

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

RESOLUTION NO. RES-14-0082

A RESOLUTION OF THE CITY COUNCIL OF THE
CITY OF LONG BEACH PROVIDING FOR THE ISSUANCE
OF 2014-2015 TAX AND REVENUE ANTICIPATION NOTES
OF THE CITY OF LONG BEACH, CALIFORNIA IN AN
AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED
\$30,000,000

WHEREAS, in accordance with Article 7.6 of Chapter 4, Part 1, Division 2,
Title 5 (commencing with Section 53850 thereof) of the Government Code of the State of
California (the "Government Code"), entitled "Temporary Borrowing," the City Council (the
"City Council") of the City of Long Beach, California (the "City"), is authorized to issue tax
and revenue anticipation notes in order to satisfy the cash flow needs of the City; and

WHEREAS, the City Council hereby finds and determines that the City
needs to borrow funds in an aggregate principal amount not to exceed \$30,000,000 in its
2014-2015 Fiscal Year (the "Fiscal Year") for authorized purposes of the City, and the
City Council desires to authorize for that purpose the issuance of, and offer for sale, tax
and revenue anticipation notes of the City in an aggregate principal amount of not to
exceed \$30,000,000 (the "Notes"), pursuant to the cited provisions of the Government
Code to be applied for any purposes for which the City is authorized to expend moneys;
and

WHEREAS, the Notes will not be outstanding for more than twelve (12)
months from the date on which the Notes are issued, and the maximum anticipated
cumulative cash flow deficit of the City to be financed by the Notes in anticipation of taxes
and other revenues is expected to occur within six (6) months of the date of issuance of
the Notes, determined without excluding any working capital reserve from available
amounts, as defined in Treasury Regulation Section 1.148 6(d)(3); and

1 WHEREAS, the City desires to designate the City Treasurer and his
2 designees (each, the "Treasurer") to serve as fiscal agent (the "Fiscal Agent") and as
3 agent for the City in matters relating to the Pledged Revenues, defined below, and also
4 designate The Bank of New York Mellon Trust Company, N.A., to serve as paying agent
5 for the Notes; and

6 WHEREAS, the City desires to appoint Kutak Rock LLP to act as note
7 counsel ("Note Counsel") in connection with the issuance and sale of the Notes and to
8 appoint Public Financial Management, Inc. to act as financial advisor (the "Financial
9 Advisor") in connection with the issuance and sale of the Notes; and

10 WHEREAS, the City desires to obtain competitive bids for the sale of the
11 Notes, and in connection therewith, Note Counsel and the Financial Advisor have
12 prepared and presented to this City Council a form of the Notice of Intention to Sell and a
13 form of Notice Inviting Bids, respectively, for the Notes; and

14 NOW, THEREFORE, the City Council of the City of Long Beach hereby
15 resolves as follows:

16 Section 1. Authorization of Issuance of Notes; Terms Thereof. Subject
17 to the conditions set forth in this Resolution, the City Council hereby determines to and
18 shall issue not to exceed \$30,000,000 aggregate principal amount of the City's 2014-
19 2015 Tax and Revenue Anticipation Notes; such Notes shall be in the denominations of
20 \$5,000 or any integral multiple thereof; be dated the date of delivery thereof; shall mature
21 (without option of prior redemption) on a date not more than twelve (12) months from the
22 date of delivery thereof; and shall bear interest, with interest accruing up to but not
23 including the maturity date, payable at maturity and computed on a 30-day month/360-
24 day year basis, at the rate or rates determined at the time of competitive sale of the
25 Notes, but in no event shall the interest rates on the Notes exceed three percent (3.0%)
26 per annum. The exact amount of funds to be borrowed pursuant to the authority of this
27 Resolution shall be determined by either the Treasurer, the Director of Financial
28 Management, the City Manager or any written designee of the City Manager (each a

1 "Designated Officer") prior to the sale of the Notes after consultation with the City
2 Attorney and Note Counsel regarding appropriate issue size such that interest on the
3 Notes will not be includible in gross income for federal income tax purposes and shall not
4 exceed \$30,000,000 aggregate principal amount, plus the amount of any original issue
5 premium at which the Notes may be sold. Both the principal of and the interest on the
6 Notes shall be payable, but only upon surrender thereof, in lawful money of the United
7 States of America upon presentation and surrender thereof at the principal office of the
8 Paying Agent, defined below, for the Notes.

9 Section 2. Additional Notes. Pursuant to this Resolution and subject to
10 the terms hereof, the City Council reserves the right to issue additional notes during the
11 Fiscal Year, which additional notes may be secured by a lien on or security interest in the
12 Pledged Revenues; provided, however, that any lien on or security interest in the
13 Pledged Revenues which secures the payment of any such additional notes issued by
14 the City shall be subordinate to the lien on the Pledged Revenues securing the Notes and
15 such subordinate notes shall not be paid unless sufficient funds have been irrevocably
16 set aside in the Repayment Account (as defined herein) to pay in full the Notes at
17 maturity.

18 Section 3. Approval of Notice Inviting Bids. The form of Notice Inviting
19 Bids, attached hereto as Exhibit A, is hereby approved in the form attached hereto with
20 such changes as shall be acceptable to any Designated Officer and as shall be approved
21 as to form by the City Attorney and Note Counsel, such approval to be conclusively
22 evidenced by the publication of the Notice Inviting Bids as described below. Any
23 Designated Officer and the Financial Advisor are hereby authorized and directed to
24 cause the Notice Inviting Bids to be distributed to persons who may be interested in
25 purchasing the Notes.

26 Section 4. Approval of Notice of Intention to Sell. Attached hereto as
27 Exhibit B is the form of the Notice of Intention to Sell giving notice of the City's intention to
28 sell the Notes by competitive sale. Pursuant to Section 53692 of the California

1 Government Code, such Notice of Intention to Sell must be published once in The Bond
2 Buyer or other financial publication meeting the requirements of said Section 53692 at
3 least five (5) days prior to the date fixed for receipt of sealed proposals for the Notes, or
4 as otherwise set forth on said Section 53692. Any Designated Officer and the Financial
5 Advisor will subsequent to the adoption of this Resolution by the City Council, publish the
6 Notice of Intention to Sell. We hereby ratify and approve the actions heretofore or
7 hereafter taken related to the publishing the Notice of Intention to Sell.

8 Section 5. Authorization to Receive and Accept Bids. The period ending
9 at 8:30 a.m. (Pacific Daylight Time) on the date of September 23, 2014, is hereby
10 approved as the time and date that proposals will be received with respect to the Notes
11 upon the terms and in the manner set forth in the Notice Inviting Bids approved above;
12 provided that any Designated Officer is hereby authorized to select such other time(s)
13 and date(s) to receive such proposals as such person shall, in his or her discretion, deem
14 necessary or desirable. Any Designated Officer on behalf of the City, is hereby
15 authorized to read such bids in the manner described in the Notice Inviting Bids. Any
16 Designated Officer is hereby further authorized to award the Notes to the responsible
17 bidder submitting the best bid in accordance with the terms and conditions of the Notice
18 Inviting Bids.

19 Section 6. Form of Notes. The Notes may be issued in bearer form
20 without coupons or, if the Notes are delivered in book entry only form pursuant to Section
21 10 hereof, in registered form, and shall be substantially in the form and substance set
22 forth in the example attached hereto as Exhibit C, the blanks in said form to be filled in
23 with the appropriate terms and figures.

24 Section 7. Deposit of the Note Proceeds. The moneys representing the
25 proceeds of sale of the Notes shall be deposited pursuant to the direction of any
26 Designated Officer into the City's general fund (the "General Fund"). Following such
27 deposit, said proceeds shall be withdrawn and expended by the City for any lawful
28 purpose for which the City is authorized to expend moneys, including, but not limited to,

1 current expenses, capital expenditures and the discharge of any obligation or
2 indebtedness of the City.

3 Section 8. Payment of Notes.

4 A. Source of Payment. The principal amount of the Notes,
5 together with the interest thereon, shall be payable from taxes, income,
6 revenue, cash receipts and other moneys which are received by the City
7 during the Fiscal Year and which are available therefor. Pursuant to
8 Section 53857 of the Government Code, the Notes shall be the general
9 obligations of the City, and to the extent the principal of and interest on the
10 Notes are not paid from the Pledged Revenues (as defined in paragraph (B)
11 below), the Notes shall be paid with interest thereon from any other moneys
12 of the City lawfully available therefor, as provided in this Resolution and
13 otherwise by law.

14 B. Pledged Revenues. As security for the payment of the
15 principal of and interest on the Notes, by this Resolution, the City hereby
16 pledges an amount equal to thirty-three percent (33%) of the principal
17 amount of the Notes, plus an amount equal to thirty-three percent (33%) of
18 the interest due on the Notes, from the first unrestricted revenues received
19 by the City in the month ending May 31, 2015; an amount equal to thirty-
20 three percent (33%) of the principal amount of the Notes, plus an amount
21 equal to thirty-three percent (33%) of the interest due on the Notes, from
22 the first unrestricted revenues received by the City during the month ending
23 June 30, 2015; and an amount equal to thirty-four percent (34%) of the
24 principal amount of the Notes, plus an amount sufficient to pay all remaining
25 interest due on the Notes at maturity, from the first unrestricted revenues
26 received by the City during the month ending July 31, 2015 (collectively, the
27 "Pledged Revenues"). Notwithstanding the previous sentence, prior to the
28 publication of the Notice Inviting Bids, the Treasurer or his designee is

1 hereby authorized, at the discretion of the Treasurer or his designee, to
2 approve any adjustment to the dates and amounts of such set asides (but in
3 no event may such set asides occur prior to December 31, 2014), the same
4 being in the best interests of the City, such approval to be conclusively
5 evidenced by the issuance and delivery of the Notes. However, in no event
6 shall the set aside amounts exceed the total principal amount of Notes, plus
7 interest thereon, issued pursuant to this Resolution. The term "unrestricted
8 revenues" shall mean taxes, income, revenue, cash receipts and other
9 moneys of the City, as provided in Section 53856 of the Government Code,
10 which are intended as receipts for the General Fund and which are
11 generally available for the payment of current expenses and other
12 obligations of the City. There is hereby established and created a special
13 reserve general ledger subaccount designated as the "City of Long Beach,
14 California, 2014-2015 Tax and Revenue Anticipation Notes Repayment
15 Account" (the "Repayment Account") to be maintained by the Treasurer on
16 behalf of the City, into which the Treasurer shall promptly cause to be
17 deposited all Pledged Revenues of the City when and as received, without
18 further permission of or instruction by the City Council. The Treasurer may
19 elect for such Pledged Revenues in the Repayment Account to be held by
20 the Fiscal Agent or the Paying Agent. From the dates of receipt by the
21 Fiscal Agent or the Paying Agent, as applicable, of any Pledged Revenues,
22 the City shall have no right, title or interest therein, and the Fiscal Agent
23 shall have the sole right of withdrawal from the Repayment Account
24 hereinafter established for the purposes described in this Resolution.
25 Amounts on deposit in the Repayment Account shall be transferred to the
26 Paying Agent in amounts and at times sufficient to pay principal of and
27 interest on maturing Notes. After amounts in the Repayment Account have
28 been applied to pay principal of and interest on maturing Notes, only

1 amounts remaining and amounts subsequently deposited into the
2 Repayment Account will be available to provide security for the Notes that
3 remain outstanding.

4 The principal of the Notes and the interest thereon shall be a
5 first lien and charge against and shall be payable from the first moneys
6 received by the City constituting the Pledged Revenues, as provided by law.

7 If there are insufficient unrestricted revenues received by the
8 City to permit the deposit into the Repayment Account of the City of the full
9 amount of Pledged Revenues required hereunder to be deposited from
10 unrestricted revenues in a given month, then the amount of any deficiency
11 shall be satisfied and made up from the first additional moneys thereafter
12 received by the City and lawfully available for the repayment of the Notes
13 and the interest thereon.

14 C. Deposit of Pledged Revenues in Repayment Account.

15 Pledged Revenues shall be held by the City in the Repayment Account, and
16 applied as directed in this Resolution. Moneys placed in the Repayment
17 Account shall be held for the sole benefit of the holders of the Notes, and
18 until the Notes and all interest thereon are paid in full or until provision has
19 been made for the payment of the Notes at maturity with interest to such
20 date, the moneys in the Repayment Account shall be applied only for the
21 purposes for which the Repayment Account was created.

22 D. Disbursement and Investment of Moneys in Repayment
23 Account. From the date this Resolution takes effect, all Pledged Revenues
24 shall, when received, be deposited into the Repayment Account. After such
25 date as the amount of the Pledged Revenues deposited in the Repayment
26 Account shall be sufficient to pay in full the principal of and interest on the
27 Notes, when due, any moneys in excess of such amount remaining in or
28 accruing to the Repayment Account shall be transferred by the Fiscal Agent

1 to the General Fund. On the maturity date of the Notes, moneys on deposit
2 in the Repayment Account shall be used, to the extent necessary, to pay
3 the principal of and interest on the Notes and shall be remitted by the Fiscal
4 Agent to the Paying Agent on or before such date.

5 Moneys in the Repayment Account, Note proceeds deposited
6 in the General Fund held by the Fiscal Agent and moneys deposited with
7 and held by the Paying Agent to pay principal and interest on the maturing
8 Notes, shall be invested by or at the direction of the Treasurer in
9 investments pursuant to Section 53601 of the Government Code, in the
10 City's investment portfolio, and in accordance with the investment policies of
11 the City.

12 Section 9. Execution of Notes. The Treasurer is hereby directed to
13 cause to be printed a sufficient number of blank Notes of suitable quality, showing on
14 their face the interest rate applicable thereto. The Treasurer, is hereby authorized to sign
15 the Notes manually or by facsimile, and the City Manager, or any duly designated deputy
16 thereof (each, the "City Manager"), is hereby authorized to sign the Notes manually or by
17 facsimile signature, and the City Clerk, or any duly designated deputy thereof (each, the
18 "City Clerk"), is hereby authorized to countersign the Notes manually or by use of his or
19 her facsimile signature, with at least one of said signatures being manual, and the City
20 Clerk is hereby authorized to affix the seal of the City thereto by facsimile impression
21 thereof, and said officers are hereby authorized to cause the blank spaces on the form of
22 Notes to be filled in prior to initial delivery as may be appropriate. The Notes shall be
23 manually authenticated by the Paying Agent (as defined in Section 15 below).

24 Section 10. Delivery of Notes in Book Entry Only Form. As an alternative
25 to printing, executing and delivering certificated Notes, the City may elect to deliver the
26 Notes in book entry only form by appointing The Depository Trust Company ("DTC"), 19th
27 Floor, 55 Water Street, New York, New York 10041, to act as securities depository for the
28 Notes. In that event, a single Note, substantially in the form of Exhibit C hereto,

1 representing all of the outstanding Notes, will be executed and, on the date prior to
2 closing, delivered to DTC. In that event, upon closing, the City shall notify DTC at which
3 time DTC will credit the account of the successful bidder, and process the book entry
4 deliveries to the accounts of the subsequent purchasers of interests in such Notes. The
5 single Note certificate will be lodged with DTC until maturity of such Notes. On the date
6 of maturity of the Notes, the Treasurer shall remit to the Paying Agent or DTC, as
7 appropriate, sufficient funds to pay all outstanding principal and interest due with respect
8 to the Notes.

9 Section 11. Tax Covenants. The City covenants that it will make no use
10 of the proceeds of the Notes or any other amounts that would cause the Notes to be
11 "arbitrage bonds" under Section 148 of the Internal Revenue Code of 1986, as amended
12 (the "Tax Code"); and, to that end, the City agrees to comply with all requirements of said
13 Section 148 and the Treasury Regulations promulgated thereunder, including restrictions
14 on the use and investment of proceeds of the Notes and certain other amounts and the
15 rebate of a portion of the investment earnings on proceeds of the Notes and certain other
16 amounts, if required, to the United States. The City further covenants to do and perform
17 all acts and things within its power and authority necessary to comply with each
18 applicable requirement of Section 103 and Sections 141 through 150, inclusive, of the
19 Tax Code. In furtherance of the covenants contained in this Section, the City agrees to
20 comply with the tax compliance certificate of the City to be delivered concurrently with the
21 issuance and delivery of the Notes. The City covenants that it will take no action that
22 would cause the interest on the Notes to be included in gross income for federal income
23 tax purposes, nor will it refrain from taking action required to maintain the exclusion of
24 interest on the Notes from gross income for federal income tax purposes.

25 Section 12. Approval of Preliminary Official Statement. The form of the
26 Preliminary Official Statement, attached hereto as Exhibit D, presented to and considered
27 at this meeting of the City Council is hereby approved, with such changes therein as may
28 be approved by any Designated Officer, with the advice of the City Attorney and Note

1 Counsel. Any Designated Officer is hereby authorized to certify that the Preliminary
2 Official Statement is deemed final for purposes of Rule 15c2 12 of the Securities and
3 Exchange Commission (the "Rule"). Any Designated Officer and the Financial Advisor
4 are each hereby authorized to cause to be prepared and distributed in both electronic
5 and printed form the Preliminary Official Statement for use in the marketing and sale of
6 the Notes. The City hereby approves the use and distribution of the Preliminary Official
7 Statement by the successful bidder.

8 Section 13. Approval of Official Statement. In connection with the sale
9 and issuance of the Notes, the City Council hereby provides for the preparation,
10 publication, execution and delivery of an Official Statement relating to the Notes in
11 substantially the form of the draft Preliminary Official Statement presented at this meeting
12 of the City Council. Any Designated Officer is hereby authorized and directed to execute
13 and deliver in both electronic and printed form the Official Statement. The execution
14 thereof shall constitute conclusive evidence of the City Council's approval of any and all
15 changes or revisions therein from the form of the Preliminary Official Statement now
16 before this meeting. The City hereby approves the use and distribution of the Official
17 Statement by the successful bidder.

18 Section 14. Delivery of Notes. Any Designated Officer is hereby
19 authorized and directed to deliver the Notes to the successful bidder upon payment
20 therefor in accordance with the Notice Inviting Bids. All actions heretofore taken with
21 respect to the sale and issuance of the Notes are hereby approved, confirmed and
22 ratified, and any Designated Officer is hereby authorized, confirmed and directed, for and
23 in the name and on behalf of the City, to do any and all things and take any and all
24 actions and execute and deliver any and all certificates, agreements and other
25 documents, which may be deemed necessary or advisable in order to consummate the
26 lawful issuance and delivery of the Notes in accordance with this Resolution.

27 Section 15. Appointment of Fiscal Agent and Paying Agent for the Notes.
28 The Treasurer shall serve as the Fiscal Agent for the Notes. The City hereby appoints

1 The Bank of New York Mellon Trust Company, N.A. as authenticating and paying agent
2 (the "Paying Agent") for the Notes. The form of Paying Agent/Registrar Agreement
3 attached hereto as Exhibit E is hereby approved in the form attached hereto with such
4 changes as shall be acceptable to the any Designated Officer and as shall be approved
5 as to form by the City Attorney and Note Counsel. Any Designated Officer is authorized
6 to execute the final form of the Paying Agent/Registrar Agreement.

7 Section 16. Appointment of Note Counsel and Financial Advisor. Kutak
8 Rock LLP is hereby appointed as Note Counsel for the issuance of the Notes on the
9 terms and conditions approved by any Designated Officer and the City Attorney, and
10 payment of services therefore shall be payable from the proceeds of the Notes. Public
11 Financial Management, Inc., is hereby appointed Financial Advisor for the issuance of the
12 Notes on the terms and conditions approved by any Designated Officer and the City
13 Attorney, and payment of services therefore shall be payable from the proceeds of the
14 Notes.

15 Section 17. Approval of Continuing Disclosure Certificate. The City
16 Council does hereby covenant and agree, for the benefit of the holders of the Notes, that
17 the City will comply with the provisions of the Rule relating to secondary market and
18 continuing disclosure. Failure of the City to comply with such provisions shall not be
19 considered an event of default with respect to the Notes; however, any holder of the
20 Notes may take such action as may be necessary and appropriate, including seeking
21 mandate or specific performance by court order, to cause the City to comply with its
22 obligations under this provision.

23 The City Council hereby authorizes any Designated Officer to
24 execute and deliver by and on behalf of the City, for the benefit of the holders of
25 the Notes, a Continuing Disclosure Certificate (as it may be amended from time to
26 time in accordance with the terms thereof, the "Continuing Disclosure Certificate")
27 in form and substance substantially similar to that attached as Exhibit F, said
28 Continuing Disclosure Certificate to be dated the date of issuance of the Notes,

1 with such changes as shall be acceptable to any Designated Officer and as shall
2 be approved as to form by the City Attorney and Note Counsel.

3 The City Council shall at all times do and perform all other acts and
4 things necessary or desirable and within its power to assure compliance with the
5 above referenced provisions of the Rule.

6 Section 18. Additional Authorization. Any Designated Officer shall be, and
7 hereby is, authorized and directed to execute the Tax Compliance Certificate and any
8 additional certificates relating to the issuance of the Notes, and to take such other actions
9 as they deem necessary or advisable in order to carry out and perform the purposes of
10 this Resolution, and the execution or taking of such action shall be conclusive evidence
11 of such necessity or advisability.

12 Section 19. Effective Date of Resolution. This Resolution shall take effect
13 immediately upon its adoption by the City Council, and the City Clerk shall certify the vote
14 adopting this Resolution.

15 I hereby certify that the foregoing resolution was adopted by the City
16 Council of the City of Long Beach at its meeting of September 9, 2014 by the
17 following vote:

18 Ayes: Councilmembers: Gonzalez, Lowenthal, Price, O'Donnell,
19 Mungo, Andrews, Uranga, Austin,
20 Richardson.

21
22 Noes: Councilmembers: None.

23
24 Absent: Councilmembers: None.

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28 _____
City Clerk

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

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EXHIBIT A
[FORM OF NOTICE INVITING BIDS]

NOTICE INVITING BIDS

\$25,000,000*

City of Long Beach, California
2014-2015 Tax and Revenue Anticipation Notes

NOTICE IS HEREBY GIVEN that proposals will be received by a representative of the City of Long Beach (the "City") as follows:

Time

Bids will be received on or prior to 8:30 a.m., Pacific Daylight Time, September 23, 2014, as established by the City and communicated through *The Bond Buyer*.

Manner

Bids may only be submitted electronically, through Ipreo's BiDCOMP™/PARITY® electronic bid system ("Ipreo"). No other provider of electronic bidding services, and no other means of delivery of bids (e.g., telephone, facsimile, telegraph or personal delivery) will be accepted. See "TERMS OF SALE AND ELECTRONIC BIDDING PROCEDURES—Electronic Bidding Process" herein.

Bids will be received for the purpose of purchasing \$25,000,000* principal amount of 2014-2015 Tax and Revenue Anticipation Notes (the "Notes") of the City pursuant to a Resolution adopted by the City Council of the City on September 9, 2014 (the "Resolution"). The Notes will be issued in full conformity with the Constitution and laws of the State of California (the "State"), including Article 7.6, Chapter 4, Part 1, Division 2, Title 5 (commencing with Section 53850) of the California Government Code (the "Act"). The Notes are general obligations of the City payable solely from taxes, income, revenue, cash receipts, and other moneys of the City attributable to the fiscal year commencing on October 1, 2014 ("Fiscal Year 2014-2015") and legally available therefor.

Issue

The Notes shall be sold in an aggregate principal amount of \$25,000,000* to be designated "City of Long Beach, California 2014-2015 Tax and Revenue Anticipation Notes." The principal amount of the Notes issued and delivered may be reduced as provided below under "TERMS OF SALE AND ELECTRONIC BIDDING PROCEDURES—Purchase Price."

Date, Maturity and Interest Payment Date

The Notes will be dated their date of delivery, which is expected to be on or about October 1, 2014, and will mature on September 30, 2015. Interest on the Notes will be payable on September 30, 2015.

* Preliminary, subject to change.

No Redemption

The Notes are not subject to call and redemption prior to maturity.

Security

The Notes, in accordance with California law, are a general obligation of the City. The Notes and the interest thereon are payable from taxes, income, revenue, cash receipts and other moneys of the City attributable to Fiscal Year 2014-2015 that are legally available for payment thereof, and are secured by a pledge of certain of said moneys ("Pledged Revenues"). As security for the payment of the principal of the Notes and the interest thereon, the City has pledged pursuant to the Resolution: (a) an amount equal to 33% of the principal amount of the Notes, plus an amount equal to 33% of the interest due on the Notes at maturity, from the first unrestricted revenues received by the City in the month ending May 31, 2015; (b) an amount equal to 33% of the principal amount of the Notes, plus an amount equal to 33% of the interest due on the Notes at maturity, from the first unrestricted revenues received by the City during the month ending June 30, 2015; and (c) an amount equal to 34% of the principal amount of the Notes, plus an amount sufficient to pay all remaining interest due on the Notes at maturity, from the first unrestricted revenues received by the City during the month ending July 31, 2015.

Repayment Account

The Pledged Revenues shall be deposited by the City and held by the City Treasurer, acting as fiscal agent (the "Fiscal Agent") in trust in the "City of Long Beach, California, 2014-2015 Tax and Revenue Anticipation Notes Repayment Account" (the "Repayment Account") and applied as directed under the Resolution. Any money deposited by the Fiscal Agent in the Repayment Account shall be for the benefit of the holders of the Notes and, until the Notes and all interest thereon are paid or until provision has been made for the payment of the Notes at maturity with interest to maturity, the moneys in the Repayment Account shall be applied only for purposes for which the Repayment Account was created.

Pursuant to the Resolution, all Pledged Revenues shall, when received, be deposited in the Repayment Account, maintained by the City Treasurer, as Fiscal Agent and held in the City's investment portfolio. Amounts deposited by the City in the Repayment Account shall be applied solely for the purpose of paying the principal of and interest on the Notes, although such amounts shall be invested by the City in legal investments as permitted by Section 53601 of the Government Code of the State and/or in the City's investment portfolio and in accordance with the investment policies of the City.

Deposit of Note Proceeds

The Resolution provides that the Note proceeds shall be deposited in the City's general fund.

Payment

Both principal and interest are payable in lawful money of the United States of America at the office of the Fiscal Agent, to The Depository Trust Company, New York, New York

("DTC"), which will in turn remit such principal and interest to the beneficial owners of the Notes through DTC's Participants, as described in the Preliminary Official Statement.

Full Book Entry

The Notes, when delivered to the purchaser thereof, will be registered in the name of Cede & Co., as nominee of DTC. DTC will act as securities depository of the Notes. Individual purchases will be made in book-entry form only, in the principal amount of \$5,000 and integral multiples thereof. Purchasers will not receive certificates representing their interest in the Notes purchased.

TERMS OF SALE AND ELECTRONIC BIDDING PROCEDURES

Form of Bid

Bids must be for all of the Notes, and must be for not less than the par value thereof. Each bid must be submitted through Ipreo and must be received not later than 8:30 a.m., Pacific Daylight Time, on said date of sale. Each bid must be in accordance with the terms and conditions set forth herein. Bids which do not conform to the terms of this paragraph will be rejected.

Electronic Bidding Process

Electronic proposals must be submitted through Ipreo. Any electronic proposal submitted through any other means shall be disregarded.

The City, Public Financial Management, Inc. (the "Financial Advisor") and Kutak Rock LLP ("Note Counsel") are not responsible for the proper operation of, and shall not have any liability for any delays or interruptions of or any damages caused by Ipreo. Each bidder expressly assumes the risk of any incomplete, inaccurate or untimely bid submitted through Ipreo, including, without limitation, by reason of garbled transmissions, mechanical failure, slow or engaged telephone or telecommunications lines or any other cause. The City is using Ipreo as a communications mechanism and not as the City's agent to conduct electronic bidding for the Notes. The City is not bound by any advice and determination of Ipreo to the effect that any particular bid complies with the terms of this Notice Inviting Bids. All costs and expenses incurred by prospective bidders in connection with their submission of bids through Ipreo are the sole responsibility of the bidders and the City is not responsible for any of such costs or expenses. Further information about Ipreo, including any fee charged, may be obtained from Ipreo, 2nd Floor, 1359 Broadway, New York, New York 10018, Telephone: (212) 849-5021. The City assumes no responsibility or liability for bids submitted through Ipreo. To the extent any instructions or directions set forth by Ipreo conflict with this Notice Inviting Bids, the terms of this Notice Inviting Bids shall control.

All-or-None Bids Only

Bidders may only bid to purchase all of the Notes. No bid will be considered which does not offer to purchase all of the Notes. Each bid must specify only one rate of interest and a dollar purchase price for the entire issue of Notes.

Purchase Price

The Notes will be awarded as a unit to the bidder whose legally acceptable bid, including any premium, produces the lowest true interest cost (on an annual 30/360 basis) ("TIC"). The TIC of each proposal will be determined on the basis of the present value of the principal and interest to be paid with respect to the Notes based on the bid amount, principal plus premium offered.

In the event that the winning bid contains a premium in excess of \$[REDACTED], the principal amount of the Notes issued and delivered shall be reduced such that the principal amount of the Notes issued, together with premium thereon, does not exceed \$[REDACTED]*.

Interest Rate

Interest with respect to the Notes will be calculated on a 30/360-day basis and is payable on September 30, 2015. In connection with the bids submitted for the Notes, (a) each bidder must bid an interest rate in a multiple of one .001% per annum which rate must not exceed 3.0% per annum; (b) interest with respect to the Notes shall be computed annually from its date to the stated maturity date, September 30, 2015 at the interest rate specified in the bid; (c) the same interest rate shall apply to all Notes; and (d) any premium must be paid as part of the purchase price, and no bid will be accepted which contemplates the waiver of any interest or other concession by the bidder as a substitute for payment in full for the purchase price. All bids which do not conform to the terms of this paragraph will be rejected.

Good Faith Deposit

A good faith deposit ("Good Faith Deposit") for the Notes in an amount equal to 1% of par or \$[REDACTED], whichever is less, is required for the lowest bidder. The lowest bidder of the Notes is required to submit such Good Faith Deposit payable to the order of the "City of Long Beach," in the form of a wire transfer as instructed below, no later than 24 hours after the City has notified the successful bidder of the award. If not so received, the bid of the lowest bidder will be rejected and the City may direct the second lowest bidder to submit a Good Faith Deposit and thereafter may award the sale of the Notes to the same. No interest on a Good Faith Deposit will accrue to a successful bidder. The principal amount of such deposit shall be applied to the purchase price of the Notes at the time of delivery thereof.

Bank Name: Union Bank, N.A.
Bank Address: Los Angeles, California
Account: City of Long Beach Cash Concentration Account
Account Number: 2740016582
ABA#: 122-000-496

If after the award of the Notes, the successful bidder fails to complete the purchase on the terms stated in its proposal, the Good Faith Deposit received by such bidder by the City will be retained by the City as stipulated liquidated damages, unless it shall appear that the Notes would not be validly issued if delivered to the successful bidder in the form and manner proposed.

* Preliminary, subject to change.

Such retention shall constitute a full release and discharge of all claims by the City against such successful bidder arising from such failure. The City's actual damages in such an event may be greater or may be less than the amount of the successful bidder's Good Faith Deposit. The successful bidder waives any right to claim that the City's actual damages are less than such amount.

Information Required from Winning Bidder; Certification of Reoffering Price

By making a bid for the Notes, the successful bidder agrees (a) to provide to the City, in writing, within 24 hours of the acceptance of the bid, pricing and other related information necessary for completion of the final Official Statement; (b) to disseminate to all members of the underwriting syndicate copies of the Official Statement, including any supplements prepared by the City; (c) to promptly file a copy of the final Official Statement, including any supplements prepared by the City, with the Municipal Securities Rulemaking Board's ("MSRB") Electronic Municipal Market Access system; and (d) to take any and all other actions necessary to comply with applicable Securities and Exchange Commission and MSRB rules governing the offering, sale and delivery of the Notes to ultimate purchasers.

The successful bidder shall be required, as a condition to the delivery of the Notes by the City, to certify to the City in writing, in form and substance acceptable to Note Counsel (a) stating the initial offering price of the Notes to the general public; (b) certifying that a bona fide offering of the Notes has been made to the public (excluding bond houses, brokers, and other intermediaries); (c) stating the prices at which at least 10% of the Notes awarded to such successful bidder were sold (or were offered in a bona fide public offering and as of the date of the award of the Notes to such successful bidder were reasonably expected to be sold) to the public; and (d) certifying that the price at which the Notes were sold did not exceed the fair market value of such Notes as of its sale date. The successful bidder shall also certify to the City that a copy of the final Official Statement, including any supplements prepared by the City, relating to the Notes has been filed with the MSRB's Electronic Municipal Market Access system.

Award of Sale

The City will award the Notes or reject all bids not later than 24 hours after the expiration of the time herein prescribed for the receipt of proposals unless such time of award is waived by the successful bidder. Notice of the award will be given promptly to the successful bidder after the award is made.

Right of Rejection and Waiver

The City reserves the right, in its discretion, to reject any and all bids and, to the extent permitted by law, to waive any irregularity or nonconformity in any bid.

Right To Postpone Award

In the event that no bid is awarded, the City shall receive bids at the time and location to be communicated through Thomson Municipal Market Monitor (www.tm3.com) not less than

24 hours prior to the time bids are to be received until such time as a bid is awarded or the City determines to withdraw sale of the Notes.

Right of Cancellation

The successful bidder shall have the right at its option to cancel the sale and purchase of the Notes if the City shall fail to execute the Notes and tender the same for delivery within 30 days from the award of sale thereof.

CUSIP Numbers

CUSIP numbers will be applied for and will be printed on the Notes and the cost will be the successful bidder's responsibility. Any delay, error or omission with respect thereto will not constitute cause for the successful bidder to refuse to accept delivery of and pay for the Notes.

Payment

The successful bidder shall pay for the Notes on the date of delivery in immediately available federal funds, which is expected to be on or about October 1, 2014. Any expenses of providing federal funds shall be borne by the successful bidder. Payment on the delivery date shall be made in an amount equal to the price bid for the Notes less the amount of the Good Faith Deposit.

Change in Tax-Exempt Status

At any time before the Notes are tendered for delivery, the successful bidder may disaffirm and withdraw its proposal if the interest received by holders of notes of the same type and character as the Notes shall be determined to be includable in gross income under present federal income tax laws, either by a ruling of the Internal Revenue Service or by a decision of any federal court, or shall be determined to be includable in gross income by the terms of any federal income tax law enacted subsequent to the date of this notice.

California Debt and Investment Advisory Commission Fee

All bidders are advised that pursuant to Section 8856 of the California Government Code, it will be the responsibility of the successful bidder to pay the statutory fees to the California Debt and Investment Advisory Commission ("CDIAC"). CDIAC will invoice the successful bidder.

Official Statement

The City has delivered a Preliminary Official Statement relating to the Notes and has authorized the use of said Preliminary Official Statement in connection with the sale of the Notes. The Preliminary Official Statement has been "deemed final" by the City for purposes of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended ("Rule 15c2-12"). Upon the sale of the Notes, the City will prepare an Official Statement substantially in the same form as the Preliminary Official Statement subject to such amendments as are necessary, and will deliver such Official Statement to the successful bidder within seven

business days of the acceptance of bids by the City. Up to 50 copies of the Official Statement will be furnished without cost to the successful bidder, and any additional copies will be furnished at the expense of the successful bidder.

Closing Papers; Legal Opinion

The obligation of the successful bidder to purchase the Notes will be conditioned upon the City furnishing to the successful bidder, without charge, concurrently with payment for and delivery of the Notes, the following closing papers, each dated the date of such delivery:

(a) A final approving opinion of Note Counsel, in the form attached as Appendix B to the Preliminary Official Statement;

(b) A certificate of the City that on the basis of the facts, estimates and circumstances in existence on the date of issue, it is not expected that the proceeds of the Notes will be used in a manner that would cause the Notes to be "arbitrage notes";

(c) An opinion of the City Attorney of the City that there is no litigation threatened or pending affecting the validity of the Notes;

(d) A certificate of an appropriate City official, acting on behalf of the City solely in his/her official capacity, and not in his/her personal capacity, which at the time of the sale of the Notes and at all times subsequent thereto, up to and including the time of the delivery of the Notes to the initial purchasers thereof, the Official Statement of the City pertaining to said Notes did not, and does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statement therein, in light of the circumstances under which it was made, not misleading;

(e) The signature certificate of the officials of the City, showing that they have signed the Notes and impressed the seal of the City thereon, and that they were respectively duly authorized to execute the same; and

(d) The receipt of the Treasurer of the City that the purchase price of the Notes has been received.

Information Available

For further information respecting the terms and conditions of the Notes bidders are referred to the Preliminary Official Statement. A copy of the Preliminary Official Statement and other information concerning the proposed financing will be furnished upon request made to the Financial Advisor: Public Financial Management, Inc., 601 South Figueroa Street, Suite 4500, Los Angeles, California 90071, Attention: Michael Berwanger, Telephone: (213) 489-4075. Additionally, a copy of the Preliminary Official Statement can be obtained in electronic format at www.MuniOS.com.

IN WITNESS WHEREOF, the City of Long Beach executes this Notice Inviting Bids as of the date provided below.

CITY OF LONG BEACH, CALIFORNIA

By /s/ David Nakamoto
City Treasurer

Dated as of [DATE OF POS], 2014.

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

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EXHIBIT B
[FORM OF NOTICE OF INTENTION TO SELL]

NOTICE OF INTENTION TO SELL

\$25,000,000*

City of Long Beach, California
2014-2015 Tax and Revenue Anticipation Notes

NOTICE IS HEREBY given that electronic bids will be received by the City of Long Beach, California (the "City") for the purchase of \$25,000,000* principal amount of City of Long Beach, California 2014-2015 Tax and Revenue Anticipation Notes (the "Notes"), as follows:

- Time: 8:30 a.m., Pacific Daylight Time, on or prior to September 23, 2014, as established by the City.
- Manner: Electronic Bids, via Ipreo's BiDCOMP™/PARITY® electronic bid system ("Ipreo"). No other provider of electronic bidding services, and no other means of delivery of bids (e.g., telephone, facsimile, telegraph or personal delivery) will be accepted.

Electronic proposals may be submitted for receipt prior to the time for receipt of the bids at the time and place set forth above, only through Ipreo, in accordance with the procedures, terms and conditions set forth in the Notice Inviting Bids. Bidders expecting to submit a bid by electronic transmissions are requested to notify the City's financial advisor, Public Financial Management, Inc., of their intent as early as possible. No other provider of Internet bidding services and no other means of delivery (i.e., telephone, facsimile or physical delivery) will be accepted. Changes in the date and time of receipt of proposals will be communicated via Thomson Municipal Market Monitor (www.tm3.com) not later than 12:00 p.m., Pacific Daylight Time, on the business day prior to the bid opening.

Copies of the complete Notice Inviting Bids together with copies of the Preliminary Official Statement to be issued in connection with the sale of the Notes and copies of the authorizing resolution and other documents related thereto may be obtained from the offices of the City's financial advisor at the following location: Public Financial Management, Inc., 601 South Figueroa Street, Suite 4500, Los Angeles, California 90017, Attention: Michael Berwanger, Telephone: (213) 489-4075. Additionally, copies of the Preliminary Official Statement are available in electronic format at www.MuniOS.com.

The Preliminary Official Statement will be in a form deemed final by the City within the meaning of Rule 15c2-12 promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, except for the omission of certain information permitted to be omitted therefrom pursuant to Rule 15c2-12 and is subject to revision, amendment and completion in a final Official Statement.

*Preliminary: subject to change.

CITY OF LONG BEACH, CALIFORNIA

By /s/ David Nakamoto
City Treasurer

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

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EXHIBIT C
FORM OF NOTE

No. R-1 \$ _____
\$ _____
City of Long Beach, California
2014-2015 Tax and Revenue Anticipation Notes

Dated Date	Interest Rate	Maturity Date	CUSIP No.
_____, 20__	_____%	_____, 20__	542399

REGISTERED OWNER: Cede & Co.
PRINCIPAL AMOUNT: _____ Dollars

FOR VALUE RECEIVED, THE CITY OF LONG BEACH, CALIFORNIA, a charter city of the State of California (the "City"), acknowledges itself indebted to and promises to pay to Cede & Co., the principal sum of \$ _____ in lawful money of the United States of America, on _____, 20__, with interest thereon at the rate of ___% per annum, computed on a 30 day month and a 360 day year basis from the date hereof until payment in full of said principal sum. Both the principal of and the interest on this Note shall be payable upon surrender of this Note at the office of the Paying Agent as the same shall become due; provided, however, that no interest shall be payable for any period after maturity during which the registered owner hereof fails properly to present this Note for payment.

It is hereby certified, recited and declared that this Note is part of an issue of \$ _____ aggregate principal amount of Notes (the "Notes") issued by the City, under and in accordance with the provisions of Article 7.6 of Chapter 4, Part 1 of Division 2 of Title 5 of the California Government Code (constituting Sections 53850 53858, inclusive, of said Code), and a Resolution duly adopted by the City Council of the City on September 9, 2014.

The principal amount of the Notes, together with the interest thereon, shall be payable from taxes, income, revenue, cash receipts and other moneys which are received by the City during its 2014-2015 fiscal year. As security for the payment of principal of and interest on the Notes, the City has pledged an amount equal to 33% of the principal amount of the Notes, plus an amount equal to 33% of the interest due on the Notes, from the first unrestricted revenues received by the City in the month ending May 31, 2015; an amount equal to 33% of the principal amount of the Notes, plus an amount equal to 33% of the interest due on the Notes, from the first unrestricted revenues received by the City in the month ending June 30, 2015; and an amount equal to 34% of the principal amount of the Notes, plus an amount sufficient to pay all remaining interest due on the Notes at maturity from the first unrestricted revenues received by the City in the month ending July 31, 2015 (such pledged amounts being hereinafter called the "Pledged Revenues"), and the principal of the Notes and the interest thereon shall be payable from the Pledged Revenues, and to the extent not so paid shall be paid from any

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

1 other moneys of the City lawfully available therefore.

2 Unless this Note is presented by an authorized representative of The Depository
3 Trust Company to the City or its agent for registration of transfer, exchange or payment,
4 and any Note issued is registered in the name of Cede & Co. or such other name as
5 requested by authorized representative of The Depository Trust Company and any
6 payment is made to Cede & Co., any transfer, pledge or other use hereof for value or
7 otherwise by or to any person is wrongful since the registered owner hereof, Cede & Co.,
8 has an interest herein.

9 IT IS HEREBY CERTIFIED, RECITED AND DECLARED that the Notes are issued
10 in conformity with the laws of the State of California and the proceedings of the City
11 Council, and that all acts, conditions and things required to exist, happen and be
12 performed precedent to and in the issuance of the Notes have existed, happened and
13 been performed in regular and due time, form and manner as required by law, and that
14 the Notes, together with all other indebtedness and obligations of the City, do not exceed
15 any limit prescribed by the Constitution and statutes of the State of California.

16 IN WITNESS WHEREOF, the City has caused this Note to be executed by the
17 City Manager and the City Treasurer, and has caused it to be countersigned by the City
18 Clerk, which signatures may be either by their manual or facsimile signatures, has
19 caused a facsimile of its official seal to be printed thereon, and has caused this Note to
20 be dated October 1, 2014.

21 [SEAL]

CITY OF LONG BEACH, CALIFORNIA

22 By _____
23 Patrick H. West, City Manager

24 By _____
25 David S. Nakamoto, City Treasurer

26 COUNTERSIGNED:

27 By _____
28 Larry Herrera, City Clerk

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

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CERTIFICATE OF AUTHENTICATION

Date of Authentication: _____, 20__

This is one of the Notes described in the within mentioned Resolution of the City of Long Beach, California.

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

By _____
_____, Vice President

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

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EXHIBIT D
[FORM OF PRELIMINARY OFFICIAL STATEMENT]

PRELIMINARY OFFICIAL STATEMENT DATED SEPTEMBER [17], 2014

NEW ISSUE—BOOK-ENTRY ONLY

Rating: Moody's: "_____"
See "RATING" herein.

In the opinion of Kutak Rock LLP, Note Counsel, under existing laws, regulations, rulings and judicial decisions and assuming the accuracy of certain representations and continuing compliance with certain covenants, interest on the Notes is excludable from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax. Note Counsel is also of the opinion that, under existing laws, regulations, rulings and judicial decisions, interest on the Notes is exempt from all present State of California personal income taxes. For a more complete description of such opinions of Note Counsel, see "TAX MATTERS" herein.



\$(PAR)*
CITY OF LONG BEACH, CALIFORNIA
2014-2015 TAX AND REVENUE ANTICIPATION NOTES

Dated: Date of Delivery Coupon: ___% Price: ___% Yield: ___% CUSIP: 542399 ___† Due: September 30, 2015

The City of Long Beach, California 2014-2015 Tax and Revenue Anticipation Notes (the "Notes") will be issued in fully registered book-entry form only in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC") and will be available to the beneficial owners thereof in the denomination of \$5,000 or any multiple thereof under the book-entry system maintained by DTC. Purchasers of the Notes will not receive certificates representing their interests in the Notes. Principal of and interest on the Notes will be payable only at maturity at the principal office of The Bank of New York Mellon Trust Company, N.A., as paying agent (the "Paying Agent"), by wire transfer to DTC, which will in turn remit such principal and interest to its Participants, which in turn will remit such principal and interest to the Indirect Participants or to the Beneficial Owners of the Notes, as more fully described herein.

The Notes, in accordance with California law, are a general obligation of the City of Long Beach, California (the "City"), and are payable from taxes, income, revenues, cash receipts and other moneys of the City attributable to the City's 2015 Fiscal Year commencing October 1, 2014 which are legally available for payment thereof. Certain of said moneys (the "Pledged Revenues") have been specifically pledged to the payment of the principal of the Notes and the interest thereon, to wit: an amount equal to 33% of the principal amount of the Notes, plus an amount equal to 33% of the interest due on the Notes at maturity, from the first unrestricted revenues received by the City in the month ending May 31, 2015; an amount equal to 33% of the principal amount of the Notes, plus an amount equal to 33% of the interest due on the Notes at maturity, from the first unrestricted revenues received by the City in the month ending June 30, 2015; and an amount equal to 34% of the principal amount of the Notes, plus an amount sufficient to pay all remaining interest due on the Notes at maturity, from the first unrestricted revenues received by the City in the month ending July 31, 2015.

THE NOTES ARE NOT SUBJECT TO REDEMPTION PRIOR TO THEIR MATURITY.

The cover page contains information for quick reference only, and is not a summary of this issue. Potential purchasers must read the entire Official Statement in order to obtain information essential to making an informed investment decision.

The Notes are offered when, as and if issued and delivered, subject to the approval as to their legality of Kutak Rock LLP, Note Counsel. Certain additional legal matters will be passed upon for the City by the City Attorney and Kutak Rock LLP, as Disclosure Counsel. It is anticipated that the Notes, in definitive form, will be available for delivery through the facilities of DTC on or about October [1], 2014.

Electronic bids for the purchase of the Notes will be received by the City at 8:30 a.m. California Time, on September [23], 2014, unless postponed as set forth in the Notice Inviting Bids.

Dated: _____, 2014

* Preliminary; subject to change.

† CUSIP data was provided by Standard & Poor's, CUSIP Service Bureau, a division of The McGraw-Hill Companies Inc. The CUSIP number is provided only for the convenience of the reader. The City takes no responsibility for any changes to or errors in the CUSIP number.

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 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 a solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

No dealer, broker, salesperson or other person has been authorized by the City to give any information or to make any representations other than as set forth herein and, if given or made, such other information or representation must not be relied upon as having been authorized by the City. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Notes 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 Notes. Statements contained in this Official Statement which involve estimates, projections 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. See "INTRODUCTION—Forward-Looking Statements."

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 Notes referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

This Official Statement and the information contained herein is in a form deemed final by the City for purposes of Rule 15c2-12 under the Securities Exchange Act of 1934, as amended (except for omission of certain information permitted to be omitted under Rule 15c2-12(b)(1)). However, the information herein is subject to revision, completion or amendment in a final Official Statement.

IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE CITY AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THE NOTES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON EXCEPTIONS CONTAINED IN SUCH ACT. NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY OTHER FEDERAL, STATE OR OTHER GOVERNMENTAL ENTITY, NOR ANY AGENCY OR DEPARTMENT THEREOF, HAS PASSED UPON THE MERITS OF THE NOTES OR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT. THE NOTES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

THE CITY HAS ENTERED INTO AN UNDERTAKING FOR THE BENEFIT OF THE HOLDERS OF THE NOTES TO PROVIDE NOTICE TO THE MUNICIPAL SECURITIES RULEMAKING BOARD OF CERTAIN EVENTS, PURSUANT TO THE REQUIREMENTS OF SECTION (b)(5)(i)(C) OF RULE 15c2-12 OF THE SECURITIES AND EXCHANGE COMMISSION.

CITY OF LONG BEACH, CALIFORNIA

MAYOR AND CITY COUNCIL

Robert Garcia,
Mayor

Suja Lowenthal,
Second District, Vice Mayor

Lena Gonzalez, *First District*

Dee Andrews, *Sixth District*

Suzie Price, *Third District*

Roberto Uranga, *Seventh District*

Patrick O'Donnell, *Fourth District*

Al Austin, *Eighth District*

Stacy Mungo, *Fifth District*

Rex Richardson, *Ninth District*

CITY OFFICIALS

Patrick H. West,
City Manager

John Gross, *Director of Financial Management, CFO*

David S. Nakamoto, *City Treasurer*

Charles Parkin, *City Attorney*

Laura L. Doud, *City Auditor*

Douglas P. Haubert, *City Prosecutor*

Larry Herrera, *City Clerk*

PROFESSIONAL SERVICES

Kutak Rock LLP,
Note Counsel and Disclosure Counsel

Public Financial Management, Inc.,
Financial Advisor

The Bank of New York Mellon Trust Company, N.A.,
Paying Agent

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OFFICIAL STATEMENT

[\$[PAR]]* **CITY OF LONG BEACH, CALIFORNIA** **2014-2015 TAX AND REVENUE ANTICIPATION NOTES**

INTRODUCTION

This Official Statement, including the Appendices hereto, has been prepared under the direction of the City of Long Beach, California (the "City"), in order to furnish information with respect to its sale of certain tax and revenue anticipation notes designated, "City of Long Beach, California, 2014-2015 Tax and Revenue Anticipation Notes" (the "Notes") in the aggregate principal amount of \$[PAR]*. The Notes were authorized pursuant to the resolution of the City adopted September [9], 2014 (the "Resolution"), and will be issued in full conformity with the constitution and laws of the State of California (the "State"), including Article 7.6, Chapter 4, Part 1, Division 2, Title 5 (commencing with Section 53850) of the California Government Code (the "Act"). The Notes are a general obligation of the City payable solely from taxes, income, revenue, cash receipts and other moneys of the City attributable to its fiscal year commencing on October 1, 2014 (the "2015 Fiscal Year" or "Fiscal Year 2015") which are legally available for payment thereof. Proceeds from the sale of the Notes will be used for current General Fund expenditures, including current expenses and capital expenditures. The California Government Code (the "Government Code") provides that the City may issue the Notes only if the principal of and interest on the Notes will not exceed 85% of the estimated moneys legally available for the payment of the Notes and the interest thereon.

The Notes and interest thereon are secured by a pledge of certain percentages of the City's first unrestricted revenues received in the months and in the amounts described under the caption "THE NOTES—Security for the Notes" below.

If the full amount of the revenues pledged in a particular month to the repayment of the Notes has not been received by the City, then the amount of any deficiency shall be satisfied and made up from the first additional moneys of the City thereafter received and lawfully available for payment of the Notes and interest thereon.

Forward-Looking Statements

This Official Statement contains statements relating to future results that are "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995. When used in this Official Statement, the words "estimate," "forecast," "projection," "intend," "expect" and similar expressions identify forward-looking statements. Any forward-looking statement is subject to uncertainty and risks that could cause actual results to differ, possibly materially, from those contemplated in such forward-looking statements. Inevitably, some assumptions used to develop forward-looking statements will not be realized or unanticipated events and circumstances may occur. Therefore, investors should be aware that there are likely to be differences between forward-looking statements and actual results; those differences could be material.

Current Financial Condition of the City

The City, along with the State, continues to recover from the recent recession. From Fiscal Year 2007 to Fiscal Year 2014, the City eliminated \$134 million in costs to balance its General Fund budgets. To resolve its deficits, the City eliminated 714 positions (reducing the workforce by approximately 22%).

* Preliminary; subject to change.

Despite such reductions, the Mayor, City Council and City Management worked to ensure that such reductions resulted in minimal impact on public services. The City's primary focus was, and continues to be, on efficiency, reduction in administrative costs and new methods of delivering services. Furthermore, the City's employee groups played a substantial role in the resolution of the City's deficits by agreeing to increased employee retirement contributions (pension reform).

For Fiscal Year 2015, pending City Council budget approval, the City is preliminarily projecting a \$3.1 million General Fund surplus. The surplus is attributable to fiscally responsible cumulative budget reductions that the City has implemented in recent years. The City previously reached agreement on pension reform with the International Association of Machinist (IAM), its single largest bargaining unit, as well as its other two large employee associations, the Police Officers Association and the Firefighters Association. The IAM agreement alone saved the General Fund \$3.7 million beginning in Fiscal Year 2014. Additionally, property tax revenue associated with the dissolution of the City's Redevelopment Agency is now part of the General Fund revenue base. While there remains economic uncertainty, the City's demonstrated fiscal responsibility evidences the City's commitment to eliminating the City's projected deficits for Fiscal Year 2016 and Fiscal Year 2017.

THE NOTES

Authority for Issuance

The Notes are issued under the authority of the cited provisions of the Government Code and pursuant to the Resolution (see "INTRODUCTION" above).

Purpose of Issue

Issuance of the Notes will provide moneys to meet the City's 2015 Fiscal Year General Fund expenditures, including current expenses, capital expenditures and the discharge of other obligations or indebtedness of the City.

Description of the Notes

The Notes will be issued in the aggregate principal amount of \$[PAR][†] and will be issued in denominations of \$5,000 or integral multiples thereof. The Notes will be dated their date of delivery and will mature on September 30, 2015. The Notes shall bear interest at the rate set forth on the cover page hereof, with interest accruing up to but not including the maturity date, and shall be payable at maturity and computed on a 30-day month/360-day year basis. The Notes are to be delivered as fully registered Notes, without coupons and, when delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Notes. Purchases will be made in book-entry form only, in the principal amount of \$5,000 or any integral multiple thereof.

Security for the Notes

The Notes and the interest thereon are payable from taxes, income, revenue, cash receipts and other moneys of the City attributable to the 2015 Fiscal Year and legally available for payment thereof, and are secured by a pledge of certain of said moneys (the "Pledged Revenues"). As security for the payment of the Notes including the interest thereon, the City has pledged pursuant to the Resolution: (a) an amount equal to 33% of the principal amount of the Notes, plus an amount equal to 33% of the interest due on the Notes at maturity, from the first unrestricted revenues received by the City in the

[†] Preliminary; subject to change.

month ending May 31, 2015; (b) an amount equal to 33% of the principal amount of the Notes, plus an amount equal to 33% of the interest due on the Notes at maturity, from the first unrestricted revenues received by the City in the month ending June 30, 2015; and (c) an amount equal to 34% of the principal amount of the Notes, plus an amount sufficient to pay all remaining interest due on the Notes at maturity, from the first unrestricted revenues received by the City in the month ending July 31, 2015.

The Pledged Revenues shall be deposited by the City and held by the City Treasurer, acting as Fiscal Agent in trust, in a special account (the "Repayment Account") and applied as directed under the Resolution. Any money deposited by the Fiscal Agent in the Repayment Account shall be for the benefit of the holders of the Notes and, until the Notes and all interest thereon are paid or until provision has been made for the payment of the principal of and interest on the Notes payable at maturity, the moneys in the Repayment Account shall be applied only for purposes for which the Repayment Account was created.

Amounts deposited by the City in the Repayment Account shall be applied solely for the purpose of paying the principal of and interest on the Notes, although such amounts shall be invested by the City in legal investments as permitted by Section 53601 of the Government Code of the State, or in the City's investment portfolio, for a term that does not exceed the maturity of the Notes. In the event that amounts on deposit in the Repayment Account on the maturity date of the Notes are insufficient to pay principal and interest on the Notes at maturity due to an investment loss, the City is required to use any available Unrestricted Moneys (as defined below) from Fiscal Year 2015 for the payment of principal of and interest on the Notes. However, in the event of such investment loss, there is no guarantee that the City will have sufficient Unrestricted Moneys to pay the principal of and interest on the Notes as the same becomes due.

The Resolution requires that the Pledged Revenues be deposited and held in the Repayment Account until maturity, at which time the moneys in such fund will be used to repay the Notes. If during the foregoing period there are insufficient sources of Pledged Revenues to permit deposit of the full amount of Pledged Revenues, then the amount of any deficiency shall be satisfied from any other moneys of the City lawfully available for the repayment of the Notes and/or in the City's investment portfolio.

Available Sources of Repayment

The Notes, in accordance with the Act, are a general obligation of the City but are payable only out of unrestricted moneys, which include the taxes, income, revenue, cash receipts and other moneys of the City which are received by the City for the General Fund of the City for the 2015 Fiscal Year and which are generally available for the payment of current expenses and other obligations of the City ("Unrestricted Moneys"). The Constitution of the State substantially limits the City's ability to raise revenues (see "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS" herein). The City may, under the Act, issue the Notes only if the principal of, and interest on, the Notes and any other bonds, notes and warrants issued pursuant to the Act will not exceed 85% of the estimated moneys legally available for the repayment of the Notes and any other bonds, notes and warrants issued pursuant to the Act. Although the City has the right under the Resolution to issue additional notes on a subordinate basis, the City currently expects that, other than the Notes, it will not issue any bonds, notes or warrants pursuant to the Act with respect to the 2015 Fiscal Year that are payable from Unrestricted Moneys. Further detail as to the estimated Pledged Revenues available for repayment of the Notes, Unrestricted Moneys for Fiscal Year 2015 and the resultant Note Coverage Ratio, defined below, can be found in Table I, "City of Long Beach Fiscal Year 2015 Estimated Unrestricted Moneys (in Thousands)" and Table III, "City of Long Beach Fiscal Year 2015 Projected General Fund Cash Flow (in Thousands)."

The "Note Coverage Ratio" is the ratio of estimated Unrestricted Moneys available to repay the principal of and interest on the Notes during the months of May through July, to the amount of Pledged

Revenues needed to pay principal of and interest on the Notes. The City expects to receive a projected \$131,869,000 in Unrestricted Moneys on a cash basis (including carry-over balances and transfers, but net of proceeds of the Notes) during the months of May through July. Based on an amount of Pledged Revenues needed to pay principal of and interest on the Notes of approximately \$[25,375,000][‡], the Note Coverage Ratio is approximately [5.2x]^{*}.

Under the Resolution, the City may issue additional notes during Fiscal Year 2015 that are secured by a lien on the Pledged Revenues that is subordinate to the lien on the Pledged Revenues that secures the Notes. See “THE NOTES—Additional Note Obligations” herein.

[‡] Preliminary; subject to change.

The table below sets forth the source and amount of estimated Unrestricted Moneys expected to be received in the months of May through July, Total Unrestricted Moneys for Fiscal Year 2015 and the Note Coverage Ratio.

TABLE I
City of Long Beach
Fiscal Year 2015 Estimated Unrestricted Moneys
(in Thousands)

<u>Revenue Source</u>	<u>May-July 2015 Unrestricted Moneys Available</u>	<u>Fiscal Year 2015 Unrestricted Moneys Available</u>
Cash Balance, October 1	n/a	\$ 8,656
Cash Balance, May 1	\$ 26,565	n/a
Property Tax	\$ 16,877	\$95,659
Sales and Use Tax	11,074	44,246
Oil Production Taxes	507	1,930
Franchises	5,099	25,265
Utility Users Tax	8,808	37,406
Business License Tax	3,199	11,861
Transient Occupancy Tax	3,812	13,900
Other Taxes	450	1,666
Fines & Forfeitures	3,850	15,702
Interest Earnings	163	657
Other Use of Money and Property	3,492	12,957
Other	232	875
In Lieu Sales Tax	7,071	14,141
In Lieu VLF	21,716	43,432
City Utilities in Lieu	3,076	10,673
Sundry Revenues	832	4,334
Interfund Transfers	4,379	33,220
Licenses & Permits	3,965	14,783
From Other Govt. Agencies	380	1,869
Charges to other City Funds	2,651	11,715
Other Reimb and Charges	<u>3,673</u>	<u>13,644</u>
Total Unrestricted Money	<u>\$131,869</u>	<u>\$418,588</u>
Note Principal Plus Interest*	\$ [25,375]	\$ [25,375]
Note Coverage Ratio*	[5.2x]	[16.5x]

* \$[25] million principal plus estimated [1.25]% interest on principal; preliminary, subject to change.
Source: City of Long Beach

Actual and Projected General Fund Cash Flows

Set forth below are summaries of the City's Fiscal Year 2014 General Fund cash flows and the City's Fiscal Year 2015 General Fund cash flow projections, which are based on the City's Proposed Budget (as defined herein), which could be amended and supplemented to account for anticipated future City Council budget-balancing actions.

The projected Fiscal Year 2015 cash flows, as prepared by the City Treasurer's Office, reflect the best currently available estimates and judgments of the City Treasurer's Office as to the City's revenues and expenditures and the expected financial condition of the City for Fiscal Year 2015.

Neither the City’s independent auditors, nor any other independent accountants, have compiled, examined or performed any procedures with respect to the projected Fiscal Year 2015 cash flows contained herein, nor have they expressed any opinion or any other form of assurance on such information or its achievability, and such parties assume no responsibility for, and disclaim any association with, the projected Fiscal Year 2015 cash flows.

The assumptions and estimates underlying the projected cash flows are uncertain and, though considered reasonable by the management of the City as of the date hereof, are subject to a wide variety of significant business, economic and political risks and uncertainties that could cause actual results to differ materially from those contained in the projected cash flows. Accordingly, there can be no assurance that the projected results are indicative of the future performance of the City or that actual results will not be materially higher or lower than those contained in the projected cash flows. Inclusion of the projected cash flows in this Official Statement should not be regarded as a representation by any person that the results contained in the projected cash flows will be achieved.

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TABLE III
City of Long Beach Fiscal Year 2015
Projected General Fund Cash Flow (in Thousands)

Title	Projected		Projected		Projected		Projected		Projected		Projected		Projected		Projected	Annual Total
	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual			
Treasurer's Cash Flow Projection - Next Fiscal																
Beginning Balance	8,655,616.96	8,618,821.47	8,618,821.47	8,618,821.47	8,618,821.47	8,618,821.47	8,618,821.47	8,618,821.47	8,618,821.47	8,618,821.47	8,618,821.47	8,618,821.47	8,618,821.47	8,618,821.47	8,618,821.47	8,655,616.96
Revenue																
Property Tax	122,319.74	1,552,998.97	1,552,998.97	1,552,998.97	1,552,998.97	1,552,998.97	1,552,998.97	1,552,998.97	1,552,998.97	1,552,998.97	1,552,998.97	1,552,998.97	1,552,998.97	1,552,998.97	1,552,998.97	1,552,998.97
Property Tax Residual																
Sales and Use Tax	3,072,459.94	4,022,208.00	4,022,208.00	4,022,208.00	4,022,208.00	4,022,208.00	4,022,208.00	4,022,208.00	4,022,208.00	4,022,208.00	4,022,208.00	4,022,208.00	4,022,208.00	4,022,208.00	4,022,208.00	4,022,208.00
Oil Production Taxes	(44,955.46)	(781.59)	(781.59)	(781.59)	(781.59)	(781.59)	(781.59)	(781.59)	(781.59)	(781.59)	(781.59)	(781.59)	(781.59)	(781.59)	(781.59)	(781.59)
Franchises	53,516.40	3,946,871.57	3,946,871.57	3,946,871.57	3,946,871.57	3,946,871.57	3,946,871.57	3,946,871.57	3,946,871.57	3,946,871.57	3,946,871.57	3,946,871.57	3,946,871.57	3,946,871.57	3,946,871.57	3,946,871.57
Utility Users Tax	3,433,684.32	3,422,082.12	3,422,082.12	3,422,082.12	3,422,082.12	3,422,082.12	3,422,082.12	3,422,082.12	3,422,082.12	3,422,082.12	3,422,082.12	3,422,082.12	3,422,082.12	3,422,082.12	3,422,082.12	3,422,082.12
Business License Tax	786,682.67	1,175,730.65	1,175,730.65	1,175,730.65	1,175,730.65	1,175,730.65	1,175,730.65	1,175,730.65	1,175,730.65	1,175,730.65	1,175,730.65	1,175,730.65	1,175,730.65	1,175,730.65	1,175,730.65	1,175,730.65
Business License Tax	1,389,751.73	1,188,422.09	1,188,422.09	1,188,422.09	1,188,422.09	1,188,422.09	1,188,422.09	1,188,422.09	1,188,422.09	1,188,422.09	1,188,422.09	1,188,422.09	1,188,422.09	1,188,422.09	1,188,422.09	1,188,422.09
Transient Occupancy Tax	122,107.73	119,626.15	119,626.15	119,626.15	119,626.15	119,626.15	119,626.15	119,626.15	119,626.15	119,626.15	119,626.15	119,626.15	119,626.15	119,626.15	119,626.15	119,626.15
Other Taxes	1,144,137.65	1,245,027.30	1,245,027.30	1,245,027.30	1,245,027.30	1,245,027.30	1,245,027.30	1,245,027.30	1,245,027.30	1,245,027.30	1,245,027.30	1,245,027.30	1,245,027.30	1,245,027.30	1,245,027.30	1,245,027.30
Fines and Forfeitures	59,145.04	45,878.58	45,878.58	45,878.58	45,878.58	45,878.58	45,878.58	45,878.58	45,878.58	45,878.58	45,878.58	45,878.58	45,878.58	45,878.58	45,878.58	45,878.58
Interest on Investments	1,212,510.59	784,037.82	784,037.82	784,037.82	784,037.82	784,037.82	784,037.82	784,037.82	784,037.82	784,037.82	784,037.82	784,037.82	784,037.82	784,037.82	784,037.82	784,037.82
Other Use of Money & Property	1,716,339	1,169,551	1,169,551	1,169,551	1,169,551	1,169,551	1,169,551	1,169,551	1,169,551	1,169,551	1,169,551	1,169,551	1,169,551	1,169,551	1,169,551	1,169,551
Other																
In Lieu Sales Tax																
In Lieu V.I.F.																
City Utilities In-Lieu																
Sundry Revenues	176,859.64	187,440.43	187,440.43	187,440.43	187,440.43	187,440.43	187,440.43	187,440.43	187,440.43	187,440.43	187,440.43	187,440.43	187,440.43	187,440.43	187,440.43	187,440.43
Interfund Transfers	11,875,650.00															
Transfer from SR134																
Licenses and Permits	831,446.49	1,233,534.62	1,233,534.62	1,233,534.62	1,233,534.62	1,233,534.62	1,233,534.62	1,233,534.62	1,233,534.62	1,233,534.62	1,233,534.62	1,233,534.62	1,233,534.62	1,233,534.62	1,233,534.62	1,233,534.62
From Other Gov Agencies	1,867,894	17,120.83	17,120.83	17,120.83	17,120.83	17,120.83	17,120.83	17,120.83	17,120.83	17,120.83	17,120.83	17,120.83	17,120.83	17,120.83	17,120.83	17,120.83
Changes to Other City Funds	146,147.65	43,341.56	43,341.56	43,341.56	43,341.56	43,341.56	43,341.56	43,341.56	43,341.56	43,341.56	43,341.56	43,341.56	43,341.56	43,341.56	43,341.56	43,341.56
Other Reimb and Charges	784,257.38	708,831.10	708,831.10	708,831.10	708,831.10	708,831.10	708,831.10	708,831.10	708,831.10	708,831.10	708,831.10	708,831.10	708,831.10	708,831.10	708,831.10	708,831.10
TRAN Issuance																
Total Revenues	24,931,107.26	19,653,839.79	19,653,839.79	19,653,839.79	19,653,839.79	19,653,839.79	19,653,839.79	19,653,839.79	19,653,839.79	19,653,839.79	19,653,839.79	19,653,839.79	19,653,839.79	19,653,839.79	19,653,839.79	19,653,839.79
Expenditures																
Personnel	21,308,418.35	29,775,929.97	29,775,929.97	29,775,929.97	29,775,929.97	29,775,929.97	29,775,929.97	29,775,929.97	29,775,929.97	29,775,929.97	29,775,929.97	29,775,929.97	29,775,929.97	29,775,929.97	29,775,929.97	29,775,929.97
Non-Personnel	(215,388.95)	4,206,811.96	4,206,811.96	4,206,811.96	4,206,811.96	4,206,811.96	4,206,811.96	4,206,811.96	4,206,811.96	4,206,811.96	4,206,811.96	4,206,811.96	4,206,811.96	4,206,811.96	4,206,811.96	4,206,811.96
Admin Fee																
Capital Outlay	972.48	9,554.76	9,554.76	9,554.76	9,554.76	9,554.76	9,554.76	9,554.76	9,554.76	9,554.76	9,554.76	9,554.76	9,554.76	9,554.76	9,554.76	9,554.76
Police Services	2,181,998.08	537,819.88	537,819.88	537,819.88	537,819.88	537,819.88	537,819.88	537,819.88	537,819.88	537,819.88	537,819.88	537,819.88	537,819.88	537,819.88	537,819.88	537,819.88
Operating Transfers	311,407.71	331,629.05	331,629.05	331,629.05	331,629.05	331,629.05	331,629.05	331,629.05	331,629.05	331,629.05	331,629.05	331,629.05	331,629.05	331,629.05	331,629.05	331,629.05
Interest Services	1,380,485.17	60,851.71	60,851.71	60,851.71	60,851.71	60,851.71	60,851.71	60,851.71	60,851.71	60,851.71	60,851.71	60,851.71	60,851.71	60,851.71	60,851.71	60,851.71
TRAN Repayment																
Total Expenditures	24,897,802.85	34,952,023.35	34,952,023.35	34,952,023.35	34,952,023.35	34,952,023.35	34,952,023.35	34,952,023.35	34,952,023.35	34,952,023.35	34,952,023.35	34,952,023.35	34,952,023.35	34,952,023.35	34,952,023.35	34,952,023.35
Ending Balance	8,618,821.47	(6,849,382.29)	(6,849,382.29)	(6,849,382.29)	(6,849,382.29)	(6,849,382.29)	(6,849,382.29)	(6,849,382.29)	(6,849,382.29)	(6,849,382.29)	(6,849,382.29)	(6,849,382.29)	(6,849,382.29)	(6,849,382.29)	(6,849,382.29)	8,618,821.47

Alternate Liquidity

The City has various funds restricted for certain purposes and in the event of a shortfall in Unrestricted Moneys such that Pledged Revenues are insufficient to pay principal and interest on the Notes, amounts on deposit in such restricted funds could be used to pay principal and interest on the Notes. These restricted funds include but are not limited to the Employee Benefits Fund, the Insurance Fund, the Gas Fund and the Upland Oil Fund. As of June 30, 2014, amounts on deposit in such funds totaled \$159,961,217. Pursuant to the Charter, in the event that moneys in such funds are utilized to pay principal and interest on the Notes, the moneys must be repaid by the end of the 2015 Fiscal Year. There can be no assurance that amounts deposited in the restricted funds would be available in the event there is a shortfall in Unrestricted Moneys to pay principal and interest on the Notes.

Additional Note Obligations

Under the Resolution, the City has reserved the right to issue additional notes during Fiscal Year 2015 having a lien on the Pledged Revenues that is subordinate to the lien on the Pledged Revenues securing the Notes. No additional notes may be issued by the City under the Resolution that are secured by a lien on the Pledged Revenues that is on parity with or senior to the lien on the Pledged Revenues that secures the Notes. Repayment of any subordinate note would only occur after all amounts required to be deposited in the Repayment Account for the repayment of the Notes in full at maturity have occurred. The City currently expects that, other than the Notes, it will not issue any bonds, notes or warrants pursuant to the Act with respect to the 2015 Fiscal Year.

Limitation on Remedies

The rights of the owners of the Notes are subject to the limitations on legal remedies against cities in the State, including a limitation on enforcement of judgments against funds needed to serve the public welfare and interest. Additionally, enforceability of the rights and remedies of the owners of the Notes, 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 creditors' 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 cities in the State. Bankruptcy proceedings, or the exercise of powers by the federal or State government, if initiated, could subject the owners of the Notes 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.

On January 24, 1996, the United States Bankruptcy Court for the Central District of California held in the case of *County of Orange v. Merrill Lynch & Co., Inc.*, et al. that a State statute providing for a priority of distribution of property held in trust conflicted with, and was preempted by, federal bankruptcy law. In that case, the court addressed the priority of the disposition of moneys held in a county investment pool upon bankruptcy of the county, but was not required to directly address the State statute that provides for the lien in favor of owners of tax and revenue anticipation notes. The City will be in possession of the taxes and other revenues that will be set aside and pledged to repay the Notes and these funds may be invested for a period of time in the City's investment portfolio. In the event of a petition for the adjustment of City debts under Chapter 9 of the Bankruptcy Code, a court might hold that the owners of the Notes do not have a valid and/or prior lien on the Pledged Revenues where such amounts are deposited in the City's investment portfolio and may not provide the owners of the Notes with a priority

interest in such amounts. In that circumstance, unless the owners could “trace” the funds from the Repayment Account that have been deposited in the City’s investment portfolio, the owners would be unsecured creditors of the City. There can be no assurance that the owners of Notes could successfully so “trace” the pledged taxes and other revenues.

Sources and Uses of Funds

The following table presents the estimated sources and uses of funds in connection with the issuance of the Notes.

Sources	
Principal Amount of Notes	\$ _____
Original Issue Premium	_____
Total Sources	\$ _____
Uses	
Deposit to General Fund	\$ _____
Costs of Issuance*	_____
Total Uses	\$ _____

*Includes legal fees, printing expenses and other costs of issuance.

Book-Entry-Only System

Introduction. Unless otherwise noted, the information contained under the subcaption “— General” below has been provided by DTC. The City does not make any representations as to the accuracy or completeness of such information. The beneficial owners of the Notes should confirm the following information with DTC, the Direct Participants or the Indirect Participants.

NEITHER THE CITY NOR THE PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DIRECT PARTICIPANTS, TO INDIRECT PARTICIPANTS OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (A) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT OR ANY INDIRECT PARTICIPANT; (B) ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE OWNERS OF THE NOTES, (C) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE OWNER OF THE NOTES; (D) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNER OF NOTES; OR (E) ANY OTHER MATTER REGARDING DTC.

General. DTC will act as securities depository for the Notes. The Notes 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 Note certificate will be issued for each issue of the Notes each in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade

settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org. The City does not undertake any responsibility for or make any representations as to the accuracy or the completeness of the content of such material contained on DTC's website as described in the preceding sentence, including, but not limited to, updates of such information or links to other Internet sites accessed through the aforementioned websites.

Purchases of the Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC's records. The ownership interest of each actual purchaser of each Note ("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 Notes 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 Notes, except in the event that use of the book-entry system for the Notes is discontinued.

To facilitate subsequent transfers, all Notes 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 Notes with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Notes 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.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Notes unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Paying Agent 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 the Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Notes 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 Paying Agent on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC or the Paying Agent, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Notes at any time by giving reasonable notice to the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Note certificates are required to be printed and delivered.

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City does not take any responsibility for the accuracy thereof.

BENEFICIAL OWNERS WILL NOT RECEIVE PHYSICAL DELIVERY OF NOTES AND WILL NOT BE RECOGNIZED BY THE PAYING AGENT AS OWNERS THEREOF, AND BENEFICIAL OWNERS WILL BE PERMITTED TO EXERCISE THE RIGHTS OF OWNERS ONLY INDIRECTLY THROUGH DTC AND THE PARTICIPANTS.

THE CITY

General

The City is a municipal corporation and chartered city of the State and encompasses approximately 52 square miles of coastal area located on the southern edge of Los Angeles County (the "County"). With a population as of January 1, 2014 of approximately 470,292, it is the second largest city in the County and the seventh largest city in the State. The City's climate is mild, with temperatures ranging from an average of 54 degrees in January to 72 degrees in July. Precipitation averages 12.1 inches per year. The center of the City is 22 miles south of downtown Los Angeles, 450 miles south of San Francisco and 110 miles north of San Diego. The City has long been a major industrial center and popular beach resort area. The Port of Long Beach (the "Port"), along with its related commercial activities, strengthens the local economy. Further, the City has been successful in building a substantial tourist and convention business and is currently taking vigorous steps to augment tax revenues from these sources.

Municipal Government

The City was originally incorporated in 1888, and after a short period of disincorporation, was reincorporated on December 13, 1897. Since 1907, the City has been governed as a charter city. The present City charter was originally adopted in 1921 and has been amended from time to time.

The City operates under the council-manager form of government with a nine-member City Council. City Council members are nominated and elected by district to serve four-year terms, with a maximum of two such terms. The Mayor is nominated and elected by the City at large. The Vice-Mayor is elected by the Council from among its members. Other city-wide elected offices are City Attorney, City Auditor and City Prosecutor.

The City Manager is appointed by and serves at the discretion of the City Council. As head of the municipal government, the City Manager is responsible for the efficient administration of all departments, with the exception of the elective offices noted above and the following three semi-autonomous commissions: Civil Service Commission, Board of Water Commissioners and Board of Harbor Commissioners.

The City currently employs approximately 5,171 Full-Time Equivalent (“FTE”) staff within 22 departments. The police department consists of approximately 1,738 FTE uniformed officers and supporting personnel. The fire department operates 23 fire stations with approximately 527 FTE firefighters, officers and employees.

In 1931, a Charter amendment was passed which created the Board of Water Commissioners and authorized the City to join The Metropolitan Water District of Southern California. These decisions sought to ensure an adequate water supply for the City.

Within the framework of the City’s General Plan, orderly growth and development of the community is controlled by a three-step planning and budgetary process utilizing the following instruments: the annual budget, the six-year Capital Improvement Program and the five-year Long Range Financial Plan.

Population

The City’s population was approximately 467,646 in 2013. This figure represents 4.70% and 1.23% of the Los Angeles County and State estimated population, respectively. The following table illustrates the City’s population growth relative to the population of Los Angeles County and the State of California.

**TABLE IV
City of Long Beach,
County of Los Angeles and State of California
Population Data**

Year ¹	City of Long Beach	County of Los Angeles	State of California
2013	467,646	9,958,091	37,966,471
2012	464,892	9,889,520	37,668,804
2011	463,393	9,857,567	37,578,616
2010	462,285	9,822,121	37,223,900
2009	462,211	9,801,096	36,966,713

¹ Prior year data was restated as more information is available.
Source: City of Long Beach Summary Financial Information Statement for Fiscal Year 2013

Personal Income

The following chart sets forth the yearly total effective buying income and the median household effective buying income for the City, the County and the State of California for the periods of 2009 through 2013:

TABLE V
City of Long Beach,
County of Los Angeles and State of California
Personal Income 2009-2013

<u>Year</u>	<u>Area</u>	<u>Total Effective Buying Income (in Thousands)</u>	<u>Median Household Effective Buying Income</u>
2009	City of Long Beach	\$ 8,810,320	\$39,214
	Los Angeles County	206,127,854	44,593
	State of California	832,531,446	48,915
2010	City of Long Beach	9,006,580	39,859
	Los Angeles County	207,077,609	45,390
	State of California	844,823,319	49,736
2011	City of Long Beach	8,561,158	39,859
	Los Angeles County	196,758,864	45,390
	State of California	801,389,906	49,736
2012	City of Long Beach	8,682,272	38,561
	Los Angeles County	197,831,465	43,083
	State of California	814,578,458	47,062
2013	City of Long Beach	9,540,842	43,421
	Los Angeles County	205,133,995	45,013
	State of California	858,676,636	48,340

Source: City of Long Beach Summary Financial Information Statement for Fiscal Year 2013

Employment

The California Employment Development Department compiles data annually on the status of employment and unemployment in the County. As an integral part of the Los Angeles metropolitan area, the City benefits from the wide variety of job opportunities available in neighboring communities throughout the County.

The following table sets forth the average employment for major industry types within the County.

TABLE VI
County of Los Angeles
Employment by Industry

<u>Industry</u>	<u>Employment*</u>	<u>Percent of Total</u>
Services	85,486	44.75%
Government	25,370	13.28
Retail Trade	18,965	9.93
Manufacturing	17,891	9.37
Transportation, Warehousing and Utilities	16,953	8.88
Construction and Mining	9,164	4.80
Wholesale Trade	8,893	4.66
Finance, Insurance and Real Estate	<u>8,295</u>	<u>4.34</u>
Total	<u>191,016</u>	<u>100.00%</u>

* Quarterly Average employment

Source: City of Long Beach Summary Financial Information Statement for Fiscal Year 2013

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The following table summarizes labor force, employment and unemployment by industry since 2009 in the City, the State and the United States.

TABLE VII
City of Long Beach, State of California and United States
Labor Force, Employment and Unemployment Annual Average
Calendar Year 2009 through 2013

<u>Year</u>	<u>Area</u>	<u>Civilian Labor Force</u>	<u>Employment</u>	<u>Unemployment</u>	<u>Unemployment Rate (%)</u>
2009	City of Long Beach	237,600	207,300	30,300	12.7%
	State of California	18,252,450	16,170,217	2,082,250	11.4
	United States	154,205,750	139,886,417	14,319,333	9.3
2010	City of Long Beach	236,975	204,375	32,600	13.8%
	State of California	18,242,367	15,972,383	2,269,992	12.4
	United States	153,893,000	139,068,583	14,824,500	9.6
2011	City of Long Beach	236,618	204,809	31,791	13.5%
	State of California	18,097,445	15,955,545	2,141,873	11.8
	United States	153,615,833	139,873,167	13,742,500	9.0
2012	City of Long Beach	235,700	209,200	26,500	11.2%
	State of California	18,489,600	16,689,200	1,800,400	9.7
	United States	155,511,000	143,305,000	12,206,000	7.8
2013	City of Long Beach	239,000	215,900	23,100	9.7%
	State of California	18,608,425	16,965,300	1,643,133	8.8
	United States	155,389,000	143,929,000	4,565,000	7.1

Source: City of Long Beach Summary Financial Information Statement for Fiscal Year 2013

Major Employers

The largest employer in the City was the Long Beach Unified School District, employing approximately 10,389 people. The Long Beach Unified School District serves approximately 81,112 students. The second largest employer in the City was the Long Beach Memorial Medical Center employing approximately 5,693 persons.

Other major employers in the City include the City and government, education and health care providers, including the Boeing Company, California State University Long Beach and Veteran's Affairs Medical Center.

The following table sets forth the City's major employers.

**TABLE VIII
City of Long Beach
Major Employers
As of September 30, 2013**

<u>Employer</u>	<u>Number of Employees</u>
1. Long Beach Unified School District	10,389
2. Long Beach Memorial Medical Center	5,693
3. The Boeing Company*	5,042
4. City of Long Beach	5,028
5. California State University, Long Beach	2,679
6. Veteran's Affairs Medical Center	2,413
7. Long Beach City College	2,137
8. California State Univ. Long Beach Foundation	1,464
9. St. Mary's Medical Center	1,200
10. Molina Health Care	841

* In April 2014, the Boeing Company announced that its production line for its C-17 Globemaster III will be shutting down in mid-2015. The Boeing Company also announced the move of certain customer support jobs from the State of Washington to the City. The City cannot predict what impact the closure of the Long Beach plant will have on the future revenues of the City. However, see "—Industry" below for a discussion on recent developments within the City which mitigate the effect of such closure.

Source: City of Long Beach Summary Financial Information Statement for Fiscal Year 2013

Industry

The City is a vital element of the County's industrial and manufacturing base, which represents the largest concentration of major industrial firms in the western United States. The aircraft/aerospace products group, and the multitude of supporting suppliers, is a significant economic driver in the City. The Boeing Company is currently the third largest employer in the City. See "—Major Employers" above. However, in April 2014, The Boeing Company announced that its production line for its C-17 Globemaster III will be shutting down when the last plane is assembled in June 2015. The City has invested considerable effort in arranging the transition of this single purpose industrial land to a multi-use and economically diverse industrial redevelopment. Of the 3 million square feet of entitled development, the permitted uses include office, retail, light industrial, aviation related manufacturing, hotel and medical office space. To date, more than 1.9 million square feet have been leased or constructed and sold. Tenants and owners include the KONG Company, FoodPharma, Lin Manufacturing, My Dyer, United Pacific Industries, Vogel Properties, Turbo Air, Inc., Shimadzu Precision Instruments, Inc., Mercedes-Benz USA, Courtyard Marriott and two medical office buildings. Mercedes-Benz USA has leased 1.1 million square feet in two buildings formerly used for the production of Boeing 717s. Mercedes-Benz USA is renovating the buildings and will establish its Western Regional Office at this new facility. United Technical College will be leasing another pad and opening a new campus in a build-to-suit development. Furthermore, the City's Planning Commission recently provided the approval for an additional 483,000 square feet of the former Boeing site to be divided into three separate parcels and it is anticipated that the buildings constructed therein will serve as the corporate headquarters for light industrial, office, and research and development companies.

Commercial Activity

Retail sales activity is located throughout the City, from the central business district to the updated Los Altos and Marina Pacifica “power” centers, both of which opened in 1996, and the Towne Center, a 100-acre retail development built on the site of the former Long Beach Naval Hospital, which opened in November 1998. The World Trade Center in the downtown area of the City contains more than two million square feet of office space and is an international focal point for shipping, finance and trade services. More recent additions include CityPlace and The Pike in Downtown Long Beach, which opened in 2002 and 2003, respectively. The City includes numerous neighborhood shopping districts, including Belmont Shore on 2nd Street, Retro Row on 4th Street, Bixby Knolls on Atlantic Avenue, East Anaheim Street, Cambodia Town, On Broadway and the East Village Arts District. Downtown Long Beach offers 4.3 million square feet of office building space with an 80% occupancy rate as of June 2014. The World Trade Center in the downtown area of the City contains 560,000 square feet of office space and is an international focal point for shipping, finance and trade services.

North of the Port at the intersection of the San Diego (I-405) and North Lakewood Boulevard, is the 55-acre Freeway Business Center, also known as the Kilroy Airport Center Long Beach (the “Kilroy Airport Center”), a high-technology office complex comprised of six buildings totaling approximately 949,156 square feet with a diverse mix of business tenants. As of June 2014, the Kilroy Realty Corporation reported the total market vacancy rate at the Kilroy Airport Center to be 8%. Each of the six buildings have square footage ranging from 98,243 square feet to 219,745 square feet with individual occupancy rates ranging from 80% to 100%. Tenants include a Federal Express World Service Center, SCAN Health Plan, DeVry University/Keller Graduate School, the regional headquarters for Epson America, Inc., the corporate headquarters for SCS Engineers, fitness center, restaurant, car wash and detailing, and workforce hiring agency.

The following table sets forth the City’s transient occupancy tax receipts (currently computed at 12%) during the period from Fiscal Years 2009 through 2013.

TABLE IX
City of Long Beach
Transient Occupancy Tax Receipts
Fiscal Years 2009 through 2013
(in Millions)

<u>Fiscal Year</u>	<u>Transient Occupancy Tax Receipts</u>
2009	\$14.6
2010	15.5
2011	17.6
2012	17.8
2013	19.5

Source: City of Long Beach Summary Financial Information Statement for Fiscal Year 2013

The following table illustrates the City's annual volume of taxable transactions from Fiscal Years 2009 through 2013.

TABLE X
City of Long Beach
Taxable Sales
Fiscal Years 2009 through 2013
(in Thousands)

<u>Type of Business</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Apparel Stores	\$ 130,464	\$ 128,877	\$ 145,296	\$ 148,342	\$ 150,378
General Merchandise Stores	305,002	300,479	292,149	300,651	297,644
Drug Stores	75,859	77,571	79,083	82,611	73,162
Food Stores	214,782	221,062	219,454	239,207	249,611
Packaged Liquor	37,210	37,585	39,293	42,014	43,262
Eating/Drinking Places	661,528	632,733	663,683	709,048	745,257
Home Furnishings and Appliance Stores	79,969	68,842	82,618	81,918	88,455
Building Materials and Farm Implements	938,501	1,197,011	1,426,138	1,414,937	905,308*
Auto Dealers/Auto Supplies	279,669	272,820	261,831	310,740	322,610
Service Stations	491,491	625,517	573,517	623,068	612,882
Other Retail Stores	<u>376,469</u>	<u>337,634</u>	<u>332,081</u>	<u>345,843</u>	<u>367,221</u>
Retail Stores Totals	<u>\$3,590,942</u>	<u>\$3,900,131</u>	<u>\$4,115,143</u>	<u>\$4,298,379</u>	<u>\$3,855,791</u>
All Other Outlets	<u>829,510</u>	<u>718,317</u>	<u>955,109</u>	<u>1,037,461</u>	<u>1,145,887</u>
Total All Outlets	<u>\$4,420,452</u>	<u>\$4,618,447</u>	<u>\$5,070,252</u>	<u>\$5,335,840</u>	<u>\$5,001,677</u>

*In Fiscal Year 2013, sales of Building Materials and Farm Implements declined, however, the City has reflected such decline in Sales Tax Revenue to its General Fund in its cash flows.

Source: City of Long Beach Summary Financial Information Statement for Fiscal Year 2013

Construction

The City issued building permits valued at approximately \$318 million during Fiscal Year 2013. Of this total, approximately 31% consisted of residential construction and approximately 69% consisted of non-residential construction. The City's annual permit values since Fiscal Year 2009 are set forth below:

TABLE XI
City of Long Beach
Building Permit Valuations
Fiscal Years 2009 through 2013
(in Thousands)

<u>Type of Permit</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Residential					
New Single Dwelling	\$ 3,700.2	\$ 5,869.4	\$ 14,891.1	\$ 8,326.5	\$ 21,214.3
New Multi Dwelling	8,719.5	4,298.3	37,463.6	11,897.5	10,061.5
Additions/Alterations	<u>60,475.5</u>	<u>65,000.1</u>	<u>58,030.5</u>	<u>53,178.0</u>	<u>66,323.6</u>
Total Residential ¹	<u>\$ 72,895.2</u>	<u>\$ 75,167.9</u>	<u>\$110,385.1</u>	<u>\$ 73,402.0</u>	<u>\$ 97,599.5</u>
Non-Residential					
New Commercial	\$ 9,092.0	\$ 53,302.4	\$ 27,162.8	\$ 34,098.6	\$ 24,140.6
New Industrial	0.0	22,222.6	15,731.4	18,738.8	54,436.9 ²
Additions/Alterations	52,926.4	58,304.4	58,780.0	118,430.3	98,994.3
Other	<u>1,010.2</u>	<u>1,048.0</u>	<u>60,000.0</u>	<u>70,775.0</u>	<u>42,424.3</u>
Total Non-Residential ¹	<u>\$ 63,028.5</u>	<u>\$134,877.4</u>	<u>\$161,674.2</u>	<u>\$242,042.7</u>	<u>\$219,996.0</u>
Total Valuation ¹	<u>\$135,923.8</u>	<u>\$210,045.3</u>	<u>\$272,059.4</u>	<u>\$315,444.7</u>	<u>\$317,595.5</u>

¹Totals may not add due to rounding.

² The increase in New Industrial Building Permit Valuations in Fiscal Year 2013 was attributable to several projects associated with the Port and the Douglas Park mixed-use business complex.

Source: City of Long Beach Summary Financial Information Statement for Fiscal Year 2013

Visitor and Convention Business

The Long Beach Convention & Visitors Bureau (the "LBCVB") is the official organization for convention and tourism marketing for the City. The mission of the LBCVB is to contribute to the economic development of the City by selling, marketing and promoting the City as a destination for conventions, meetings, tradeshow and tourism.

Tourism and the convention business remain a significant factor in the City's economy and remain subject to the fluctuations in the local, State and national economies. A 2011 California State University-Long Beach Economic Impact of Overnight Visitors Report, the most recent report available, projected that the City's tourists generate nearly \$328 million annually in economic impact.

The LBCVB promotes several notable neighborhoods/districts, arts and cultural programs and attractions, including: the Aquarium of the Pacific, Queen Mary, Museum of Latin American Art, Long Beach Museum of Art, Pacific Island Ethnic Museum and two historic Ranchos. Several aquatic offerings are also promoted, including: boating facilities, marinas, sport fishing, shops and eight miles of public beaches that attract thousands of visitors to the City each year. Carnival Cruise Lines also operates a homeport in the City, which is adjacent to the Queen Mary, for its cruises to Mexico.

Visitors travel to the City several times per year for an array of high-profile events and festivals including: Toyota Grand Prix of Long Beach, Long Beach Pride, Long Beach Marathon and Sea Festival.

Long Beach Convention and Entertainment Center

The City has fostered convention business by expanding convention facilities and encouraging private sector participation. Trade shows, conventions, athletic contests and other events are held regularly at the Long Beach Convention and Entertainment Center (the “Convention Center”), which is part of the Pike at Rainbow Harbor oceanfront development. Over the past several years, the Convention Center has received monies to renovate and reposition the facility into a new campus designed to model the TED conference. This new design, utilizing furniture and lighting, has created an environment that encourages conventioners to network and collaborate, which is what conventions and associations strive to achieve. The upgrades bring new and versatile special event location options such as Bogart & Co., in addition to plazas and patios. Furthermore, the new Pacific Ballroom at the Long Beach Arena provides 45,000 square feet of customized event space. This recent repositioning has helped the Convention Center become more competitive as it competes with convention centers in cities such as Portland, San Jose, Denver and Phoenix, and larger facilities in Los Angeles, Anaheim and San Diego.

The following table sets forth convention and delegate attendance since calendar year 2009:

TABLE XII
City of Long Beach
Convention and Delegate Attendance

<u>Calendar Year</u>	<u>Number of Conventions</u>	<u>Number of Delegates</u>
2009	194	469,452
2010	170	453,695
2011	216	403,224
2012	204	394,542
2013	221	464,140

Source: City of Long Beach

Shoreline Village

Shoreline Village has proven to be an integral part of Long Beach visitor offerings. With well renowned restaurants including Parkers’ Lighthouse and Yard House, Shoreline Village provides quality retail, dining and recreation as entertainment experiences for visitors, particularly those who stay at the downtown hotels.

Downtown Long Beach

The Pine Avenue corridor has enjoyed success since 1995 with an assortment of retailers and restaurants. CityPlace, an urban retail development in the heart of downtown, covers eight city blocks. CityPlace is approximately 450,000 square feet of retail space and 341 residential units. Tenants include Wal-Mart, Sav-On, Ross Dress For Less, Fresh & Easy, Chuck E. Cheese’s, Big 5 Sporting Goods, and several other apparel stores and eateries. Pine Avenue’s concentration of dining establishments confirms restaurants as the principal element of the area. Currently, the City estimates that downtown Long Beach has a 20% vacancy rate on office space, and a 2% vacancy rate on ground floor retail space.

Long Beach Towne Center

In November 1998, the development of the Long Beach Towne Center was completed. It is an approximately 850,000 square foot community retail shopping center located on approximately 81 acres within the City at the southwest corner of Carson Street and the I-605 Freeway. The current operator of the Long Beach Towne Center is CREA/PPC Long Beach Towne Center PO, LLC, a Delaware limited liability company. As of December 2013, the Long Beach Towne Center had a total market vacancy rate of 2.08%.

The Pike at Rainbow Harbor

The \$450 million "The Pike at Rainbow Harbor", developed by Developers Diversified Realty ("DDR"), is one of the largest shoreline developments in California history. The Pike at Rainbow Harbor includes approximately 500,000 square feet of waterfront retail and entertainment space. The Pike at Rainbow Harbor is a joint venture of public and private investment. The development converted 300 acres of prime oceanfront property at the edge of downtown Long Beach into a major resort. The Pike at Rainbow Harbor includes the Aquarium of the Pacific, Shoreline Park, Rainbow Harbor, a retail portion and a condominium housing portion. In its 2013 annual report, DDR reported that The Pike at Rainbow Harbor had an average annual occupancy rate of 75.4%.

Rainbow Harbor, named after Long Beach's famous Rainbow Pier from the early part of the twentieth century, offers visitors a wide variety of dinner cruises, fishing and diving charters, and water taxis that shuttle between the downtown entertainment district and the historic Queen Mary oceanliner. The Aquarium of the Pacific is located on a five-acre site within Rainbow Harbor, and contains exhibits with more than 11,000 ocean animals. The Aquarium also contains a theater, education center, shark lagoons, an indoor/outdoor restaurant and a large gift shop.

Petroleum Production

The Wilmington Oil Field, which is one of the largest oil fields in the United States, traverses the City. Since 1939, the City has developed and managed the oil operations on its Upland and Tideland properties. The Upland properties are owned by the City and the revenues can be used for general-purpose activities. The Tideland properties are owned by the City in trust for the State. The revenues generated by the Tideland properties, by legislation, are shared between the City, State and two contracting oil production companies, Occidental Petroleum Corp. and Tidelands Oil Production Company. The City's share can only be used in support of Tidelands purposes. Operation of the Wilmington Oil Field is managed by two contractors, Tidelands Oil Production Company and Occidental Petroleum Corp.

The City administers all City oil operations, contracts, leases and agreements and directs all subsidence control operations through its Department of Oil Properties. Recent increases in the price of oil have increased the amount of revenues transferred to the Tidelands Operating Fund and the General Fund.

Transportation

Industry, business and residents all benefit from the excellent transportation network available in the City. Water, rail, air and highway facilities are highly developed throughout the City.

The County's 22-mile light rail line opened July 1, 1990, connecting the central business districts of Long Beach and Los Angeles. Ridership on the "Metro Blue Line" averages approximately 66,000 riders per average weekday.

The San Diego Freeway (I-405), the San Gabriel River Freeway (I-605) and the Long Beach Freeway (I-710) all traverse the City, as do State Highways 1, 19, 22, 91 and 213. This highway grid places both the City of Los Angeles and Los Angeles International Airport within a 30-minute drive.

The Long Beach Public Transportation Company was incorporated in 1963 as a nonprofit corporation with all capital shares held by the City. Since that time, the company has provided transit service to the City and surrounding areas. The company's operations are locally supported through the Transportation Fund of the City. Interurban bus service is provided by the Long Beach Transit, the Los Angeles County Metropolitan Transportation Authority and the Orange County Regional Transportation District.

Rail transportation to Long Beach is provided by two major transcontinental railroads: the Burlington Northern Santa Fe Railroad Company and the Union Pacific Railroad Company. Reciprocal switching is available between the two lines.

Port of Long Beach

The Port is owned by the City and operated by the Harbor Department of the City (the "Harbor Department"), which was created by amendment to the City Charter in 1931. Functioning primarily as a landlord, the Harbor Department leases or assigns most docks, wharves, transit sheds, and terminals to shipping or terminal companies and other private firms for actual operation of these facilities. This Port is one of the most versatile shipping installations in the nation.

The Port covers approximately 11.9 square miles, of which approximately 6.9 square miles are water and includes all harbor facilities of the City. The Port has approximately 31.5 miles of waterfront with 65 deep-water cargo berths. The Port's main channel is 76 feet deep. Container terminals occupy 1,253 acres, auto terminals occupy 144 acres, breakbulk and general cargo terminals occupy 77 acres, dry bulk terminals occupy 84 acres, and petroleum and liquid bulk terminals occupy 44 acres. The Port has six container terminals with 66 cranes, all of which are post-panamax cranes (owned mostly by the tenants) and three container freight stations. Five container terminals are served by on-dock railyards. Additional cargo handling facilities include five transit sheds and 12 warehouses. Transit sheds are of concrete and steel construction. Wharves are constructed of reinforced concrete supported by reinforced concrete pilings or sheet pile bulkhead. Wharf aprons at all transit shed berths average 50 feet in width. Rail tracks serve all major marine facilities. In total, the Port owns 82 miles of rail trackage. Current Harbor Department plans include enlarging and consolidating several of the container terminals due to the demand for larger facilities.

The Port is the first Southern California port to offer dockside rail. Dockside rail helps to move cargo between ships and trains for efficient distribution to markets east of the Rocky Mountains, and removes unnecessary trucks from area freeways.

The Port is self-sufficient. Under the State's Tidelands laws, the Port must earn its revenue from activities related to commerce, navigation, recreation and fisheries, and must spend its money only on the same. The Port receives no tax revenues for its operations or expansions. Although it receives no tax support, the Port generates billions of dollars in revenue for private businesses and government entities, including the City.

In addition to containers, the harbor complex handles crude and refined petroleum products, dry bulk such as coke and cement; automobiles, lumber, paper and fruit; steel and scrap metal. A free trade zone, Foreign Trade Zone #50, is also operated by the Port.

The following is a breakdown of cargo handled by the Harbor Department at municipal berths during the past two fiscal years in tonnage and revenue.

TABLE XIII
Harbor Department Cargo Summary

	Fiscal Year 2012				Fiscal Year 2013			
	Metric Revenue Tons (000's)	Percent of Total Tons	Revenue (000's) ¹	Percent of Revenue ¹	Metric Revenue Tons (000's)	Percent of Total Tons	Revenue (000's) ¹	Percent of Revenue ¹
Containerized	105,578	73%	\$255,992	79%	121,683	75%	\$268,295	80%
Petroleum/Liquid Bulk	30,663	21	17,356	5	30,595	19	16,909	5
Dry Bulk	7,704	5	23,801	7	8,384	5	26,369	8
General Cargo	1,199	1	25,275	8	1,595	1	24,297	7
Totals	<u>145,143</u>	<u>100%</u>	<u>\$322,425</u>	<u>100%</u>	<u>162,257</u>	<u>100%</u>	<u>\$335,869</u>	<u>100%</u>

¹ Revenue includes operating revenues from wharfage, dockage, storage/demurrage, bunkers, special facilities rentals, crane rentals and other.

Source: City of Long Beach Summary Financial Information Statement for Fiscal Year 2013

In 1989, the Port, the Port of Los Angeles (collectively, the "Ports"), the City and the City of Los Angeles formed the Alameda Corridor Joint Powers Authority ("ACTA") to develop and operate a 20-mile long, multiple-track consolidated rail transportation corridor (the "Alameda Corridor") along Alameda Street between the railroad freight yards located in the City of Los Angeles and the Ports in order to efficiently deal with the anticipated increase in volume of international freight, cargo and other goods to and from the Ports. Construction was completed and the Alameda Corridor opened for service in April 2002, at a cost of \$2.4 billion. The Alameda Corridor consolidates 90 miles of existing rail lines (4 rail lines were diverted onto 1 line) into an integrated system separated from nonrail traffic.

Long Beach Airport

The City owns and operates the Long Beach Airport (the "Airport"). The current daily flight limits are 41 commercial jet airline and 25 commuter landings and takeoffs ("slots"). Included in the 41 aircraft slots are (a) commercial airline service provided by JetBlue Airways, US Airways and Delta Air Lines, and (b) cargo flights operated by Federal Express and United Parcel Service. The Airport is home to over 400 commercial, corporate and general aviation services, flight schools, air cargo, manufacturing, two business parks and a golf course.

The movement of aircraft in and out of the Airport is controlled by the Federal Aviation Administration (the "FAA"). The FAA operates the airport's tower and navigation facilities. Navigation aids at the airport include Medium Intensity Approach Lights, Runway Visual Range, Direction Finding, Instrument Landing System, VHF, UHF and other radio communications equipment.

The Airport is an important aircraft manufacturing and completion center, currently hosting two industry giants, The Boeing Company and Gulfstream Aerospace Corporation. Although Boeing has announced the conclusion of its C-17 production line, the timing and impact of the regional economic effect has not yet been determined. The Airport currently receives annual rental payments of \$1.3 million

from Boeing under an annually renewable lease, representing approximately 3.8% of the Airport's Fiscal Year 2013 operating revenues. If Boeing elects to terminate its lease at the Airport, the Airport expects that it will be able to partially mitigate the loss in such lease revenue by executing new leases, offsetting revenue loss with additional concession and parking revenues, and adjusting airline rates and charges.

The following table sets forth operations at the Airport during Fiscal Years 2009 through 2013.

TABLE XV
Long Beach Airport Traffic

<u>Fiscal Year</u>	<u>Passengers</u>	<u>Cargo (lbs.)</u>	<u>Aircraft Operations</u>
2009	2,930,911	72,312,000	302,672
2010	2,921,931	58,951,000	317,328
2011	3,081,606	55,958,380	302,763
2012	3,277,728	54,798,402	287,699
2013	2,989,486	53,605,274	284,193

Source: City of Long Beach Summary Financial Information Statement for Fiscal Year 2013

Utilities

In 1931, a Charter amendment was passed which created the Board of Water Commissioners and authorized the City to join the Metropolitan Water District of Southern California. These decisions sought to ensure an adequate water supply for the City. Water and sewer services are provided by the Long Beach Water Department (the "Water Department").

There are a number of utilities service providers operating in the City. Local telephone service is provided by Verizon and SBC. Electricity is distributed to the residents, organizations and businesses of Long Beach by Edison International. Electricity can be purchased from a number of electricity providers. Natural gas is provided by the Gas and Oil Department.

In November 2000, the voters of the City approved Measure J to reduce the City's utility users tax rate by one percentage point per year, from 10% to 5% during a five-year period. The current utility users tax rate is 5% for all utilities.

Education

The City is served by the Long Beach Unified School District, which provides primary and secondary educational instruction for approximately 81,112 students through the operation of 60 elementary schools, 16 junior high schools, nine high schools, one K-12 school, two alternative schools, and one continuation school. There are additionally four charter schools. Post-secondary education is available at Long Beach City College, a tax-supported two-year institution administered by the Long Beach Community College District. In addition to the lower division college program, extensive adult education and trade school facilities are offered at Long Beach City College, with a current enrollment of approximately 25,782 per semester. California State University – Long Beach is located on a 320-acre site in the eastern portion of the City on land donated by the City. Opened in 1949 as Los Angeles-Orange County State College, the institution has been given university status and has a current enrollment of approximately 30,474 per semester. The University's distinguished educational program offers various undergraduate and graduate degree programs. Enrollment in the educational system serving the City and its residents for the past five years is set forth below:

TABLE XVI
City of Long Beach
Educational Enrollment

<u>Year</u>	<u>Long Beach Unified School District</u>	<u>Long Beach City College*</u>	<u>California State University (Long Beach)*</u>
2009	86,283	29,665	35,957
2010	85,257	28,447	33,416
2011	83,420	26,097	31,999
2012	82,334	24,653	34,870
2013	81,112	25,782	30,474

*Average enrollment per semester.

Source: City of Long Beach Summary Financial Information Statement for Fiscal Year 2013

The City also serves as the permanent headquarters for the 21-campus California State University and College System. The California University and College System's headquarters are located on a 6.4-acre site in the western portion of the City on land donated by the City. California State University Long Beach continues to be one of the most popular institutions in California. It has built a successful student recruitment program that continues to attract high-achieving students, while maintaining a historical commitment to access.

Community Facilities

Long Beach has four major hospitals and a Veterans Affairs Medical Center. The City operates the Main Library in the downtown Civic Center and eleven other branch libraries throughout the City. Four newspapers, various online news websites, three radio stations and a cable television system are also located in the City.

The City's Parks, Recreation and Marine Department coordinates and maintains municipal and school recreational services, including community centers, sports fields, a mountain camp, parks, tennis courts and golf courses. This department also administers the Long Beach Municipal Band, Leeway Sailing Center, El Dorado Nature Center, Rancho Los Cerritos and Rancho Los Alamitos, the Belmont Veterans Memorial Pier, Rainbow Harbor and Rainbow Lagoon. The City's Parks, Recreation and Marine Department also maintains numerous parks devoted to open space and recreation, six miles of beaches and three marinas.

The Parks, Recreation and Marine Department provides free and fee-based recreational programs and leisure opportunities, both self-directed and organized, for people of all ages and cultures. Youth programs include free youth sports for ages 5 to 18 serving thousands of participants annually, summer and vacation day camps, hundreds of recreational and educational classes, sailing and aquatics instruction, teen center activities, skateboarding opportunities, and supervised after-school and weekend activities at parks, schools and mobile recreation sites.

Adult recreation opportunities include sports leagues, tennis and golf facilities and instruction. Recreation programs and social services for seniors are offered at community centers. Family recreation opportunities include Long Beach Municipal Band concerts, cultural arts programs, environmental programs, citywide and neighborhood special events, boating facilities, as well as general park and beach use.

The Long Beach Convention and Entertainment Center stages productions of the Long Beach Symphony Association and the Long Beach Grand Opera. The California State University, Long Beach is home to the Bob Cole Conservatory of Music and the Richard and Karen Carpenter Performing Arts Center. Four community live theatres also entertain in the City.

Largest Taxpayers

No single taxpayer accounts for more than 0.95% of the City's total assessed valuation. The largest taxpayer is The Boeing Company, which had an assessed valuation as of September 30, 2013 of approximately \$396 million. Although The Boeing Company is transitioning from C-17 production, The Boeing Company has been and will continue to be the property owner for the foreseeable future. Additionally, in the first quarter of 2015, Mercedes Benz-USA will open a regional facility, of over one million square feet to support 82 dealerships over 12 states, on property leased from The Boeing Company. The City's top 10 principal taxpayers are presented in the following table.

**TABLE XVII
City of Long Beach
Major Taxpayers
as of September 30, 2013**

<u>Top 10 Principal Taxpayers</u>	<u>Industry</u>	<u>Assessed Valuation (in Thousands)*</u>	<u>Percentage of Total Net Assessed Valuation</u>
1. The Boeing Company	Industrial	\$ 396,342	0.95%
2. AES Alamitos LLC	Power Plant	219,500	0.53
3. Legacy Partners II LB World Trade LLC	Office Building	153,840	0.37
4. 2009 CUSA Community Owner LLC	Office Building	140,537	0.34
5. BOP Landmark Square Co. LLC	Real Estate	123,053	0.29
6. GRE Shoreline Square LP	Industrial	96,993	0.23
7. Nobel Utah Long Beach LLC	Hotel	92,828	0.22
8. Linwood Avenue LP	Apartments	84,347	0.20
9. Molina Center LLC	Medical Facility	81,000	0.19
10. Long Beach Generation LLC	Industrial	<u>64,100</u>	<u>0.15</u>
Top 10 Total		\$1,452,540	3.47%

* Local secured assessed valuation. Excludes mineral rights, possessory interest and unsecured assessed valuation.
Source: City of Long Beach Summary Financial Information Statement for Fiscal Year 2013

CITY FINANCIAL INFORMATION

General

Accounts of the City are organized on the basis of funds, each of which is considered to be a separate accounting entity. Operations of each fund are accounted for by providing a separate set of self-balancing accounts, which include its assets, liabilities, reserves, fund balances, revenues and expenditures.

The modified accrual basis of accounting is followed for the General Fund, Special Revenue Accounts, Capital Projects, Expendable Trust and Agency Funds. Under this method, expenditures (other than interest on long-term debt) are recorded when the liability is incurred, and revenues are recorded in the accounting period in which they became measurable and available. The City considers the term "available" to mean collectible in the current period or soon enough thereafter to be used to pay liabilities

of the current period. The accrual basis of accounting is utilized for all Proprietary and Internal Service Funds.

The City employs the encumbrance method of accounting, under which purchase orders, contracts and other commitments are recorded in order to reserve that portion of applicable appropriations. Such commitments are provided for during the annual budget process as carried-over commitments.

Budgetary Process

The City's Charter governs the budget development process and deadlines. Per the Charter, the City Council adopts an annual budget for all funds prior to the start of the new fiscal year, which begins on October 1. Based upon the City Council's priorities and community feedback received during the budget development process, the City Manager submits a proposed budget to the Mayor on or before August 1. In a recent election, the Mayor was granted line-item veto. The Mayor then presents the City Manager's proposed budget with any additional recommendations to the City Council on or before August 15, after which public budget workshops and hearings are conducted with the City Council during which further amendments can be made. If the City Council does not successfully adopt a budget before October 1, the City manager's budget as proposed becomes the budget for the new fiscal year.

From the effective date of the budget, the amounts stated therein as proposed expenditures become appropriations to the various governmental funds. The City Council may amend the budget by motion during the fiscal year. In the past, the City Council has amended the budget, if necessary, on a quarterly basis. The City Manager may transfer appropriations within the departments, and within a given fund, without City Council approval; provided that the total appropriation at the fund level and at the department level does not change. Transfers of appropriations between funds or between departments require City Council approval. Appropriations lapse at the end of the fiscal year to the extent they have not been expended or encumbered, however unspent appropriations in all-year funds and subfunds roll over into subsequent fiscal years until they are exhausted.

In addition, the City's budgetary process may be affected by the fiscal condition of the State. See "—Current Financial Conditions of the State and the City" below.

Current Financial Conditions of the State and the City

A number of the City's revenues are collected and dispersed by the State (such as sales tax and motor-vehicle license fees) or allocated in accordance with State law (most importantly, property taxes). Therefore, State budget decisions can have an impact on City finances. While economic recovery continues, there can be no assurance that such revenue shortfalls to the State, if any, will not reduce revenues to local governments (including the City) or shift financial responsibility for programs to local governments as part of its efforts to address any such State financial difficulties.

The Proposed Fiscal Year 2015 Budget (the "Proposed Budget") is a balanced budget, and reflects several years of review, examination and reassessment of the City's priorities and financial constraints and identifies structural deficits through Fiscal Year 2016. In addition, the City has taken proactive measures to establish a long-term strategic approach. The approach ensures that the City's Police and Fire departments receive approximately 70 percent of the General Fund resources each year while keeping funds to pay for services such as parks, libraries, sidewalks, code enforcement, animal control, and internal support services. The City Council will adopt the Fiscal Year 2015 Budget by the September 15, as required by the Charter of the City. The adjustments to the Proposed Budget numbers are not expected to be significantly different from the Proposed Budget numbers.

Financial Statements

The accompanying financial statements were developed from City records. Certain information such as Fund Balances, Revenues, Expenditures and Transfers of Tax Supported Funds and the Tax Supported Fund cash flow analysis were developed by City staff for use in this Official Statement.

Each year the City adopts and maintains a balanced budget in accordance with California law. Certain recurring revenues received by the City and savings accrued as a result of the City's fiscal management are reserved in the General Fund. The City uses certain of its special funds to pay some of its general fund expenditures. The City has not increased general taxes to provide money for general fund expenditures since June 1992.

The following financial statements reflect transactions and balances in the City's General Fund. Table XVIII provides a statement of revenues, expenditures and changes in fund balances for the Fiscal Years 2009 through 2013. Table XIX presents the City's final General Fund budget for Fiscal Year 2013, the City's audited actuals for the General Fund for Fiscal Year 2013, the City's adopted General Fund budget for Fiscal Year 2014, and the City's proposed General Fund budget for Fiscal Year 2015. These tables are excerpts from the City's financial statements and may not include all relevant information. A complete review of the City's financial statements attached hereto as "APPENDIX A—CITY OF LONG BEACH GENERAL PURPOSE FINANCIAL STATEMENTS FOR FISCAL YEAR ENDING SEPTEMBER 30, 2013" including the footnotes thereto, is necessary in order to make an informed investment decision.

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TABLE XVIII
City of Long Beach
General Fund Revenues and Expenditures
(in Thousands)

	<u>2009</u>	<u>2010</u> ¹	<u>2011</u>	<u>2012</u>	<u>2013</u>
Revenues					
Property Taxes	\$ 79,175	\$ 106,930	\$116,692	\$115,513	\$169,590 ²
Other Taxes ³	133,846	116,014	121,934	123,141	130,129
Franchise Fees	--	24,040	24,184	23,143	25,243
Licenses and Permits	12,910	15,563	16,303	16,050	13,889
Fines and Forfeitures	19,501	17,042	16,193	17,762	16,394
Use of Money and Property	20,258	42,428	50,486	53,282	54,239
From Other Agencies	49,464	5,956	5,035	4,065	1,767
Charge for Services	27,052	24,870	26,897	27,006	26,295
Other	7,152	7,744	6,100	8,576	8,337
Total Revenue	<u>\$349,358</u>	<u>\$360,587</u>	<u>\$383,824</u>	<u>\$388,538</u>	<u>\$445,883²</u>
Expenditures					
Current:					
Legislative and Legal	\$ 11,649	\$ 10,806	\$ 9,683	\$10,316	\$ 9,673
General Government	9,037	14,772	18,556	16,046	17,050
Public Safety	269,085	272,905	274,769	269,085	267,430
Public Health	4,962	5,132	5,483	5,248	5,383
Community and Cultural	44,172	41,844	40,265	40,958	40,750
Public Works	29,017	28,517	28,558	28,667	29,679
Oil Operations	--	6,718	7,173	9,146	4,722
Total Current Expenditures	<u>\$367,922</u>	<u>\$380,694</u>	<u>\$384,442</u>	<u>\$379,466</u>	<u>\$374,687</u>
Debt Service⁴:					
Principal	\$ 8,369	\$ --	\$ --	\$ --	\$ --
Interest	7,503	--	--	--	--
Debt Administration Fees	166	--	--	--	--
Total Expenditures	<u>\$383,960</u>	<u>\$380,694</u>	<u>\$384,442</u>	<u>\$379,466</u>	<u>\$374,687</u>
Excess of Revenues Over (Under) Expenditures	(34,602)	(20,017)	(618)	9,072	71,196
Other Financing Sources (Uses)					
Debt Issuance	\$ --	\$ 988	\$ --	\$ 302	\$ --
Operating Transfers In ⁵	39,025	26,670	24,565	23,110	24,269
Operating Transfers Out ⁶	(3,085)	(14,040)	(120,657)	(22,354)	(34,851)
Total Other Financing Sources (Uses)	<u>\$ 35,940</u>	<u>\$ 13,618</u>	<u>\$ (96,092)</u>	<u>\$ 1,058</u>	<u>\$ (10,582)</u>
Net Change in Fund Balances ⁷	1,338	(6,489)	(96,710)	10,130	60,614
Fund Balance–October 1	161,130	170,192	163,703	66,993	77,123
Fund Balance–September 30	<u>\$162,468</u>	<u>\$163,703</u>	<u>\$ 66,993</u>	<u>\$77,123</u>	<u>\$137,737²</u>

¹ As part of the implementation of GASB 54 Fiscal Year 2010 was restated and reclassified.

² Fiscal Year 2013 Property Tax Revenue contained \$33.1 million in post Redevelopment Agency dissolution funds, \$10.8 million in Proposition 1A repayment from the State and \$6.4 million in litigation proceeds related to property tax administration fees. The majority of these funds are considered one-time in nature.

³ Includes sales and use tax, utility users tax, other taxes and property tax in lieu of sales and use tax from Proposition 57.

⁴ As part of the implementation of GASB 54, starting in Fiscal Year 2011, the City pays debt service from the General Debt Service Fund. The General Debt Service Fund is funded pursuant to an operating transfer out of the General Fund. See footnote 5.

⁵ The City regularly transfers current financial resources from one fund to another. In Fiscal Year 2013, the Solid Waste Management Fund transferred moneys to the General Fund (\$5.2 million) for earnings due to the City under a Joint Powers Agreement between the City and Los Angeles County Sanitation District Number 2 and for reimbursement of certain fees over-paid by the City and the Gas Utility Fund transferred moneys to the General Fund (\$11.2 million) as permitted by the City Charter. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS—Proposition 26." Various other moneys owed to the General Fund from previous transfers out and revenues are also represented.

⁶ The City regularly transfers current financial resources from one fund to another. In Fiscal Year 2013, the General Fund transferred approximately \$33.5 million to the Non-Major Governmental Funds (\$6.8 million of such transfer was to the General Debt Service Fund and approximately \$22.0 million of such transfer was to the General Capital Projects Fund).

⁷ The City has used previous years' general fund balances (previous years' surplus) to cover budget shortfalls. The City has not used borrowings from restricted funds to cover budget shortfalls.

Source: City of Long Beach Summary Financial Information Statement for Fiscal Year 2013 for Fiscal Years 2009 through 2012; City of Long Beach, California Comprehensive Annual Financial Report (Fiscal Year ended September 30, 2013) for Fiscal Year 2013

TABLE XIX
City of Long Beach
Final General Fund Budget for Fiscal Year 2013,
Audited Actuals for Fiscal Year 2013,
Adopted General Fund Budget for Fiscal Year 2014, and
Proposed General Fund Budget for Fiscal Year 2015
(in Thousands)

<u>Fiscal Year</u>	<u>Final Budget 2013</u>	<u>Audited Actuals 2013</u>	<u>Adopted Budget 2014</u>	<u>Proposed Budget 2015</u>
Revenues				
Property Taxes	\$127,628	\$169,590	\$134,633	\$139,091
Other Taxes ¹	125,428	130,129	127,549	126,850
Franchise Fees	21,507	25,243	24,251	25,265
Licenses and Permits	20,084	13,889	15,057	14,783
Fines and Forfeitures	15,797	16,394	15,788	15,702
Use of Money and Property	37,379	54,239	37,534	37,686
From Other Agencies	1,206	1,767	2,220	2,744
Charges for Services	24,897	26,295	24,839	25,358
Other	<u>6,263</u>	<u>8,337</u>	<u>2,671</u>	<u>4,334</u>
Total Revenue	<u>\$380,189</u>	<u>\$445,883</u>	<u>\$384,542</u> ²	<u>\$391,813</u>
Expenditures				
Current:				
Legislative and Legal	\$ 10,229	\$ 9,673	\$ 12,018	\$ 10,194
General Government	24,595	17,050	20,922	21,533
Public Safety	269,784	267,430	275,601	275,660
Public Health	5,348	5,383	5,385	5,419
Community & Cultural	40,972	40,750	46,604	45,329
Public Works	30,475	29,679	30,476	33,255
Oil Operations	<u>6,887</u>	<u>4,722</u>	<u>6,751</u>	<u>6,751</u>
Total Expenditures	<u>\$388,290</u>	<u>\$374,687</u>	<u>\$397,757</u>	<u>\$398,141</u>
Excess of Revenues Over (Under) Expenditures	\$ (8,101)	\$ 71,196	\$(13,215)	\$ (6,328)
Other Financing Sources (Uses):				
Operating Transfers In ³	\$24,546	\$24,269	\$ 17,851	\$ 15,639
Operating Transfers Out ⁴	<u>(46,618)</u>	<u>(34,851)</u>	<u>(50,529)</u>	<u>(26,521)</u>
Total Other Financing Sources (Uses)	\$(22,072)	\$ (10,582)	\$(32,678)	\$(10,882)
Net Change in Fund Balance ⁵	(30,173)	60,614	(45,893)	\$(17,210)
Beginning Fund Balance—October 1	72,571	77,123	137,013	91,844
Encumbrances—October 1	<u>552</u>	<u>-</u>	<u>724</u>	<u>-</u>
Ending Fund Balance—September 30	<u>\$46,950</u>	<u>\$137,737</u>	<u>\$91,844</u>	<u>\$74,634</u>

¹Includes sales and use tax, utility users tax, other taxes and property tax in lieu of sales and use tax from Proposition 57. Note that property tax in lieu of sales and use tax is categorized as revenues "From Other Agencies."

²The City believes budgeted revenues are generally on track with actuals year to date.

³The City regularly transfers current financial resources from one fund to another. In Fiscal Year 2013, the Solid Waste Management Fund transferred moneys to the General Fund (\$5.2 million) for earnings due to the City under a Joint Powers Agreement between the City and Los Angeles County Sanitation District Number 2 and for reimbursement of certain fees over-paid by the City and the Gas Utility Fund transferred moneys to the General Fund (\$11.2 million) as permitted by the City Charter. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS—Proposition 26." Various other moneys owed to the General Fund from previous transfers out and revenues are also represented.

⁴The City regularly transfers current financial resources from one fund to another. In Fiscal Year 2013, the General Fund transferred approximately \$33.5 million to the Non-Major Governmental Funds (\$6.8 million of such transfer was to the General Debt Service Fund and approximately \$22.0 million of such transfer was to the General Capital Projects Fund).

⁵The City has used previous years' general fund balances (previous years' surplus) to cover budget shortfalls. The City has not used borrowings from restricted funds to cover budget shortfalls.

Source: City of Long Beach

Pension Plans and Post-Retirement Health Care Benefits

CalPERS. The City contributes to and contracts with California Public Employees' Retirement System ("CalPERS"), an agent multiple-employer public employee defined benefit pension plan, for full-time employees retirement and disability benefits. CalPERS provides retirement and disability benefits, including annual cost of living adjustments ("COLA"), and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State. Benefit provisions and all other requirements are established by State statute and City ordinance. Copies of CalPERS' annual financial report may be obtained from their executive office: 400 P Street, Sacramento, CA 95814. Since CalPERS is on a fiscal year ending June 30, all actuarial calculations for the City's retirement plan are made on a fiscal year ending June 30, which differs from the City's September 30 fiscal year end.

Under the terms of the contract between CalPERS and the City, all full-time employees are eligible to participate in CalPERS and become vested in the system after five years of service. The City has a multiple tier retirement plan with benefits varying by plan.

Vested first and second tier safety employees who retire at age 50 are entitled to receive an annual retirement benefit, payable monthly for life, in an amount equal to 3% of the employee's highest paid year of employment for each year of credited service. Third tier safety employees are entitled to receive an annual retirement benefit, payable monthly for life, in an amount equal to 2% of the employee's highest paid year of employment for each year of credited service. Retirees under the first tier are eligible to receive a maximum annual 5% cost-of-living increase in their retirement benefit, while those under the second tier are eligible to receive a maximum annual 2% cost-of-living increase. Effective January 1, 2013, safety employees who are either new to CalPERS or who have had a break in CalPERS service of at least six months, and who retire at age 57, are entitled to receive an annual retirement benefit, payable monthly for life, in an amount equal to 2.7% of their highest annual pensionable compensation earned during a period of at least 36 consecutive months for each year of credited service.

Vested first and second tier miscellaneous employees who retire at age 55 are entitled to receive an annual retirement benefit, payable monthly for life, in an amount equal to 2.7% of their highest paid year of employment for each year of credited service. The City created a third tier for miscellaneous employees hired after October 1, 2006. Vested third tier miscellaneous employees who retire at age 55 are entitled to receive an annual retirement benefit, payable monthly for life, in an amount equal to 2.5% of their highest paid year of employment for each year of credited service. Retirees under the first tier are eligible to receive a maximum annual 5% cost-of-living increase in their retirement benefit, while those under the second and third tier are eligible to receive a maximum annual 2% cost-of-living increase. Effective January 1, 2013, miscellaneous employees who are either new to CalPERS or who have had a break in CalPERS service of at least six months, and who retire at age 62, are entitled to receive an annual retirement benefit, payable monthly for life, in an amount equal to 2% of their highest pensionable compensation earned during a period of at least 36 consecutive months for each year of credited service.

Contribution requirements of plan members and the City are established and may be amended by CalPERS. For Fiscal Year 2013, safety and miscellaneous plan participants were required to contribute 9% and 8% of their annual covered salary, respectively. As a benefit to plan members, the City can elect to pay a portion of the plan members' portion of the contribution requirements, but through recent pension reform with the labor associations, all plan participants are paying their full employee contribution rates. In addition, the City is required to contribute at an actuarially determined rate applied to annual covered payroll. For Fiscal Year 2013, the employer contribution rates were 15.159% for miscellaneous employees and 22.315% for safety employees. For Fiscal Year 2014, the employer

contribution rates were 15.648% for miscellaneous employees and 23.061% for safety employees. For Fiscal Year 2015, the contribution rates will be 16.288% for miscellaneous employees and 24.059% for safety employees.

As of the most recent actuarial valuation date (June 30, 2012), the safety plan had an unfunded actuarial accrued liability of approximately \$102,357,000, with a funding ratio of 94.7%, and the miscellaneous plan had an unfunded actuarial accrued liability of approximately \$231,476,000, with a funding ratio of 88.7%. The funded ratio compares the actuarial value of assets to the actuarial accrued liabilities of the safety plan or the miscellaneous plan, as applicable. The ratios change every valuation year, reflecting asset performance, demographic changes, actuarial assumption/method changes, benefit structure changes or a variety of other actuarial gains and losses. Generally, the impact of gains/losses from CalPERS investments are determined using a rolling average methodology of gains and losses year over year. In April 2013 and February 2014, CalPERS adopted changes to the rate smoothing policy and mortality assumptions, respectively. Previous amortization and smoothing policies spread investment gains/losses and paid for them over a 15-year smoothing and a 30-year amortization period. The new amortization and smoothing policy pays for all gains/losses over a fixed 30-year period with increases/decreases in the rate smoothed over a 5-year period. This new methodology will eliminate the City's unfunded liability in about 30 years, but will increase costs and expose the City to higher volatility in annual costs. These rate smoothing and mortality assumption changes are scheduled to take effect in Fiscal Years 2016 and 2017, respectively, and will be phased in over the subsequent 5 years.

The following table shows the City's historical funding progression of CalPERS for 2008 through 2012, as of a June 30 actuarial valuation date. The 2009 values reflected in the table below do not reflect a significant portion of Fiscal Year 2008-2009 losses because of the smoothing methodology used by CalPERS.

TABLE XX
City of Long Beach
CalPERS Analysis of Funding Progress
(Unaudited)
(in Thousands)

June 30 Actuarial Valuation Date	Actuarial Value of Assets (a)	Entry Age Normal Accrued Liability (b)	Deficit/ Unfunded Assets (Excess Funded) (b) - (a)	Funded Status (a) / (b)	Annual Covered Payroll (c)	Deficit/ Unfunded (Excess Funded) Assets as a % of Covered Payroll [(b) - (a)] / (c)
Miscellaneous Employees						
2008	\$1,576,158	\$1,667,773	\$91,615	94.5%	\$215,224	42.6%
2009	1,630,805	1,846,094	215,289	88.3	221,150	97.3
2010	1,692,444	1,888,325	195,881	89.6	221,420	88.5
2011	1,765,236	1,971,683	206,446	89.5	222,312	92.9
2012	1,825,592	2,057,068	231,476	88.7	220,939	104.8
Safety Employees						
2008	\$1,602,457	\$1,592,667	\$ (9,790)	100.6%	\$132,156	7.4%
2009	1,652,960	1,730,518	77,558	95.5	137,923	56.2
2010	1,713,418	1,786,693	73,275	95.9	133,770	54.8
2011	1,783,951	1,868,031	84,080	95.5	132,176	63.6
2012	1,834,547	1,936,904	102,357	94.7	124,868	82.0

Source: City of Long Beach

See "Note 14 – Retirement Programs" in "APPENDIX A—CITY OF LONG BEACH GENERAL PURPOSE FINANCIAL STATEMENTS FOR FISCAL YEAR ENDING SEPTEMBER 30, 2012" for additional information about CalPERS.

Public Agency Retirement System-Defined Benefit Plan. The Public Agency Plan (the "Plan") is a defined benefit, single employer retirement and death and disability benefits plan provided for special status contractors and seasonally and temporary employees of the City. The Plan, which took effect on January 1, 1995, is administered for the City through a third party administrator. The Plan provides for retirement as well as death and disability benefits to eligible individuals and their beneficiaries.

The Plan benefit is a lifetime monthly annuity equal to 1.50% times the final average of the participant's highest 36 consecutive months' salary times the years of service. The Plan requires participant contributions of 6.2% of earnings for special status contractors and 3.0% of earnings for seasonal and temporary employees. All employees enter the Plan upon hire, and all benefits are vested after five years of service for special status contractors or immediately for seasonal and temporary employees, and all employees are always vested in their employee contributions. It is assumed that upon termination, employees will choose to receive an actuarially equivalent lump sum (based on the actuarial assumptions described below).

The following information describes the calculation methodology:

(a) The Plan's annual pension cost ("APC") for Fiscal Year 2013 is based on data from Fiscal Year 2012 and was \$161,000; based on the same methodology, the APC for Fiscal Year 2014 is projected to be \$280,000.

(b) The actuarial liabilities and assets are valued as of September 30, 2012.

(c) The actuarial cost method used is the projected-unit-credit-method. Under this method the contribution rate is the sum of the normal cost rate plus the unfunded actuarial liability rate. The normal cost is defined as the actuarial present value of benefits allocated to the valuation year and the actuarial accrued liability is the present value of benefits allocated to all periods prior to the valuation year. The normal cost rate is determined by dividing the normal cost by expected covered payroll.

In determining the Plan's actuarial accrued liability, the projected benefit of each participant must be allocated between the past year and future years. This allocation is made by multiplying the projected benefit by a fraction, the numerator of which is the participant's total credited years of service on the valuation date, and the denominator is the participant's total credited years of service at anticipated benefit commencement.

The unfunded actuarial liability is the difference between the actuarial accrued liability and plan assets. This difference is amortized as a level dollar amount to determine the unfunded actuarial liability rate. The actuarial value of plan assets is based on a five-year smoothing of gains and losses. The actuarially assumed interest rate for the 2012 valuation was 4.75%.

See "Note 14 – Retirement Programs" in "APPENDIX A—CITY OF LONG BEACH GENERAL PURPOSE FINANCIAL STATEMENTS FOR FISCAL YEAR ENDING SEPTEMBER 30, 2013" for additional information about the Plan.

Post-Retirement Health Care Benefits. Full-time City employees are entitled to receive up to 96 hours of sick leave per year. Unused sick leave may be accumulated until termination or retirement. No sick leave benefits are vested; however, under the provisions of the City's Personnel Ordinance, upon retirement the City allows retirees, their spouses and eligible dependents to use the cash value of the retiring employee's accumulated unused sick leave to pay for health, dental and long-term care insurance premiums under the City's Retired Employees Health Insurance Program. Once the cash value of the retired employee's unused sick leave is exhausted, the retiree can terminate coverage or elect to continue paying premiums at the retiree's expense. The City has provided two one-time early retirement incentive programs. The first had a maximum value of \$25,000 for employees, based on age, who retired during calendar year 1996, and a second incentive offered a 16 hour increase in sick leave per year of service for management employees who retired by June 30, 2004.

At September 30, 2013, there were 586 participants in the City's Retired Employees Health Insurance Program, and the non-interest bearing cash value equivalent of the remaining unused sick leave for the current retirees totaled \$20.6 million. Total premiums and actual claims paid by the City under the Retired Employees Health Insurance Program for Fiscal Year 2013 were \$7.4 million, and are included in the expenses of the Employee Benefits Internal Service Fund.

As of September 30, 2012, the City has recorded a liability in the Employee Benefits Internal Service Fund of \$123.3 million, based on an actuarial study of current and future retiree accumulated sick leave performed in accordance with Governmental Accounting Standards Board's Statement No. 16, "Accounting for Compensated Absences". The liability takes into account an estimate of future usage, additional leave accumulation and wage increases for both current retirees and active employees, an additional amount relating to the sick leave incentive for employees who retired during calendar year 1996 and in 2009 negotiated public safety health benefit supplements. The actuarial study assumes projected investment returns of 4.3%; wage increases of 3.3% per year for miscellaneous employees and 3.3% per year for safety employees, and insurance premium increases of 4.5%. The estimated current portion of such obligation of \$8.1 million has been fully funded and the long-term portion of the liability

of \$115.2 million is being funded, over time, through burden rates charged to the City's various funds, applied as a percentage of current productive salaries.

See "Note 15 – Post Retirement Health Care Benefits" in "APPENDIX A—CITY OF LONG BEACH GENERAL PURPOSE FINANCIAL STATEMENTS FOR FISCAL YEAR ENDING SEPTEMBER 30, 2013" for additional information about the post-retirement health care benefits provided to the employees of the City.

Employer/Employee Relations

The City recognizes various employee organizations, the largest ones being the International Association of Machinists ("IAM"), Police Officers Association ("POA") and Fire Fighters Association ("FFA"), which collectively represent approximately 82% of all City employees in a variety of classifications. Most City employees are covered by negotiated agreements.

The contract with the IAM is in effect until September 30, 2014. The members of the POA are covered by contracts in effect until September 30, 2016. The City has not experienced a major work stoppage by City employees in the past five years. The City continues to negotiate with its employee negotiations in order to minimize future deficits and its unfunded liabilities.

Insurance Coverage

The City has adopted separate self-insurance programs for workers' compensation and general liability claims. The City itself insured for worker's compensation for the first \$4 million per occurrence and has excess insurance coverage up to \$100 million. For general liability, the City is self-insured for the first \$3 million per occurrence and has excess coverage in the amount of \$50 million.

As of September 30, 2013 a reserve of \$128.1 million had been established to cover anticipated claims and judgments. This represents estimates of amounts to be paid for actual and incurred but not reported claims based upon past experience, modified for current trends and developments. The City does not have any outstanding annuities. The City has recorded a current liability of \$24.5 million and a long-term liability of \$103.6 million in the Insurance Internal Service Fund.

The ultimate amount of losses incurred through September 30, 2013 is dependent on future developments. Based upon actuary evaluation, the City's management believes that the aggregate accrual adequately represents such losses.

Bonded Indebtedness

As of June 30, 2014, the City had \$2.28 billion of total bonds outstanding, \$195.94 million of which is payable from the City's General Fund. These amounts are comprised as follows: (a) \$1.88 billion of outstanding revenue bonds, none of which are payable from the City's General Fund (\$160.7 million of outstanding revenue bonds are former Redevelopment Agency debt); (b) \$199.46 million of outstanding lease revenue bonds, of which approximately \$150.26 million are payable from the City's General Fund, (c) \$149.8 million of outstanding tax allocation revenue bonds, all of which are former redevelopment bonds and are not payable from the City's General Fund; and, (d) \$45.68 million of outstanding pension obligation bonds, all of which are payable from the City's General Fund.

In addition to the outstanding bonds described above, the City has established commercial paper programs and/or short-term borrowing programs (not payable from the City General Fund*) for: (a) the Harbor Department in the aggregate principal amount of \$200 million (\$120 million of which was

outstanding as of June 30, 2014; (b) the Water Department's Sewer Fund in the aggregate principal amount of \$20 million (\$9.75 million of which was outstanding as of June 30, 2014); (c) the Gas and Oil Department in the aggregate principal amount of \$35 million (\$1.5 million of which was outstanding as of June 30, 2014).

The City has no outstanding general obligation debt and has never defaulted on any principal or interest payments associated with any of its debt obligations. The City's currently outstanding indebtedness is set forth in the tables below:

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TABLE XXI
City of Long Beach
Summary of the City and Related Agencies
Outstanding Debt
(as of June 30, 2014)

Revenue Bonds

<u>Issue Name</u>	<u>Final Maturity</u>	<u>Original Par Amount</u>	<u>Amount Outstanding</u>
Series 2014C Harbor Revenue Short-Term Notes ¹	2018	\$325,000,000	\$325,000,000
Series 2014A Harbor Revenue Refunding Bonds ²	2017	38,465,000	38,465,000
Series 2014B Harbor Revenue Refunding Bonds ²	2027	20,570,000	20,570,000
Series 2012 LBBFA Refunding Revenue Bonds (Aquarium of the Pacific Project) ³	2030	102,580,000	93,350,000
Series 2012A Second Lien Water Revenue Bonds	2027	\$9,850,000	8,960,000
Series 2010A Water Revenue Refunding Bonds ⁴	2024	22,740,000	21,995,000
Series 2010A & B Airport Revenue Bonds	2040	61,400,000	58,590,000
Series 2010B Harbor Revenue Refunding Bonds ⁵	2027	158,085,000	136,365,000
Series 2010A Harbor Revenue Bonds	2025	200,835,000	160,175,000
Series 2009A, B & C Airport Revenue Bonds and Airport Revenue Refunding Bonds ⁶	2039	61,440,000	56,295,000
Series 2007A & B, Long Beach Bond Finance Authority ("LBBFA") Natural Gas Purchase Revenue Bonds (Fixed Rate) ⁷	2032	635,665,000	552,075,000
Series 2007B LBBFA Natural Gas Purchase Revenue Bonds (LIBOR Index Rate) ⁷	2033	251,695,000	69,005,000
Series 2005A & B LBBFA Limited Obligation Refunding Revenue Bonds (Redevelopment, Housing and Gas Utility Financings) (Central Redevelopment, Los Altos Redevelopment, North Long Beach Redevelopment, Poly High Redevelopment and West Beach Redevelopment Project Areas and Housing Projects)	2040	184,757,306	160,707,945
Series 2005A & B Harbor Revenue Refunding Bonds	2025	257,975,000	105,595,000
Series 1998A Harbor Revenue Refunding Bonds	2019	206,330,000	74,110,000
Series 1997A Water Revenue Refunding Bonds	2024	46,945,000	1,825,000

¹ Proceeds were used to repay a portion (\$20 million) of the outstanding Subordinate Harbor Revenue Revolving Obligations, Series A (Tax-Exempt) and Series B (Tax-Exempt).

² Proceeds were used to refund all of the Series 2002B Harbor Revenue Bonds and all of the Series 2004A & B Harbor Revenue Refunding Bonds.

³ Series 2012 LBBFA Refunding Revenue Bond (Aquarium of the Pacific Project) issued April 3, 2012 refunded the Series 2001 LBBFA Lease Revenue Refunding Bonds (Aquarium of the Pacific Project).

⁴ Proceeds were used to partially refund the Series 1997A Water Revenue Refunding Bonds.

⁵ Proceeds were used to partially refund the Series 2002B Harbor Revenue Bonds, the Series 2004A Harbor Revenue Refunding Bonds and the Series 2005A Harbor Revenue Refunding Bonds.

⁶ The Series 2009C Airport Revenue Bonds are Federally Taxable – Build America Bonds which includes a federal direct payment equal to 35% of the interest payable on the Series 2009C Airport Revenue Bonds.

⁷ Proceeds were used to prepay the costs of the acquisition of a specified supply of natural gas to be delivered over approximately 30 years under an agreement between Merrill Lynch Commodities, Inc. ("Seller") and LBBFA. The Seller is obligated to deliver specified daily quantities of gas to LBBFA, make certain payments for any gas not delivered and to remarket gas not taken by the City. In the event the transaction is terminated by the Seller, there is a termination payment due to LBBFA. Merrill Lynch & Co. unconditionally guarantees the payment obligations of the Seller under the agreement. A tender offer was completed on August 12, 2009 reducing the outstanding debt of the Series 2007A & B LBBFA Natural Gas Purchase Revenue Bonds by \$48,255,000 and \$182,690,000, respectively.

Source: City of Long Beach

Lease Revenue Bonds

<u>Issue Name</u>	<u>Final Maturity</u>	<u>Original Par Amount</u>	<u>Amount Outstanding</u>
Series 2012A & B LBBFA Lease Refunding Bonds ^{1,*}	2031	\$69,750,000	\$69,090,000
2010 Lease Agreement between Bank of America Public Capital Corporation and the City ^{2,*}	2027	31,450,000	25,670,000
Series 2006B LBBFA Lease Revenue Bonds (Parks/Open Space Financing Project) [*]	2031	24,320,000	24,320,000
Series 2006A LBBFA Lease Revenue Refunding Bonds (Rainbow Harbor Refinancing Project) ^{3,*}	2024	50,785,000	31,180,000
Series 2003A (Non-AMT) & B (AMT) Southeast Resource Recovery Facility Authority Lease Revenue Bonds ⁴	2018	120,235,000	49,200,000

¹ Series 2012 LBBFA Refunding Bonds dated November 28, 2012 to refund the Series 1998B LBBFA Lease Revenue Refunding Bonds (Temple Willow Facility), Series 2005, LBBFA Lease Revenue Refunding Bonds (Temple Willow Facility) Series 2001 LBBFA Lease Revenue Bonds (Plaza Parking Facility), Series 2002 LBBFA Lease Revenue Bonds (Public Safety Projects), Series 2003 LBBFA (Skylinks Golf Course Project), and Series 2004 City of Long Beach Taxable Variable Rate Demand Revenue Bonds (Long Beach Towne Center Site Financing Project).

² The 2010 Lease Agreement Refunded the Series 1997A LBBFA Lease Revenue Refunding Bonds (Civic Center Project).

³ Series 2006 LBBFA Lease Revenue Refunding Bonds (Rainbow Harbor) issued April 2006 refunded the Series 1999A LBBFA Revenue Bonds (Rainbow Harbor) and the 1997 Queensway Parking Facility Bonds.

⁴ Series 2003A & B Southeast Resource Recovery Facility Authority Lease Revenue Bonds issued November 12, 2003 refunded the Series 1995A & B Southeast Resource Recovery Facility Authority Lease Revenue Refunding Bonds.

* Payable from the City General Fund.

Source: City of Long Beach

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Tax Allocation Revenue Bonds

<u>Issue Name</u>	<u>Final Maturity</u>	<u>Original Par Amount</u>	<u>Amount Outstanding</u>
Series 2010A & B Redevelopment Agency of the City of Long Beach, Taxable Recovery Zone Economic Development Bonds (North Long Beach)	2040	\$ 32,980,000	\$ 31,185,000
Series 2005C LBBFA Tax Allocation Revenue Bonds (Downtown and North Long Beach Redevelopment Project Areas) ¹	2031	35,045,000	33,340,000
Series 2002A LBBFA Tax Allocation Revenue Bonds (Downtown Redevelopment; North Long Beach Redevelopment; Poly High Redevelopment and West Beach Redevelopment Project Areas)	2031	77,715,000	22,251,539
Series 2002B LBBFA Tax Allocation Revenue Bonds (Downtown Redevelopment and West Long Beach Industrial Redevelopment Project Areas) ²	2024	47,780,000	41,175,000
Series 1992 Tax Allocation Revenue Refunding Bonds (West Long Beach Industrial and Downtown Project)	2017	117,490,000	21,865,000

¹ Series 2005C LBBFA Tax Allocation Revenue Bonds issued in February 2006 partially defeased the Series 2002 Long Beach Bond Finance Authority Tax Allocation Revenue Bonds.

² Series 2002B LBBFA Tax Allocation Revenue Bonds issued in December 2002 partially defeased the Series 1992 West Long Beach Allocation Revenue Bonds and the Series 1992A Downtown Project Refunding Bonds. Maturity date revised at partial defeasement of 1992 bonds by the Series 2002B LBBFA Tax Allocation Revenue Bonds.

Source: City of Long Beach

Pension Obligation Bonds

<u>Issue Name</u>	<u>Final Maturity</u>	<u>Original Par Amount</u>	<u>Amount Outstanding</u>
Series 2002A & B Pension Obligation Refunding Taxable Bonds*	2021	\$ 76,550,000	\$45,675,000

* Series 2002A&B Pension Obligation Refunding Taxable Bonds partially defeased Series 1995 Pension Obligation Refunding Bonds in September 2002. The remaining issue amount after partial defeasement of the Series 1995 Pension Obligation Bonds was \$23,920,000. Series 2002A&B Pension Obligation Bonds were remarketed on December 30, 2005 to a fixed rate from auction rate.

Source: City of Long Beach

A schedule of the City's direct and overlapping debt as of June 30, 2014, is below:

TABLE XXII
City of Long Beach
Direct and Overlapping Debt as of June 30, 2014
(in Thousands)

2013-14 Assessed Valuation:	\$47,414,795			
DIRECT DEBT:		<u>Outstanding</u>	<u>Exclusions</u>	<u>Outstanding</u>
City of Long Beach				
Lease Revenue Bonds		\$173,790	\$49,200 ¹	\$124,590
Pension Obligation Bonds		<u>45,675</u>	<u>0</u>	<u>45,675</u>
TOTAL DIRECT DEBT		<u>\$219,465</u>	<u>\$49,200</u>	<u>\$170,265</u>
	<u>%</u>			
OVERLAPPING TAX AND ASSESSMENT DEBT:	<u>Applicable</u>			
Cerritos Community College District	0.342%	\$187,115	\$186,475	\$640
Compton Community College District	2.544	77,146	75,183	1,963
Long Beach Community College District	86.118	415,698	57,707	357,991
Los Angeles Community College District	0.055	3,642,560	3,640,557	2,003
ABC Unified School District	1.029	41,255	40,830	425
Compton Unified School District	0.025	50,731	50,718	13
Long Beach Unified School District	86.120	536,547	74,472	462,075
Los Angeles Unified School District	0.069	10,533,960	10,526,692	7,268
Paramount Unified School District	8.871	118,033	107,562	10,471
Los Angeles County Flood Control District	4.158	17,480	16,753	727
Metropolitan Water District	2.171	<u>132,275</u>	<u>129,403</u>	<u>2,872</u>
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT ¹		<u>\$15,752,800</u>	<u>\$14,906,352</u>	<u>\$846,448</u>
OVERLAPPING GENERAL FUND OBLIGATION DEBT:				
Los Angeles County General Fund Obligations	4.162%	\$1,835,420	\$1,759,030	\$76,390
Los Angeles County Superintendent of Schools Certificates of Participation	4.162	9,530	9,133	397
Compton Unified School District Certificates of Participation	0.025	25,670	25,664	6
Los Angeles Unified School District Certificates of Participation	0.069	365,859	365,607	252
Paramount Unified School District Certificates of Participation	8.871	27,375	24,947	2,428
County Sanitation District No. 1 Certificates of Participation	1.229	14,080	13,907	173
County Sanitation District No. 2 Certificates of Participation	0.195	21,741	21,699	42
County Sanitation District No. 3 Certificates of Participation	86.327	8,136	1,112	7,024
County Sanitation District No. 8 Certificates of Participation	2.372	8,581	8,377	204
County Sanitation District No. 19 Certificates of Participation	28.730	<u>3,916</u>	<u>2,791</u>	<u>1,125</u>
TOTAL GROSS OVERLAPPING GENERAL FUND OBLIGATION DEBT		<u>\$2,320,308</u>	<u>\$2,232,267</u>	<u>\$88,041</u>
OVERLAPPING TAX INCREMENT DEBT (Successor Agency)	100%	\$310,524	\$0	\$310,524
TOTAL GROSS OVERLAPPING COMBINED DEBT		\$18,383,632	\$17,138,619	\$1,245,013
Less: Los Angeles County General Fund Obligations supported by landfill revenues		23,875	23,665	210
Los Angeles Unified School District (Qualified Zone Academic Bonds supported by period payments to investment accounts)		<u>10,000</u>	<u>9,997</u>	<u>3</u>
TOTAL NET OVERLAPPING COMBINED DEBT		<u>\$18,349,757</u>	<u>\$17,104,957</u>	<u>\$1,244,800</u>
TOTAL NET DIRECT AND OVERLAPPING COMBINED DEBT^{2,3}		<u>\$18,569,222</u>	<u>\$17,154,157</u>	<u>\$1,415,065</u>

¹ Supported Southeast Resource Recovery Facility issues.

² Excludes 1915 Act and Mello-Roos Act Bonds.

³ Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Ratios to 2013-14 Assessed Valuation:

Total Overlapping Tax and Assessment Debt (\$846,448)	1.79%
Gross Total Direct Debt (\$219,465)	0.46%⁽¹⁾
Net Total Direct Debt (\$170,265)	0.36%
Gross Combined Total Debt (\$1,464,478)	3.09% ⁽²⁾
Net Combined Total Debt (\$1,415,065)	2.98%

Ratios to Redevelopment Successor Agency Incremental Valuation (\$11,621,123):

Total Overlapping Tax Increment Debt	2.67%
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⁽¹⁾ Includes supported Southeast Resource Recovery Facility issues.

⁽²⁾ Includes supported Southeast Resource Recovery Facility issues and supported Los Angeles Unified School District Qualified Zone Academy Bonds.

Source: California Municipal Statistics, Inc.

Assessed Valuation

The City uses the facilities of the County for tax assessment and collection. City taxes are assessed and collected at the same times and on the same tax rolls as County, school and special district taxes.

Under California law, two additional types of exemptions were authorized beginning in the tax year 1969-70. The first of these exempts 50% of the assessed valuation of business inventories from taxation. The second provides an exemption of \$7,000 of the assessed valuation of an owner-occupied dwelling from which application has been made to the County Assessor. Under a recently enacted constitutional amendment, the California Legislature can raise this exemption. Revenue estimated to be lost to local taxing agencies due to such exemption is reimbursed from State sources. The reimbursement is based upon total taxes due upon these exempt values and therefore is not reduced by any amounts for estimated delinquencies.

Set forth in the table below are the assessed valuations in the City for the most recent five-year period.

TABLE XXIII
City of Long Beach
Assessed Valuations

<u>Fiscal Year*</u>	<u>Local Secured</u>	<u>Utility</u>	<u>Unsecured</u>	<u>Total</u>
2009-10	\$41,064,480,802	\$317,104,434	\$2,845,676,288	\$44,227,261,524
2010-11	39,887,690,748	313,404,809	2,762,211,311	42,963,306,868
2011-12	40,500,578,593	343,583,399	2,495,387,506	43,339,549,498
2012-13	41,401,107,906	377,783,471	2,702,563,956	44,481,455,333
2013-14	44,277,088,233	488,083,343	2,649,623,885	47,414,795,461

*Based on the County's Fiscal Year ending June 30.
Source: California Municipal Statistics, Inc.

See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS."

Tax Rates

Historically, properties in the County have been subject to taxation at varying rates by 80 municipalities, including the City and numerous special purpose districts. Each entity would set its budget expenses and then determine, subject to certain legal limitations, the property tax rate to be levied in order to raise sufficient funds. In 1979, the Constitution of the State of California was amended by Article XIII A ("Proposition 13") which provides that the maximum ad valorem tax on real property cannot exceed 1% of the "full cash value" of the real property as shown on the 1975-76 tax bill or the appraisal value of real property when purchased or newly constructed after the 1975 assessment. The "full cash value" may also be annually adjusted to reflect inflation at a rate not to exceed 2% per year, a reduction in the consumer price index or comparable local data, or decreases in property value caused by damage, destruction or other factors. Proposition 13 prohibits the levying of any other ad valorem property taxes except for property taxes required to pay debt service for voter-approved general obligation bonds.

Prior to the adoption of Proposition 13, real property was assessed at 25% of market value, and the tax rate was \$4 per \$100 of assessed value. Beginning in 1982, assessed valuation is calculated at 100% of market value, which reduces the tax rate to \$1 per \$100 of assessed value.

On November 7, 2000, the voters of the City approved Measure J, which provided for a reduction in the tax rate imposed upon users of electricity, gas, telephone and water services within the City. Measure J requires the utility users tax on changes made for such services to be reduced by 50% (10% each year for five years, commencing October 1, 2000). Proceeds from the utility users tax are considered a general fund revenue and are used to provide basic City services, such as police, fire and paramedic. No assurance can be given that the voters of the City will not, in the future, approve additional initiatives which reduce or repeal local taxes, assessments, fees or changes that currently are deposited in the City's General Fund.

The following chart summarizes all property tax rates for all overlapping governments per \$100 of assessed real property value within the City for the most recent five-year period.

TABLE XXIV
City of Long Beach
Property Tax Rates Per \$100 of Assessed Value
Fiscal Years 2010 through 2014

	<u>2009-10*</u>	<u>2010-11*</u>	<u>2011-12*</u>	<u>2012-13*</u>	<u>2013-14*</u>
General	1.000000	1.000000	1.000000	1.000000	1.000000
Long Beach Unified School District	.086633	.088344	.092226	.093943	.079806
Long Beach Community College District	.023918	.025588	.026146	.050945	.022406
Metropolitan Water District	<u>.004300</u>	<u>.003700</u>	<u>.003700</u>	<u>.003500</u>	<u>.003500</u>
Total All Property	1.114851	1.117632	1.122072	1.148388	1.105712

*Based on the County's Fiscal Year ending June 30.
Source: California Municipal Statistics, Inc.

Tax Receipts

Taxes received by the City include, but are not limited to, Property Taxes, Utility Users Taxes, Sales and Use Taxes, Transient Occupancy Taxes, Franchise Taxes, Business License Taxes and Oil Production Taxes. Of such taxes, Property Taxes, Sales and Use Taxes and Utility Users Taxes constitute the major sources of tax revenues. None of the general taxes currently imposed by the City are affected by Proposition 218. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS—Proposition 218."

The following table sets forth tax revenues received by the City, by source:

TABLE XXV
City of Long Beach
Tax Revenues by Source
Fiscal Years 2009 through 2013
(in Thousands)

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Property Tax ¹	\$195,128	\$170,896	\$218,593	\$181,041	\$214,816
Utility Users Tax ²	39,901	39,148	38,739	37,097	38,026
Sales & Use Tax	52,585	51,862	60,159	60,414	63,443
Transient Occupancy Tax	14,635	15,461	17,603	17,759	19,451
Business License Tax	11,647	11,686	11,956	11,537	11,981
Franchise Tax	23,774	21,488	24,184	23,143	25,243
Oil Production Tax	5,557	5,517	5,331	5,259	5,301
Other Tax ³	<u>8,137</u>	<u>9,801</u>	<u>8,364</u>	<u>8,805</u>	<u>9,713</u>
Total ⁴	<u>\$351,364</u>	<u>\$325,859</u>	<u>\$384,929</u>	<u>\$345,054</u>	<u>\$387,974</u>

¹ Includes delinquent tax collections and supplemental or redemption revenue.

² Utility Users Tax Revenue includes parcel audit results of misallocated tax rate areas.

³ Includes property tax in lieu of sales and use tax as provided in Proposition 57.

⁴ Includes real property transfer, special parking, miscellaneous taxes and transfers in lieu of taxes.

⁶ Tax revenues by source include all governmental fund types (general, special revenue, and capital projects funds), including property tax and transient occupancy tax.

Source: City of Long Beach Summary Financial Information Statement for Fiscal Year 2013

Investment of City Funds

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. Any change in the Investment Policy is reviewed and approved by the City Council. Quarterly reports, which summarize the investment activity and portfolio balances, are also provided to the City Manager, the City Auditor and the City Council. In addition, the Investment Committee, comprised of the City Manager, the City Auditor, the City Attorney, the Director of Financial Management, the City Treasurer, the City Controller, the Budget Manager and the Chief Financial Officers of the Harbor and Water Departments, meets quarterly, or as needed, to review investment policies and strategies and to make recommendations consistent with approved investment policies.

The goal of the Investment Policy is to invest public funds in a prudent manner, maintaining maximum security, meeting the daily cash flow demand of the City and conforming to all State and local statutes governing the investment of public funds and consistent with the aforementioned goals, managing the public funds in order to maximize the return on investments. The objectives of the Investment Policy are, in the following order of priority:

FIRST, *Safety of Principal*, through management of both credit risk and market risk as well as the application of the "Prudent Investor Rule." Credit risk is to be mitigated through prudent investment choices and portfolio diversification. Market risk is to be mitigated by limiting the weighted average maturity of the City's portfolio to a maximum of three years.

SECOND, *Liquidity*, to meet all operating requirements that might be reasonably anticipated.

THIRD, *Return on Investment*, to attain market average rates of return through economic cycles. The investment strategy is to seek above market average rates of return consistent with the risk limitations and prudent investment principles of the City's Investment Policy. The City has established three benchmark measures for the pool funds portfolio: the 91-day U.S. Treasury Bill rate for the short-term portfolio, the One-Year Constant Maturity Treasury Index for the intermediate-term portfolio and the Merrill Lynch one-to-five year Treasury/Agency Index for the long-term portfolio.

The City's investment alternatives are specified in California Government Code Sections 53600 et seq. Within this framework, the Investment Policy specifies authorized investments, subject to certain limitations.

The City does not have any outstanding obligations payable from its General Fund, where the interest rate on such obligation is set by means of a periodic auction (commonly known as "auction rate securities"). In addition, the City is not currently a party or counterparty to any contract, instrument or agreement commonly known as a "derivative," such as an interest rate swap, cap, collar, hedge, floor or "swaption" that has been entered into in connection with a General Fund obligation of the City.

According to the City Treasurer's Monthly Report for the quarter ending June 30, 2014, the City's invested funds and cash totaled approximately \$1.67 billion. The investment portfolio includes a variety of fixed income securities that vary in maturity from one day to five years. On June 30, 2014, 80.8% of the total City Portfolio was invested in U.S. Treasury and Agency Notes; the State Treasurer's Local Agency Investment Fund at 7.2% and 0.1% in other types of income securities. The remaining 11.9% is cash held at various financial institutions.

A summary of the City Treasurer's Monthly Report for the quarter ending June 30, 2014, is set forth below:

Invested Market Balance*	\$1,669,667,255
Portfolio Market Yield	0.36%
Average Portfolio Maturity in Days	360
Average Portfolio Maturity in Years	0.99

* Includes ending cash balances held at various financial institutions.
Source: City of Long Beach

As of June 30, 2014, Standard & Poor's Ratings Services ("S&P") reaffirmed the City's rating on the City's investment portfolio of "AAAF" and a volatility rating of "S1." Any explanation of the significance of such a rating may be obtained from S&P.

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS

Article XIII A

On June 6, 1978, California voters approved an amendment (commonly known as both Proposition 13 and the Jarvis-Gann Initiative) to the California Constitution. This amendment, which added Article XIII A to the California Constitution, among other things, affects the valuation of real property for the purpose of taxation in that it defines the full cash property value to mean "the county

assessor's valuation of real property as shown on the 1975-76 tax bill under 'full cash value,' or thereafter, the appraised value of real property newly constructed, or when a change in ownership has occurred after the 1975 assessment." The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or a reduction in the consumer price index or comparable local data at a rate not to exceed 2% per year, or reduced in the event of declining property value caused by damage, destruction or other factors including a general economic downturn. The amendment further limits the amount of any ad valorem tax on real property to 1% of the full cash value except that additional taxes may be levied to pay debt service on indebtedness approved by the voters prior to July 1, 1978, and bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978 by two-thirds of the votes cast by the voters voting on the proposition.

Legislation enacted by the California Legislature to implement Article XIII A provides that all taxable property is shown at full assessed value as described above. In conformity with this procedure, all taxable property values included in this Official Statement (except as noted) is shown at 100% of assessed value and all general tax rates reflect the \$1 per \$100 of taxable value. Tax rates for voter approved bonded indebtedness and pension liability are also applied to 100% of assessed value.

Future assessed valuation growth allowed under Article XIII A (new construction, change of ownership, 2% annual value growth) will be allocated on the basis of "situs" among the jurisdictions that serve the tax rate area within which the growth occurs. Local agencies and school districts will share the growth of "base" revenue from the tax rate area. Each year's growth allocation becomes part of each agency's allocation the following year. The City is unable to predict the nature or magnitude of future revenue sources that may be provided by the State to replace lost property tax revenues. Article XIII A effectively prohibits the levying of any other ad valorem property tax above the 1% limit except for taxes to support indebtedness approved by the voters as described above.

Article XIII B

On November 6, 1979, California voters approved Proposition 4, which added Article XIII B to the California Constitution. In June 1990, Article XIII B was amended by the voters through their approval of Proposition 111. Article XIII B of the California Constitution limits the annual appropriations of the State and any city, county, school district, authority or other political subdivision of the State to the level of appropriations for the prior fiscal year, as adjusted annually for changes in the cost of living, population and services rendered by the governmental entity. The "base year" for establishing such appropriation limit is Fiscal Year 1979. Increases in appropriations by a governmental entity are also permitted (a) if financial responsibility for providing services is transferred to the governmental entity, or (b) for emergencies so long as the appropriations limits for the three years following the emergency are reduced to prevent any aggregate increase above the Constitutional limit. Decreases are required where responsibility for providing services is transferred from the government entity.

Appropriations subject to Article XIII B include generally any authorization to expend during the fiscal year the proceeds of taxes levied by the State or other entity of local government, exclusive of certain State subventions, refunds of taxes, benefit payments from retirement, unemployment insurance and disability insurance funds. Appropriations subject to limitation pursuant to Article XIII B do not include debt service on indebtedness existing or legally authorized as of January 1, 1979, on bonded indebtedness thereafter approved according to law by a vote of the electors of the issuing entity voting in an election for such purpose, appropriations required to comply with mandates of courts or the Federal government, appropriations for qualified out lay projects, and appropriations by the State of revenues derived from any increase in gasoline taxes and motor vehicle weight fees above January 1, 1990 levels. "Proceeds of taxes" include, but are not limited to, all tax revenues and the proceeds to any entity of

government from (a) regulatory licenses, user charges and user fees to the extent such proceeds exceed the cost of providing the service or regulation; (b) the investment of tax revenues; and (c) certain State subventions received by local governments. Article XIII B includes a requirement that if an entity's revenues in any year exceed the amount permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two fiscal years.

As amended in June 1990, the appropriations limit for the City in each year is based on the limit for the prior year, adjusted annually for changes in the costs of living and changes in population, and adjusted, where applicable, for transfer of financial responsibility of providing services to or from another unit of government. The change in the cost of living is, at the City's option, either (a) the percentage change in California per capita personal income, or (b) the percentage change in the local assessment roll for the jurisdiction due to the addition of nonresidential new construction. The measurement of change in population is a blended average of statewide overall population growth, and change in attendance at local school and community college ("K-14") districts.

As amended by Proposition 111, the appropriations limit is tested over consecutive two-year periods. Any excess of the aggregate "proceeds of taxes" received by the City over such two-year period above the combined appropriations limits for those two years is to be returned to taxpayers by reductions in tax rates or fee schedules over the subsequent two years.

Article XIII B permits any government entity to change the appropriations limit by vote of the electorate in conformity with statutory and Constitutional voting requirements, but any such voter-approved change can only be effective for a maximum of four years.

Proposition 218

On November 5, 1996, the voters of the State approved Proposition 218, a constitutional initiative entitled the "Right to Vote on Taxes Act" ("Proposition 218"). Proposition 218 added Articles XIII C and XIII D to the California Constitution and contained a number of interrelated provisions affecting the ability of local governments, including the City, to levy and collect both existing and future taxes, assessments, fees and charges. The City is unable to predict whether and to what extent Proposition 218 may be held to be constitutional or how its terms will be interpreted and applied by the courts. Proposition 218 could substantially restrict the City's ability to raise future revenues and could subject certain existing sources of revenue to reduction or repeal, and increase the City's costs to hold elections, calculate fees and assessments, notify the public and defend its fees and assessments in court. However, the City does not presently believe that the potential impact on the financial condition of the City as a result of the provisions of Proposition 218 will adversely affect the City's ability to make principal and premium, if any, and interest payments on the Notes and perform its other obligations payable from the General Fund as and when due.

Article XIII C requires that all new local taxes be submitted to the electorate before they become effective. Taxes for general governmental purposes of the City require a majority vote and taxes for specific purposes, even if deposited in the City's General Fund, require a two-thirds vote. Further, any general purpose tax that the City imposed, extended or increased without voter approval after December 31, 1994 may continue to be imposed only if approved by a majority vote in an election held within two years of November 5, 1996. These voter approval requirements of Proposition 218 reduce the flexibility of the City to raise revenues through General Fund taxes, and no assurance can be given that the City will be able to impose, extend or increase such taxes in the future to meet increased expenditure requirements.

Article XIII C also expressly extends to voters the power to reduce or repeal local taxes, assessments, fees and charges through the initiative process, regardless of the date such taxes,

assessments, fees or charges were imposed. This extension of the initiative power is not limited by the terms of Proposition 218 to fees imposed after November 6, 1996 and absent other legal authority could result in retroactive reduction in any existing taxes, assessments or fees and charges.

The initiative powers extended to voters under Article XIII C likely excludes actions construed as impairment of contracts under the contract clause of the United States Constitution. SB 919 provides that the initiative power provided for in Proposition 218 "shall not be construed to mean that any owner or beneficial owner of a municipal security, purchased before or after November 6, 1998, assumes the risk of, or in any way consents to, any action by initiative measure that constitutes an impairment of contractual rights" protected by the United States Constitution. However, no assurance can be given that the voters of the City will not, in the future, approve an initiative which reduces or repeals local taxes, assessments, fees or charges that currently are deposited into the City's General Fund. Further, "fees" and "charges" are not defined in Article XIII C or SB 919, and it is unclear whether these terms are intended to have the same meanings for purposes of Article XIII C as they do in Article XIII D. Accordingly, the scope of the initiative power under Article XIII C could include all sources of General Fund moneys not received from or imposed by the federal or State government or derived from investment income.

The initiative power granted under Article XIII C of Proposition 218, by its terms, applies to all local taxes, assessments, fees and charges. The City is unable to predict whether the courts will ultimately interpret the initiative provision to be limited to property related local taxes, assessments, fees and charges. No assurance can be given that the voters of the City will not, in the future, approve an initiative which reduces or repeals local taxes, assessments, fees or charges which are deposited into the City's General Fund. The City believes that in the event that the initiative power was exercised so that all local taxes, assessments, fees and charges which may be subject to the provisions of Proposition 218 are reduced or substantially reduced, the financial condition of the City, including its General Fund, would be materially adversely affected.

Article XIII D of Proposition 218 adds several new requirements to make it more difficult for local agencies to levy and maintain "assessments" for municipal services and programs. "Assessment" is defined in Proposition 218 and SB 919 as any levy or charge upon real property for a special benefit conferred upon the real property. This includes maintenance assessments imposed in City service areas and in special districts.

Article XIII D also adds several provisions, including notice requirements and restrictions on use, affecting "fees" and "charges" which are defined as "any levy other than an ad valorem tax, a special tax, or an assessment, imposed by a local government upon a parcel or upon a person as an incident of property ownership, including a user fee or charge for a property related service." The annual amount of revenues that are received by the City and deposited into its General Fund which may be considered to be property related fees and charges under Article XIII D of Proposition 218 is not substantial. Accordingly, presently the City does not anticipate that any impact Proposition 218 may have on future fees and charges will not adversely affect the ability of the City to pay the principal and premium, if any, of and interest on the Notes as and when due. However, no assurance can be given that the City may or will be able to reduce or eliminate such services in the event the fees and charges that presently finance them are reduced or repealed.

Additional implementing legislation respecting Proposition 218 may be introduced in the California Legislature from time to time that would supplement and add provisions to California statutory law. No assurance may be given as to the terms of such legislation or its potential impact on the City.

Proposition 26

On November 30, 2010, the voters of the State approved Proposition 26, known as the "Supermajority Vote to Pass New Taxes and Fees Act." Proposition 26, among other things, amended Article XIII C to the California Constitution principally to define what constitutes a "tax" under the limitations and requirements of that provision. Article XIII C imposes limitations on local governments like the City when imposing certain taxes, including a requirement that the local government submit certain taxes to the electorate for its approval. Before Proposition 26, Article XIII C did not define the term "tax" and the purpose of Proposition 26 is to broadly define what constitutes a tax under Article XIII C to include "any levy, charge, or exaction of any kind imposed by a local government." Proposition 26 lists several exceptions to the definition of "tax," which include (a) a charge for a specific benefit or privilege, which does not exceed the reasonable costs of providing the benefit or privilege, (b) a charge for a government service or product, which does not exceed the reasonable costs of providing the service or product, (c) a charge for the reasonable regulatory costs of issuing licenses and permits, performing investigations, inspections, and audits, and the administrative enforcement thereof, (d) a charge 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 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.

It appears that Proposition 26 does not apply retroactively to local government. Even if a fee enacted by the City prior to November 3, 2010 does not fit within any of Proposition 26's exceptions, it will nonetheless remain valid provided that the legislation authorizing it is not amended so as to extend or increase the fee. The City does not believe that it has enacted, extended or increased any fees since passage of Proposition 26 that would not be exempt from Proposition 26 or that would require voter approval pursuant to Proposition 26. Courts have yet to interpret the provisions of Proposition 26 and in particular whether it applies to any of the fees and charges of the types imposed by the City. In addition, the application of Proposition 26 to future transfers from the Gas Utility Fund to the General Fund has not been determined, and there have been no judicial determinations as to its application. The City cannot provide assurance that Proposition 26 will not materially and adversely impact the City's ability to transfer surplus revenues from the Gas Utility Fund to the General Fund.

Proposition 62

Proposition 62 was adopted by the voters at the November 4, 1986 general election and (a) requires that any new or higher taxes for general governmental purposes imposed by local governmental entities such as the City be approved by a two-thirds vote of the governmental entity's legislative body and by a majority vote of the voters of the governmental entity voting in an election on the tax; (b) requires that any special tax (defined as taxes levied for other than general governmental purposes) imposed by a local government entity be approved by a two-thirds vote of the voters of the governmental entity voting in an election on the tax; (c) restricts the use of revenues from a special tax to the purposes or for the service for which the special tax was imposed; (d) prohibits the imposition of ad valorem taxes on real property by local governmental entities except as permitted by Article XIII A of the California Constitution; (e) prohibits the imposition of transaction taxes and sales taxes on the sale of real property by local governmental entities; and (f) requires that any tax imposed by a local governmental entity on or after August 1, 1985, be ratified by a majority vote of the voters voting in an election on the tax within two years of the adoption of the initiative or be terminated by November 15, 1988.

On September 28, 1995, the California Supreme Court, in the case of *Santa Clara City Local Transportation Authority v. Gardino*, upheld the constitutionality of Proposition 62. In this case, the

court held that a county-wide sales tax of one-half of 1% was a special tax that, under Section 53722 of the California Government Code, required a two-thirds voter approval. Because the tax received an affirmative vote of only 54.1%, the special tax was found to be invalid.

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

The City does not currently have any taxes which are subject to Proposition 62.

Proposition 1A

Proposition 1A, proposed by the California Legislature in connection with the 2004-2005 Budget Act and approved by the voters in November 2004, provides that the State may not reduce any local sales tax rate, limit existing local government authority to levy a sales tax rate or change the allocation of local sales tax revenues, subject to certain exceptions. Proposition 1A generally prohibits the State from shifting to schools or community colleges any share of property tax revenues allocated to local governments for any fiscal year, as set forth under the laws in effect as of November 3, 2004. Any change in the allocation of property tax revenues among local governments within a county must be approved by two-thirds of both houses of the California Legislature. Proposition 1A provides, however, that beginning in Fiscal Year 2009, the State may shift to schools and community colleges up to 8% of local government property tax revenues, which amount must be repaid, with interest, within three years, if the Governor proclaims that the shift is needed due to a severe state financial hardship, the shift is approved by two-thirds of both houses and certain other conditions are met. The State may also approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. Proposition 1A also provides that if the State reduces the VLF rate currently in effect, 0.65% of vehicle value, the State must provide local governments with equal replacement revenues. Further, Proposition 1A requires the State, beginning July 1, 2005, to suspend State mandates affecting cities, counties and special districts, excepting mandates relating to employee rights, schools or community colleges, in any year that the State does not fully reimburse local governments for their costs to comply with such mandates.

Proposition 1A may result in more stable City revenues depending on future actions by the State. However, Proposition 1A could also result in decreased resources being available for State programs. This reduction, in turn, could affect actions taken by the State to resolve budget difficulties. Such actions could include increasing State taxes, decreasing spending on other State programs or other action, some of which could be adverse to the City. The right of the State to redirect local revenues under Proposition 1A was exercised in the State's 2009-10 fiscal year.

Future Initiatives

Article XIII A, Article XIII B, Article XIII C, Article XIII D and Propositions 26, 62 and 1A were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. The limitations imposed upon the City by these provisions hinder the City's ability to raise revenues through taxes or otherwise and may therefore prevent the City from meeting increased expenditure requirements.

From time to time, other initiative measures could be adopted, some of which may place further limitations on the ability of the State, the City or local districts to increase revenues or to spend money or which could have other financially adverse effects such as requiring the City to undertake new responsibilities. Such other initiatives could have a material adverse effect on the City's financial condition.

STATE OF CALIFORNIA BUDGET

The City receives approximately 45% of its general fund revenues from the State, including funds provided by the State for specific State and federal programs, sales tax and motor vehicle license fees, and property taxes. During prior State fiscal crises, the State has often chosen to reallocate a portion of such revenues to assist in its own budget balancing.

The State's fiscal year begins on July 1 and ends on June 30. The State Constitution requires the Governor to submit a budget for each fiscal year to the Legislature by the preceding January 10 (the "Governor's Budget"). The Constitution requires the Legislature to pass a budget bill by June 15, although the Legislature has frequently failed to meet this deadline. Because more than half of the State's general fund income is derived generally from the April 15 personal income tax, the Governor submits a "May Revision" to his proposed budget. The Legislature typically waits for the May Revision before making final budget decisions. Once the budget bill has been approved by a majority vote of each house of the Legislature, it is sent to the Governor for signature. However, increases in taxes require approval of a two-thirds majority of each house.

On June 15, 2014, the State Legislature adopted a revised State Budget Act for fiscal year 2014-2015 (the "2014-2015 State Budget"), which the Governor signed on June 20, 2014. The 2014-2015 State Budget represents a multiyear plan that maintains a \$449 million reserve and uses \$1.6 billion for the State's rainy day fund while continuing to pay down certain debts and unfunded liabilities of the State. The 2014-2015 State Budget provides for approximately \$105 billion in revenues and transfers for fiscal year 2014-2015 (up slightly from the approximate \$102 billion estimated for fiscal year 2013-2014), and approximately \$108 billion in total expenditures for fiscal year 2014-2015 (up from the approximate \$101 billion estimates for fiscal year 2013-2014). The State enters fiscal year 2014-2015 with a positive prior year general fund balance, approximately \$3.9 billion, as compared to a positive general fund balance of approximately \$2.4 billion at the start of fiscal year 2013-2014.

The 2014-2015 State Budget projects that budgetary debt, which was approximately \$35 billion at the end of fiscal year 2010-2011 and approximately \$26 billion at the end of fiscal year 2013-2014, will be reduced to approximately \$15.6 billion or \$13.8 billion (if State revenues rise higher than anticipated in the 2014-2-15 Budget) by the end of fiscal year 2014-2015 and will be completely eliminated by 2017-2018.

The 2014-2015 State Budget includes total funding of \$76.6 billion for all K-12 education programs (which includes funding to continue the State's transition to the local control funding formula which replaced the previous school finance system). The 2014-2015 State Budget also includes funding to repay and/or eliminate the remaining deferral balance for K-12 expenses that had been deferred from one year to the next during the economic recession. The 2014-2015 State Budget also assumes increased costs related to expansion of Medi-Cal under the Affordable Care Act (approximately \$2.4 billion over 2012-2013). The City cannot fully anticipate the impact of the 2014-2015 State Budget and its impact on the revenues or expenditures of the City.

The complete 2014-2015 State Budget and additional information concerning the State's financial condition is available from the California Department of Finance website at www.dof.ca.gov and the

State's Legislative Analyst's Office at <http://www.lao.ca.gov>. The City can take no responsibility for the continued accuracy of this internet address or for the accuracy, completeness or timeliness of information posted therein, and such information is not incorporated herein by such reference.

TAX MATTERS

General

In the opinion of Kutak Rock LLP, Note Counsel, under existing laws, regulations, rulings and judicial decisions, interest on the Notes is excludable from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax. The opinion described in the preceding sentence assumes the accuracy of certain representations and continuing compliance by the City with certain covenants designed to satisfy the requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be met subsequent to the issuance of the Notes. Failure to comply with such covenants could cause interest on the Notes to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Notes. The City has covenanted to comply with such requirements. Note Counsel has expressed no opinion regarding other federal tax consequences arising with respect to the Notes. Note Counsel is further of the opinion that under existing laws, regulations, rulings and judicial decisions, interest on the Notes is exempt from personal income taxes imposed by the State of California.

Notwithstanding Note Counsel's opinion that interest on the Notes is not a specific preference item for purposes of the federal alternative minimum tax, such interest will be included in adjusted current earnings of certain corporations, and such corporations are required to include in the calculation of alternative minimum taxable income 75 percent of the excess of such corporations' adjusted current earnings over their alternative minimum taxable income (determined without regard to such adjustment and prior to reduction for certain net operating losses). A copy of the proposed form of opinion of Note Counsel is included in Appendix B hereto.

The amount treated as interest on the Notes and excluded from gross income will depend upon the taxpayer's election under Internal Revenue Service (the "Service") Notice 94-84, 1994-2 C.B. 559. Notice 94-84 states that the Service is studying whether the amount of the payment at maturity on debt obligations such as the Notes that is excluded from gross income for federal income tax purposes is (i) the stated interest payable at maturity or (ii) the difference between the issue price of the Notes and the aggregate amount to be paid at maturity of the Notes (the "original issue discount"). For this purpose, the issue price of the Notes is the first price at which a substantial amount of the Notes is sold to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). Until the Service provides further guidance, taxpayers may treat either the stated interest payable at maturity or the original issue discount as interest that is excluded from gross income for federal income tax purposes. However, taxpayers must treat the amount to be paid at maturity on all tax-exempt debt obligations with a term that is not more than one year from the date of issue in a consistent manner. Taxpayers should consult their own tax advisors with respect to the tax consequences of ownership of Notes if the taxpayer elects original issue discount treatment.

The accrual or receipt of interest on the Notes may otherwise affect the federal income tax liability of the owners of the Notes. The extent of these other tax consequences will depend upon such owner's particular tax status and other items of income or deduction. Note Counsel has expressed no opinion regarding any such consequences. Purchasers of the Notes, particularly purchasers that are corporations (including S corporations and foreign corporations operating branches in the United States of America), property or casualty insurance companies, banks, thrifts or other financial institutions, certain recipients of social security or railroad retirement benefits, taxpayers entitled to claim the earned income

credit, taxpayers entitled to claim the refundable credit in Section 36B of the Code for coverage under a qualified health plan or taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, should consult their tax advisors as to the tax consequences of purchasing or owning the Notes.

Backup Withholding

As a result of the enactment of the Tax Increase Prevention and Reconciliation Act of 2005, interest on tax-exempt obligations such as the Notes is subject to information reporting in a manner similar to interest paid on taxable obligations. Backup withholding may be imposed on payments to any owner of the Notes that fails to provide certain required information including an accurate taxpayer identification number to any person required to collect such information pursuant to Section 6049 of the Code. The reporting requirement does not in and of itself affect or alter the excludability of interest on the Notes from gross income for federal income tax purposes or any other federal tax consequence of purchasing, holding or selling tax-exempt obligations.

Tax Treatment of Original Issue Premium

The following disclosure relates to the purchasers of the Notes, who, under Notice 94-84 discussed above, treat the stated interest payable at the maturity of the Notes as the amount excluded from gross income for federal income tax purposes. An amount equal to the excess of the issue price of a Note over its stated redemption price at maturity constitutes original issue premium on such Note. A purchaser of a Note must amortize any original issue premium in accordance with the provisions of Section 171 of the Code. Such purchasers should consult with their tax advisors with respect to the determination and treatment of amortizable premium for federal income tax purposes and with respect to state and local tax consequences of owning Notes with original issue premium.

Changes in Federal and State Tax Law

From time to time, there are legislative proposals in the Congress and in the various state legislatures that, if enacted, could alter or amend the federal and state tax matters referred to above or adversely affect the market value of the Notes. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the Notes. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Notes or the market value thereof would be impacted thereby. Purchasers of the Notes should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Notes and Note Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

LITIGATION

No litigation is pending or, to the best of the knowledge of the City, threatened, concerning the validity of the Notes, and a Certificate of the City Attorney to that effect will be furnished to the initial purchasers at the time of the original delivery to the Notes. The City is not aware of any litigation pending or threatened questioning the political existence of the City or contesting the City's ability to levy and collect ad valorem taxes or to collect or receive revenues sufficient to timely pay pledged

revenues as required by the terms of the Notes or contesting the City's ability to issue and retire the Notes.

There are a number of lawsuits and claims pending against the City, but should any suit against the City result in a judgment adverse to the City during Fiscal Year 2015, the City would pay such claim or judgment from funds that have been appropriated for that purpose. The aggregate amount of the uninsured liabilities of the City which may result from such suits and claims will not, in the opinion of the City Attorney, materially affect the City's finances so as to impair its ability to repay the Notes.

Legality for Investment

Under provisions of the California Financial Code, the Notes are legal investments for commercial banks in California to the extent that the Notes, in the informed opinion of the bank, are prudent for the investment of funds of its depositors, and are eligible to secure deposits of public moneys in California under provisions of the California Government Code.

SALE OF NOTES

The Notes were sold at competitive sale on September [23], 2014 and awarded to _____ (the "Purchaser") at a purchase price of \$_____ (consisting of the par amount of the Notes plus an original issue premium of \$_____, and less the Purchaser's compensation of \$_____). The Purchaser will purchase all of the Notes, subject to certain terms and conditions set forth in the Notice Inviting Bids, dated September [17], 2014, the approval of certain legal matters by counsel, and certain other conditions.

CONTINUING DISCLOSURE

The City will undertake responsibility for any continuing disclosure to owners of the Notes as described below.

The City will execute a Continuing Disclosure Certificate, to be dated the date of delivery of the Notes (the "Continuing Disclosure Certificate"), which provides for, certain disclosure obligations. Under the Continuing Disclosure Certificate, the City will covenant for the benefit of Owners and Beneficial Owners of the Notes to provide notices of the occurrence of certain enumerated events. The notices of the occurrence of certain enumerated events will be filed with the EMMA system. Currently, there is no State Repository for the State of California. The covenant to provide notices of the occurrence of certain enumerated events will be made in order to assist the Purchaser of the Notes in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the "Rule"). In connection with the City's issuance of tax and revenue anticipation notes during the last five calendar years, the City has not failed to comply in all material respects with any previous undertaking with regard to the Rule to provide notices of the occurrence of certain enumerated events. See "APPENDIX C—PROPOSED FORM OF CONTINUING DISCLOSURE CERTIFICATE."

RATING

Moody's Investors Service Inc. is expected to assign ratings of "[__]" to the Notes. Such rating reflects only the views of such rating agency, and any explanation of the significance of such rating should be obtained from that rating agency. Further, there is no assurance that the rating will be retained for any given period of time or that the rating will not be revised or withdrawn entirely by such rating agency if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the trading value and the market price of the Notes.

CERTAIN LEGAL MATTERS

At the time of the delivery of the Notes, Kutak Rock LLP, Note Counsel, will deliver its final approving opinion. A proposed form of such approving opinion is contained in Appendix B hereto and will be delivered to DTC with the Notes. Note Counsel has undertaken no responsibility for the accuracy, completeness or fairness of this Official Statement.

Certain legal matters will be passed upon for the City by the City Attorney and Kutak Rock LLP, as Disclosure Counsel. Payment of the fees of Kutak Rock LLP, Note Counsel and Disclosure Counsel, is contingent upon the issuance of the Notes.

FINANCIAL ADVISOR

The City has retained Public Financial Management, Inc., Los Angeles, California, as Financial Advisor in connection with the authorization and delivery of the Notes. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in the Official Statement. The fees of the Financial Advisor are contingent upon the sale, issuance and delivery of the Notes.

Public Financial Management, Inc. is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal or other public securities.

FINANCIAL STATEMENTS

The financial statements of the City for the Fiscal Year ended September 30, 2013 and the accompanying Notes to the Financial Statements, the Management's Discussion and Analysis and certain supplementary information, and the Report of KPMG LLP, independent accountant, dated March 28, 2014 (collectively, the "2013 Financial Statements") are included as Appendix A to this Official Statement. The 2013 Financial Statements have been audited by KPMG LLP, as stated in their report dated March 28, 2014.

The 2013 Financial Statements have been extracted from the City's Comprehensive Annual Financial Report for the Fiscal Year Ended September 30, 2013 (the "2013 CAFR"). The complete 2013 CAFR has not been included in this Official Statement. Certain page references contained in the 2013 Financial Statements, included in Appendix A, are references to pages as they appear in the complete version of the 2013 CAFR. Potential investors should not rely upon such page references. Potential investors may request a complete copy of the 2013 CAFR from the City at the office of the City Treasurer, City of Long Beach, 6th Floor, City Hall, 333 West Ocean Boulevard, Long Beach, California 90802.

[Remainder of page intentionally left blank.]

MISCELLANEOUS

The execution of this Official Statement has been authorized by the City.

At the time of delivery and payment for the Notes, the City Manager or his designee, will deliver a certificate that, to the best of his knowledge, this Official Statement does not contain any untrue statement of a material fact or omit to state any material fact required to be stated herein or necessary to make the statements herein, in light of the circumstances under which they have been made, not misleading. Such certificate will also certify that, to the best of his knowledge, from the date of this Official Statement to the date of such delivery and payment, there was no material adverse change in the information set forth herein.

Additional information may be obtained from the City by contacting the City Treasurer, City of Long Beach, 6th Floor, City Hall, 333 West Ocean Boulevard, Long Beach, California 90802. The City maintains a website at www.longbeach.gov. Information on such website is not part of this Official Statement nor has such information been incorporated by reference herein and should not be relied upon in deciding whether to invest in the Notes.

CITY OF LONG BEACH

By: _____
Patrick H. West, City Manager

APPENDIX A

**CITY OF LONG BEACH GENERAL PURPOSE FINANCIAL STATEMENTS
FOR FISCAL YEAR ENDING SEPTEMBER 30, 2013**

APPENDIX B

PROPOSED FORM OF OPINION OF NOTE COUNSEL

_____, 2014

City of Long Beach
Long Beach, California

\$ _____
CITY OF LONG BEACH, CALIFORNIA
2014-2015 TAX AND REVENUE ANTICIPATION NOTES

Ladies and Gentlemen:

We have acted as Note Counsel in connection with the authorization and issuance by the City of Long Beach, California (the "Issuer") of its aggregate principal amount of \$ _____ City of Long Beach, California 2014-2015 Tax and Revenue Anticipation Notes, dated October 1, 2014 (the "Notes"), pursuant to the resolution of the Issuer adopted September 9, 2014 (the "Resolution"), and the constitution and laws of the State of California (the "State"), including Article 7.6, Chapter 4, Part 1, Division 2, Title 5 (commencing with Section 53850) of the California Government Code (the "Government Code"). We have examined the constitution and the laws of the State, including the Government Code, and such certified proceedings and other papers as we deemed necessary to render this opinion.

The Notes bear interest at a rate of ___% per annum and are issued in fully registered form without coupons in the denomination of \$5,000 or any integral multiple thereof and are numbered from R-1 consecutively upward in the order of their issuance, and when issued will be registered in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company, New York, New York ("DTC").

The Notes are dated the date of their delivery and will mature, without option of prior redemption, on September 30, 2015. Interest and principal on the Notes are payable at the maturity of the Notes in lawful moneys of the United States of America upon presentation and surrender at the office of The Bank of New York Mellon Trust Company, N.A., as paying agent.

We have reviewed the record of proceedings submitted to us relative to the Notes including the Resolution, certifications and opinions of counsel to the Issuer and others, and such other records, documents and matters as we deemed necessary to render the opinions set forth herein. As to questions of fact material to our opinion, we have relied upon the representations of the Issuer contained in the Resolution and in the certified proceedings and other certifications of public officials furnished to us, including the Issuer's Tax Compliance Certificate, without undertaking to verify the same by independent investigation.

Based on our examination as set forth above, it is our opinion that:

1. The Notes have been duly authorized, executed and delivered by the Issuer and constitute valid and legally binding special obligations of the Issuer, payable from and secured by a

pledge of the taxes, income, revenue, cash receipts and other moneys which are received by the Issuer during the 2014-2015 Fiscal Year and which are available therefor. Pursuant to Section 53857 of the California Government Code, the Notes are general obligations of the Issuer and, to the extent the Notes are not paid from the Pledged Revenues (as that term is defined in the Resolution), the Notes are payable from any other moneys of the Issuer lawfully available therefore, as provided in the Resolution and otherwise by law. The Notes do not constitute a debt, liability or general obligation of the State or any political subdivision of the State other than the Issuer.

2. The Resolution has been duly adopted by the Issuer and constitutes a valid and binding obligation of the Issuer enforceable upon the Issuer.
3. Under existing laws, regulations, rulings and judicial decisions, interest on the Notes is excludable from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax. We note, however, such interest is taken into account in determining adjusted current earnings for the purposes of the federal alternative minimum tax imposed on corporations (as defined for federal income tax purposes). The opinion set forth in the first sentence of this numbered paragraph 3 assumes the accuracy of certain representations and continuing compliance by the Issuer with certain covenants designed to satisfy requirements of the Code that must be met subsequent to the issuance of the Notes. Failure to comply with such requirements could cause such interest to be included in gross income for federal income tax purposes, or could otherwise adversely affect such opinion, retroactive to the date of issuance of the Notes. The Issuer has covenanted in its Resolution and in its Tax Compliance Certificate executed and delivered in connection with the issuance of the Notes, to comply with such requirements. We express no opinion regarding other federal tax consequences arising with respect to the Notes.
4. Under existing laws, regulations, rulings and judicial decisions, interest on the Notes is exempt from all present State of California personal income taxes.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or events occur. We have assumed the genuineness of all documents and signatures presented to us. We have not undertaken to verify independently, and we have assumed the accuracy of the factual matters represented, warranted or certified in the documents, records and certifications examined by us relating to the Notes. In addition, we call your attention to the fact that the obligations of the Issuer under the Notes and the Resolution may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles affecting creditors' rights generally. In addition, the enforceability of the Notes and the Resolution is subject to the effect of general principles of equity, including, without limitation, concepts of materiality, reasonableness, good faith and fair dealing, and the possible unavailability of specific enforcement or injunctive relief, regardless of whether considered in a proceeding in equity or at law. We express no opinion regarding the availability of equitable remedies.

This opinion letter is issued to and for the sole benefit of the above addressee and is issued for the sole purpose of the transaction specifically referred to herein. No persons other than the above addressee may rely upon this letter without our express prior written consent. This letter may not be utilized by you for any other purpose whatsoever and may not be quoted by you without our express prior written consent except that a copy of this opinion may be attached to the Official Statement for the Notes and included in the transcript of proceedings for the Notes. We assume no obligation to review or supplement this letter

subsequent to its date, whether by reason of a change in the current laws, by legislative or regulatory action, by judicial decision or for any other reason.

Very truly yours,

APPENDIX C

PROPOSED FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is entered into by the City of Long Beach, California (the "City") in connection with the issuance by the City of Long Beach of its \$_____ aggregate principal amount of City of Long Beach, California, 2014-2015 Tax and Revenue Anticipation Notes (the "Notes"). The Notes are being issued pursuant to a Resolution adopted by the City Council of the City on September 9, 2014 (the "Resolution"). The City covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the City for the benefit of the Holders and Beneficial Owners of the Notes and in order to assist the Participating Purchaser in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

Section 2. Definitions. In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Beneficial Owner" shall mean any person which (a) has or shares the power, directly or indirectly, to vote or consent with respect to, to make investment decisions concerning ownership of, or to dispose of the ownership of, any Notes (including persons holding Notes through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Notes for federal income tax purposes.

"Dissemination Agent" shall mean the City, or any successor Dissemination Agent designated in writing by the City.

"EMMA system" shall mean the MSRB's Electronic Municipal Market Access System, or such other electronic system designated by the MSRB.

"Holder" shall mean either the registered owner of any Notes, or if the Notes are registered in the name of The Depository Trust Company or other recognized securities depository, any applicable participant in its depository system.

"Listed Events" shall mean any of the events listed in Sections 3(a) and 3(b) of this Disclosure Certificate.

"MSRB" means the Municipal Securities Rulemaking Board, or any successor thereto.

"Participating Purchaser" shall mean the original purchaser of the Notes required to comply with the Rule in connection with the offering of the Notes.

"Rule" shall mean Rule 15c2-12(b)(5) 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 3. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 3, the City shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Notes not later than ten business days after the occurrence of an event:

- (i) Principal and interest payment delinquencies;
- (ii) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (iii) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (iv) Substitution of credit or liquidity providers, or their failure to perform;
- (v) Issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB);
- (vi) Tender offers;
- (vii) Defeasances;
- (viii) Rating changes; or
- (ix) Bankruptcy, insolvency, receivership or similar event of the obligated person;

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

(b) The City shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Notes, if material, not later than ten business days after the occurrence of the event:

- (i) Unless described in paragraph 3(a)(v), adverse tax opinions or other material notices or determinations by the Internal Revenue Service with respect to the tax status of the Notes or other material events affecting the tax status of the Notes;
- (ii) Modifications to rights of the Holders of the Notes;
- (iii) Optional, unscheduled or contingent Note calls;
- (iv) Release, substitution or sale of property securing repayment of the Notes;
- (v) Non-payment related defaults;

(vi) 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; or

(vii) Appointment of a successor or additional trustee or the change of name of a trustee;

(c) Whenever the City obtains knowledge of the occurrence of a Listed Event described in Section 3(b), the City shall determine if such event would be material under applicable federal securities law. The Dissemination Agent (if other than the State Treasurer) shall have no responsibility for such determination and shall be entitled to conclusively rely upon the City's determination.

(d) If the City learns of an occurrence of a Listed Event described in Section 3(a), or determines that knowledge of a Listed Event described in Section 3(b) would be material under applicable federal securities laws, the City shall within ten business days of occurrence file a notice of such occurrence with the MSRB through the EMMA System in electronic format, accompanied by such identifying information as is prescribed by the MSRB. Notwithstanding the foregoing, notice of the Listed Event described in subsections (a)(vii) or (b)(iii) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Notes pursuant to the Resolution.

Section 4. Termination of Reporting Obligation. The City's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, if applicable, or payment in full of all of the Notes. If such termination occurs prior to the maturity of the Notes, the City shall give notice of such termination in the same manner as for a Listed Event under Section 3(d).

Section 5. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent, if other than the City, shall not be responsible in any manner for the content of any notice prepared by the City pursuant to this Disclosure Certificate. The initial Dissemination Agent shall be the City.

Section 6. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the City may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived; provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of Section 3 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 Notes, or type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Notes, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by Holders of the Notes; or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Notes.

Section 7. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the City chooses to include any information in any notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the City shall have no obligation under this Disclosure Certificate to update such information or include it in any future notice of occurrence of a Listed Event.

Section 8. Default. In the event of a failure of the City to comply with any provision of this Disclosure Certificate any Holder or Beneficial Owner of the Notes 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; provided that any such action may be instituted only in the Superior Court of the State of California in the County of Los Angeles or in a U.S. District Court in or nearest to the City of Long Beach. A default under this Disclosure Certificate shall not be deemed a default under the Resolution and the sole remedy under this Disclosure Certificate in the event of any failure of the City to comply with this Disclosure Certificate shall be an action to compel performance.

Section 9. 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 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, of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Notes.

Section 10. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Dissemination Agent, the Participating Purchaser and Holders and Beneficial Owners from time to time of the Notes, and shall create no rights in any other person or entity.

Dated: _____, 2014.

CITY OF LONG BEACH, CALIFORNIA

By _____
Patrick H. West, City Manager

EXHIBIT E
[FORM OF PAYING AGENT/REGISTRAR AGREEMENT]

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

PAYING AGENT/REGISTRAR AGREEMENT

by and between

CITY OF LONG BEACH, CALIFORNIA,
as Issuer

and

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.
Paying Agent and Registrar

Dated as of October 1, 2014

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PAYING AGENT/REGISTRAR AGREEMENT

THIS PAYING AGENT/REGISTRAR AGREEMENT (this "Agreement"), is entered into as of October 1, 2014, by and between the **CITY OF LONG BEACH, CALIFORNIA** (the "Issuer"), and The Bank of New York Mellon Trust Company, N.A. (the "Bank"), as paying agent and registrar.

WITNESSETH:

WHEREAS, the Issuer has duly authorized and provided for the issuance of its Notes, entitled the "City of Long Beach, California 2014-2015 Tax and Revenue Anticipation Notes" (the "Notes") in an aggregate principal amount of \$[_____] to be issued as fully registered Notes without coupons, pursuant to Resolution No. RES-14-[_____] of Issuer (the "Note Resolution"); and

WHEREAS, the Issuer will ensure all things necessary to make the Notes the valid obligations of the Issuer, in accordance with their terms, will be done upon the issuance and delivery thereof; and

WHEREAS, the Issuer and the Bank wish to provide the terms under which the Bank will act as paying agent to hold and pay the principal of and interest on the Notes, in accordance with the terms thereof, and under which the Bank will act as registrar for the Notes; and

WHEREAS, the Bank has agreed to serve in such capacities for and on behalf of the Issuer and has full power and authority to perform and serve as paying agent and registrar for the Notes; and

WHEREAS, the Issuer has duly authorized the execution and delivery of this Agreement, and all things necessary to make this Agreement a valid agreement have been done;

NOW, THEREFORE, it is mutually agreed as follows:

ARTICLE I

DEFINITIONS

For all purposes of this Agreement except as otherwise expressly provided or unless the context otherwise requires:

"*Bank*" means The Bank of New York Mellon Trust Company, N.A., a national banking association, or any successor thereto, when it is performing the function of paying agent or registrar for the Notes.

"*Fiscal Year*" means the fiscal year of the Issuer ending on September 30 of each year.

"*Issuer*" means the City of Long Beach, California.

“*Issuer Request*” means a written request signed in the name of the Issuer and delivered to the Bank.

“*Note*” or “*Notes*” means any one or all of the \$[_____] in aggregate principal amount of Notes entitled “City of Long Beach, California 2014-2015 Tax and Revenue Anticipation Notes.”

“*Note Register*” means the book or books of registration kept by the Bank, as registrar, in which are maintained the names and addresses and principal amounts registered to each Registered Owner.

“*Note Resolution*” means the Resolution of the Issuer pursuant to which the Notes were issued.

“*Person*” means any individual, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organization or government or any agency or political subdivision of a government or any entity whatsoever.

“*Registered Owner*” means a Person in whose name a Note is registered in the Note Register.

“*Stated Maturity Date*,” when used with respect to any Note, means September 30, 2015, as the date on which the principal of and accrued interest on such Note is due and payable.

ARTICLE II

APPOINTMENT OF PAYING AGENT AS PAYING AGENT AND REGISTRAR

Section 2.01. Appointment and Acceptance. The Issuer hereby appoints the Bank to act as paying agent with respect to the Notes, to pay the Registered Owners in accordance with the terms and provisions of this Agreement and the Note Resolution, the principal of and interest on all or any of the Notes.

The Issuer hereby appoints the Bank as registrar with respect to the Notes. As registrar, the Bank shall keep and maintain for and on behalf of the Issuer, books and records as to the ownership of the Notes and with respect to the transfer and exchange thereof as provided herein and in the Note Resolution.

The Bank hereby accepts its appointment, and agrees to act as paying agent and registrar.

Section 2.02. Compensation. As compensation for the Bank’s services as paying agent and registrar, the Issuer hereby agrees to pay the Bank the fees and amounts set forth in a separate agreement between the Issuer and the Bank.

In addition, the Issuer agrees to reimburse the Bank, upon its request, for all reasonable and necessary out-of-pocket expenses (including, without limitation, attorneys’ fees and expenses) disbursements and advances, including without limitation by the Bank in connection

with entering into and performing under this Agreement and in connection with investigating and defending itself against any claim or liability in connection with its performance hereunder.

ARTICLE III

PAYING AGENT

Section 3.01. Duties of Paying Agent. As paying agent, the Bank, to the extent sufficient collected funds have been provided to the Bank for the purposes described herein, by or on behalf of the Issuer, shall pay on behalf of the Issuer, the principal of and interest on the Notes in accordance with the provisions of the Note Resolution. Any money deposited with or otherwise held by the Bank for the payment of the principal or interest on the Notes, shall be held in trust for the Registered Owner. On or prior to the Stated Maturity Date, the Issuer shall deposit with the Bank sufficient funds to pay the principal and interest on the Notes.

Section 3.02. Payment Dates. The Issuer hereby instructs the Bank to pay the principal of and interest on the Notes on the Stated Maturity Date.

ARTICLE IV

REGISTRAR

Section 4.01. Initial Delivery of Notes. The Notes will be initially registered and delivered to the purchaser designated by the Issuer as one Note. If such purchaser delivers a written request to the Bank not later than five business days prior to the date of initial delivery, the Bank will, on the date of initial delivery, deliver Notes of authorized denominations, registered in accordance with the instructions in such written request.

Section 4.02. Duties of Registrar. The Bank, as registrar, shall provide for the proper registration of transfer, exchange and replacement of the Notes.

Every Note surrendered for transfer or exchange shall be duly endorsed or be accompanied by a written instrument of transfer, the signature on which has been guaranteed by an eligible guarantor institution, in form acceptable to the Bank, duly executed by the Registered Owner thereof or the Registered Owners' attorney duly authorized in writing. The Registrar may request any supporting documentation it deems necessary or appropriate to effect a re-registration. The Bank may require repayment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any transfer or exchange of Notes.

Section 4.03. Unauthenticated Notes. If the Notes are not registered with The Depository Trust Company as the Registered Owner thereof, the Issuer shall provide to the Bank on a continuing basis, an adequate inventory of unauthenticated Notes to facilitate transfers. The Bank agrees that it will maintain any such unauthenticated Notes in safekeeping.

Section 4.04. Form of Note Register. The Bank, as registrar, will maintain its records in accordance with the Bank's general practices and procedures in effect from time to time.

Section 4.05. Reports. The Issuer may request the information in the Note Register at any time the Bank is customarily open for business; provided that reasonable time is allowed the Bank to provide an up-to-date listing and to convert the information into written form.

The Bank will not release or disclose the content of the Note Register to any person other than to the Issuer at its written request, except upon receipt of a subpoena or court order or as may otherwise be required by law, rule or regulation, as may be required by any government agency or regulatory body having or claiming authority to regulate or oversee any aspects of the Bank's business or that of its affiliates, as may be required by any regulatory authority, arbitrator or arbitration to which the Bank or any affiliate or any officer, director, employer or shareholder thereof is a party, and such content may be disclosed to any affiliate, independent or internal auditor, agent, employee or attorney of the Bank having a need to know the same, provided that the Bank advises such recipient of the confidential nature of the information being disclosed. Upon receipt of a subpoena or court order the Bank will notify the Issuer, if permitted by law.

Section 4.06. Cancelled Notes. All Notes surrendered for payment, redemption, transfer, exchange or replacement, if surrendered to the Bank, shall be promptly cancelled by it and, if surrendered to the Issuer, shall be delivered to the Bank and, if not already cancelled, shall be promptly cancelled by the Bank. The Issuer may at any time deliver to the Bank for cancellation any Notes previously authenticated and delivered which the Issuer may be acquired in any manner whatsoever, and all Notes so delivered shall be promptly cancelled by the Bank. All cancelled Notes held by the Bank for its retention period then in effect and shall thereafter be destroyed in accordance with the Bank's standard procedures, and evidence of such destruction furnished to the Issuer upon its written request.

Section 4.07. General Obligation. The Bank and the Issuer hereby agree that notwithstanding that the Bank shall serve as the paying agent for the Notes, the Notes shall remain a general obligation of the Issuer payable from certain revenues attributable to the Issuer's 2014-2015 Fiscal Year as set forth in the Resolution. Although certain funds will be held by the Bank, as paying agent (but only to the extent described in Section 3.01 hereof), investment losses while such funds are held by the Bank as paying agent shall be borne by the Issuer, so that the obligation to repay the Notes remains a general obligation of the Issuer until the Stated Maturity Date of the Notes, and the transfer of funds and/or securities to the Bank as paying agent does not extinguish the Issuer's obligation to repay the Notes. Any funds deposited with the Bank pursuant to Section 3.01 hereof shall be invested in accordance with the directions of the Treasurer of the Issuer.

Section 4.08. Mutilated, Destroyed, Lost and Stolen Notes. If any mutilated Note is surrendered to the Bank, or the Bank receives evidence to its satisfaction of the destruction, loss or theft of any Note, and there is delivered to the Issuer and the Bank such security or indemnity as may be required by them to save each of them harmless, then, in the absence of notice to the Issuer or the Bank that any such destroyed, lost or stolen Note has been acquired by a bona fide purchaser, the Issuer shall execute and, upon the Issuer's written request, the Bank shall register and deliver, in exchange for or in lieu of any such mutilated, destroyed, lost or stolen Note (upon surrender of such Note), a new Note of the same maturity and of like tenor and principal amount, bearing a number not contemporaneously outstanding.

Upon the issuance of any new Note under this Section, the Issuer or the Bank may require the payment of a sum sufficient to cover any tax or other governmental charge.

ARTICLE V

DUTIES AND RIGHTS OF PAYING AGENT

Section 5.01. Duties of Paying Agent. The Bank, as paying agent, undertakes to perform the duties set forth herein. No implied duties or obligations shall be read into this Agreement against the Bank. The Bank hereby agrees to use the funds deposited with it for payment of the principal of and interest on the Notes to pay the same as it shall become due and further agrees to establish and maintain such accounts and funds as may be required for the Bank to function as paying agent.

Section 5.02. Reliance on Documents, Etc.

(a) The Bank may conclusively rely, as to the truth of the statements and correctness of the opinions expressed therein, on certificates or opinions expressed therein, on certificates or opinions furnished to the Bank by the Issuer.

(b) The Bank shall not be liable for any error of judgment made in good faith. The Bank shall not be liable for other than its gross negligence or willful misconduct in connection with any act or omission hereunder.

(c) No provision of this Agreement shall require the Bank to expend or risk its own funds or otherwise incur any financial liability for performance of any of its duties hereunder, or in the existence of any of its rights or powers.

(d) The Bank may rely, or be protected in acting or refraining from acting, upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, note, security or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. The Bank need not examine the ownership or any Note, but shall be protected in acting upon receipt of Notes contained an endorsement or instruction of transfer of power of transfer which appears on its face to be signed by the Registered Owner or agent of the Registered Owner.

(e) The Bank may consult with counsel, and the written advice or opinion of counsel shall be authorization and protection with respect to any action taken, suffered or omitted by it hereunder in good faith and reliance thereon.

(f) The Bank may exercise any of the powers hereunder and perform any duties hereunder either directly or by or through agents or attorneys and shall not be liable for the actions of such agent or attorney if appointed by it with reasonable care.

(g) The Bank shall not be liable to the parties hereto or deemed in breach or default hereunder if and to the extent its performance hereunder is prevented by reason of force majeure. The term "force majeure" means an occurrence that is beyond the control

of the Bank and could not have been avoided by exercising due care. Force majeure shall include acts of God, terrorism, war, riots, strikes, fire, floods, earthquakes, epidemics or other similar occurrences.

(h) The Bank agrees to accept and act upon instructions or directions pursuant to this agreement sent by unsecured e-mail, facsimile transmission or other similar unsecured electronic methods, and the Issuer shall provide to the Bank an incumbency certificate listing an authorized representative of the Issuer, which incumbency certificate shall be amended whenever a person is to be added or deleted from the listing. If the Issuer elects to give the Bank e-mail or facsimile instructions (or instructions by a similar electronic method) and the Bank in its discretion elects to act upon such instructions, the Bank's understanding of such instructions shall be deemed controlling. The Bank shall not be liable for any losses, costs or expenses arising directly or indirectly from the Bank's reliance upon and compliance with such instructions notwithstanding such instructions conflict or are inconsistent with a subsequent written instruction. The Issuer agrees to assume all risks arising out of the use of such electronic methods to submit instructions and directions to the Bank, including without limitation the risk of the Bank acting on unauthorized instructions, and the risk of interception and misuse by third parties.

(i) The Issuer acknowledges that regulations of the Comptroller of the Currency grant the Issuer the right to receive brokerage confirmations of the security transactions as they occur, at no additional cost. To the extent permitted by law, the Issuer specifically waives compliance with 12 C.F.R. 12 and hereby notifies the Bank that no brokerage confirmations need to be sent relating to the security transactions as they occur. The Bank shall have no obligation to invest and reinvest any cash held by it hereunder in the absence of timely and specific written direction from the Issuer. In no event shall the Bank be liable for the selection of investments or for investment losses incurred thereon. The Bank shall have no liability in respect of losses incurred as result of the liquidation of any investment prior to its stated maturity or the failure of the Issuer to provide timely written investment direction. The Bank may purchase or sell to itself or any affiliate, as principal or agent, investment authorized by this Agreement. The Bank may conclusively rely upon such written direction from the Issuer as to both the suitability and legality of the directed investments.

Section 5.03. Recitals of Issuer. The recitals contained in the Note Resolution and the Notes shall be taken as the statements of the Issuer, and the Bank assumes no responsibility for their correctness.

Section 5.04. May Own Notes. The Bank, in its individual or any other capacity, may become the owner or pledgee of Notes with the same rights it would have if it were not the paying agent and registrar for the Notes.

Section 5.05. Money Held by Bank. Money held by the Bank, as paying agent, hereunder need not be segregated from other funds other than as set forth in Section 5.02 hereof, the Bank shall have no duties with respect to the investment of funds deposited with it and shall be under no obligation to pay interest on any money received by it hereunder.

Any money deposited with or otherwise held by the Bank for the payment of the principal or interest on any Note and remaining unclaimed for two years after such deposit will be paid by the Bank to the Issuer, and the Issuer and the Bank agree that the Registered Owner of such Note shall thereafter look only to the Issuer for payment thereof, and that all liability of the Bank with respect to such moneys shall thereupon cease.

Section 5.06. Other Transactions. The Bank may engage in or be interested in any financial or other transaction with the Issuer.

Section 5.07. Interpleader. The Issuer and the Bank agree that the Bank may seek adjudication of any adverse claim, demand or controversy over its person as well as funds on deposit, in a court of competent jurisdiction. The Issuer and the Bank further agree that the Bank has the right to file an action in interpleader in any court of competent jurisdiction to determine the rights of any person claiming any interest herein.

Section 5.08. Indemnification. To the extent permitted by law, the Issuer shall indemnify the Bank, its officers, directors, employees and agents for, and hold them harmless against any loss, cost, claim, liability or expense arising out of or in connection with the Bank's acceptance or administration of the Bank's duties hereunder or under the Note Resolution (except any loss, liability or expense as may be adjudged by a court of competent jurisdiction to be attributable to the Bank's gross negligence or willful misconduct), including the cost and expense, including its counsel fees and expenses, of defending powers or duties under this Agreement. Such indemnity shall survive the termination or discharge of this Agreement or discharge of the Notes and the earlier removal or resignation of the Bank.

ARTICLE VI

MISCELLANEOUS PROVISIONS

Section 6.01. Amendment. This Agreement may be amended only by an agreement in writing signed by both of the parties hereto.

Section 6.02. Assignment. This Agreement may not be assigned by either party without the prior written consent of the other party, provided, however, that any entity into which the Bank may be merged or converted or with which it may be consolidated or any entity resulting from any merger, conversion or consolidation to which it shall be a party or any entity to which the Bank may sell or transfer all or substantially all of its corporate trust business shall be the successor to the Bank hereunder without such prior written consent, and without the execution or filing of any paper or the performance of any further act.

Section 6.03. Notices. Any request, demand, authorization, direction, notice, consent, waiver or other document provided or permitted hereby to be given or furnished to the Issuer or the Bank shall be mailed or delivered to the Issuer or the Bank, respectively, at the address shown herein, or such other address as may have been given by one party to the other by 15 days' written notice.

Section 6.04. Effect of Headings. The Article and Section headings herein are for convenience of reference only and shall not affect the construction hereof.

Section 6.05. Successors and Assigns. All covenants and agreements herein by the Issuer and the Bank shall bind their successors and assigns, whether so expressed or not.

Section 6.06. Severability. If any provision of this Agreement shall be determined to be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions hereof shall not in any way be affected or impaired thereby.

Section 6.07. Benefits of Agreement. Nothing herein, express or implied, shall give to any Person, other than the parties hereto and their successors hereunder, any benefit or any legal or equitable right, remedy or claim hereunder.

Section 6.08. Entire Agreement. This Agreement and the Note Resolution (to the extent that its provisions are specifically referenced herein) constitute the entire agreement between the parties hereto relative to the Bank acting as paying agent and registrar.

Section 6.09. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original and all of which shall constitute one and the same Agreement.

Section 6.10. Term and Termination. This Agreement shall be effective from and after its date and until the Bank resigns or is removed by the City; provided, however, that no such termination shall be effective until a successor has been appointed and has accepted the duties of the Bank hereunder. The Bank may resign at any time by giving written notice thereof to the Issuer. The City may remove the Bank at any time by giving written notice thereof to the Bank. If the Bank shall resign, be removed or become incapable of acting, the Issuer shall promptly appoint a successor paying agent or registrar. If an instrument of acceptance by a successor paying agent and registrar shall not have been delivered to the Bank within 30 days after the Bank gives notice of resignation or its receipt of its notice of removal, the Bank may petition any court of competent jurisdiction at the expense of the Issuer for the appointment of a successor paying agent and registrar. In the event of resignation or removal of the Bank as paying agent and registrar, upon the written request of the Issuer and upon payment of all amounts owing the Bank hereunder the Bank shall deliver to the Issuer or its designee all funds and unauthenticated Notes, and a copy of the Note Register. The provisions of Sections 2.02 and 5.08 hereof shall survive and remain in full force and effect following the termination of this Agreement.

Section 6.11. Governing Law. This Agreement shall be construed in accordance with and shall be governed by the laws of the State of California.

Section 6.12. Documents To Be Filed With Bank. At the time of the Bank's appointment as paying agent and registrar, the Issuer shall file with the Bank the following documents: (a) a certified copy of the Note Resolution and a specimen Note; (b) a copy of the opinion of Note counsel provided to the Issuer in connection with the issuance of the Notes; (c) an Issuer Request containing written instructions to the Bank with respect to the issuance and delivery of the Notes, including the name of the Registered Owners and the denominations of the Notes; and (d) such other instruments and certificates as the Bank may reasonably request.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

CITY OF LONG BEACH

By _____
David S. Nakamoto, Treasurer

Address: City of Long Beach
City Hall
333 West Ocean Boulevard, 6th Floor
Long Beach, CA 90802-4664

Approved as to Form:

By _____
Charles Parkin, City Attorney

THE BANK OF NEW YORK MELLON
TRUST COMPANY, N.A., as Paying Agent
and Registrar

By _____
Mark Golder, Vice President

Address: The Bank of New York Mellon Trust
Company, N.A.
400 South Hope Street
Suite 400
Los Angeles, California 90071

EXHIBIT F
[FORM OF CONTINUING DISCLOSURE CERTIFICATE]

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

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is entered into by the City of Long Beach, California (the "City") in connection with the issuance by the City of Long Beach of its \$[_____] aggregate principal amount of City of Long Beach, California, 2014-2015 Tax and Revenue Anticipation Notes (the "Notes"). The Notes are being issued pursuant to a Resolution adopted by the City Council of the City on September 9, 2014 (the "Resolution"). The City covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the City for the benefit of the Holders and Beneficial Owners of the Notes and in order to assist the Participating Purchaser in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

Section 2. Definitions. In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Beneficial Owner" shall mean any person which (a) has or shares the power, directly or indirectly, to vote or consent with respect to, to make investment decisions concerning ownership of, or to dispose of the ownership of, any Notes (including persons holding Notes through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Notes for federal income tax purposes.

"Dissemination Agent" shall mean the City, or any successor Dissemination Agent designated in writing by the City.

"EMMA system" shall mean the MSRB's Electronic Municipal Market Access System, or such other electronic system designated by the MSRB.

"Holder" shall mean either the registered owner of any Notes, or if the Notes are registered in the name of The Depository Trust Company or other recognized securities depository, any applicable participant in its depository system.

"Listed Events" shall mean any of the events listed in Sections 3(a) and 3(b) of this Disclosure Certificate.

"MSRB" means the Municipal Securities Rulemaking Board, or any successor thereto.

"Participating Purchaser" shall mean the original purchaser of the Notes required to comply with the Rule in connection with the offering of the Notes.

"Resolution" means the Resolution of the City authorizing the issuance of the Notes.

"Rule" shall mean Rule 15c2-12(b)(5) 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 3. Reporting of Listed Events.

(a) Pursuant to the provisions of this Section 3, the City shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Notes not later than ten business days after the occurrence of an event:

- (i) Principal and interest payment delinquencies;
- (ii) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (iii) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (iv) Substitution of credit or liquidity providers, or their failure to perform;
- (v) Issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB);
- (vi) Tender offers;
- (vii) Defeasances;
- (viii) Rating changes; or
- (ix) Bankruptcy, insolvency, receivership or similar event of the obligated person;

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

(b) The City shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Notes, if material, not later than ten business days after the occurrence of the event:

- (i) Unless described in paragraph 3(a)(v), adverse tax opinions or other material notices or determinations by the Internal Revenue Service with

respect to the tax status of the Notes or other material events affecting the tax status of the Notes;

- (ii) Modifications to rights of the Holders of the Notes;
- (iii) Optional, unscheduled or contingent Note calls;
- (iv) Release, substitution or sale of property securing repayment of the Notes;
- (v) Non-payment related defaults;
- (vi) 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; or
- (vii) Appointment of a successor or additional trustee or the change of name of a trustee;

(c) Whenever the City obtains knowledge of the occurrence of a Listed Event described in Section 3(b), the City shall determine if such event would be material under applicable federal securities law. The Dissemination Agent (if other than the State Treasurer) shall have no responsibility for such determination and shall be entitled to conclusively rely upon the City's determination.

(d) If the City learns of an occurrence of a Listed Event described in Section 3(a), or determines that knowledge of a Listed Event described in Section 3(b) would be material under applicable federal securities laws, the City shall within ten business days of occurrence file a notice of such occurrence with the MSRB through the EMMA System in electronic format, accompanied by such identifying information as is prescribed by the MSRB. Notwithstanding the foregoing, notice of the Listed Event described in subsections (a)(vii) or (b)(iii) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Notes pursuant to the Resolution.

Section 4. Termination of Reporting Obligation. The City's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, if applicable, or payment in full of all of the Notes. If such termination occurs prior to the maturity of the Notes, the City shall give notice of such termination in the same manner as for a Listed Event under Section 3(d).

Section 5. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent, if other than the City, shall not be responsible in any manner for the content of any notice prepared by the City pursuant to this Disclosure Certificate. The initial Dissemination Agent shall be the City.

Section 6. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the City may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived; provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of Section 3 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 Notes, or type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Notes, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by Holders of the Notes; or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Notes.

Section 7. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the City chooses to include any information in any notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the City shall have no obligation under this Disclosure Certificate to update such information or include it in any future notice of occurrence of a Listed Event.

Section 8. Default. In the event of a failure of the City to comply with any provision of this Disclosure Certificate any Holder or Beneficial Owner of the Notes 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; provided that any such action may be instituted only in the Superior Court of the State of California in the County of Los Angeles or in a U.S. District Court in or nearest to the City of Long Beach. A default under this Disclosure Certificate shall not be deemed a default under the Resolution and the sole remedy under this Disclosure Certificate in the event of any failure of the City to comply with this Disclosure Certificate shall be an action to compel performance.

Section 9. 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 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, of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Notes.

Section 10. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Dissemination Agent, the Participating Purchaser and Holders and Beneficial Owners from time to time of the Notes, and shall create no rights in any other person or entity.

Dated: October 1, 2014.

CITY OF LONG BEACH, CALIFORNIA

By _____
Patrick H. West, City Manager