Manager of the City of Long Beach Water Department

Attest:

By _____
Secretary to the Board of Water Commissioners of the City of Long Beach

[FORM OF CERTIFICATE OF AUTHENTICATION
AND REGISTRATION]

The undersigned certifies that this is one of the Bonds described in the within mentioned Master Senior Indenture and Third Supplemental Senior Indenture and registered on the date set forth below.

Date of Authentication: _____, 2016

THE BANK OF NEW YORK MELLON
TRUST COMPANY, N.A., as Trustee

By: _____
Authorized Officer

[FORM OF ASSIGNMENT]

FOR VALUE RECEIVED the undersigned hereby sells, assigns and transfers unto

(Please print or type the name and address of Assignee and social security or other identifying number) the within bond and all rights thereunder, and hereby irrevocably constitutes and appoints _____, Attorney to transfer the within bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated:

Notice: This signature to this assignment must correspond with the name as it appears upon the face of the within bond in every particular, without alteration or enlargement or any change whatsoever.

Signature guaranteed:

Signature must be guaranteed by an eligible guarantor institution.

EXHIBIT B

DEBT SERVICE SCHEDULE

**City of Long Beach, California
Senior Sewer Revenue Refunding
Bonds Series 2016A**

Date	Principal	Interest	Total
-------------	------------------	-----------------	--------------

EXHIBIT C

FORM OF COSTS OF ISSUANCE FUND REQUISITION

Requisition No. _____

To: The Bank of New York Mellon Trust Company, N.A.
Attention: Corporate Trust Services
400 S. Hope Street, Suite 500
Los Angeles, California 90071

Re: Requisition of Funds from City of Long Beach, California
Senior Sewer Revenue Refunding Bonds, Series 2016A
Costs of Issuance Fund

The amount requisitioned: \$ _____

Payment to be made to: _____

Manner in which payment is to be made: _____

The undersigned, an Authorized Board Representative within the meaning of the Master Senior Trust Indenture, dated as of June 1, 2009, as amended, by and between the Board of Water Commissioners of the City of Long Beach (the "Board"), acting on its own behalf and on behalf of the City of Long Beach, California (the "City") and The Bank of New York Mellon Trust Company, N.A., as successor trustee (the "Trustee"), and the Third Supplemental Senior Trust Indenture, dated as of _____ 1, 2016 (the "Third Supplemental Senior Indenture"), by and between the Board, acting on its own behalf and on behalf of the City, and the Trustee, hereby requisitions the amount set forth above and directs that such amount be paid to the party set forth above from funds held in the City of Long Beach, California Senior Sewer Revenue Refunding Bonds, Series 2016A Costs of Issuance Fund held under the Third Supplemental Senior Indenture and directs that payment be made in the manner described above.

The amount to be paid represents Costs of Issuance associated with the issuance of the Series 2016A Bonds and the amounts requisitioned hereby will be expended only in accordance with and subject to the limitations set forth in the Tax Certificate, dated _____, 2016 and relating to the Series 2016A Bonds.

Dated: _____.

By _____
Authorized Board Representative

CONTINUING DISCLOSURE CERTIFICATE

This CONTINUING DISCLOSURE CERTIFICATE (the “Disclosure Certificate”) is executed and delivered by the CITY OF LONG BEACH, CALIFORNIA (the “City”) in connection with the issuance by the City of its \$_____ Senior Sewer Revenue Refunding Bonds, Series 2016A (the “Bonds”). The Series 2016A Bonds are being issued pursuant to Chapter 3.52 et seq., of the Municipal Code, the Master Senior Trust Indenture, dated as of June 1, 2009, as amended (the “Master Senior Indenture”), by and between the Board, acting on its own behalf and on behalf of the City, and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”), and the Third Supplemental Senior Trust Indenture, dated as of September 1, 2016 (the “Third Supplemental Senior Indenture,” and together with the Master Senior Indenture, the “Senior Indenture”), by and between the Board, acting on its own behalf and on behalf of the City, and the Trustee. The City covenants and agrees as follows:

Section 1. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section 1, the following capitalized terms shall have the following meanings when used in this Disclosure Certificate:

“Annual Report” shall mean any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Beneficial Owner” shall mean any person who (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

“Dissemination Agent” shall mean the City or any successor Dissemination Agent designated in writing by the City and which has filed with the City a written acceptance of such designation. In the absence of such a designation, the City shall act as the Dissemination Agent.

“EMMA” or “Electronic Municipal Market Access” means the centralized on-line repository for documents to be filed with the MSRB, such as official statements and disclosure information relating to municipal bonds, notes and other securities as issued by state and local governments.

“Listed Events” shall mean any of the events listed in Section 5(a) or 5(b) of this Disclosure Certificate.

“MSRB” means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule, or any other repository of disclosure information which may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

“Participating Underwriter” shall mean any original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Rule” shall mean Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Section 2. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the City for the benefit of the owners and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

Section 3. Provision of Annual Reports.

(a) Delivery of Annual Report. The City shall, or shall cause the Dissemination Agent to, not later than nine months after the end of the City's fiscal year (which currently ends on September 30), commencing with the report for the 2015-16 Fiscal Year, which is due not later than June 30, 2017, file with EMMA, in a readable PDF or other electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the City may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date.

(b) Change of Fiscal Year. If the City's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c), and subsequent Annual Report filings shall be made no later than nine months after the end of such new fiscal year end.

(c) Delivery of Annual Report to Dissemination Agent. Not later than fifteen (15) Business Days prior to the date specified in subsection (a) (or, if applicable, subsection (b)) of this Section 3 for providing the Annual Report to EMMA, the City shall provide the Annual Report to the Dissemination Agent (if other than the City). If by such date, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall notify the City.

(d) Report of Non-Compliance. If the City is the Dissemination Agent and is unable to file an Annual Report by the date required in subsection (a) (or, if applicable, subsection (b)) of this Section 3, the City shall send a notice to EMMA in a timely fashion substantially in the form attached hereto as Exhibit A. If the City is not the Dissemination Agent and is unable to provide an Annual Report to the Dissemination Agent by the date required in subsection (c) of this Section 3, the Dissemination Agent shall send a notice in a timely fashion to EMMA in substantially the form attached hereto as Exhibit A.

(e) Annual Compliance Certification. The Dissemination Agent shall, if the Dissemination Agent is other than the City, file a report with the City certifying that the Annual Report has been filed with EMMA pursuant to Section 3 of this Disclosure Certificate, stating the date it was so provided and filed.

Section 4. Content of Annual Reports. The Annual Report for each fiscal year commencing with the Annual Report for the 2015-16 fiscal year shall contain or incorporate by reference the following:

(a) Financial Statements. Audited financial statements of the City for the preceding fiscal year, prepared in accordance with generally accepted accounting principles. If the City's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to

the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) Other Annual Information. Unless otherwise provided in the audited financial statements filed on or prior to the annual filing deadline for Annual Reports provided for in Section 3 above, financial information and operating data with respect to the City for the preceding fiscal year, substantially similar to that provided in the following tables in the Official Statement:

- (1) “Historic Sewer System Connections
- (2) “Category Largest Sewer System Customers”
- (3) “Sewer System Service Volumetric Charges”
- (4) “Sewer System Service Daily Service Charges”
- (5) “Summary of Sewer Enterprise Operating Revenues and Expenses”

(c) Cross References. Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the City or related public entities, which are available to the public on EMMA. The City shall clearly identify each such other document so included by reference.

If the document included by reference is a final official statement, it must be available from EMMA.

Section 5. Reporting of Listed Events.

(a) Reportable Events. The City shall, or shall cause the Dissemination Agent (if not the City) to, give notice of the occurrence of any of the following events with respect to the Bonds:

- (1) Principal and interest payment delinquencies.
- (2) Unscheduled draws on debt service reserves reflecting financial difficulties.
- (3) Unscheduled draws on credit enhancements reflecting financial difficulties.
- (4) Substitution of credit or liquidity providers, or their failure to perform.
- (5) Defeasances.
- (6) Rating changes.
- (7) Tender offers.
- (8) Bankruptcy, insolvency, receivership or similar event of the obligated person.
- (9) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to

the tax status of the security, or other material events affecting the tax status of the security.

Note: For the purposes of the event identified in subparagraph (8), the event is considered to occur when any of the following occur: the appointment of a receiver, trustee or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(b) Material Reportable Events. The City shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

- (1) Non-payment related defaults.
- (2) Modifications to rights of security holders.
- (3) Bond calls.
- (4) The release, substitution, or sale of property securing repayment of the securities.
- (5) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms.
- (6) Appointment of a successor or additional trustee, or the change of name of a trustee.

(c) Time to Disclose. The City shall, or shall cause the Dissemination Agent (if not the City) to, file a notice of such occurrence with EMMA, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of any Listed Event. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(5) and (b)(3) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to owners of affected Bonds under the Indenture.

Section 6. Identifying Information for Filings with EMMA. All documents provided to EMMA under this Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The City's obligations under this Disclosure Certificate shall terminate upon the defeasance, prior redemption or payment in full of all

of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the City shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 8. Dissemination Agent.

(a) Appointment of Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate and may discharge any such agent, with or without appointing a successor Dissemination Agent. If the Dissemination Agent is not the City, the Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the City pursuant to this Disclosure Certificate. It is understood and agreed that any information that the Dissemination Agent may be instructed to file with EMMA shall be prepared and provided to it by the City. The Dissemination Agent has undertaken no responsibility with respect to the content of any reports, notices or disclosures provided to it under this Disclosure Certificate and has no liability to any person, including any Bond owner, with respect to any such reports, notices or disclosures. The fact that the Dissemination Agent or any affiliate thereof may have any fiduciary or banking relationship with the City shall not be construed to mean that the Dissemination Agent has actual knowledge of any event or condition, except as may be provided by written notice from the City.

(b) Compensation of Dissemination Agent. The Dissemination Agent shall be paid compensation by the City for its services provided hereunder in accordance with its schedule of fees as agreed to between the Dissemination Agent and the City from time to time and all expenses, legal fees and expenses and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent shall not be deemed to be acting in any fiduciary capacity for the City, owners or Beneficial Owners, or any other party. The Dissemination Agent may rely, and shall be protected in acting or refraining from acting, upon any direction from the City or an opinion of nationally recognized bond counsel. The Dissemination Agent may at any time resign by giving written notice of such resignation to the City. The Dissemination Agent shall not be liable hereunder except for its negligence or willful misconduct.

(c) Responsibilities of Dissemination Agent. In addition of the filing obligations of the Dissemination Agent set forth in Sections 3(e) and 5, the Dissemination Agent shall be obligated, and hereby agrees, to provide a request to the City to compile the information required for its Annual Report at least 30 days prior to the date such information is to be provided to the Dissemination Agent pursuant to subsection (c) of Section 3. The failure to provide or receive any such request shall not affect the obligations of the City under Section 3.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the City may amend this Disclosure Certificate (and the Dissemination Agent shall agree to any amendment so requested by the City that does not impose any greater duties or risk of liability on the Dissemination Agent), and any provision of this Disclosure Certificate may be waived, provided that all of the following conditions are satisfied:

(a) Change in Circumstances. If the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a) or (b), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or the type of business conducted.

(b) Compliance as of Issue Date. The undertaking, as amended or taking into account such waiver, would, in the opinion of a nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances.

(c) Consent of Bondowners; Non-impairment Opinion. The amendment or waiver either (i) is approved by the Bond owners in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Bond owners, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Bond owners or Beneficial Owners.

If this Disclosure Certificate is amended or any provision of this Disclosure Certificate is waived, the City shall describe such amendment or waiver in the next following Annual Report and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the City. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(c), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the City chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the City shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. In the event of a failure of the City to comply with any provision of this Disclosure Certificate, any Certificate owner or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under this Disclosure Certificate. The sole remedy under this Disclosure Certificate in the event of any failure of the City to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and no implied covenants or obligations shall be read into this Disclosure Certificate against the Dissemination Agent, and the City agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees and expenses) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall have the same rights, privileges and immunities hereunder as are afforded to the Trustee under the Indenture. The obligations of the City under this

Section 12 shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriter and the Owners and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: _____, 2016

CITY OF LONG BEACH, CALIFORNIA

By: _____
David S. Nakamoto,
City Treasurer

EXHIBIT A

NOTICE TO MSRB OF FAILURE TO FILE ANNUAL REPORT

Name of Obligor: City of Long Beach, California

Name of Issue: \$_____ City of Long Beach Lease Senior Sewer Revenue Refunding Bonds, Series 2016A

Date of Issuance: _____, 2016

NOTICE IS HEREBY GIVEN that the Obligor has not provided an Annual Report with respect to the above-named Issue as required by the Continuing Disclosure Certificate, dated August 25, 2016, furnished by the Obligor in connection with the Issue. The Obligor anticipates that the Annual Report will be filed by _____.

Date: _____

CITY OF LONG BEACH, CALIFORNIA,
Dissemination Agent

By: _____
Authorized Officer

OFFICE OF THE CITY ATTORNEY
CHARLES PARKIN, City Attorney
333 West Ocean Boulevard, 11th Floor
Long Beach, CA 90802-4664

RESOLUTION NO. WD-1360

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

A RESOLUTION OF THE BOARD OF WATER COMMISSIONERS OF THE CITY OF LONG BEACH AUTHORIZING THE ISSUANCE AND SALE OF CITY OF LONG BEACH, CALIFORNIA SENIOR SEWER REVENUE REFUNDING BONDS, SERIES 2016A; APPROVING A THIRD SUPPLEMENTAL SENIOR TRUST INDENTURE; AN AMENDMENT TO CREDIT AGREEMENT, A BOND PURCHASE AGREEMENT, A CONTINUING DISCLOSURE CERTIFICATE, PRELIMINARY AND FINAL OFFICIAL STATEMENTS AND RELATED DOCUMENTS; AUTHORIZING AND DIRECTING THE EXECUTION THEREOF AND AUTHORIZING ACTIONS RELATED THERETO

WHEREAS, the City of Long Beach (the "City") is a city organized and existing under a charter duly and regularly adopted (the "Charter") pursuant to the provisions of the Constitution of the State of California; and

WHEREAS, the Board of Water Commissioners of the City (the "Board"), acting on its own behalf and on behalf of the City, under the Charter and Section 3.52.110 et seq. of the Long Beach Municipal Code (the "Bond Law"), may issue revenue bonds for the purposes of the sanitary sewer system (the "Enterprise") of the City under the jurisdiction of the Water Department of the City (the "Water Department"), with the approval of the City Council of the City (the "City Council") expressed by resolution; and

WHEREAS, the Board, pursuant to Section 1725(a) of Article XVII of the Charter and Resolution No. WD-1282 of the Board, adopted on May 5, 2011, has previously authorized the issuance of short-term revenue certificate obligations through

1 (i) the implementation of a revolving line of credit (the "Revolving Line of Credit") under a
2 Credit Agreement, dated as of May 1, 2011, as amended (the "Credit Agreement"), by
3 and between the Board and Wells Fargo Bank, National Association (the "Bank"), under
4 which the Board may obtain Advances (as defined in the Credit Agreement) in an amount
5 of not to exceed \$20,000,000 at any one time outstanding in order to refund and
6 restructure the City's then-outstanding senior sewer revenue commercial paper notes, to
7 finance on either a reimbursement or forward funding basis the acquisition, construction
8 and equipping of improvements to the Enterprise, and to finance certain costs of
9 issuance, and (ii) the delivery of a promissory note secured by a subordinate pledge of
10 and lien on net revenues of the Enterprise (the "Note") evidencing the amounts owed on
11 all Advances, revolving loans and term loans made by the Bank to the Board under the
12 Credit Agreement; and

13 WHEREAS, the Bank's commitment to make Advances under the Credit
14 Agreement (as extended) currently expires, subject to the terms of the Credit Agreement,
15 on May 26, 2017 (the "Commitment Expiration Date"), and the total principal balance
16 outstanding under the Revolving Line of Credit and the Note is currently \$11,250,000;
17 and

18 WHEREAS, the Board, acting on its own behalf and on behalf of the City,
19 has determined that it is in the best interest of the Board, the City and the Enterprise to (i)
20 refinance, by refunding on a current basis, the full \$11,250,000 principal balance
21 currently outstanding under the Revolving Line of Credit and the Note through the
22 issuance of senior sewer revenue bonds, (ii) maintain capacity to issue short-term
23 subordinate sewer revenue certificate obligations through Advances under the Credit
24 Agreement (the repayment obligations for which will be evidenced by the Note), in a
25 principal amount not to exceed \$10,000,000 at any one time outstanding (by reducing the
26 amount of the Revolving Line of Credit to be made available by the Bank under the Credit
27 Agreement), for the purpose of financing, on either a reimbursement or a forward-funding
28 basis, improvements to the Enterprise, and (iii) extend the Commitment Expiration Date

1 of the Bank under the Credit Agreement for an additional term of up to three (3) years,
2 unless further extended pursuant to, and otherwise subject to the terms of, the Credit
3 Agreement; and

4 WHEREAS, the senior sewer revenue bonds proposed to be issued by the
5 Board, on behalf of the City, shall be issued in accordance with the Master Senior Trust
6 Indenture, dated as of June 1, 2009, originally executed by and between the Board,
7 acting on its own behalf and on behalf of the City, and U.S. Bank National Association, as
8 trustee, as heretofore supplemented and amended (the "Master Senior Indenture"), and
9 as to be supplemented and amended by the hereinafter defined Third Supplemental
10 Senior Indenture, and shall be designated as the "City of Long Beach, California Senior
11 Sewer Revenue Refunding Bonds, Series 2016A" (the "Series 2016A Bonds"); and

12 WHEREAS, in connection with the issuance of the Series 2016A Bonds, the
13 Board has determined to replace U.S. Bank National Association as trustee thereunder
14 and to appoint The Bank of New York Mellon Trust Company, N.A. as replacement
15 trustee (hereinafter, the "Trustee") for all purposes of the Master Senior Indenture and the
16 Third Supplemental Senior Indenture; and

17 WHEREAS, in connection with the issuance of the Series 2016A Bonds, it
18 is desirable to make certain amendments to the Master Senior Indenture and such
19 amendments will be set forth in the Third Supplemental Senior Indenture herein
20 approved; and

21 WHEREAS, in connection with the issuance of the Series 2016A Bonds and
22 the desired reduction (from \$20,000,000 to \$10,000,000) of the not-to-exceed amount of
23 the Revolving Line of Credit to be made available by the Bank to the Board under the
24 Credit Agreement, and the extension of the Commitment Expiration Date of the Bank
25 under the Credit Agreement for an additional term of up to three (3) years, it is necessary
26 to make certain amendments to Credit Agreement, which amendments will be set forth in
27 the hereinafter defined Amendment to Credit Agreement; and

28 WHEREAS, there have been presented to the Board the following

1 documents:

2 (a) a form of the Third Supplemental Senior Trust Indenture (the "Third
3 Supplemental Senior Indenture"), by and between the Board, acting on its own behalf
4 and on behalf of the City, and the Trustee;

5 (b) a form of the Amendment to Credit Agreement (the "Amendment to
6 Credit Agreement"), by and between the Board, acting on its own behalf and on behalf of
7 the City, and the Bank;

8 (c) a form of the Bond Purchase Agreement (the "Bond Purchase
9 Agreement"), by and between the Board, acting on its own behalf and on behalf of the
10 City, and Morgan Stanley & Co. LLC, as underwriter (the "Underwriter");

11 (d) a form of the Continuing Disclosure Certificate (the "Continuing
12 Disclosure Certificate"), to be executed by the Board, acting on its own behalf and on
13 behalf of the City; and

14 (e) a form of the Preliminary Official Statement (the "Preliminary Official
15 Statement") relating to the offering and sale of the Series 2016A Bonds; and

16 WHEREAS, said documents will be modified and amended to reflect the
17 various details applicable to the Series 2016A Bonds and said documents are subject to
18 completion to reflect the results of the sale of the Series 2016A Bonds; and

19 WHEREAS, the Board wishes at this time to authorize all proceedings
20 relating to the issuance and sale of the Series 2016A Bonds and the execution and
21 delivery of all agreements and documents relating thereto and to the transactions
22 authorized by this resolution;

23 NOW, THEREFORE, the Board of Water Commissioners of the City of
24 Long Beach resolves and declares as follows:

25 Section 1. Recitals. That the above recitals are true and correct and are
26 incorporated herein by reference.

27 Section 2. Issuance of the Series 2016A Bonds. For the purposes set
28 forth in the foregoing recitals, the Board, on behalf of the City, hereby authorizes the

1 issuance of the Series 2016A Bonds in the aggregate principal amount of not to exceed
2 \$11,500,000 under and pursuant to the Charter, the Bond Law, the Master Senior
3 Indenture and the Third Supplemental Senior Indenture, subject to the approval of the
4 City Council of such issuance expressed by resolution of the City Council. The Series
5 2016A Bonds proceeds, and any other moneys made available in connection with the
6 retirement of the outstanding principal balance under the Revolving Line of Credit and the
7 related Note, may be used to satisfy all payment obligations of the Board, on behalf of the
8 City, to the Bank in connection with the refinancing and retirement in full of the principal
9 balance currently outstanding under the Revolving Line of Credit and the Note and to pay
10 the costs of issuance of the Series 2016A Bonds.

11 The Series 2016A Bonds shall be dated, shall bear interest at the rates
12 (subject to the limitations provided herein), shall mature on the dates, shall be issued in
13 the form, shall be subject to redemption, and shall otherwise be issued on the terms and
14 conditions all as set forth in the Master Senior Indenture and the Third Supplemental
15 Senior Indenture and in accordance with this Resolution. The Series 2016A Bonds shall
16 bear interest at such rates with respect to the various maturities such that the All-in True
17 Interest Cost (as hereinafter defined) for the Series 2016A Bonds does not exceed 4.00%
18 per annum. The "All-in True Interest Cost" shall be that rate which, when used in
19 computing the present worth of all payments of principal and interest to be paid on the
20 Series 2016A Bonds (compounded on the first interest payment date, and semiannually
21 thereafter), produces an amount equal to the purchase price of the Series 2016A Bonds
22 taking into account any original issue premium or discount, accrued interest,
23 underwriter's fees and any and all costs of issuance of the Series 2016A Bonds.

24 Section 3. Pledge to Secure the Series 2016A Bonds. Net Revenues
25 and any other security as set forth in the Master Senior Indenture and the Third
26 Supplemental Senior Indenture are hereby irrevocably pledged in accordance with the
27 terms of the Master Senior Indenture and the Third Supplemental Senior Indenture to
28 secure the Series 2016A Bonds and any additional Bonds or other obligations which may

1 be subsequently issued under and secured by the terms of the Master Senior Indenture.

2 Section 4. Special Obligations. The Series 2016A Bonds shall be
3 special, limited obligations of the City, secured by, and payable from, Net Revenues and
4 from the funds and accounts held by the Trustee under the Master Senior Indenture and
5 the Third Supplemental Senior Indenture and such other amounts pledged therefor, as
6 and to the extent described in the Master Senior Indenture and the Third Supplemental
7 Senior Indenture. The Series 2016A Bonds are not to be and shall not be secured by the
8 taxing power of the City.

9 Section 5. Form of Series 2016A Bonds. The Series 2016A Bonds and
10 the Trustee's Certificate of Authentication to appear thereon shall be in substantially the
11 form set forth in an exhibit to the Third Supplemental Senior Indenture with necessary or
12 appropriate variations, omissions and insertions as permitted or required by the Master
13 Senior Indenture or the Third Supplemental Senior Indenture or as appropriate to
14 adequately reflect the terms of the Series 2016A Bonds and the obligation represented
15 thereby.

16 Section 6. Execution of the Series 2016A Bonds. Each of the Series
17 2016A Bonds shall be executed on behalf of the City by any one or more of the following:
18 the President of the Board (the "President"), the General Manager of the Water
19 Department, the Assistant General Manager, Director of Operations or the Director of
20 Finance or any other Authorized Board Representative (as defined in the Master Senior
21 Indenture) designated by the President or the General Manager (each a "Designated
22 Officer"), and attested by the Secretary of the Board (the "Secretary"). Any such
23 signatures may be by manual or facsimile signature and the seal of the City may be
24 impressed or printed on the Series 2016A Bonds. Additionally, each of the Series 2016A
25 Bonds shall be authenticated by the signature of the Trustee as required and permitted
26 by the Master Senior Indenture. Any facsimile signature of a Designated Officer of the
27 Board or the Water Department shall be of the same force and effect as if such signature
28 were manually placed on such Series 2016A Bonds.

1 Section 7. Approval of Third Supplemental Senior Indenture. The Third
2 Supplemental Senior Indenture, in the form on file with the Secretary, is hereby
3 approved. Any of the Designated Officers, each acting alone, are hereby authorized and
4 directed to execute and deliver the Third Supplemental Senior Indenture in such form
5 together with such changes, insertions and omissions as may be approved by the officer
6 executing such Third Supplemental Senior Indenture upon consultation with Norton Rose
7 Fulbright US LLP ("Bond Counsel"), such execution to be conclusive evidence of such
8 approval; and the Secretary is hereby authorized and directed to attest thereto. The
9 Board hereby authorizes the delivery and performance of the Third Supplemental Senior
10 Indenture.

11 Section 8. Approval of Amendment to Credit Agreement. The
12 Amendment to Credit Agreement, in the form on file with the Secretary, is hereby
13 approved. Any of the Designated Officers, each acting alone, are hereby authorized and
14 directed to execute and deliver the Amendment to Credit Agreement in such form
15 together with such changes, insertions and omissions as may be approved by the officer
16 executing such Amendment to Credit Agreement upon consultation with Bond Counsel,
17 such execution to be conclusive evidence of such approval; and the Secretary is hereby
18 authorized and directed to attest thereto. The Board hereby authorizes the delivery and
19 performance of the Amendment to Credit Agreement.

20 Section 9. Confirmation of Underwriter; Approval of Bond Purchase
21 Agreement. The Board hereby confirms the selection of Morgan Stanley & Co. LLC as
22 the Underwriter of the Series 2016A Bonds. The Designated Officers, each acting alone,
23 are hereby authorized and directed to negotiate the Bond Purchase Agreement for the
24 Series 2016A Bonds with the Underwriter and to determine the following matters with
25 respect to the Series 2016A Bonds: (a) the aggregate principal amount of the Series
26 2016A Bonds to be issued and sold under the Master Senior Indenture and the Third
27 Supplemental Senior Indenture and pursuant thereto, but not to exceed \$11,500,000; (b)
28 the respective maturity dates and principal amounts of the Series 2016A Bonds of each

1 maturity; (c) the sinking fund installments, if any, with respect to any term Series 2016A
2 Bonds; (d) the Underwriter's discount at which the Series 2016A Bonds are to be sold to
3 the Underwriter, but not to exceed 0.70% of the par amount thereof (exclusive of any
4 original issue discount); and (e) the respective rates of interest to be borne by the Series
5 2016A Bonds of each maturity; provided that the All-in True Interest Cost of the Series
6 2016A Bonds shall not exceed 4.00% per annum.

7 The Bond Purchase Agreement, in the form on file with the Secretary, is
8 hereby approved. Any of the Designated Officers, each acting alone, are hereby
9 authorized and directed to execute and deliver the Bond Purchase Agreement in such
10 form together with such changes, insertions and omissions as may be approved by the
11 officer executing such Bond Purchase Agreement upon consultation with Bond Counsel,
12 such execution to be conclusive evidence of such approval. The Board hereby approves
13 the negotiated sale of the Series 2016A Bonds to the Underwriter pursuant to the Bond
14 Purchase Agreement.

15 Section 10. Approval of Continuing Disclosure Certificate. The Continuing
16 Disclosure Certificate, in the form on file with the Secretary, is hereby approved. Any of
17 the Designated Officers, each acting alone, are hereby authorized and directed to
18 execute and deliver the Continuing Disclosure Certificate in such form together with such
19 changes, insertions and omissions as may be approved by the officer executing such
20 Continuing Disclosure Certificate upon consultation with Bond Counsel, such execution to
21 be conclusive evidence of such approval. The Board hereby authorizes the delivery and
22 performance of the Continuing Disclosure Certificate.

23 Section 11. Approval of the Preliminary Official Statement and Final
24 Official Statement. The Board hereby approves the Preliminary Official Statement, in the
25 form on file with the Secretary, together with such changes therein or additions thereto
26 which are approved by the General Manager, the Assistant General Manager, Director of
27 Operations and/or the Director of Finance, including such changes therein or additions
28 thereto as any such officer shall determine (upon consultation with Disclosure Counsel

1 and Bond Counsel) are necessary or appropriate to make such Preliminary Official
2 Statement "final" within the meaning of Securities Exchange Commission Rule 15c2-12
3 ("Rule 15c2-12"). The Board approves, authorizes and ratifies the distribution (via printed
4 format and/or electronic means) by the Underwriter of said Preliminary Official Statement
5 to prospective purchasers of the Series 2016A Bonds. In connection with the distribution
6 of the Preliminary Official Statement, any of the General Manager, the Assistant General
7 Manager, Director of Operations or the Director of Finance is hereby authorized to certify
8 that the preliminary official statement is as of its date "deemed final" for purposes of
9 Securities Exchange Commission Rule 15c2-12 and to execute a certificate or certificates
10 to such effect.

11 The General Manager, the Assistant General Manager, Director of
12 Operations and/or the Director of Finance are hereby authorized to cause to be prepared,
13 and to execute in the name of and on and on behalf of the Board, a final Official
14 Statement (including any supplements or amendments) in substantially the form of the
15 Preliminary Official Statement with such changes therein (and additions thereto) to reflect
16 the terms of the sale of the Series 2016A Bonds and to comply with applicable federal
17 securities laws as the General Manager, the Assistant General Manager, Director of
18 Operations and/or the Director of Finance shall approve (upon consultation with
19 Disclosure Counsel and Bond Counsel). The execution of the final Official Statement by
20 any of the foregoing officers shall constitute conclusive evidence of the Board's approval
21 of any and all changes or revisions therein from the form of the Preliminary Official
22 Statement. The Board hereby approves the distribution of the final Official Statement (via
23 printed format and/or electronic means) for use in selling the Series 2016A Bonds at such
24 time or times as the General Manager, the Assistant General Manager, Director of
25 Operations and/or the Director of Finance (after consultation with the Board's municipal
26 advisor, Disclosure Counsel, Bond Counsel and such other advisors the Board believes
27 to be useful). The Underwriter is hereby authorized to distribute (via printed format
28 and/or electronic means) such final Official Statement (including any supplements or

1 amendments) in connection with the sale of Series 2016A Bonds to the public.

2 Section 12. Appointment of Trustee, Paying Agent and Registrar. The
3 Board hereby approves and ratifies the appointment of The Bank of New York Mellon
4 Trust Company, N.A. as replacement trustee, bond registrar and paying agent under the
5 Master Senior Indenture and Third Supplemental Senior Indenture and for the Series
6 2016A Bonds. The appointment of The Bank of New York Mellon Trust Company, N.A.
7 as Trustee and bond registrar shall be effective upon such time as the requirements
8 under the Master Senior Indenture for the replacement of U.S. Bank National Association
9 as trustee shall have been satisfied and The Bank of New York Mellon Trust Company,
10 N.A shall have executed a written acceptance of its appointments. Such appointments
11 shall remain in effect until the Board shall, by supplemental agreement or by resolution,
12 name a substitute or successor thereto. Each of the Designated Officers, acting alone,
13 are hereby authorized and directed to take such actions and to execute and deliver such
14 instruments as may be necessary or desirable to effect the appointment of, and
15 acceptance by, The Bank of New York Mellon Trust Company, N.A. as Trustee and bond
16 registrar under the Master Senior Indenture and Third Supplemental Senior Indenture
17 and for the Series 2016A Bonds.

18 Section 13. Municipal Advisor for Series 2016A Bonds. The Board hereby
19 confirms the appointment of KNN Public Finance as municipal advisor to the Board in
20 connection with the issuance of the Series 2016A Bonds.

21 Section 14. Bond Counsel. The Board hereby confirms the selection of
22 Norton Rose Fulbright US LLP as Bond Counsel in connection with the issuance of the
23 Series 2016A Bonds.

24 Section 15. Disclosure Counsel. The Board hereby confirms the selection
25 of Stradling Yocca Carlson & Rauth, a Professional Corporation, as Disclosure Counsel
26 in connection with the issuance of the Series 2016A Bonds.

27 Section 16. Additional Authorization. Each of the President, the General
28 Manager, the Assistant General Manager, Director of Operations and/or the Director of

1 Finance, the Secretary, and all officers, agents and employees of the Water Department,
2 for and on behalf of the Board, be and they hereby are authorized and directed to do any
3 and all things necessary to effect the execution and delivery of the Series 2016A Bonds,
4 the Third Supplemental Senior Indenture, the Amendment to Credit Agreement, the Bond
5 Purchase Agreement, the Continuing Disclosure Certificate and the final Official
6 Statement, and to carry out the terms thereof. The President, the Secretary, the General
7 Manager, the Assistant General Manager, Director of Operations and/or the Director of
8 Finance and all other officers, agents and other employees of the Water Department are
9 further authorized and directed, for and on behalf of the Board, to execute all papers,
10 documents, certificates, notices and other instruments, that may be required in order to
11 carry out the authority conferred by this Resolution, the Master Senior Indenture, the
12 Third Supplemental Senior Indenture and the Credit Agreement (as amended by the
13 Amendment to Credit Agreement) or to evidence the same authority and its exercise.
14 The foregoing authorization includes, but is in no way limited to, authorizing the General
15 Manager of the Water Department to direct the investment of the proceeds of the Series
16 2016A Bonds in one or more of the permitted investments provided for under the Master
17 Senior Indenture pending their use, if applicable, and authorizing the execution by the
18 General Manager, the Assistant General Manager, Director of Operations and/or the
19 Director of Finance, any one of them, of a tax certificate as required by the Third
20 Supplemental Senior Indenture for the purpose of complying with the rebate
21 requirements of the Code, any documents required by The Depository Trust Company in
22 connection with the issuance of the Series 2016A Bonds in book-entry form, any
23 documents required by the Trustee to effect the transfer to it of all property held by the
24 prior trustee and any documents required by the Bank in connection with effectuating the
25 Amendment to Credit Agreement as authorized by this Resolution.

26 Section 17. Costs of Issuance. The Board authorizes funds of the Water
27 Department, together with the proceeds of the Series 2016A Bonds, to be used to pay
28 costs of issuance of the Series 2016A Bonds, including, but not limited to, costs and

1 expenses of attorneys, accountants, municipal advisors, the Bank (including its counsel's
2 fees), the Trustee (including its counsel's fees), the costs associated with rating
3 agencies, printing publication and mailing expenses; and any related filing fees thereof.

4 Section 18. Approval of the City. The Board hereby requests the City
5 Council to approve the issuance of the Series 2016A Bonds.

6 Section 19. Severability of Invalid Provisions. If any one or more of the
7 provisions contained in this Resolution shall for any reason be held to be invalid, illegal or
8 unenforceable in any respect, then such provision or provisions shall be deemed
9 severable from the remaining provisions contained in this Resolution and such invalidity,
10 illegality or unenforceability shall not affect any other provision of this Resolution, and this
11 Resolution shall be construed as if such invalid or illegal or unenforceable provision had
12 never been contained herein. The Board hereby declares that it would have adopted this
13 Resolution and each and every Section, paragraph, sentence, clause or phrase hereof
14 and authorized the issuance of the Series 2016A Bonds pursuant thereto irrespective of
15 the fact that any one or more Sections, paragraphs, sentences, clauses or phrases of this
16 Resolution may be held illegal, invalid or unenforceable.

17 Section 20. Section Headings and References; Interpretation. The
18 headings or titles of the several Sections hereof, and any table of contents appended to
19 copies hereof, shall be solely for convenience of reference and shall not affect the
20 meaning, construction or effect of this Resolution.

21 All references herein to "Section" and other subdivisions are to the
22 corresponding Sections or subdivisions of this Resolution; the words "herein," "hereof,"
23 "hereby," "hereunder" and other words of similar import refer to this Resolution as a
24 whole and not to any particular Section or subdivision hereof; and words of the masculine
25 gender shall mean and include words of the feminine and neuter genders.

26 Section 21. Governing Law. This Resolution shall be construed and
27 governed in accordance with the laws of the State of California.

28 Section 22. This Resolution shall take effect immediately upon its

OFFICE OF THE CITY ATTORNEY
CHARLES PARKIN, City Attorney
333 West Ocean Boulevard, 11th Floor
Long Beach, CA 90802-4664

1 adoption by the Board, and the Secretary to the Board shall certify the vote adopting this
2 Resolution.

3 I hereby certify that this Resolution was adopted by the Board of Water
4 Commissioners of the City of Long Beach at its meeting on August 3, 2016, by the
5 following vote:

6 Ayes: Commissioners: ART LEVINE; ROBERT SHANNON
7 GLORIA CORDERO;
8 HARRY SALTZGAVER;
9 FRANK MARTINEZ;

10
11 Noes: Commissioners: NONE

12 Absent: Commissioners: NONE

13
14 
15 Secretary
16 BOARD OF WATER COMMISSIONERS
17
18
19
20
21
22
23
24
25
26
27
28