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RESOLUTION NO. C-

A RESOLUTION OF THE CITY COUNCIL OF THE
CITY OF LONG BEACH PROVIDING FOR THE ISSUANCE
OF 2004-05 TAX AND REVENUE ANTICIPATION NOTES OF
THE CITY OF LONG BEACH, CALIFORNIA

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 amount not to exceed \$35,000,000 in its 2004-05 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 \$35,000,000 (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 may bear interest at rates not exceeding twelve
percent (12%) *per annum*, as permitted by Section 53531 of the Government Code,
notwithstanding Section 53854 of the Government Code; and

WHEREAS, the Notes will not be outstanding for more than 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 and expected to occur within six 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)) is expected to exceed 90% of the

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1 aggregate initial public offering price of the Notes, as provided in Section 148(f)(4)(B)(iii) of
2 the Internal Revenue Code of 1986, as amended (the "Tax Code"); and

3 WHEREAS, the City desires to designate the City Treasurer and his
4 designees (each, the "Treasurer") to serve as fiscal agent (the "Fiscal Agent") and as
5 agent for the City in matters relating to the Pledged Revenues (defined below), and also
6 permit the Treasurer to appoint a paying agent for the Notes, as he deems appropriate;
7 and

8 WHEREAS, the City desires to appoint The Law Offices of Marilyn L. Garcia
9 to act as Note Counsel in connection with the issuance and sale of the Notes and appoint
10 Public Financial Management, Inc. to act as financial advisor (the "Financial Advisor") in
11 connection with the issuance and sale of the Notes; and

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

16 NOW, THEREFORE, the City Council of the City of Long Beach hereby
17 resolves as follows:

18 Section 1. Authorization of Issuance of Notes: Terms Thereof. Subject to
19 the conditions set forth in this Resolution, the City Council hereby determines to and shall
20 issue not to exceed \$35,000,000 aggregate principal amount of the City's 2004-05 Tax and
21 Revenue Anticipation Notes; such Notes shall be in the denominations of \$5,000 or any
22 integral multiple thereof; be dated the date of delivery thereof; shall mature (without option
23 of prior redemption) on a date not more than 12 months from the date of delivery thereof;
24 and shall bear interest, payable at maturity and computed on a 30-day month/360 day year
25 basis, at the rate determined at the time of competitive sale of the Notes, but not in excess
26 of the maximum interest rate of twelve percent (12%) per annum. Both the principal of and
27 the interest on the Notes shall be payable, but only upon surrender thereof, in lawful
28 money of the United States of America upon presentation and surrender thereof at the

1 principal office of the Paying Agent (defined below) for the Notes, if the City elects to
2 appoint a Paying Agent, or if the City does not elect to appoint a Paying Agent, upon
3 presentation and surrender thereof at the office of the Treasurer.

4 Sec. 2. Approval of Notice Inviting Bids. The form of Notice Inviting
5 Bids attached hereto as Exhibit "A" is hereby approved in the form attached hereto with
6 such changes as shall be acceptable to the Treasurer and as shall be approved as to form
7 by the City Attorney, such approval to be conclusively evidenced by the publication of the
8 Notice Inviting Bids as described below. The Treasurer and the Financial Advisor are
9 hereby authorized and directed to cause the Notice Inviting Bids to be distributed to
10 persons who may be interested in purchasing the Notes.

11 Sec. 3. Approval of Notice of Intention to Sell. Attached hereto as
12 Exhibit "B" is the form of Notice of Intention to Sell giving notice of the City's intention to
13 sell the Notes by competitive sale. Pursuant to Section 53692 of the California
14 Government Code, such Notice of Intention to Sell must be published once in The Bond
15 Buyer or other financial publication meeting the requirements of said Section 53692 at
16 least 15 days prior to the date fixed for receipt of sealed proposals for the Notes. This City
17 Council hereby ratifies and confirms the publication of the Notice of Intention to Sell which
18 has been so published in substantially such form in order to comply with said 15 day notice
19 requirement.

20 Sec. 4. Authorization to Receive and Accept Bids. The period ending
21 at 9:30 a.m. on the date of September 22, 2004, is hereby approved as the time and date
22 that proposals will be received with respect to the Notes upon the terms and in the manner
23 set forth in the Notice Inviting Bids approved above; provided that the Treasurer is hereby
24 authorized to select such other time(s) and date(s) to receive such proposals as such
25 person shall, in his or her discretion, deem necessary or desirable. The Treasurer, on
26 behalf of the City, is hereby authorized to read such bids in the manner described in the
27 Notice Inviting Bids. The Treasurer is hereby further authorized to award the Notes to the
28 responsible bidder submitting the best bid in accordance with the terms and conditions of

1 other moneys which are received by the City during the Fiscal Year and which are
2 available therefor. Pursuant to Section 53857 of the Government Code, the Notes shall be
3 the general obligations of the City, and to the extent the Notes are not paid from the
4 Pledged Revenues, the Notes shall be paid with interest thereon from any other moneys of
5 the City lawfully available therefor, as provided in this Resolution and otherwise by law.

6 (B) Pledged Revenues. As security for the payment of the principal of
7 and interest on the Notes, by this Resolution, the City hereby pledges an amount equal to
8 fifteen percent (15%) of the principal amount of the Notes from the first unrestricted
9 revenues received by the City in the month ending April 30, 2005; an amount equal to
10 fifteen percent (15%) of the principal amount of the Notes from the first unrestricted
11 revenues received by the City during the month ending May 31, 2005; an amount equal to
12 fifteen percent (15%) of the principal amount of the Notes from the first unrestricted
13 revenues received by the City during the month ending June 30, 2005; an amount equal to
14 fifteen percent (15%) of the principal amount of the Notes from the first unrestricted
15 revenues received by the City during the month ending July 31, 2005; an amount equal to
16 fifteen percent (15%) of the principal amount of the notes from the first unrestricted
17 revenues received by the City during the month ending August 31, 2005; and an amount
18 equal to twenty-five percent (25%) of the principal amount of the Notes, plus an amount
19 sufficient to pay interest on the Notes at maturity, from the first unrestricted revenues
20 received by the City in the month ending September 30, 2005 (collectively, the "Pledged
21 Revenues"). The terms "unrestricted revenues" shall mean taxes, income, revenue, cash
22 receipts and other moneys of the City, as provided in Section 53856 of the Code, which
23 are intended as receipts for the general fund of the City and which are generally available
24 for the payment of current expenses and other obligations of the City. There is hereby
25 established and created an account that is a special fund and designated as the
26 "Repayment Account" and more particularly defined in paragraph (C) below to be
27 maintained by the Treasurer in the name and on behalf of the City, into which the
28 Treasurer shall promptly cause to be deposited all Pledged Revenues of the City when

1 and as received, without further permission of or instruction by the City Council. The
2 Treasurer may elect for such Pledged Revenues in the Repayment Account to be held in
3 the City Treasury or by the Paying Agent. From the dates of receipt by the Treasurer or
4 the Paying Agent as applicable, of any Pledged Revenues, the City shall have no right, title
5 or interest therein, and the Treasurer shall have the sole right of withdrawal from the
6 Repayment Account hereinafter established for the purposes described in this Resolution.

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

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

16 (C) Deposit of Pledged Revenues in Repayment Account. Pledged
17 Revenues shall be held by the City or the Paying Agent, in an account that is a special
18 fund designated as the "City of Long Beach, California, 2004-05 Tax and Revenue
19 Anticipation Notes Repayment Account" (the "Repayment Account"), and applied as
20 directed in this Resolution. Moneys placed in the Repayment Account shall be held for the
21 sole benefit of the holders of the Notes, and until the Notes and all interest thereon are
22 paid in full or until provision has been made for the payment of the Notes at maturity with
23 interest to such date, the moneys in the Repayment Account shall be applied only for the
24 purposes for which the Repayment Account was created.

25 (D) Disbursement and Investment of Moneys in Repayment Account.
26 From the date this Resolution takes effect, all Pledged Revenues shall, when received, be
27 deposited into the Repayment Account. After such date as the amount of the Pledged
28 Revenues deposited in the Repayment Account shall be sufficient to pay in full the

1 principal of and interest on the Notes, when due, any moneys in excess of such amount
2 remaining in or accruing to the Repayment Account shall be transferred by the Treasurer
3 to the general fund of the City. On the maturity date of the Notes, moneys on deposit in
4 the Repayment Account shall be used, to the extend necessary, to pay the principal of and
5 interest on the Notes.

6 Moneys in the Repayment Account, to the greatest extend possible, and
7 Note proceeds in any Proceeds Account held by the Independent Fiscal Agent, shall be
8 invested by or at the direction of the Treasurer in investments pursuant to Section 53601 of
9 the Government Code and in accordance with the investment policies of the City.

10 Sec. 8. Execution of Notes. The Treasurer is hereby directed to cause
11 to be lithographed, engraved or otherwise printed or produced a sufficient number of blank
12 Notes of suitable quality, showing on their face the interest rate applicable thereto. The
13 Treasurer, is hereby authorized to sign the Notes manually or by facsimile, and the City
14 Manager, or any duly designated deputy thereof (each, the "City Manager"), is hereby
15 authorized to sign the Notes manually or by facsimile signature, and the City Clerk, or any
16 duly designated deputy thereof (each, the "City Clerk"), is hereby authorized to countersign
17 the Notes manually or by use of his or her facsimile signature, with at least one of said
18 signatures being manual, and the City Clerk is hereby authorized to affix the seal of the
19 City thereto by facsimile impression thereof, and said officers are hereby authorized to
20 cause the blank spaces on the form of Notes to be filled in prior to initial delivery as may
21 be appropriate. The Notes shall be manually authenticated by the Paying Agent.

22 Sec. 9. Delivery of Notes in Book-Entry-Only Form. As an alternative
23 to printing, executing and delivering certificated Notes, the City may elect to deliver the
24 Notes in book-entry-only form by appointing the Depository Trust Company ("DTC"), 55
25 Water Street, 19th Floor, New York, New York 10041, to act as securities depository for
26 the Notes. In that event, a single Note substantially in the form of Exhibit C hereto,
27 representing all of the outstanding Notes, will be executed and, on the date prior to closing,
28 delivered to DTC. In that event, upon closing, the City shall notify DTC at which time DTC

1 will credit the account of the successful bidder, and process the book-entry deliveries to
2 the accounts of the subsequent purchasers of interests in the Notes. The single Note
3 certificate will be lodged with DTC until maturity of the Notes. On the date of maturity of
4 the Notes, the Treasurer shall remit to the Paying Agent or DTC, as appropriate, sufficient
5 funds to pay all outstanding principal and interest due with respect to the Notes.

6 If the City elects to deliver the Notes in book-entry-only form and elects not to
7 appoint a Paying Agent, DTC shall act as clearing agent with respect to the payment of
8 principal of and interest on the Notes to the subsequent purchasers thereof.

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

25 Sec. 11. Approval of Preliminary Official Statement and Official
26 Statement. The form of the Preliminary Official Statement presented to and considered at
27 this meeting of the City Council is hereby approved, with such changes therein as may be
28 approved by the City Manager, with the advice of counsel to the City. The Treasurer is

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1 hereby authorized to certify that the Preliminary Official Statement is deemed final for
2 purposes of Rule 15c2-12 of the Securities and Exchange Commission (the "Rule"). The
3 Treasurer and the Financial Advisor are each hereby authorized to cause to be prepared
4 and distributed the preliminary Official Statement and a final Official Statement for use in
5 the marketing and sale of the Notes.

6 Sec. 12. Delivery of Notes. The City Manager is hereby authorized and
7 directed to deliver the Notes to the successful bidder upon payment therefor in accordance
8 with the Notice Inviting Bids. All actions heretofore taken with respect to the sale and
9 issuance of the Notes are hereby approved, confirmed and ratified, and the City Manager
10 is hereby authorized, confirmed and directed, for and in the name and on behalf of the
11 City, to do any and all things and take any and all actions and execute and deliver any and
12 all certificates, agreements and other documents, which may be deemed necessary or
13 advisable in order to consummate the lawful issuance and delivery of the Notes in
14 accordance with this Resolution.

15 Sec. 13. Appointment of Paying Agent for the Notes. The Treasurer
16 shall serve as the Fiscal Agent for the Notes. The Treasurer may elect to enter into an
17 agreement with a qualified bank located in the State of California, which shall be appointed
18 to serve as authenticating and paying agent (the "Paying Agent") for the Notes if the
19 Treasurer, on behalf of the City, elects to appoint a Paying Agent.

20 Sec. 14. Appointment of Note Counsel and Financial Advisor. The Law
21 Offices of Marilyn L. Garcia, Los Angeles, California, is hereby appointed as Note Counsel
22 for the issuance of the Notes on the terms and conditions approved by the City Treasurer
23 and the City Attorney, payable from the proceeds of the Notes. Public Financial
24 Management, Inc. is hereby appointed Financial Advisor for the issuance of the Notes on
25 the terms and conditions approved by the City Treasurer and the City Attorney, payable
26 from the proceeds of the Notes.

27 Sec. 15. Approval of Continuing Disclosure Agreement. The City
28 Council does hereby covenant and agree, for the benefit of the holders of the Notes, that

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1 the City will comply with the provisions of the Rule relating to secondary market and
2 continuing disclosure. Failure of the City to comply with such provisions shall not be
3 considered an event of default with respect to the Notes; however, any holder of the Notes
4 may take such action as may be necessary and appropriate, including seeking mandate or
5 specific performance by court order, to cause the City to comply with its obligations under
6 this provision.

7 The City Council hereby authorizes the City Manager to execute and deliver
8 by and on behalf of the City, for the benefit of the holders of the Notes, a Continuing
9 Disclosure Certificate (as it may be amended from time to time in accordance with the
10 terms thereof, the "Continuing Disclosure Certificate") in form and substance substantially
11 similar to that attached as Exhibit "D," said Continuing Disclosure Certificate to be dated
12 the date of issuance of the Notes.

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

16 Sec. 16. This resolution shall take effect immediately upon its adoption
17 by the City Council, and the City Clerk shall certify the vote adopting this resolution.

18
19 I hereby certify that the foregoing resolution was adopted by the City Council
20 of the City of Long Beach at its meeting of _____, 2004, by the

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following vote:

Ayes: Councilmembers: _____

Noes: Councilmembers: _____

Absent: Councilmembers: _____

City Clerk

HAM:fl
8/30/04
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#04-03683

EXHIBIT "A"

NOTICE INVITING BIDS

\$30,000,000*
CITY OF LONG BEACH
(CALIFORNIA)
2004-05 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:** 9:30 a.m., Pacific Daylight Time, on or after September 22, 2004, as established by the City and communicated through The Bond Buyer Wire not less than 24 hours prior to the time bids are to be received.
- Manner:** Electronic Bids, via Grant Street Group's MuniAuction, Inc. ("MuniAuction"). No other provider of electronic bidding services, and no other means of delivery of bids (e.g., telephone, fax, telegraph or personal delivery) will be accepted. See "TERMS OF SALE AND ELECTRONIC BIDDING PROCEDURES – ELECTRONIC BIDDING PROCESS" herein.

For the purpose of purchasing \$30,000,000* principal amount of 2004-05 Tax and Revenue Anticipation Notes (the "Notes"), of the City pursuant to a Resolution adopted by the City Council on September __, 2004 (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"), and under such statute 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, 2004 ("Fiscal Year 2004-05") and legally available therefor.

ISSUE: The Notes shall be sold in an aggregate principal amount of \$30,000,000* to be designated "City of Long Beach, California, 2004-05 Tax and Revenue Anticipation Notes." The principal amount of the Notes issued and delivered may be reduced as provided below under "PURCHASE PRICE."

DATE, MATURITY and INTEREST PAYMENT DATES: The Notes will be dated their date of delivery, which is expected to be on or about October 5, 2004, and will mature on October 4, 2005*. Interest on the Notes will be payable on October 4, 2005*.

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 of Long Beach, California, and are payable from taxes, income, revenues, cash receipts and other moneys of the City attributable to the City's 2004-05 fiscal year commencing October 1, 2004 which are legally available for payment thereof. Certain of said pledged moneys have been specifically pledged to the payment of the principal of the Notes and the interest thereon, to wit: an amount equal to 15% of the principal amount of the Notes from the first unrestricted revenues received by the City in the month ending April 30, 2005; an amount equal to 15% of the principal amount of the Notes from the first unrestricted revenues received by the City during the month ending May 31, 2005; an amount equal to 15% of the principal amount of the Notes from the first unrestricted revenues received by the City during

* Preliminary, subject to change.

the month ending June 30, 2005; an amount equal to 15% of the principal amount of the Notes from the first unrestricted revenues received by the City during the month ending July 31, 2005; an amount equal to 15% of the principal amount of the Notes from the first unrestricted revenues received by the City during the month ending August 31, 2005; and an amount equal to 25% of the principal amount of the Notes, plus an amount sufficient to pay interest on the Notes at maturity, from the first unrestricted revenues received by the City in the month ending September 30, 2005.

REPAYMENT ACCOUNT: The Pledged Moneys shall be deposited by the City and held by the City Treasurer, acting as Fiscal Agent in trust in 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 Moneys shall, when received, be deposited in the Repayment Account, maintained by the City Treasurer, as Fiscal Agent and held in the City Treasury. 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.

DEPOSIT OF NOTE PROCEEDS: The Resolution provides that the Note proceeds shall be deposited in the general fund of the City.

PAYMENT: Both principal and interest are payable in lawful money of the United States of America at the office of the Fiscal Agent, to 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 The Depository Trust Company, New York, New York ("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 MuniAuction and must be received not later than 9:30 a.m. 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: To bid via the MuniAuction website, bidders must have both (1) completed the registration form on the MuniAuction website and (2) requested and received admission to the City's auction, as described under "Registration and Admission to Bid" below. The use of MuniAuction shall be at the bidder's risk and expense, and the City shall have no liability with respect thereto. By submitting a bid for the Notes, a prospective bidder represents and warrants to the City that such bidder's bid for the purchase of the Notes (if a bid is submitted in connection with the sale) is submitted for and on behalf of such prospective bidder by an officer or agent who is duly authorized to bind the prospective bidder to a legal, valid and enforceable contract for the purchase of the Notes. By

registering to bid for the Notes, a prospective bidder is not obligated to submit a bid in connection with the sale.

If any provisions of this Notice Inviting Bids shall conflict with information provided by MuniAuction, an approved provider of electronic bidding services, this Notice of Inviting Bids shall control, except for any Amendments to this Notice of Inviting Bids posted on the MuniAuction website, in which case such Amendments shall control. Further information about MuniAuction, including qualification, registration, rules and any fee charged, may be obtained from Grant Street Group by calling Grant Street Group's auction support at (412) 391-5555 (x370).

Each qualified prospective bidder shall be solely responsible to make necessary arrangements to access MuniAuction for purposes of submitting its bid in a timely manner and in compliance with the requirements of the Notice of Inviting Bids. Neither the City nor MuniAuction shall have any duty or obligation to undertake such registration to bid for any prospective bidder or to provide or assure such access to any qualified prospective bidder, and neither the City nor MuniAuction shall be responsible for a bidder's failure to register to bid or for proper operation of, or have any liability for any delays or interruptions of, or any damages caused by MuniAuction. The City is not bound by any advice and determination of MuniAuction to the effect that any particular bid complies with the terms of this Notice Inviting Bids and in particular the bid specifications hereinafter set forth. All costs and expenses incurred by prospective bidders in connection with their registration and submission of bids via MuniAuction are the sole responsibility of the bidders; the City is not responsible, directly or indirectly, for any of such costs or expenses. If a prospective bidder encounters any difficulty in registering to bid or submitting, modifying or withdrawing a bid for the Notes, it should telephone Grant Street Group and notify Janet An of Public Financial Management at (415) 982-5544. After receipt of bids is closed, the City, through MuniAuction, will indicate the apparent Purchaser. Such message is a courtesy only for viewers, and does not constitute the award of the Notes. Each bid will remain subject to review by the City to determine its true interest cost rate and compliance with the terms of this Notice Inviting Bids and to award the Notes.

REGISTRATION AND ADMISSION TO BID: To bid via MuniAuction, bidders must first visit the MuniAuction website where, if they have never registered with MuniAuction, they can register and then request admission to bid on the Notes. Bidders will be notified prior to the scheduled bidding time of their eligibility to bid. Only NASD registered broker-dealers and dealer banks with DTC clearing arrangements will be eligible to bid. Bidders who have previously registered with MuniAuction or any other website administered by MuniAuction's Auction Administrator, may call the Auction Administrator at (412) 391-7686 for their ID Number or password.

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.

BIDDING DETAILS: Bidders should be aware of the following bidding details associated with the sale for each series of Notes:

- (1) **All bids must be submitted on the MuniAuction website at either www.GrantStreet.com or www.MuniAuction.com. No telephone, telefax, telegraph or personal delivery bids will be accepted.**
- (2) Bidders are permitted to submit bids for the Notes in only an all-or-none auction during the bidding time period.

- (3) Bidders may change and submit bids as many times as they like during the bidding time period; provided, however, each and any bid submitted subsequent to a bidder's initial bid must result in a lower true interest cost ("TIC") with respect to a bid when compared to the immediately preceding bid of such bidder. See "Bid Procedure and Basis of Award" below.
- (4) The final bid submitted by a bidder before the end of the bidding time period will be compared to all other final bids submitted by others to determine the winning bidder.
- (5) During the bidding, no bidder will see any other bidder's bid, but each bidder will see whether its bid is a leading bid relative to other bids.
- (6) On the Auction Page, bidders will be able to see whether any bid has been submitted.

RULES OF MUNIAUCTION: The "Rules" of MuniAuction can be viewed on the MuniAuction website and are incorporated herein by reference. Bidders must comply with the Rules of MuniAuction in addition to the requirements of this Official Notice Inviting Bids. In the event of a conflict between the Rules of MuniAuction and this Official Notice Inviting Bids, this Official Notice Inviting Bids shall control.

PURCHASE PRICE: The Notes will be awarded as a unit to the bidder whose legally acceptable bid, including any premium, produces the lowest TIC (on an annual 30/360 basis). 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 (if any).

In the event that the winning bid contains a premium in excess of \$ _____, 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 \$ _____.

INTEREST RATE: Interest with respect to the Notes will be calculated on a 30/360 day basis and is payable on October 4, 2005*. In connection with the bids submitted for the Notes, (i) each bidder must bid an interest rate in a multiple of one one-thousandth of one percent (1/1000 of 1%) per annum which rate must be less than _% per annum; (ii) interest with respect to a Note shall be computed annually from its date to the stated maturity date, October 4, 2005 at the interest rate specified in the bid; (iii) the same interest rate shall apply to all Notes; and (iv) 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: Each bid must be accompanied by a financial surety bond or a check in the amount of 1 % of par or \$300,000* payable to the order of the "City of Long Beach," to secure the City from any loss resulting from the failure of the bidder to comply with the terms of its bid (the "Good Faith Deposit"). The financial surety bond must be from an insurance company licensed to issue such a bond in the State of California, whose claims-paying ability is rated in the highest rating category (without regard to subcategories) by Moody's Investors Service and Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. Such financial surety bond must be submitted *prior* to the time bids are to be received to Public Financial Management, Inc., 50 California Street, 23rd Floor, San Francisco, California, 94111, Attn: Janet An, phone: (415) 982-5544, fax: (415) 982-4513. The financial surety bond must identify each bidder whose good faith deposit is guaranteed by such financial surety bond, and the City assumes no responsibility for any failure of a financial surety bond to list any bidder or

*Preliminary, subject to change.

to be received on a timely basis as described in the preceding sentence. Once the Notes are awarded to a bidder utilizing a financial surety bond, then that bidder shall deliver its good faith deposit to the Treasury Manager of the City in the form of a cashier's check (meeting the requirements set forth above) or by wire transfer no later than 12:00 noon (California time) on the business day immediately following the award. Wiring instructions for the Good Faith Deposit are as follows:

Union Bank of California
Acct#: 27400-16582
Acct: City of Long Beach
ABA#: 122-000-496

The City does not endorse the use of a financial surety bond or of any provider of such a surety bond. The City will accept a financial surety bond in lieu of a cashier's check under the terms described herein solely as an accommodation to bidders, and it is understood and agreed by each bidder using such a bond that the bidder must make its own arrangements with the provider of the bond.

No interest will be paid upon the deposit made by any bidder. Good Faith Deposit checks of all bidders (except the successful bidder or bidders, herein the "Purchaser" or "Purchasers") will be returned by the City promptly following the award of the Notes to the Purchaser. The Good Faith Deposit will be invested for the exclusive benefit of the City. The principal amount of each such deposit shall be applied to the purchase price of the Notes at the time of delivery thereof.

If any Purchaser shall fail to pay the purchase price of the Notes awarded to it in full upon tender of the Notes, such Purchaser shall have no right in or to the Notes or to the recovery of its deposit, or to any allowance or credit by reason of such deposit, unless it shall appear that the Notes would not be validly issued if delivered to such Purchaser in the form and manner proposed. In the event of nonpayment by any Purchaser, the amount of such Purchaser's Good Faith Deposit shall be retained by the City as and for liquidated damages for such failure by such Purchaser, and such retention shall constitute a full release and discharge of all claims by the City against such Purchaser arising from such failure. The City's actual damages in such an event may be greater or may be less than the amount of such Purchaser's Good Faith Deposit. Each bidder waives any right to claim that the City's actual damages are less than such amount.

CERTIFICATION OF REOFFERING PRICE AND NRMSIR FILING: The Purchaser shall be required, as a condition to the delivery of the Notes by the City, to certify to the City in writing the price at which a substantial amount of the Notes were sold to the public, in form and substance satisfactory to the City and Note Counsel. The Purchaser shall also certify to the City that a copy of the final Official Statement relating to the Notes has been deposited with a nationally-recognized municipal securities information repository, if applicable.

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 Purchaser.

RIGHT OF REJECTION AND WAIVER: The City reserves the right, in its discretion, to reject any and all bids to waive any irregularity or informality in any bid and to select the winning bidder among bidders submitting identical bids.

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 The Bond Buyer Wire 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 Purchaser 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 Purchaser's responsibility. Any delay, error or omission with respect thereto will not constitute cause for the Purchaser to refuse to accept delivery of and pay for the Notes.

PAYMENT: Payment of the purchase price must be made in funds immediately available to the Director of Financial Management/Treasurer of the City of Long Beach, California on the date of delivery of the Notes, which is expected to be on or about October 5, 2004.

CHANGE IN TAX EXEMPT STATUS: At any time before the Notes are tendered for delivery, the Purchaser 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: The Purchaser will be required pursuant to California law to pay any fees due to the California Debt and Investment Advisory Commission ("CDIAC"). CDIAC will invoice the Purchaser after the closing of the Notes.

OFFICIAL STATEMENT: The Preliminary Official Statement, together with any supplements thereto, is in a form "deemed final" by the City for purposes of SEC Rule 15c2-12, but is subject to revision, amendment and completion in a final Official Statement. The City will provide each Purchaser such number of printed copies of the Official Statement for this issue as such Purchaser may reasonably request. Up to 50 copies of the Official Statement will be furnished without cost within seven days of the sale, and any additional copies will be furnished at the expense of the Purchaser.

CLOSING PAPERS; LEGAL OPINION: The obligation of the Purchaser to purchase the Notes will be conditioned upon the City furnishing to each Purchaser, without charge, concurrently with payment for and delivery of the Notes, the following closing papers, each dated the dated of such delivery:

(a) The final approving opinion of The Law Offices of Marilyn L. Garcia, Los Angeles, California, Note Counsel, in the form attached as Appendix B to the 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 of Long Beach 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 of Long Beach, 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

(f) The receipt of the Director of Financial Management/Treasurer or City Administrator of the City of Long Beach that the purchase price of the Notes has been received.

INFORMATION AVAILABLE: Requests for information concerning the City should be addressed to:

Public Financial Management
50 California Street, 23rd Floor
San Francisco, CA 94111
Attn: Janet An
Phone: (415) 982-5544
Fax: (415) 982-4513

CITY OF LONG BEACH

Dated: September __, 2004

EXHIBIT "B"

NOTICE OF INTENTION TO SELL

\$ _____ *

CITY OF LONG BEACH, CALIFORNIA
2004-05 TAX AND REVENUE ANTICIPATION NOTES

The City of Long Beach (the "City") intends to receive bids until 9:30 a.m., California Time, on Wednesday,

September 22, 2004

at the Office of the City Treasurer, City of Long Beach, 333 West Ocean Blvd., 6th Floor, Long Beach, California 90802-4664, for the above-referenced Tax and Revenue Anticipation Notes (the "Notes") dated October 5, 2004* and maturing on October 4, 2005. The City reserves the right, to the extent permitted by law, to postpone the date for accepting bids and establish a subsequent date on which bids are to be accepted, as more fully set forth in the Notice Inviting Bids.

All bids must be submitted only on the Grant Street Group's MuniAuction website located at www.GrantStreet.com. No other provider of internet bidding services and no other means of delivery (i.e. telephone, facsimile, or physical delivery) will be accepted. This auction for such Notes shall end at 9:30 a.m., California Time, on September 22, 2004, unless changed as to date and/or time.

Changes in the date and time for receipt of bids will be communicated by both MuniAuction and Munifacts News Service not later than 12:00 noon, California 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 City or from the offices of the City's financial advisor at the following locations: City Treasurer, City of Long Beach, 333 West Ocean Blvd., 6th Floor, Long Beach, CA 90802-4664, (562) 570-6845; and Public Financial Management Inc., 50 California St., Suite 2300, San Francisco, CA 94111, (415) 982-5544.

*Preliminary, subject to change.

EXHIBIT "C"

CITY OF LONG BEACH
STATE OF CALIFORNIA
2004-05 TAX AND REVENUE ANTICIPATION NOTES

Dated Date Interest Rate Maturity Date CUSIP No.
October __, 2004 _____% October __, 2005 _____

Principal Amount: \$ _____

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., at the office of the Treasurer of the City (the "Treasurer") the principal sum of _____ and 00/100 DOLLARS (\$ _____) in lawful money of the United States of America, on October __, 2005, with interest thereon at the rate of _____ percent (____%) 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 _____ and 00/100 Dollars (\$ _____) 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 __, 2004.

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 2004-05 fiscal year. As security for the payment of principal of and interest on the Notes, the City has pledged an amount equal to fifteen percent (15%) of the principal amount of the Notes from the first unrestricted revenues received by the City in the month ending April 30, 2005; and an amount equal to fifteen percent (15%) of the principal amount of the Notes from the first unrestricted revenues received by the City during the month ending May 31, 2005; and an amount equal to fifteen percent (15%) of the principal amount of the Notes from the first unrestricted revenues received by the City in the month ending June 30, 2005; an amount equal to fifteen (15%) of the principal amount of the Notes from the first unrestricted revenues received by the City in the month ending July 31, 2005; and amount equal to fifteen percent (15%) of the principal amount of the Notes from the first unrestricted revenues received by the City in the month ending August 31, 2005; and an amount equal to twenty-five (25%) of the principal amount of the Notes plus an amount sufficient to pay interest on the Notes at maturity from the first unrestricted revenues of the City to be received in the month ending September 30, 2005 (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 other moneys of the City lawfully available therefore.

Unless this Note is presented by an authorized representative of The Depository Trust Company to the City or its agent for registration of transfer, exchange or payment,

and any Note issued is registered in the name of Cede & Co. or such other name as requested by authorized representative of The Depository Trust Company and any payment is made to Cede & Co., ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL since the registered owner hereof, Cede & Co., has an interest herein.

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

IN WITNESS WHEREOF, the City has caused this Note to be executed by the City Manager and the City Treasurer, and has caused it to be countersigned by the City Clerk, which signatures may be either by their manual or facsimile signatures, has caused a facsimile of its official seal to be printed thereon, and has caused this Note to be dated October __, 2004.

CITY OF LONG BEACH, CALIFORNIA

[SEAL]

By _____
City Manager

By _____
City Treasurer

Countersigned:

City Clerk

CERTIFICATE OF AUTHENTICATION

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

Dated: _____, 2004

as Paying Agent

By: _____
Authorized Signatory

EXHIBIT "D"

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, 2004-05 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 __, 2004 (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 Underwriters 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:

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

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

"National Repository" shall mean any Nationally Recognized Municipal Securities Information Repository under the Rule.

"Participating Underwriter" shall mean any of the original underwriters of the Notes required to comply with the Rule in connection with the offering of the Notes.

"Repository" shall mean each State Repository, of any, and National Repository.

"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.

"State Repository" shall mean any public or private repository or entity designated by the State of California as a state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. As of the date of this Disclosure Certificate, there is no State Repository.

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, if material:

- (1) Principal and interest payment delinquencies or delinquencies in any scheduled deposit into a Repayment Account.
- (2) Non-payment related defaults.
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties.

- (4) Unscheduled draws on credit enhancements reflecting financial difficulties.
- (5) Adverse tax opinions or events affecting the tax-exempt status of the Notes.
- (6) Modifications to rights of Note holders.
- (7) Contingent or uncheduled Note calls.
- (8) Defeasances.
- (9) Release, substitution, or sale of property securing repayment of the Notes.
- (10) Rating changes.
- (11) Substitution of credit or liquidity providers, or their failure to perform.

(b) Whenever the City obtains knowledge of the occurrence of a Listed Event, the City shall as soon as possible determine if such event would be material under applicable Federal securities law.

(c) If the City determines that knowledge of the occurrence of a Listed Event would be material under applicable Federal securities law, the City shall promptly file a notice of such occurrence with the Municipal Securities Rulemaking Board and each State Repository. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) 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, prior redemption 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(c).

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(a) 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 attorney 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 Underwriters and holders and beneficial owners from time to time of the Notes, and shall create no rights in any other person or entity.

Date: October __, 2004

CITY OF LONG BEACH, CALIFORNIA

By _____
City Manager

NEW ISSUE—BOOK-ENTRY ONLY

RATINGS
 Moody's: _____
 Standard & Poor's: _____
 Fitch: _____
 See "RATINGS" herein.

In the opinion of Note Counsel, under existing law, assuming compliance by the City with certain covenants in the Resolution and the Tax Certificate (both defined herein) and requirements of the Internal Revenue Code of 1986, as amended (the "Code"), and the Treasury Regulations promulgated thereunder, as described herein, interest on the Notes is excluded from gross income of the owners thereof for federal income tax purposes. In the further opinion of Note Counsel, interest on the Notes is not treated as an item of tax preference for purposes of calculating federal alternative minimum taxable income of individuals and corporations. Such interest, however, is included as an adjustment for purposes of calculating federal corporate alternative minimum taxable income and may therefore affect a corporation's alternative minimum tax liability. In the further opinion of Note Counsel, interest on the Notes is exempt from personal income taxes imposed by the State of California. See "TAX MATTERS" herein.



\$30,000,000*
CITY OF LONG BEACH, CALIFORNIA
2004-05 TAX AND REVENUE ANTICIPATION NOTES

Dated: Date of Delivery

Due: October 4, 2005

Principal of and interest on the 2004-2005 Tax and Revenue Anticipation Notes (the "Notes") is payable on October 4, 2005 to the persons appearing on the registration books of the Paying Agent as the registered owner thereof (the "Owner"), such interest and principal to be paid by check mailed by first class mail to such Owner at the address as it appears on such registration books. So long as The Depository Trust Company ("DTC"), New York, New York, or its nominee, is the registered Owner of the Notes, payment of principal of and interest on the Notes will be made by wire directly to DTC or its nominee. DTC is obligated to remit such payments to the DTC Participants, who are in turn obligated to remit such payment to the beneficial owners of the Notes. The Notes are to be delivered in fully registered, book-entry form only. The Notes will be available to the beneficial owners thereof in the denomination of \$5,000 each and any multiple thereof under the book-entry system maintained by DTC. Purchasers of beneficial ownership interests in the Notes will not receive physical delivery of the Notes.

<u>Amount</u>	<u>Rate</u>	<u>Yield</u>
\$30,000,000*	_._%	_._%

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 2004-05 fiscal year commencing October 1, 2004 which are legally available for payment thereof. Certain of said moneys have been specifically pledged to the payment of the principal of the Notes and the interest thereon, to wit: an amount equal to 15% of the principal amount of the Notes from the first unrestricted revenues received by the City in the month ending April 30, 2005; an amount equal to 15% of the principal amount of the Notes from the first unrestricted revenues received by the City during the month ending May 31, 2005; an amount equal to 15% of the principal amount of the Notes from the first unrestricted revenues received by the City during the month ending June 30, 2005; an amount equal to 15% of the principal amount of the Notes from the first unrestricted revenues received by the City during the month ending July 31, 2005; an amount equal to 15% of the principal amount of the Notes from the first unrestricted revenues received by the City during the month ending August 31, 2005; and an amount equal to 25% of the principal amount of the Notes, plus an amount sufficient to pay interest on the Notes at maturity, from the first unrestricted revenues received by the City in the month ending September 30, 2005.

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 will be sold by competitive sale on September 22, 2004. The Notes will be offered when, as and if executed and delivered, subject to the approval as to their legality of The Law Offices of Marilyn L. Garcia, Los Angeles, California, Note Counsel. It is anticipated that the Notes, in definitive form, will be available for delivery in New York, New York, on or about October 5, 2004.

Dated: September __, 2004

* Preliminary, subject to change.

No dealer, broker, sales person or other person has been authorized by the City or the Underwriter to give any information or to make any representation other than those contained herein and, if given or made, such other information or representation must not be relied upon as having been authorized by the City or the Underwriter. The Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any offer, solicitation or sale of the Notes by a person in any jurisdiction in which it is unlawful for such person to make an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers of the Notes. The information set forth herein has been obtained from sources which are believed to be reliable but it is not guaranteed as to accuracy or completeness. The information and expressions of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made thereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City since the date hereof. Notwithstanding the foregoing, the City has made certain covenants regarding its disclosure of certain material events, more particularly described herein under the caption "THE NOTES - Covenant Regarding Further Disclosure." This Official Statement is submitted with respect to the sale of the Notes referred to herein and may not be reproduced or used, in whole or in part, for any other purpose, unless authorized in writing by the City. All summaries of the documents and laws are made subject to the provisions thereof and do not purport to be complete statements of any or all such provisions.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE NOTES AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANYTIME.

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

THIS PRELIMINARY OFFICIAL STATEMENT AND THE INFORMATION CONTAINED HEREIN IS IN A FORM DEEMED FINAL BY THE CITY FOR THE PURPOSE OF RULE A5C2-12 UNDER THE SECURITIES AND 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 AMWENDEMENT IN A FINAL OFFICIAL STATEMENT.

CITY OF LONG BEACH
LOS ANGELES COUNTY, CALIFORNIA

MAYOR AND CITY COUNCIL

Beverly O'Neill
Mayor

Jackie Kell, Fifth District *Vice Mayor*

Bonnie Lowenthal, First District

Laura Richardson, Sixth District

Dan Baker, Second District

Tonia Reyes Uranga, Seventh District

Frank Colonna, Third District

Rae Gabelich, Eighth District

Patrick O'Donnell, Fourth District

Val Lerch, Ninth District

CITY OFFICIALS

Gerald R. Miller
City Manager

Michael Killebrew
Acting Director of Financial Management

Michael McNamara
Interim City Treasurer

Robert E. Shannon
City Attorney

Gary L. Burroughs
City Auditor

Thomas M. Reeves
City Prosecutor

Larry Herrera
City Clerk

PROFESSIONAL SERVICES

The Law Offices of Marilyn L. Garcia
Note Counsel

Public Financial Management, Inc.
Financial Advisor

Bank of New York
Paying Agent

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OFFICIAL STATEMENT

\$30,000,000*

CITY OF LONG BEACH, CALIFORNIA 2004-05 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, 2004-05 Tax and Revenue Anticipation Notes" (the "Notes") in the aggregate principal amount of \$30,000,000*. The Notes were authorized pursuant to a resolution of the City adopted September 14, 2004 (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 "Government Code"). 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, 2004 (the "2004-05 Fiscal Year") and legally available thereof. Proceeds from the sale of the Notes will be used for current General Fund expenditures, including current expenses and capital expenditures. 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 received and lawfully available for payment of the Notes and interest thereon.

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 2004-05 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 \$30,000,000* will be issued in denominations of \$5,000 or integral multiples thereof. The Notes will be dated October 5, 2004 and will mature October 4, 2005. The Notes shall bear interest at the rate set forth on the cover page hereof, 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.

* Preliminary, subject to change

Book-Entry-Only System

DTC will act as securities depository for the Notes. Upon the issuance of the Notes, one fully registered Note, as set forth on the cover page hereof, will be registered in the name of Cede & Co., as a nominee for DTC. DTC is a limited-purpose trust company organized under the laws of the State of New York, a member of the Federal Reserve System, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC was created to hold securities of its participants (the "DTC Participants") and to facilitate the clearance and settlement of securities transactions among DTC Participants in such securities through electronic book-entry changes in accounts of the DTC Participants, thereby eliminating the need for physical movement of securities certificates. DTC Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations, some of whom (and/or their representatives) own DTC. Access to the DTC system is also available to others such as banks, brokers, dealers, and trust companies that clear through or maintain a custodial relationship with a DTC Participant, either directly or indirectly.

Ownership interests in the Notes may be purchased by or through DTC Participants. Such DTC Participants and the persons for whom they acquire interests in the Notes as nominees will not receive certificated Notes, but such DTC Participants will receive a credit balance in the records of DTC in the amount of \$5,000 or any integral multiple thereof which will evidence such DTC Participants' interests in the Notes. Such acquisition will be confirmed in writing in accordance with DTC's standard procedures. Each such person for which a DTC Participant acquires an interest in the Notes, as nominee, may desire to make arrangements with such DTC Participant to receive a credit balance in the records of such DTC Participant, and may desire to make arrangements with such DTC Participant to have all communications of the City to DTC, which may affect such persons, to be forwarded in writing by such DTC Participant.

In this Official Statement, the term "Beneficial Owner" shall mean the person for whom the DTC Participant acquires an interest in the Notes.

DTC will receive payment of the principal of and interest on the Notes upon maturity of the Notes from the Paying Agent, to be remitted by DTC to the DTC Participants for subsequent disbursements to the Beneficial Owners. NO ASSURANCE IS GIVEN BY THE CITY OR THE PAYING AGENT THAT DTC AND DTC PARTICIPANTS WILL MAKE PROMPT TRANSFER OF PAYMENTS TO BENEFICIAL OWNERS. THE CITY AND THE PAYING AGENT ARE NOT RESPONSIBLE OR LIABLE FOR PAYMENTS OR FAILURES TO PAY BY DTC OR DTC PARTICIPANTS OR FOR SENDING TRANSACTION STATEMENTS OR FOR MAINTAINING, SUPERVISING, OR REVIEWING RECORDS MAINTAINED BY DTC OR DTC PARTICIPANTS.

The ownership interest of each Beneficial Owner in the Notes will be recorded in the records of the DTC Participants whose ownership interest will be recorded on a computerized book-entry system operated by DTC. When reference is made to any action that is required or permitted to be taken by the Beneficial Owners, such reference shall only relate to those permitted to act (by statute, regulation, or otherwise) on behalf of such Beneficial Owners for such purposes. When notices are given, they shall be sent by the City, or any fiduciary acting on behalf of the City, to DTC.

So long as CEDE & Co. is the registered owner of the Notes, as nominee for DTC, references herein to the registered owners of the Notes (other than for federal and state income tax purposes) shall mean CEDE & Co., as aforesaid, and shall not mean the Beneficial Owners of the Notes.

NEITHER THE CITY NOR THE PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS, OR BENEFICIAL OWNERS WITH RESPECT TO THE PAYMENT BY DTC, ANY DTC PARTICIPANT, OR ANY INDIRECT PARTICIPANT OF THE PRINCIPAL OR INTEREST OF THE NOTES; THE PROVIDING OF NOTICE TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS, OR BENEFICIAL OWNERS; THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DTC PARTICIPANT, OR ANY INDIRECT PARTICIPANT; OR ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS OWNER OF THE NOTES.

Transfers of ownership interests in the Notes will be accomplished by book entries made by DTC and the DTC Participants who act on behalf of the Beneficial Owners. For every transfer and exchange of the Notes, the Beneficial Owner may be charged a sum sufficient to cover any tax, fee, or other governmental charge that may be imposed in relation thereto.

DTC may determine to discontinue providing its services with respect to the Notes at any time by giving notice to the City and discharging its responsibilities with respect thereto under applicable law. Under such circumstances (if there is not a successor securities depository), Note certificates are required to be delivered as described in the Ordinance. The Beneficial Owner, upon registration of certificates held in the Beneficial Owner's name, will become the registered owner of the Notes.

In the event DTC determines not to continue to act as securities depository for the Notes, then the City will discontinue the book-entry system with DTC. If the City determines to replace DTC with another qualified securities depository, the City will prepare or direct the preparation of a new single, separate, fully registered Note, registered in the name of such successor or substitute qualified securities depository or its nominee. If the City does not identify another qualified securities depository to replace DTC, then the Notes will no longer be restricted to being registered in the Note register in the name of CEDE & Co., but will be registered in whatever name or names owners of the Notes transferring or exchanging Notes shall designate in accordance with the Ordinance, and the City will prepare and deliver Notes to the owners thereof for such purpose.

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 2004-05 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: (i) an amount equal to 15% of the principal amount of the Notes from the first unrestricted revenues received by the City during the month ending April 30, 2005; (ii) an amount equal to 15% of the principal amount of the Notes from the first unrestricted revenues received by the City during the month ending May 31, 2005; (iii) an amount equal to 15% of the principal amount of the Notes from the first unrestricted revenues received by the City during the month ending June 30, 2005; (iv) an amount equal to 15% of the principal amount of the Notes from the first unrestricted revenues received by the City during the month ending July 31, 2005; (v) an amount equal to 15% of the principal amount of the Notes from the first unrestricted revenues received by the City during the month ending August 31, 2005; and (vi) an amount equal to 25% of the principal amount of the Notes, plus an amount sufficient to pay interest on the Notes to maturity, from the first unrestricted revenues received by the City during the month ending September 30, 2005.

The Pledged Moneys shall be deposited by the City and held by the City Treasurer, acting as Fiscal Agent in trust in 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. 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.

The Resolution requires that the Pledged Revenues be deposited and held in a special account (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.

Available Sources of Repayment

The Notes, in accordance with the Act, are general obligations 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 2004-05 Fiscal Year and which are generally available for the payment of current expenses and other obligations of the City. The Constitution of the State substantially limits the City's ability to levy *ad valorem* taxes (see "CONSTITUTIONAL LIMITATIONS" 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 percent of the estimated moneys legally available for the repayment of the Notes and any other bonds, notes, and warrants issued pursuant to the Act. 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 2004-05 Fiscal Year. Further detail as to the estimated unrestricted moneys ("Unrestricted Moneys") available for repayment and the resultant Note Coverage Ratio (defined below) can be found in the table "City of Long Beach Fiscal Year 2004-2005 General Fund Cash Flow (in Thousands)," "2004-05 Estimated Unrestricted Moneys Available For Note Repayment."

The Note Coverage Ratio is the ratio of estimated Unrestricted Moneys available to repay the principal of and interest on the Notes, to the amount of Unrestricted Moneys needed to pay principal of and interest on the Notes. The City expects to receive a projected \$327,676,000 in Unrestricted Moneys on a cash basis (including carry-over balances and transfers, but net of proceeds of the Notes). Based on an amount of Unrestricted Moneys needed to pay principal and interest on the Notes of \$_____, the Note Coverage Ratio is ____.

Cash Flows

The table below gives details as to the source and amount of estimated Unrestricted Moneys available for repayment and the Note Coverage Ratio.

**City of Long Beach
2004 - 05 Estimated Unrestricted Moneys
Available for Note Repayment
(in thousands)**

Revenue Source

Cash Balance, October 1, 2004	\$11,785
Property Tax	61,483
State Taxes	65,173
Local Taxes	54,981
Licenses & Permits	16,861
Fines and Forfeitures	13,526
Interest Earnings	3,672
Charges to other City Funds	38,311
Service Charges	11,592
City Utilities in Lieu	15,497
Interfund Transfers	26,172
Miscellaneous	<u>8,623</u>
Total Unrestricted Moneys	<u>\$327,676</u>
Principal Plus Interest Needs*	_____
Note Coverage Ratio	_____

* Interest Rate of . %

**City of Long Beach Fiscal Year 2003-2004
General Fund Cash Flow (in Thousands)**

(000's)	Actuals Oct-03	Actuals Nov-03	Actuals 12/1-12/19	Actuals 12/20-12/31	Actuals Jan-04	Actuals Feb-04	Actuals Mar-04	Actuals Apr-04	Actuals May-04	Actuals Jun-04	Actuals Jul-04	Estimate Aug-04	Estimate Sep-04	Total
Beginning Cash Balance	6,626	24,518	16,882	2,156	34,676	25,121	29,315	40,637	44,404	44,482	40,671	16,462	7,995	6,626
Revenues														
Property Taxes	234	672	162	20,291	5,417	3,760	814	15,806	5,922	278	890	1,390	15	55,650
Sales & Use Tax	3,078	4,039	0	2,688	2,873	3,967	3,133	3,111	3,702	4,064	2,971	3,464	2,716	39,908
Oil Production Taxes	11	24	0	531	13	89	534	17	1	538	22	0	545	2,305
Franchises	39	4,366	0	625	31	56	1,719	1,420	2,139	825	0	2,710	625	14,374
Utility Users Tax	4,724	2,513	2,293	2,028	3,730	3,754	3,703	3,663	3,575	3,245	3,929	3,349	4,075	44,582
Business License Tax	678	968	718	16	1,249	653	603	721	620	745	831	812	828	9,240
Transient Occupancy Tax	557	830	283	155	435	551	650	633	587	537	699	642	643	7,003
Other Taxes	0	157	159	176	234	142	516	544	211	177	252	159	223	2,950
Fines & Forfeitures	895	871	806	522	1,019	1,068	1,090	1,169	1,240	1,113	1,121	1,173	1,202	13,290
Interest on Investments	265	244	6	306	292	309	302	320	528	326	294	222	275	3,690
Other Use of Money & Property	957	808	325	327	876	966	1,085	1,094	934	1,186	680	875	1,063	11,117
State Prop. Tax Exempt. Replace.	0	0	0	100	233	0	0	0	233	100	0	0	0	666
Motor Vehicle In Lieu	974	1,334	496	0	3,343	2,511	2,131	2,937	2,158	2,244	2,289	579	221	21,216
Other	300	318	5	362	297	4,450	847	11,920	E&G	248	439	1,146	632	21,462
City Utilities In-Lieu	0	0	0	0	0	0	5,000	0	0	3,269	0	2,353	937	11,579
Sundry Revenues	207	177	63	156	339	191	1,505	330	267	317	182	725	941	5,399
Interfund Transfers	100	0	0	5,000	1,720	4,816	1,805	741	365	1,389	106	1,430	16,134	35,806
Licenses and Permits	1,531	1,265	926	90	1,149	1,323	1,396	1,814	1,941	2,136	966	1,593	1,434	17,565
From Other Govt. Agencies	141	245	39	14	133	217	341	327	136	180	162	486	1,568	3,989
Charges to Other City Funds	1,452	2,461	764	1,811	1,829	2,617	8,078	2,616	2,993	2,374	1,291	2,763	4,388	36,436
Other Reimb and Chgs for Svcs	608	621	279	454	3,067	791	878	991	1,008	517	983	727	913	11,840
TRAN-Principal	30,000	0	0	0	0	0	0	0	0	0	0	0	0	30,000
Miscellaneous	10	A 132	0	1,038	B 223	C 394	D 482	F 290	I 1,336	J 2,706	386	400	1,000	8,397
Sub-Total	46,763	21,864	7,322	36,686	28,603	32,546	37,591	50,462	30,144	28,586	18,494	27,000	42,198	408,261
Expenditures														
Personal	(18,593)	K (22,839)	(17,690)	(0)	(28,648)	(18,232)	(18,463)	(22,023)	(17,968)	(19,158)	(29,335)	(21,953)	(18,415)	K (253,316)
Non-Personal Services	(1,618)	(2,499)	(3,025)	(1,030)	(3,925)	(3,595)	(3,977)	(3,813)	(3,178)	(4,701)	(4,543)	(4,878)	(8,413)	(49,197)
Capital Outlay	27	(198)	(79)	(123)	(215)	(4,099)	E (71)	(178)	(275)	(201)	(130)	(405)	(76)	(6,022)
Debt Service	(805)	(23)	(1,274)	(933)	(123)	(152)	(992)	(12,100)	G (1,529)	(1,879)	(305)	0	0	(20,114)
TRAN-Principal Repayment	0	0	0	0	0	0	0	(4,500)	(4,500)	(4,500)	(4,500)	(4,500)	(7,500)	(30,000)
TRAN-Interest Repayment	0	0	0	0	0	0	0	(68)	(68)	(68)	(68)	(68)	(113)	(450)
Operating Transfers	(4,298)	(221)	0	(29)	(1,122)	(109)	(181)	(128)	(115)	(210)	(167)	(43)	(201)	(8,822)
Internal Services	(2,743)	(3,688)	20	(2,054)	(4,125)	(2,166)	(2,566)	(3,166)	(2,433)	(1,684)	(3,655)	(3,620)	(3,690)	(35,610)
Miscellaneous	(840)	(31)	0	0	0	0	0	(700)	H 0	0	0	0	0	(1,571)
Sub-Total	(28,871)	(29,500)	(22,048)	(4,189)	(38,158)	(28,352)	(26,269)	(46,695)	(30,065)	(32,398)	(42,702)	(35,467)	(38,408)	(403,702)
Ending Cash Balance	24,518	16,882	2,156	34,676	25,121	29,315	40,637	44,404	44,482	40,671	16,462	7,995	11,785	11,785

Reserve for Operating Reserve (\$200,000) and additional Emergency Reserve (\$609,708) per adopted financial policies and reserve

A \$30,770 bus shelter money

B Received Capl for Public Safety Facility Debt payment

C Unreserve Bus Shelter Revenue to offset YTD Police expense

D Unreserve Helicopter

E Lease expense for Sweepers (\$2.9 million) and Ambulances (\$1.0 million). Offset by proceeds in April 2004.

F Adjust reserves for Skylinks (\$17,297) and Parking Plaza (-\$4,055)

G Towne Center Note proceeds offset expense

H Annual reserve for Sports Park (\$700k)

I Adjust reserves for Public Safety Bond Payment (\$795,615) and Skylinks Bond Payment (\$467,979)

J Reverse April transaction to reserve \$700k for Sports Park and release \$1.2 million for Golf EIR and lost golf revenue

K Adjust in/out for pay period accrual from FAMIS actuals

**City of Long Beach Fiscal Year 2004-2005
Projected General Fund Cash Flow (in Thousands)**

(000's)	Estimate Oct-04	Estimate Nov-04	Estimate 12/1-12/19	Estimate 12/20-12/31	Estimate Jan-05	Estimate Feb-05	Estimate Mar-05	Estimate Apr-05	Estimate May-05	Estimate Jun-05	Estimate Jul-05	Estimate Aug-05	Estimate Sep-05	Total
Beginning Cash Balance	11,785	33,130	23,450	415	26,384	44,199	47,541	47,113	44,507	54,523	44,327	19,487	8,490	11,785
Revenues														
Property Taxes	317	1,078	34	22,432	6,131	4,744	544	17,455	5,583	361	1,362	1,426	17	61,483
Sales & Use Tax	2,143	2,847	0	3,254	2,209	2,850	3,051	2,079	2,163	3,314	2,224	2,792	3,399	32,325
Oil Production Taxes	13	4	78	385	97	13	454	90	1	447	112	0	545	2,240
Franchisees	8	4,867	0	133	364	1,156	2,213	378	3,187	4	6	3,662	292	18,270
Utility Users Tax	3,877	3,380	1,733	1,705	3,646	3,437	3,522	2,947	2,743	3,145	3,061	3,026	4,222	40,425
Business License Tax	640	1,004	501	293	1,309	684	672	930	550	714	817	848	655	9,616
Transient Occupancy Tax	559	617	282	245	443	559	660	660	571	616	665	681	662	7,200
Other Taxes	145	128	131	130	259	149	243	346	287	255	273	148	206	2,700
Fines & Forfeitures	1,035	919	580	608	1,107	974	1,337	1,272	967	1,171	1,213	1,194	1,148	13,526
Interest on Investments	405	251	27	226	245	398	338	317	239	457	243	235	290	3,672
Other Use of Money & Property	864	849	215	623	1,224	798	1,146	1,065	840	1,228	1,080	1,003	1,802	12,736
State Prop. Tax Exempt. Replace.	0	0	0	114	266	0	0	0	223	115	0	0	0	719
Motor Vehicle In Lieu	0	0	179	0	209	285	212	244	208	258	240	248	262	2,347
Other	316	326	113	147	197	636	783	1,382	261	379	446	327	814	6,129
In Lieu Sales Tax	0	0	0	0	4,032	0	0	0	4,032	0	0	0	0	8,065
In Lieu VLF	0	0	0	0	10,718	0	0	0	11,718	0	0	0	0	22,436
City Utilities In-Lieu	0	0	0	3,874	0	0	3,874	0	0	3,874	0	0	3,875	15,497
Sundry Revenues	251	168	84	114	331	134	519	200	163	782	237	842	1,039	4,868
Interfund Transfers	0	0	0	0	7,000	5,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	8,172
Licenses and Permits	1,231	1,189	621	527	1,256	1,534	1,682	1,394	1,304	1,822	1,390	1,532	1,379	16,861
From Other Govt. Agencies	87	13	26	11	46	176	237	88	188	131	125	233	570	1,913
Charges to Other City Funds	1,773	2,337	389	2,213	3,112	5,617	4,478	2,711	2,329	2,851	2,875	2,958	4,667	38,311
Charges to Other City Funds	2,298	2,862	389	2,738	3,637	6,142	5,003	3,238	2,855	3,376	3,401	3,483	5,192	38,311
Other Reimb and Chgs for Svcs	732	646	50	624	2,634	587	1,134	1,002	722	1,008	849	810	894	11,592
TRAN-Principal	34,000	0	0	0	0	0	0	0	0	0	0	0	0	34,000
Miscellaneous	525	525	0	1,231	568	980	1,473	695	525	525	525	525	525	8,623
Sub-Total	48,904	21,028	5,044	36,889	47,404	30,714	29,573	36,255	39,805	24,457	18,745	23,470	35,436	399,722
Expenditures														
Personal	(21,476)	(22,277)	(21,281)	(10,547)	(22,218)	(21,020)	(22,718)	(22,246)	(18,293)	(21,937)	(31,773)	(22,034)	(21,856)	(279,685)
Non-Personal Services	(2,320)	(3,095)	(2,482)	(1,086)	(3,654)	(3,267)	(3,630)	(4,005)	(2,608)	(3,444)	(3,123)	(3,598)	(7,332)	(43,643)
Capital Outlay	(14)	(20)	(60)	(13)	(145)	(179)	(175)	(70)	(221)	(72)	(74)	(92)	(314)	(1,448)
Debt Service	(318)	(125)	(1,021)	(627)	(177)	(181)	(354)	(4,039)	(795)	(1,055)	(55)	(78)	(936)	(9,760)
TRAN-Principal Repayment	0	0	0	0	0	0	0	(5,100)	(5,100)	(5,100)	(5,100)	(5,100)	(8,500)	(34,000)
TRAN-Interest Repayment	0	0	0	0	0	0	0	(102)	(102)	(102)	(102)	(102)	(170)	(680)
Operating Transfers	(678)	(2,454)	(1,227)	(3)	(266)	(308)	(165)	(478)	(150)	0	(85)	(103)	(485)	(6,381)
Internal Services	(2,553)	(2,738)	(2,000)	(633)	(3,139)	(2,418)	(2,959)	(2,822)	(2,521)	(2,943)	(3,313)	(3,340)	(3,408)	(34,787)
Miscellaneous	(200)	0	0	0	0	0	0	0	0	0	0	0	0	(200)
Sub-Total	(27,558)	(30,708)	(28,080)	(12,909)	(28,599)	(27,372)	(30,001)	(38,860)	(29,789)	(34,653)	(43,605)	(34,447)	(43,002)	(410,583)
Ending Cash Balance	33,130	23,450	415	26,394	44,199	47,541	47,113	44,507	54,523	44,327	19,487	8,490	924	924

- A Additional Operating Reserve balance per City Council budget adoption
 B Received Capl for Public Safety Facility Debt payment
 C Unreserve Bus Shelter Revenue to offset YTD Police expense
 D Release Asset Seizure for Helicopter Lease and PRM Expense
 E Release Sports Park Reserve
 F Release Helicopter Proceeds for Insurance Expense

Covenant Regarding Further Disclosure

Pursuant to the Resolution, the City has covenanted to comply with S.E.C. Rule 15c2-12(b)(5) and will enter into a Continuing Disclosure Certificate as of the closing date, in which it covenants to provide information regarding material adverse events, if any such events should occur in connection with the following, to the owners of the Notes and to certain Nationally Recognized Municipal Securities Information Repositories and a State Repository, if any, during the term of the Notes:

Principal and interest payment delinquencies or delinquencies in any scheduled deposit into a Repayment Account;

Non-payment related defaults;

Unscheduled draws on any debt service reserves reflecting financial difficulties;

Unscheduled draws on any credit enhancements reflecting financial difficulties;

Substitution of credit or liquidity providers, or their failure to perform;

Adverse tax opinions or events affecting the tax-exempt status of the Notes;

Modifications to the rights of Noteholders;

Contingent or unscheduled note calls;

Defeasances;

Release, substitution, or sale of property securing repayment of the Notes; or

Rating changes.

THE CITY

General

The City is a municipal corporation and charter 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 current population of approximately 481,000, it is the second largest city in the County and the fifth largest city in the State of California. 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, along with its related commercial activities, imparts strength to 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 current City Charter having been adopted in 1921 and amended from time to time thereafter.

The City operates under the council-mayor-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 City Council from among its members. Other citywide 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 employs approximately 5,854 persons within 22 departments.

The Police Department consists of approximately 1,460 uniformed officers and supporting personnel. The Fire Department operates 23 fire stations with approximately 540 firefighters, officers and employees. The City's Fire Department currently maintains a Class One insurance rating.

The City's Enterprise Funds (water, sewer, gas, airport, solid waste management and towing) represent net assets of more than \$2,334 million. In Fiscal Year 2003, these municipal enterprises generated gross operating revenues equal to approximately \$628 million.

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 City 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 estimated to be 481,000 on January 1, 2004. The City's population increased 27.5% during the three decades between 1970 and 2000. The following table sets forth the City's population growth relative to the population of the County and the State.

CITY OF LONG BEACH
County of Los Angeles and State of California
Population Data

Year	City of Long Beach	County of Los Angeles	State of California
2003	481,000	10,103,000	36,144,000
2002	473,131	9,824,807	35,037,196
2001	461,522	9,802,800	34,818,000
2000	457,608	9,884,300	34,336,000
1999	452,905	9,757,500	33,773,000
1998	446,227	9,603,300	33,252,000
1990	429,433	8,769,900	29,473,000
1980	361,500	7,477,657	22,911,000
1970	358,879	7,036,980	19,971,022

Source: City of Long Beach

Personal Income

The following chart shows the yearly median household effective buying income and the total effective buying income for the City, the County and the State for 1999 through 2003:

CITY OF LONG BEACH
County of Los Angeles and State of California
Personal Income 1999-2003

Year⁽¹⁾	Area	Total Effective Buying Income (\$000's)	Median Household Effective Buying Income
2003	City of Long Beach	\$ 7,195,690	\$33,743
	Los Angeles County	162,413,790	37,983
	State of California	647,879,427	42,484
2002	City of Long Beach	\$ 8,148,871	\$40,086
	Los Angeles County	170,440,432	40,789
	State of California	650,521,407	43,532
2001	City of Long Beach	\$ 8,001,208	\$37,641
	Los Angeles County	169,417,226	41,627
	State of California	652,190,282	44,464
2000	City of Long Beach	\$ 7,091,246	\$33,356
	Los Angeles County	157,009,411	36,730
	State of California	590,376,663	39,492
1999	City of Long Beach	\$ 6,626,791	\$32,103
	Los Angeles County	147,629,445	34,554
	State of California	551,999,317	37,091

Source: Sales & Marketing Management Magazine, "Survey of Buyer Power."

(1) The information reported by Sales & Marketing Management Magazine, "Survey of Buying and Power" for each year is based on statistics compiled during the previous year.

Employment

Over 43% of all employed persons in the Los Angeles-Long Beach area are employed in service industries. The next largest sources of employment are manufacturing, retail trade and government, as set forth in the following table:

LOS ANGELES – LONG BEACH LABOR MARKET 2003 Wage and Salary Employment by Industry

Industry	Employment(1)	Percent of Total
Services	65,206	43.89 %
Government	24,467	14.45
Manufacturing	21,046	14.16
Retail Trade	13,964	9.40
Finance, Insurance, Real Estate	8,344	5.62
Transportation, Utilities	7,688	5.17
Construction and Mining	6,240	4.20
Wholesale Trade	4,565	3.07
Agriculture	62	0.04
Total	148,583	100.00 %

Sources: State of California Employment Department

The following table summarizes labor force and non-farm employment since 1999 in the City, the State, and the United States:

CITY OF LONG BEACH Long Beach Labor Market Labor Force, Employment and Unemployment Annual Averages From 1998 Through 2003

Year	Area	Civilian Labor Force	Employment	Unemployment	Unemployment Rate
2003	Long Beach	223,370	208,740	14,630	6.5%
	California	17,460,000	16,282,700	1,177,300	6.7
	United States	146,510,000	137,736,000	8,774,000	6.0
2002	Long Beach	219,090	205,290	13,800	6.3%
	California	17,404,600	16,241,800	1,162,800	6.7
	United States	144,863,000	136,485,000	8,378,000	5.8
2001	Long Beach	227,630	215,610	12,020	5.3%
	California	17,362,300	16,435,000	927,100	5.3
	United States	141,815,000	135,073,000	6,742,000	4.8
2000	Long Beach	222,370	211,290	11,080	5.0%
	California	17,090,800	16,245,600	845,200	4.9
	United States	140,866,300	135,214,700	5,651,600	4.0
1999	Long Beach	217,490	205,650	11,840	5.4%
	California	16,596,400	15,731,700	864,700	5.2
	United States	139,380,000	133,501,000	5,879,000	4.2

Source: California Employment Development Department.

Major Employers

The largest employer in the City is the Boeing N.A. (formerly McDonnell Douglas Corporation) with approximately 10,500 employees with facilities on a 424-acre site at the Long Beach Airport. Boeing N.A. remains the only location in California where commercial or military production aircraft are presently being constructed.

The second largest employer is The Long Beach Unified School District, which employs 9,064 people and has 93 schools, including 5 charter schools, and serves approximately 96,500 students. See "Education" below.

Other major employers in the City include government, education and health care providers, including the City, Long Beach Memorial Medical Center, California State University (Long Beach), and the Veterans Affairs Medical Center. The following summarizes the City's major employers:

**CITY OF LONG BEACH
Major Employers
As of May 12, 2004**

	Employer	Number of Employees
1.	Boeing	10,500
2.	Long Beach Unified School District	9,064
3.	California State University (CSU)	6,007
4.	City of Long Beach	5,854
5.	Long Beach Memorial Medical	3,500
6.	Long Beach City College	2,000
7.	Verizon	2,000
8.	US Postal Service	1,900
9.	Veterans Affairs Medical Center	1,700
10.	St. Mary Medical Center	1,634
11.	CSU Long Beach Foundation	1,600
12.	Pacific Hospital of Long Beach	800
13.	Long Beach Transit	740
14.	SCAN Health Plan	700

Industry

The City is an important component of the County industrial complex, the largest concentration of major industrial firms in the western United States. The aircraft/aerospace products group represents a very important single industrial category in the City. Boeing N.A., a manufacturer of the C-17 military transport aircraft, is the largest employer in the City. See "THE CITY—Major Employers" above. Gulfstream Aerospace Corp., a corporate jet manufacturer, employs 650 people. Other important industries include petroleum and chemical production, metal fabrication and food and kindred product production.

Other major manufacturers in the City include the following: Delco Machine and Gear, a manufacturer of aircraft quality gears and hydraulic actuating systems; EG&G Astrophysics, a manufacturer of x-ray equipment; Denso Sales California, a manufacturer of auto parts and accessories; SNUGTOP, a fiberglass auto products manufacturer; AASI, a corporate jet manufacturer; Certified Alloy Products; Medway Plastics; TABC, Inc., a subsidiary of Toyota Motor Sales, U.S.A.; and Black and Decker USA, Inc.

Military Installations

All of the major military installations previously located in the City have been closed. The Port of Long Beach is converting the former Long Beach Naval Station and the former Long Beach Naval Shipyard to a container terminal. Other closed military facilities have been razed or converted into a variety of other uses including a research and development business park, a veterans homeless transition center, a U.S. Job Corps training facility, a public high school owned and operated by Long Beach Unified School District and a retail and entertainment center. The only military facility that will influence the Long Beach economy is the Naval Weapons Station in Seal Beach, immediately to the south of the City. This facility continues to provide weapons service and ammunition to the Pacific Fleet. A Naval Reserve facility continues to operate in the City's port district.

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, that 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.

North of the Port of Long Beach, at the intersection of the San Diego (I-405) and Long Beach (I-710) Freeways, is the 55-acre Freeway Business Center, a high-technology office complex that includes Direct TV, Irvin Industries, Epson America, Inc., Mercedes Benz, Denso Sales California and Toyota.

The 60-acre Long Beach Airport Business Park contains over 800,000 square feet of mid-rise office space and is the site for the Long Beach Business Park and the North Long Beach Business Center. Located in the northern part of the City, these facilities offer a combined total of more than 20.5 acres of office, commercial and industrial space near the I-405 and I-710 Freeways, two major arteries in the Southern California freeway system. See "Transportation" below.

The 50-acre Kilroy Airport Center features 800,000 square feet of office space with an additional 250,000 square feet planned in the near future.

A number of hotels are located in the City. The four largest are the Westin Long Beach, Renaissance Hilton, Hyatt Regency Long Beach, and the Courtyard. Other hotels in the City include Holiday Inn, Golden Sails Hotel, Long Beach Airport Marriott Hotel, Queen Mary Hotel and West Coast Long Beach Hotel. Hotel/motel occupancy tax receipts for all hotels (currently computed at 12%) were approximately \$13,133,441 in Fiscal Year 2003, as compared with \$12,447,000 in Fiscal Year 2002.

The following table illustrates the City's annual total of taxable transactions during the five-year period 1999 through 2003:

CITY OF LONG BEACH
Taxable Transactions
1999-2003
(in Thousands)

	1999	2000	2001	2002	2003
Apparel Stores	\$ 97,734	\$117,794	\$ 118,716	\$ 99,945	\$131,732
General Merchandise	162,787	214,737	202,257	218,656	237,100
Drug Stores	41,227	49,245	54,791	58,993	63,603
Food Stores	152,613	198,804	199,250	195,800	203,254
Packaged Liquor Stores	32,027	31,305	31,710	31,389	29,867
Eating & Drinking Places	389,648	453,794	478,673	493,807	525,145
Home Furnishings and Appliance Stores	90,151	96,600	93,730	93,106	97,159
Building Materials and Farm Implements	128,300	144,843	159,755	154,739	173,894
Auto Dealers/Auto Supplies	269,579	369,298	403,501	402,841	391,878
Service Stations	208,248	292,500	313,911	237,447	342,291
Other Retail Stores	<u>300,384</u>	<u>361,499</u>	<u>389,058</u>	<u>393,807</u>	<u>372,922</u>
Retail Stores Totals	\$1,872,698	\$2,330,419	\$2,445,352	\$2,380,530	\$2,604,845
All Other Outlets	<u>751,985</u>	<u>1,059,954</u>	<u>1,102,710</u>	<u>1,002,499</u>	<u>1,069,665</u>
Total All Outlets	<u>\$2,624,683</u>	<u>\$3,390,373</u>	<u>\$3,548,062</u>	<u>\$3,383,029</u>	<u>\$3,674,510</u>

Source: State Board of Equalization.

Construction

The City issued building permits valued at approximately \$419 million during fiscal year 2003. Of this total, approximately 54 % consisted of residential construction and approximately 46 % represented non-residential construction.

The City's annual permit values and the number of residential units authorized since fiscal year 1999 are summarized below:

CITY OF LONG BEACH
Building Permit Valuations
(1999-2003)

Type of Permit	1999	2000	2001	2002	2003
Residential:					
New Single Dwelling	\$20,073,990	\$23,896,703	\$27,661,559	\$35,396,824	\$11,032,511
New Multi Dwelling	623,008	860,004	86,310,691	43,115,646	109,533,689
Additions/Alterations	<u>43,604,605</u>	<u>47,435,660</u>	<u>60,510,740</u>	<u>85,067,499</u>	<u>104,586,708</u>
Total Residential	<u>\$64,301,603</u>	<u>\$72,192,367</u>	<u>\$174,482,990</u>	<u>\$163,579,969</u>	<u>\$225,152,908</u>
Non-Residential:					
New Commercial	\$48,231,502	\$17,425,000	\$ 57,391,000	\$ 77,910,384	\$57,229,274
New Industrial	6,627,175	16,528,000	12,486,000	10,326,461	5,000,355
Other	35,526,388	26,362,989	26,919,855	42,046,740	31,086,592
Additions/Alterations	<u>44,535,328</u>	<u>59,433,201</u>	<u>67,758,512</u>	<u>57,591,861</u>	<u>100,248,915</u>
Total Non-Residential	\$134,920,393	\$119,749,190	\$164,555,367	\$187,875,446	\$193,565,136
Total Valuation	<u>\$199,221,996</u>	<u>\$191,941,557</u>	<u>\$339,038,357</u>	<u>\$351,455,414</u>	<u>\$418,718,044</u>

Source: City of Long Beach Department of Planning and Building.

Visitor and Convention Business

Tourism has long been a significant factor in the City's economy. Boating facilities, marinas, sport fishing, shops and eight miles of public beaches attract thousands of visitors to the City each year. Other recreational facilities and attractions include the Aquarium of the Pacific, the Queen Mary, the Community Playhouse, the Sports Arena, the Terrace and Center Theaters, Belmont Plaza Pool, the Long Beach Grand Prix, the municipal band and symphony orchestra, the Sports Arena, the Terrace and Center Theaters, Belmont Plaza Pool, the Long Beach Grand Prix and the Long Beach Ice Dogs professional ice hockey team. The Long Beach Museum of Art and the Museum of Latin American Art are both located within the City.

CITY OF LONG BEACH
Convention Visitor and Delegate Attendance
(1993-2003)

Year	Number of Conventions	Number of Delegates
2003	187	470,283
2002	125	405,870
2001	97	422,177
2000	127	633,000
1999	119	450,770
1998	124	442,097
1997	115	520,547
1996	110	407,256
1995	122	488,525
1994	107	260,151
1993	87	303,920

Source: Long Beach Convention and Visitors Council

The Queen Mary, a vintage ocean liner, was opened to the public in 1971 and provides the City with a unique and interesting tourist attraction. The six-deck "Living Sea Museum" is the only facility of its kind in the world. The Queen Mary features three major restaurants, three fast food service facilities and 40 specialty shops. The Queen Mary Hotel with 365 rooms is aboard the ship. In addition, a Russian submarine, the "Scorpion," is currently docked adjacent to the Queen Mary and is open for visitors. The Scorpion is another premier waterfront attraction complementing the Aquarium of the Pacific and the Queen Mary. The Queen Mary is currently engaged in negotiation with Carnival Cruise Lines to develop a Long Beach homeport for its cruises to Mexico.

The West Coast Long Beach Hotel, located on 18.8 waterfront acres west of the Queen Mary, is a development uniquely designed to afford 85 percent of the rooms with ocean views. The hotel consists of 200 rooms, and is complete and open.

Formula 500 cars first raced through City streets and along the shoreline during the Long Beach Grand Prix in September, 1975. The race was the first in the country to be run on city streets in 50 years. The City has hosted the United States Grand Prix West, now featuring "Indy" cars, every year since 1977 in what is now commonly known as the Long Beach Grand Prix. This event attracts 200,000 visitors to the City each year.

Long Beach Convention 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 (further described below). The Convention Center was expanded in 1994 to accommodate 318,000 square feet of exhibit space. This expansion increased the total number of conventions and meetings held at the Convention Center, which competes with convention centers in cities such as Albuquerque, San Jose, Denver and Phoenix, and larger facilities in Los Angeles, Anaheim and San Diego. Marketing of the Convention Center by the Long Beach Convention and Visitors Bureau has resulted in increased occupancy rates for hotels serving the Convention Center.

A \$2.8 million renovation of the Convention Center was substantially completed in the fall of 2001. The renovation was completed pursuant to an agreement between the City and the Jehovah's Witness organization, under which the Jehovah's Witness organization supplied materials and labor for the renovation in exchange for the City's permission to use the facility for 12.6 years. The City expended \$300,000 for permits, furniture and equipment in connection with the renovation.

Pike at Rainbow Harbor Project

The \$450 million Pike at Rainbow Harbor Project (the "Pike Project"), previously known as the Queensway Bay Project, a joint venture of public and private investment, is one of the largest shoreline developments in California history, converting 300 acres of prime oceanfront property at the edge of downtown Long Beach into a major tourist destination. The Pike Project is expected to include approximately 500,000 square feet of waterfront retail and entertainment space. The City achieved 50% completion of the Pike Project with the opening of the Aquarium of the Pacific, Shoreline Park and the Rainbow Harbor. Occupancy has begun for condominium housing just to the north of the Pike Project.

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 12,000 ocean animals, representing over 550 species native to the Pacific Ocean. The Aquarium of the Pacific also contains a theater, learning center, shark lagoon, an indoor/outdoor restaurant and a large gift shop. The Aquarium of the Pacific had 1,154,000 visitors in fiscal year 2003.

Downtown Long Beach

The Pine Avenue corridor has enjoyed increased success since the 1995 addition of such retailers as Bath and Body Works, Limited Express, and an assortment of restaurants and coffee establishments. Additionally, Z Gallerie opened an expanded version of their popular home furnishings store. Current retail and dining establishments are reporting increasing resident and visitor foot traffic to the area. Hoteliers report that the area gives their guests a refreshing option for dining and entertainment alternatives. Although Pine Avenue has enjoyed a certain degree of success, the retail corridor has also experienced some tenant turnover and losses reflecting the moderate growth of the area. Several additional dining establishments have committed to space along Pine Avenue, thus further establishing restaurants as the principal element of the area.

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 100 acres within the City at the southwest corner of Carson Street and the I-605 Freeway. The current owner of the Long Beach Towne Center is Long Beach Towne Center L.P., a Delaware limited partnership.

Petroleum Production

The Wilmington Oil Field, which is one of the largest oil fields in the United States, traverses Long Beach. 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 generated from such properties can be used for general-purpose activities. The Tideland properties are owned by the City in trust for the State. The revenues generated from Tideland properties, by legislation, are shared among the City, the State and two contracting oil production companies, Tidelands Oil Production Company and Occidental Petroleum Corp. The City's share can only be used in support of Tidelands purposes.

Transportation

Industry, business and residents alike 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 opened July 1, 1990, connecting the central business districts of Long Beach and Los Angeles. Ridership on the "Metro Blue Line" currently averages approximately 47,000 riders per average weekday.

The San Diego Freeway (I-405), the San Gabriel River Freeway (I-605), the Long Beach Freeway (I-710) and the Riverside Freeway (I-91) all traverse the City, as do State Highways 1, 19, 22, and 214. 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 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 and Santa Fe Railway Company, and the Union Pacific Railroad Company lines. Reciprocal switching is available between the two lines.

Port of Long Beach

The Port of Long Beach (the "Port") is owned by the City and operated by 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 11.9 square miles, of which 7.5 square miles is water and includes all harbor facilities of the City. The Port has 35 miles of waterfront with 65 deep-water cargo berths. Container terminals occupy 837 acres, auto terminals occupy 174 acres, breakbulk and general cargo occupy 146 acres, dry bulk terminals occupy 88 acres, and petroleum and liquid bulk occupy 45 acres. The Port has eight container terminals with 44 cranes and three container freight stations. Five container terminals are served by on-dock rail yards. 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 all, the Port owns 64 miles of rail trackage. The Port is presently proceeding with expansion plans on two of its existing terminals. Additionally, current Harbor Department plans envision reducing the number of major container terminals from eight to five.

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 generated billions of dollars in revenue for private business and government entities.

Containerized cargo represents the largest source of revenue for the Port. Throughput exceeded approximately 4.7 million twenty-foot equivalent units for the calendar year ended September 30, 2002. 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.

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. The Alameda Corridor was completed in the spring of 2002 at a cost of \$2.4 billion, and consolidated 90 miles of former rail lines (4 current rail lines will be diverted onto 1 line) into an integrated system separated from nonrail traffic.

Long Beach Airport

The City owns and operates the Long Beach Airport, which has five runways varying from 4,200 to 10,000 feet in length. There is presently a daily maximum of 41 commercial jet airline and 25 commuter landings and takeoffs ("slots"), pursuant to a court-ordered settlement reached in 1989. Notwithstanding this limit, several major passenger and air-freight airlines operate daily flights from Long Beach Airport. These commercial carriers include American Airlines ("American"), America West Airlines, Airborne Express, FedEx Corporation, JetBlue Airways ("JetBlue"), United Parcel Service, and Alaska Airlines.

JetBlue has made Long Beach Airport its west coast hub. The airline currently serves New York City, Fort Lauderdale, Washington, D.C., Oakland, Las Vegas, Salt Lake City, and recently added flights to Boston. JetBlue is currently using all of its 22 allocated slots. American added flights to New York City in June 2002.

Aircraft operation is coordinated by the Federal Aviation Administration (the "FAA"), which controls the movement of all aircraft at Long Beach Airport. The FAA operates the Airport's tower and navigation facilities.

Modern control systems at the Airport include Medium Intensity Approach Lights, Runway Visual Range, Direction Finding, Instrument Landing System, VHF, UHF and other radio communications equipment.

There are 60 industrial tenants on the 1,166-acre airport site, ranging from one-person operations to Gulfstream Aerospace (an aircraft manufacturer), Airflite (a Toyota subsidiary) and some Boeing Corporation operations.

The following table summarizes operations at the Long Beach Airport during the period 1993 through 2003.

**CITY OF LONG BEACH
Long Beach Airport: Passenger and Cargo Operations
(1993-2003)**

Fiscal Year	Passenger	Cargo (lbs.)
2003	2,757,251	115,303,000
2002	1,018,994	112,335,000
2001	558,118	114,276,000
2000 ⁽¹⁾	659,455	99,944,000
1999	912,475	89,552,000
1998	612,282	77,315,000
1997	542,312	66,036,000
1996 ⁽²⁾	580,329	73,765,000
1995	419,891	53,560,000
1994	559,916	57,801,000
1993	698,560	57,942,000

Source: City of Long Beach – Comprehensive Annual Financial Report.

(1) Commercial passenger count decreased due to cessation of service by Winair Airlines.

(2) 1996 figures are for the 15-month period from July 1, 1995 through September 30, 1996. Previous years' figures are for the 12-month period between July 1 and ending June 30.

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.

There are a number of utilities service providers operating in the City. Local telephones service is provided by Verizon and by SBC Pacific Bell. 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 Long Beach Energy, a department of the City.

Education

The City is served by the Long Beach Unified School District, which provides primary and secondary educational instruction for approximately 96,500 students through the operation of 61 elementary schools, 14 junior high schools, one junior-senior high school, 10 high schools, one continuation high school and one guidance-opportunity school.

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 City College. Current total enrollment exceeds 32,411 students.

California State University at 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 the Los Angeles-Orange County State College, the institution was given university status in 1951 and has the largest attendance in the California State University system with a current enrollment of approximately 33,745 students. The University's distinguished educational program offers 68 undergraduate and 54 graduate degree programs.

Enrollment in the educational system serving the City and its residents for the past ten years is presented below:

**CITY OF LONG BEACH
School Enrollment
(1993-2003)**

Fiscal Year	Long Beach Unified School District	Long Beach City College	California State Long Beach
2003	97,390	32,411	33,745
2002	96,488	29,444	32,693
2001	94,423	27,937	30,125
2000	94,527	26,930	29,237
1999	91,465	25,776	27,861
1998	89,408	27,400	30,600
1997	91,932	24,924	27,431
1996	88,530	26,095	25,920
1995	84,721	25,137	23,500
1994	83,490	23,921	25,410
1993	81,498	26,460	30,071

Source: Data furnished by each institution, respectively.

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 is located on a 6.4-acre site in the western portion of the City on land donated by the City. A new headquarters building was completed in April 1999. This new building replaced the existing Chancellor's Office of The California State University and provided additional office space for several California State University departments currently located in other areas.

The City has become a center for companies and institutions engaged in the exploration of the ocean and the development of its resources. In 1982, the Trustees of the California State University and College System officially designated the City shoreline as the site for the creation of an Ocean Studies Center, an ocean science and technology education and research center to be operated by a consortium of six California State Colleges in Los Angeles and Orange Counties.

Community Facilities

Long Beach has four major community based hospitals, as well as a Veterans Affairs Medical Center.

The City operates the Main Library in the downtown Civic Center, as well as eleven other branch libraries throughout the City. Four newspapers, 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 24 community centers, 50 sports fields, a mountain camp, 52 park playgrounds, 60 tennis courts, four golf courses and three swimming pools, including the Belmont Plaza Pool, an indoor-outdoor Olympic-size facility. This department also administers the Municipal Band, Sailing Center, and Marine Stadium. The City's Parks, Recreation and Marine Department also maintains 72 parks totaling 1,200 acres and "beautified" areas totaling 1,680 acres. The Virginia County Club golf course, a privately owned and operated golf course, is also located in the City.

The Marine Bureau has responsibility for the control and safeguarding of the recreational activities in the City's water areas. These areas include the shoreline and beaches, as well as the 3,800 boat slip Long Beach Marina. The Long Beach Marina is one of the world's largest municipally owned and operated small boat marinas.

The Long Beach Convention and Entertainment Center stages production of the Long Beach Symphony Association, the Long Beach Grand Opera, the Long Beach Symphony Chorus, the Theater Festival and the Community Concert Association. In addition, the Long Beach Community Playhouse is well known for the excellence of its productions and is in its 73rd season.

Largest Taxpayers

No single taxpayer accounts for more than 2.41% of the City's total assessed valuation. The largest taxpayer is Boeing N.A. (formerly McDonnell Douglas Corporation), which had an assessed valuation as of September 30, 2003 of approximately \$573.1 million. The City's top ten principal taxpayers are presented below:

**CITY OF LONG BEACH
Major Taxpayers
As of September 30, 2003**

Taxpayer	Industry	Assessed Valuation ⁽¹⁾	Percentage of Total ⁽²⁾ Net Assessed Valuation
1. Boeing, N.A.	Industrial	\$573,102,000	2.41%
2. AES Alamos LLC	Power Plant	504,546,000	2.12
3. Arco Terminal Services Corp.	Industrial	103,555,000	0.44
4. Stevens Creek Associates	Office Building	81,789,000	0.34
5. Pacific Towers Associates	Office Building	65,522,000	.028
6. Hughes Aircraft Co.	Industrial	62,265,000	0.26
7. Trizenchahn Centers, LLC	Office Building	59,545,000	0.25
8. Alamos Bay Partnership	Hotel	56,252,000	0.24
9. Atlantic Richfield Company	Industrial	49,546,000	0.21
10. Bixby Land Company	Commercial Properties	46,599,000	0.20

(1) Local secured assessed valuation. Excludes mineral rights, possessory interest and unsecured assessed valuation.

(2) 2002- 2003 Local Secured Assessed Valuation: \$23,743,747,087. Figure includes secured and non-operating unitary secured. Source HdL.

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 that encompass 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 Non-expendable Trust Funds.

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

Budgetary Process

The City Council adopts an annual budget for all funds prior to the start of the new fiscal year, which begins on October 1. The City Manager presents the proposed budget in early August, after which public hearings are conducted, and the budget is adopted on or before September 30.

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. 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 for 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.

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 transferred to, and maintained in, other special funds of the City. 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. The first table provides a statement of revenues, expenditures and changes in fund balances for the fiscal years ending September 30, 2000 through September 30, 2003. The second table reflects the General Fund balance sheet as of September 30, 2000 through September 30, 2003. The third table presents the actual General Fund budget for fiscal years 2003 and the adopted General Fund budget for fiscal year 2004. These tables are excerpts from the City's financial statements and may not include all relevant information. See APPENDIX A—"GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE CITY OF LONG BEACH FOR FISCAL YEAR ENDING SEPTEMBER 30, 2003."

TABLE A
CITY OF LONG BEACH
Summary of Revenues, Expenditures and Changes in Fund Balance
for the General Fund
(2000-2003)
(in Thousands)

	2000	2001	2002	2003
Revenues				
Property Taxes	\$44,160	\$49,091	\$50,274	\$53,331
Other Taxes	122,517	139,299	124,529	127,843
Licenses and Permits	10,710	13,847	15,802	15,734
Fines and Forfeitures	9,867	11,091	11,448	11,017
Use of Money and Property	16,586	18,090	17,892	15,952
From Other Agencies	41,750	47,244	49,952	43,351
Charges for Services	43,753	37,486	39,321	42,294
Other	<u>9,257</u>	<u>2,029</u>	<u>3,354</u>	<u>3,451</u>
Total Revenues	<u>\$298,600</u>	<u>\$318,177</u>	<u>\$312,572</u>	<u>\$312,973</u>
Expenditures				
Current:				
Legislative and Legal	9,059	9,313	10,985	9,588
General Government	26,582	24,524	29,771	24,072
Public Safety	205,198	201,268	228,789	235,444
Public Health	3,598	3,952	4,419	4,428
Community and Cultural	36,322	37,497	43,700	42,313
Public Works	<u>29,425</u>	<u>24,190</u>	<u>31,786</u>	<u>30,710</u>
Total Current	310,184	300,744	349,450	346,555
Debt Service-Interest and Principal	<u>1,553</u>	<u>2,719</u>	<u>4,396</u>	<u>10,480</u>
Total Expenditures	<u>\$311,737</u>	<u>\$303,463</u>	<u>\$353,846</u>	<u>\$357,035</u>
Deficiencies of Revenues				
Under Expenditures	<u>(13,137)</u>	<u>14,714</u>	<u>41,274</u>	<u>(44,062)</u>
Other Financing Sources (Uses)				
Proceeds from Other Long-Term				
Obligations	3,060	2,257	24,337	3,643
Advance Change in Principal	0	0	2,602	2,432
Operating Transfers In	25,084	21,355	27,812	49,283
Operating Transfers Out	<u>(15,598)</u>	<u>(15,000)</u>	<u>(17,081)</u>	<u>(16,726)</u>
Total Other Financing Sources	<u>\$12,546</u>	<u>\$8,612</u>	<u>\$37,670</u>	<u>\$38,632</u>
Excess/(Deficiency) of				
Revenues and Other Sources				
Over/(Under) Expenditures				
and Other Uses	(591)	23,326	(3,604)	(5,430)
Fund Balance—October 1/July 1	<u>54,225</u>	<u>53,634</u>	<u>170,270</u>	<u>166,666</u>
Residual Equity Transfers	0	---	---	---
Fund Balance—September	<u>\$53,634</u>	<u>\$76,960</u>	<u>\$166,666</u>	<u>\$161,236</u>
30/June 30				

Source: City of Long Beach-Comprehensive Annual Financial Report.

TABLE B
CITY OF LONG BEACH
General Fund Balance Sheet
Fiscal Year 2000 - 2003
(in Thousands)

	2000	2001	2002	2003
Assets				
Pooled Cash and Cash Equivalents	\$41,760	\$55,963	\$41,659	\$42,121
Cash – Non Pooled	18,127	25,337	31,602	43,960
Investment Interest Receivable	1,059	13	21	21
Property Taxes Receivable	12,659	8,812	8,161	7,949
Accounts Receivables	13,514	14,321	11,303	14,117
Allowances for Uncollectible Taxes & Accounts	(11,235)	(12,650)	(9,307)	(12,214)
Loans Receivable	0	790	2,413	--
Due from Other Governments	14,246	18,643	19,406	22,027
Due from Other Funds	3,710	8,859	5,632	4,269
Advances to Other Funds	91,532	95,310	95,253	99,868
Capital Lease Receivable	6,524	---	---	--
Allowance for Advances to Other Funds	(89,532)	(93,310)	---	--
Inventory	651	72	65	61
Other Assets	7	7	---	56
Total Assets	<u>\$103,022</u>	<u>\$122,167</u>	<u>\$206,208</u>	<u>\$224,598</u>
Liabilities and Fund Equity				
Liabilities				
Accounts Payable	3,919	6,022	6,192	7,404
Accrued Wages and Benefits	3,719	3,882	4,694	5,299
Accrued Interest Payable	1,080	1,057	371	826
Tax and Revenue Anticipation Notes Payable	24,000	23,500	13,500	33,000
Due to Other Funds	952	1,003	1182	1,388
Deferred Revenues	13,551	7,306	9,672	12,319
Collections Held in Trust	2,167	2,437	3,931	3,126
Total Liabilities	<u>\$49,388</u>	<u>\$45,207</u>	<u>\$39,542</u>	<u>\$63,362</u>
Fund Balances				
Reserved for				
Noncurrent Receivables	2,005	2,005	95,259 ⁽¹⁾	99,868
Asset Seizure Money	4,671	5,029	5,396	2,828
Encumbrances	2,406	3,475	1,858	1,279
Future Advances to Other Funds	1,486	1,486	1,486	1,486
Debt Service	---	1,726	7928	7,074
Future Capital Projects	116	816	11,177	3,109
Total Reserved Fund Balance	<u>\$10,684</u>	<u>\$14,537</u>	<u>\$123,104</u>	<u>\$115,644</u>
Unreserved:				
Subsequent Years' Appropriations	12,076	31,549	8,116	10,146
Emergency Contingency	28,374	28,374	32,946	32,946
Undesignated	2,500	2,500	2,500	2,500
Total Unreserved Fund Balance	<u>42,950</u>	<u>62,423</u>	<u>43,562</u>	<u>45,592</u>
Total Fund Balances	<u>53,634</u>	<u>76,960</u>	<u>166,666</u>	<u>161,236</u>
Total Liabilities and Fund Balance	<u>\$103,022</u>	<u>\$122,167</u>	<u>\$206,208</u>	<u>\$224,598</u>

Source: City of Long Beach Department of Financial Management

(1) The fund balance increase to "Reserved for Other Non-Current Receivables" represent reserve fund balance not available for current obligations since the debt has no specified repayment date.

TABLE C
CITY OF LONG BEACH
2003 and 2004 General Fund Budgets
(in Thousands)

	Actual Budget 2003	Adopted Budget 2004
Revenues		
Property Taxes	\$53,331	\$56,736
Other Taxes	127,843	120,571
Licenses and Permits	15,734	14,503
Fines and Forfeitures	11,017	12,503
Use of Money and Property	15,952	14,215
From Other Agencies	43,351	32,268
Charges for Services	42,294	43,935
Other	3,451	4,563
TOTAL REVENUES	<u>\$312,973</u>	<u>\$306,293</u>
Current Expenditures		
Legislative and Legal	9,597	10,905
General Government	24,671	20,910
Public Safety	235,747	227,795
Public Health	4,436	4,807
Community and Cultural	42,527	45,869
Public Works	30,856	33,072
TOTAL CURRENT EXPENDITURES	<u>\$347,834</u>	<u>\$343,358</u>
Debt Service		
Principal	4,037	5,331
Interest	<u>6,443</u>	<u>6,814</u>
Total Expenditures	<u>\$358,314</u>	<u>\$355,503</u>
Excess of Revenues Over (Under)		
Expenditures	(45,341)	(49,210)
Other Financing Sources		
Long Term Obligations	3,643	--
Advance Change in Principal	--	--
Operating Transfers In	49,283	44,528
Operating Transfers Out	<u>(16,726)</u>	<u>(6,337)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$36,200</u>	<u>\$38,191</u>
Excess of Revenues and Other Sources Over (Under) Expenditures		
Other Uses	(9,141)	(11,019)
Beginning Fund Balance – October 1	164,808	161,236
ENDING FUND BALANCE – September 30	<u>\$157,525</u>	<u>\$150,217</u>

Source: City of Long Beach-Comprehensive Annual Financial Report

Pension Plans

California Public Employees' Retirement System Plans. The City contracts with the California Public Employees' Retirement System (CalPERS), an agent multiple-employer public employee defined benefit pension plan. CalPERS provides retirement and disability benefits, including annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by State statute and City ordinance.

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 (generally sworn police, fire and lifeguard employees) who retire at age 50 are entitled to receive an annual retirement benefit, payable monthly for life, in an amount equal to 3.0% of the employee's highest paid year of employment for each year of credited service, up to a maximum of 90.0% of salary.

Vested first and second tier non-safety employees (non-sworn employees) who retire at age 50 are entitled to receive an annual retirement benefit, payable monthly for life, in an amount equal to 2.0% of their highest paid year of employment for each year of credited service for the first tier, and of the average salary during the three consecutive highest paid years of employment for each year of credited service for second tier employees. The benefit percentage increases to 2.7% at age 55, and there is no maximum percent of salary for the non-safety plans.

Safety and non-safety retirees under the first tier plans are eligible to receive a maximum annual 5.0% cost-of-living allowance (COLA) in their retirement benefit, while those under the second tier are eligible to receive a maximum annual 2% COLA. Under CalPERS law, all retirees are guaranteed to be kept at 80% of their original retirement purchasing power. Thus if annual COLAs do not maintain the retirees' pension benefit at 80% of original purchasing power, the retirees will receive a supplemental increase in benefits, that raises their pension benefit to 80% of original purchasing power.

Pension Funding. In November 1998, the City was informed by CalPERS that all of the City's retirement plans were overfunded based on the actuarial valuations completed as of June 30, 1997. Accordingly, the City's employer contribution rates were reduced to zero for all plans effective November 13, 1998, and have continued at zero through the latest CalPERS actuarial valuations dated June 30, 2000, which determine the employer contribution rates for the City's fiscal year ending September 30, 2003. Thus the City is not required to make any employer contributions to the CalPERS plans through September 30, 2003. Due to recent CalPERS investment losses, the City is expecting that contribution payments to CalPERS will be required beginning October 1, 2004 for both safety and miscellaneous plans at 14.21% and 6.31% respectively. In addition, there will be an increase for the employee rate of 9.0% and 8.0%, respectively.

As a result of prior negotiations with the City's various certified employee organizations, the City has also agreed to pay the employees' share of pension contributions on behalf of its employees. The employee contribution rates are established by State law and are 9% of pay for public safety employees and 8% of pay for non-safety employees. Because the City's plans are overfunded, the City has been authorized to make the employee contributions out of the excess plan assets since July 1999.

Non-Safety Pension Benefit Increase. On June 18, 2002, the City Council approved a pension benefit increase for non-safety employees that would provide a maximum of 2.7% of salary for each year of service at age 55 and thereafter. Under the plan, the employee contribution is increased to 8% of pay from the 7% employee contribution required under the current 2% at 55 plan. The non-safety employees have agreed to pay the 1.0% increase when the City resumes CalPERS payments in October 2004.

The new benefit is expected to become effective on August 24, 2002. The cost of the pension benefit increase is expected to be absorbed by the City's excess assets in the non-safety pension plan above the present value of projected benefits, as long as all CalPERS actuarial assumptions are met.

CalPERS assumes an investment return of 8.25% per year in completing their actuarial valuations. During Fiscal Year 2002, CalPERS investment returns were a negative 5.9%. On June 30, 2003, CalPERS reported investment returns of a 3.9%. The effect of these negative investment returns on the City's funded status, combined with the pension benefit increase, will result in the City having to begin making pension contributions on October 1, 2004. In the event that the City is required to make pension contributions, the employees' unions have agreed, by Memoranda of Understanding (MOU), that the employees will pay the increase in the employee contribution rate of one-percentage (1%) of pay.

Public Agency Retirement System—Defined Benefit Plan. The City also contributes to Public Agency Retirement System (PARS) Defined Benefit Plans for Special Status Consultants and Seasonal and Temporary Employees (the Plans). Both Plans are defined benefit, single employer retirement plans. The Plans, which took effect on January 1, 1995, are administered for the City through a third party administrator. The Plans provide for retirement as well as death and disability benefits to eligible individuals and their beneficiaries.

The Plans' Benefit is a lifetime monthly annuity equal to 1.50% times the final average of the participant's highest 36 consecutive months' salary for each year of service. The Plans require participant contributions of 6.2% of earnings for Special Status Consultants, and 3.0% of earnings for Seasonal and Temporary Employees. All eligible participants enter the plan upon hire, and all benefits are vested after five years of service. However, plan participants immediately vest in their contributions.

The Plans annual pension costs for the fiscal year ended September 30, 2003, were \$75,338 for Special Status Consultants.

Closed Public Safety Retirement Plan. The City also has 131 public safety retired personnel receiving retirement pension benefits pursuant to former Section 187 of the City Charter. Benefits are generally 50% of the annual salary of the rank or position held one year prior to the date of retirement. Benefits are then determined by applying the percentage multiplied by the current salary attached to that position. The City appropriates sufficient funds to cover its obligation for this plan each year. Pension payments totaled \$5,865,000 during Fiscal Year 2003. On September 30, 2003, the actuarial present value of accumulated plan benefits, all vested, as determined by an independent actuarial study was \$40,948,000. There are no assets of the plan available for these unfunded benefits.

In November 1995, the City issued the Pension Obligation Refunding Bonds, Series 1995 (the "Prior Bonds") to fully fund the unfunded accrued liability of \$105,000,000 as calculated by CalPERS for miscellaneous employees. As of September 30, 2003, \$21,610,000 of such bonds remained outstanding. In August 2002, the City issued \$87,950,000 Taxable Pension Obligation Refunding Bonds, Series 2002A and B, to replace most of the 1995 issue with \$85,100,000 outstanding on September 30, 2003.

Vacation, Holiday Pay and Sick Leave

The City records all vacation and holiday pay on the accrual basis as it is earned. The amount of vacation and holiday pay, if not used by the employee, is payable upon separation of service. It has been the City's experience that most vacation and holiday pay is taken each year by City employees. Accumulated sick leave at the time of retirement from City service may either be converted to pension service credit or be used to continue health insurance coverage under the City's health insurance program. As of September 30, 2003, there were 816 participants in the City's Retired Employees Health Insurance Program, and the cash value equivalent of the remaining unused sick leave for the current retirees totaled approximately \$23,830,000.

Employer/Employee Relations

The City recognized various certified employee organizations, the principal ones being the International

Association of Machinists, Police Officers Association and Fire Fighters Association which represent over 85% of all City employees in a variety of classifications. City non-management employees are covered by negotiated agreements. The City recently entered into new contracts with the Police Officers Association providing for a 3% salary increase over the next year, and with the International Association of Machinists providing for an 6% salary increase over the next two years. In addition, the City recently entered into new contracts with the Fire Fighters Association for a % salary increase over the next year. The City has not experienced a major work stoppage by City employees in at least the past five years.

Municipal Lease Obligations

The City has payment obligations with regard to various long-term leases including certifications of participation financings currently outstanding. See "CITY FINANCIAL INFORMATION – Bond Indebtedness" herein for a full description of City long-term obligations payable from the City General Fund.

Insurance Coverage

The City is self-insured for general, automobile and professional liability exposures. The City also self-insures for worker's compensation. As of September 30, 2003, reserves in excess of \$102,945,000 had been established to cover anticipated claims and judgments. Additionally, the City has in place all-risk property insurance in the amount of \$1 billion and a Public Employee Dishonesty, including Faithful Performance policy, with limits of \$5,000,000 which covers all employees, officers and elected officials.

Bonded Indebtedness

As of September 30, 2003, the City had outstanding revenue bonds (not payable from the City general fund) in the amount of \$1,365,455,000, outstanding lease revenue bonds (payable from the City general fund) in the amount of \$315,100,000, outstanding redevelopment revenue bonds (not payable from the City general fund) in the amount of \$179,974,000, outstanding certificates of participation (a portion of which is payable from the City general fund) in the amount of \$16,905,000 and outstanding pension obligation bonds (payable from the City general fund) in the outstanding amount of \$106,710,000. 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 below:

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CITY OF LONG BEACH
City of Long Beach and Related Agencies
Outstanding Indebtedness by Source of Payment, as of September 30, 2003
(In Thousands)

Type of Obligation	Original Principal Amount	Final Maturity	Outstanding Principal Amount as of September 30, 2003
Direct General Fund Obligations			
1989 SAVRS	\$4,866	11/23/18	\$3,796
1997 Civic Center Project	43,655	10/01/27	40,015
1998 Temple & Willow	38,065	10/01/27	35,495
1999 Rainbow Harbor	47,970	05/01/24	47,825
1999 Long Beach Museum of Art	3,060	09/01/09	3,060
2001 Plaza Garage	11,500	11/01/27	11,500
2002 Public Safety Facilities Bonds	40,915	11/01/31	40,915
2002 Pension Obligation Bonds	87,950	09/01/21	85,100
2003 Skylinks Golf Course Project	<u>6,890</u>	05/01/29	<u>6,890</u>
Total	<u>\$284,871</u>		<u>274,596</u>
Obligations with a General Fund Back-up Pledge			
1995 Solid Waste	\$143,300	12/01/18	\$125,100 ⁽¹⁾
1997 Aquarium Parking Facility	5,855	05/01/17	4,805
2002 Pike CFD #6	<u>0</u>		<u>0</u> ⁽²⁾
2003 Solid Waste	<u>43,000</u>	01/01/32	<u>43,000</u>
Total	<u>\$192,155</u>		<u>\$172,905</u>
Non-General Fund Obligations			
1992 Downtown Project Refunding	\$81,020	11/01/17	\$39,925
1992 Westside Project	36,470	11/01/17	17,345
1993 Airport COP Refunding	16,815	06/01/16	12,100
1993 Belmont Shore	2,220	06/01/12	1,440
1993 Gas	13,490	11/01/13	8,840
1994 Marina	1,310	04/01/09	670
1995 Pension	108,635	09/01/11	21,610
1995 Marina	31,725	01/15/08	15,100
1995 Harbor	343,420	05/15/25	307,860
1997 Water	46,945	05/01/24	38,585
1998 Harbor	206,330	05/15/19	178,330
2000 Harbor	275,000	05/15/25	268,780
2001 Aquarium of the Pacific	129,520	11/01/30	129,520
2002A Redevelopment	77,715	08/01/31	75,990
2002B Redevelopment	47,780	11/01/24	47,780
2002 Harbor	300,000	05/15/27	294,720
2004 Harbor	0		0 ⁽³⁾
2004 Town Center	<u>0</u>		<u>0</u> ⁽⁴⁾
Total	<u>\$1,718,395</u>		<u>\$1,458,595</u>
Grand Total	<u>\$2,195,421</u>		<u>\$1,906,096</u>

Source: City of Long Beach (unaudited)

- (1) Defeased 10/30/03
- (2) Created 10/30/03
- (3) Created 03/10/04
- (4) Created 01/15/04

In addition, the City has acted as a sponsor or conduit issuer in various circumstances, including for assessment districts, school districts, non-profit organizations, health care providers and single and multi-family housing programs. These obligations are not payable from or secured by funds of the City. A schedule of the City's direct and overlapping debt as of July 1, 2004, is presented below:

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CITY OF LONG BEACH
Schedule of Direct and Overlapping Debt
As of July 31, 2004

2003-04 Assessed Valuation: \$28,830,028,024
 Redevelopment Incremental Valuation: 4,195,474,894
 Adjusted Assessed Valuation: \$24,634,553,130

<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 7/31/04</u>
Los Angeles County	3.901%	\$ 915,565
Los Angeles County Flood Control District	3.890	5,342,721
Metropolitan Water District	2.018	9,030,046
Long Beach Community College District	88.420	34,041,700
Other Community College Districts	Various	1,513,792
Long Beach Unified School District	88.423	230,010,329
Los Angeles Unified School District	0.068	2,911,430
Paramount Unified School District	9.725	3,270,029
Other Unified School Districts	Various	862,902
City of Long Beach Community Facilities Districts	100.000	71,065,000
City of Long Beach 1915 Act Bonds	100.000	10,671,702
Los Angeles County Regional Park and Open Space Assessment District	3.901	14,675,952
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT		\$384,311,168

<u>DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT:</u>		
Los Angeles County General Fund Obligations	3.901%	\$ 56,059,045
Los Angeles County Pension Obligations	3.901	51,526,452
Los Angeles County Superintendent of Schools Certificates of Participation	3.901	1,004,658
Los Angeles County Sanitation District No. 3 Authority	84.330	28,194,378
Los Angeles County Sanitation District No. 19 Authority	38.028	3,013,822
Other Los Angeles County Sanitation Authorities	Various	826,764
Long Beach Community College District Certificates of Participation	88.420	30,328,060
Compton Unified School District Certificates of Participation	0.032	6,464
Long Beach Unified School District Certificates of Participation	88.423	57,970,119
Los Angeles Unified School District Certificates of Participation	0.068	522,412
Paramount Unified School District Certificates of Participation	9.725	2,979,740
City of Long Beach General Fund Obligations	100.000	308,350,000
City of Long Beach Pension Obligations	100.000	106,710,000

TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT \$647,491,914
 Less: Los Angeles County Certificates of Participation (100% self-supporting
 from leasehold revenues on properties in Marina Del Rey) 2,159,008
City of Long Beach self-supporting obligations **120,235,000**

TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT \$525,097,906

GROSS COMBINED TOTAL DEBT \$1,031,803,082 (1)

NET COMBINED TOTAL DEBT \$909,409,074

(1) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to 2003-04 Assessed Valuation:
 Total Overlapping Tax and Assessment Debt 1.33%

Ratios to Adjusted Assessed Valuation:
Gross Combined Direct Debt (\$415,050,000) 1.68%
Net Combined Direct Debt (\$294,825,000) 1.20%
 Gross Combined Total Debt 4.19%
 Net Combined Total Debt 3.69%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/04: \$1,090

Source: City of Long Beach – Comprehensive Annual Financial Report and California Municipal Statistics

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 of Los Angeles 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.

Summarized below is the assessed valuation and tax collection record of the City for the most recent 10-year period:

CITY OF LONG BEACH
Assessed Valuations and Tax Collection Record
(1993-2003)
(in Thousands)

Fiscal Year(1)	Estimated Full Market Valuation(2)	Valuation for Revenue Purposes	Total City Tax Levy	Total Current Tax Levy Collections	Percent Of Levy Collected
2003	\$26,454,417	\$25,731,996	\$83,222	\$85,699	103.0%
2002	24,989,993	24,381,507	77,731	77,587	99.8%
2001	23,688,371	22,963,171	70,841	69,338	97.9%
2000	21,832,600	21,143,736	66,177	63,892	96.5
1999	21,515,605	20,797,580	59,378	56,320	94.8
1998	21,403,042	20,682,379	58,522	56,504	96.6
1997	21,427,957	20,707,229	57,408	52,932	92.2
1996	21,877,590	21,213,981	58,910	54,144	91.9
1995	22,220,374	21,581,516	60,474	53,490	88.5
1994	22,473,724	21,847,267	63,101	56,810	90.0
1993	22,047,202	21,465,163	69,550	64,901	93.3

Source: City of Long Beach- Comprehensive Annual Financial Report

(1) Based on Los Angeles County's fiscal year ending June 30.

(2) Equals valuation for revenue purposes.

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 charges 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 charges that currently are deposited into 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 last 10 fiscal years:

**CITY OF LONG BEACH
Property Tax Rates
All Overlapping Governments
Per \$100 of Assessed Value
(1993-2003)**

Fiscal Year	County of Los Angeles	Special Districts	Total
2003	\$1.0010	\$0.0428	\$1.0438
2002	1.0011	0.0376	1.0387
2001	1.0013	0.0263	1.0276
2000	1.0014	0.0183	1.0197
1999	1.0014	0.0109	1.0123
1998	1.0016	0.0111	1.0127
1997	1.0016	0.0109	1.0125
1996	1.0018	0.0099	1.0117
1995	1.0020	0.0149	1.0169
1994	1.0017	0.0131	1.0148
1993	1.0014	0.0123	1.0137

Source: City of Long Beach - Comprehensive Annual Financial Report

Beginning in fiscal year 1975, redevelopment property tax increments were allocated to the City of Long Beach Redevelopment Agency. These redevelopment tax increments are computed on the basis of the redevelopment property increment values multiplied by the total tax rate for the fiscal year. Redevelopment property increment values represent the difference between the base value of properties designated for redevelopment and their market value.

Tax Receipts

Taxes received by the City include Property Taxes, Utility Users Taxes, Sales and Use Taxes, Transient Occupancy Taxes, Business License Taxes, and an Oil Production Tax. Of such taxes, Property Taxes, Utility Users Taxes and Sales and Use 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—Right to Vote on Taxes Initiative—Proposition 218."

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

CITY OF LONG BEACH
Tax Revenues by Source
(1999-2003)
(\$000's)

Fiscal Year	1999	2000	2001	2002	2003
Property Tax	\$59,499	\$66,635	\$72,737	\$80,621	\$87,264
Utility Users ⁽¹⁾	58,562	57,396	57,151	55,838	50,883
Sales & Use Tax	30,310	37,362	43,415	41,246	44,863
Transient Occupancy	11,479	12,788	13,336	12,447	13,134
Business License	7,298	7,752	8,052	8,067	8,430
Franchises	7,463	9,695	23,706 ⁽²⁾	9,976	13,363
Oil Production	2,577	2,479	2,365	2,257	2,245
Other ⁽³⁾	<u>4,593</u>	<u>4,864</u>	<u>2,525</u>	<u>5,516</u>	<u>5,670</u>
Total ⁽⁴⁾	<u>\$181,781</u>	<u>\$198,971</u>	<u>\$223,287</u>	<u>\$215,968</u>	<u>\$225,852</u>

Source: City of Long Beach – Comprehensive Annual Financial Report

- (1) UUT revenue decrease due to Measure J. Measure J was a voter initiative that lowered the City's Utility Users Tax from 10% to 5%. The reduction takes place over 5 years starting Fiscal Year 2001 and reduced the rate 1% a year starting Fiscal Year 2005 when the rate goes to 5% and remains.
- (2) Anomaly due to increase in gas pipeline franchise fee during statewide energy crisis.
- (3) Includes Real Property Transfer, Special Parking, Miscellaneous Tax, and transfers from the Enterprise Fund in lieu of taxes.
- (4) Tax Revenues by Source include all Governmental Fund Types (General, Special Revenue, and Capital Projects Funds), including property tax and transient occupancy tax for the Long Beach Redevelopment Agency, in accordance with generally accepted accounting principles. The Long Beach Housing Authority had no tax revenues in Fiscal Year 1998 through Fiscal Year 2002.

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 City Council and the Investment Committee of the City. Quarterly reports, which detail investment activity and portfolio balances, are also provided to the City Manager, City Auditor, and the City Council. In addition, the Investment Committee, comprised of the City Manager, City Auditor, City Attorney, Director of Financial Management, City Treasurer, City Controller, 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. The objectives of the Investment Policy are, in the following order of priority:

- (a) 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 three years.

(b) 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 two benchmark measures for the pool funds portfolio: the 91-day U.S. Treasury Bill rate for the short-term portfolio and the Merrill Lynch 1-3 year Government/Corporate Index for the long-term portfolio.

The City's investment alternatives are specified in the California Government Code, Sections 53600 et seq. Within this framework, the Investment Policy specifies authorized investments, subject to certain limitations. The City does not currently own corporate debt of the Southern California Edison Company or the Pacific Gas & Electric Company.

According to the City Treasurer's Monthly Report for the quarter ending June 30, 2004 the City's invested funds totaled approximately \$1,219 million. The investment portfolio includes a variety of fixed income securities which vary in maturity from one day to five years. These securities include U.S. Treasury Notes, U.S. Agency Notes, Medium-Term Corporate Notes, and other fixed income instruments. On June 30, 2004, 76.2% of the total City Portfolio was invested in U.S. Treasury and Agency Notes, 1.2% in Negotiable Certificates of Deposit, 6.9% in Medium-Term Notes, 3.2% in Commercial Paper, 11.7% in the State of California Local Agency Investment Pool (LAIF), and the balance of 0.8% was invested in other types of fixed income securities. [UPDATE TEXT]

A summary of the City Treasurer's Monthly Report for the quarter ending June 30, 2004, is set forth below:

Quarter Ending June 30, 2004	Pooled Fund
Invested Market Balance	\$1,219,354,872
Portfolio Market Yield	2.75%
Average Portfolio Maturity in Days	538 days
Average Portfolio Maturity in Years	1.47 years

Standard & Poor's Rating Services presently maintains a credit quality rating on the City's Investment Pool of "AAA" and a volatility rating of "S1".

CONSTITUTIONAL TAX LIMITATIONS

Property Tax Limitations - Article XIII A

On June 6, 1978, California voters approved Proposition 13 or the Jarvis-Gann Initiative, which added Article XIII A to the California Constitution ("Article XIII A"). The principal thrust of Article XIII A is to limit the amount of *ad valorem* taxes on real property to 1 percent of the "full cash value" as determined by the County Assessor. Article XIII A defines "full cash value" to mean "the County Assessor's valuation of real property as shown on the 1975-75 tax bill under 'full cash value' or thereafter, the appraised value of real property when purchased, newly constructed or a change in ownership has occurred after the 1975 assessment." Furthermore, the assessed valuation of all real property may be increased, but not in excess of 2 percent per year, or decreased to reflect the rate of inflation or deflation as shown by the consumer price index.

Article XIII A has subsequently been amended to permit reduction of the "full cash value" base in the event of declining property values caused by damage, destruction or other factors, and to provide that there would be no increase in the "full cash value" base in the event of reconstruction of property damaged or destroyed in a disaster and in various other minor or technical ways.

Article XIII A, as amended, exempts from the 1 percent tax limitation special taxes and *ad valorem* taxes levied to repay voter-approved indebtedness incurred prior to July 1, 1978, or certain general obligation bonds approved by an affirmative two-thirds vote of the electorate voting on the matter. Article XIII A requires a vote of two-thirds of the qualified electorate to impose special taxes, and completely prohibits the imposition of any additional *ad valorem*, sales or transaction tax on real property (other than *ad valorem* taxes to repay general obligation bonds issued to acquire or improve real property), and requires the approval of two-thirds of all members of the State Legislature to change any State tax laws resulting in increased tax revenues.

Appropriations Limitations - Article XIII B

Under Article XIII B of the California Constitution, state and local government agencies are subject to an annual "appropriations limit" and are prohibited from spending "appropriations subject to limitation" above that limit. Article XIII B, originally adopted in 1979, was modified substantially by Propositions 98 and 111 in 1988 and 1990, respectively. "Appropriations subject to limitation" consist of tax revenues, state subventions and certain other funds. Article XIII B does not affect the appropriation of money exclusive of "appropriations subject to limitation," such as debt service on indebtedness existing on or authorized by January 1, 1979, or subsequently authorized by the voters, appropriations required to comply with mandates of courts or the federal government and, pursuant to Proposition 111, appropriations for qualified capital outlay projects and appropriations of revenues derived from any increases in gasoline taxes and motor vehicle weight fees above January 1, 1990 levels. The provisions also exclude from limitation the appropriation of funds which are not "proceeds of taxes," such as reasonable charges for regulatory licenses, user charges, or other fees to the extent that such proceeds equal "the cost reasonably borne by such entity in providing the regulation, product of service." In addition, a number of recent and proposed initiatives are structured to create new tax revenues dedicated to certain specific uses, with such new taxes expressly exempted from the Article XIII B limits (e.g., increased cigarette and tobacco taxes enacted by Proposition 99 in 1988). The appropriations limit may also be exceeded in cases of emergency. However, unless the emergency arises from civil disturbance or natural disaster declared by the Governor, and the appropriations are approved by two-thirds of the Legislature, the appropriations limit for the next three years must be reduced by the amount of the excess.

The State's appropriations limit in each year is based on the limit for the prior year, adjusted annually for changes in California per capita personal income and changes in population, and adjusted, when applicable, for any transfer of financial responsibility of providing services to or from another unit of government. 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.

As originally enacted in 1979, the appropriations limit was based on 1978-79 fiscal year authorizations to expend proceeds of taxes and was adjusted annually to reflect changes in cost of living and population (using different definitions, which were modified by Proposition 111). Starting in the 1990-91 fiscal year, the appropriations limit was recalculated by taking the annual 1986-87 limit and applying the annual adjustments as if Proposition 111 had been in effect.

There are many remaining uncertainties and ambiguities in Article XIII B which will require clarification by the California Legislature or the courts. Accordingly, the City cannot now determine what the precise effect of Article XIII B will be upon its Operations and financial obligations. The City believes it is currently fulfilling all of its obligations under Article XIII B.

Proposition 98

On November 8, 1988, voters of the State approved Proposition 98, a combined initiative constitutional amendment and statute called the "Classroom Instructional Improvement and Accountability Act." Proposition 98 changed State funding of public education below the university level and the operation of the State Appropriations Limit, primarily by guaranteeing K-14 schools a minimum share of state of California General Fund revenues. Under Proposition 98 (as modified by Proposition 111, which was enacted on June 5, 1990), K-14 schools are guaranteed the greater of (a) in general, a fixed percent of California General Fund revenues ("Test 1"), (b) the amount appropriated to K-14 schools in the prior year, adjusted for changes in the cost of living (measured as in Article XIII B by reference to State per capita personal income) and enrollment ("Test 2"), or (c) a third test, which would replace Test 2 in any year when the percentage growth in per capita California General Fund revenues from the prior year plus one half of one percent is less than the percentage growth in per capita California General Fund revenues from the prior year plus one half of one percent is less than the percentage growth in State per capita personal income ("Test 3"). Under Test 3, schools would receive the amount appropriated in the prior year adjusted for changes in enrollment and per capita California General Fund revenues, plus an additional small adjustment factor. If Test 3 is used in any year, the difference between Test 3 and Test 2 would become a "credit" to schools which would be the basis of payments in future years when per capita California General Fund revenue growth exceeds per capita personal income growth. Legislation adopted prior to the end of the 1988-89 Fiscal Year, implementing Proposition 98, determined the K-14 schools' funding guarantee under Test 1 to be 40.3 percent of the California General Fund tax revenues, based on 1986-87 appropriations. However, that percent has been adjusted to approximately 35 percent to account for a subsequent redirection of local property taxes, since such redirection directly affects the share of California General Fund revenues to schools.

Proposition 98 permits the Legislature by two-thirds vote of both houses, with the Governor's concurrence, to suspend the K-14 schools' minimum funding formula for a one-year period. Proposition 98 also contains provisions transferring certain State tax revenues in excess on the Article XIII B limit to K-14 schools.

During the recent recession, California General Fund revenues for several years were less than originally projected, so that the original Proposition 98 appropriations turned out to be higher than the minimum percentage provided in the law. The Legislature responded to these developments by designating the "extra" Proposition 98 payments in one year as a "loan" from future years' Proposition 98 entitlements. By implementing these actions, per-pupil funding from Proposition 98 sources stayed almost constant at approximately \$4,220 from Fiscal Year 1991-92 to Fiscal Year 1993-94.

In 1992, a lawsuit was filed, called *California Teachers' Association v. Gould*, which challenged the validity of these off-budget loans. As part of the negotiations leading to the 1995-96 Budget Act, an oral agreement was reached to settle this case. The oral agreement provides that both the State and K-14 schools share in the repayment of prior years' emergency loans to schools. Of the total \$1.76 billion in loans, the State will repay \$935 million by forgiveness of the amount owed, while schools will repay \$825 million. The State share of the repayment will be reflected as expenditures above the current Proposition 98 base calculation. The schools' share of the

repayment will count as appropriations that count toward satisfying the Proposition 98 guarantee, or from "below" the current base. Repayments are spread over the eight-year period of 1994-95 through 2001-02 to mitigate any adverse fiscal impact.

Unitary Property

AB 454 (Chapter 921, Statutes of 1986) provides that revenues derived from most utility property assessed by the State Board of Equalization ("Unitary Property"), commencing with the 1988/89 Fiscal Year, will be allocated as follows: (1) each jurisdiction will receive up to 102% of its year State-assessed revenue; and (2) if county-wide revenues generated from Unitary Property are less than the previous year's revenues or greater than 102% of the previous year's revenues, each jurisdiction will share the burden of the shortfall or excess revenues by a specified formula. This provision applies to all Unitary Property except railroads, whose valuation will continue to be allocated to individual tax rate areas.

The provisions of AB 454 do not constitute an elimination of the assessment of any State-assessed properties nor a revision of the methods of assessing utilities by the State Board of Equalization. Generally, AB 454 allows valuation growth or decline of Unitary Property to be shared by all jurisdictions in a county.

Proposition 62

Proposition 62 was adopted by the voters at the November 4, 1986, general election which (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 County Local Transportation Authority v. Guardino*, upheld the constitutionality of Proposition 62. In this case, the court held that a county-wide sales tax of one-half of one percent was a special tax that, under Section 53722 of the Government Code, required a two-thirds voter approval. Because the tax received an affirmative vote of only 54.1%, this special tax was found to be invalid. The *Santa Clara* decision did not address the question of whether or not it should be applied retroactively.

The *Santa Clara* decision also did not decide the question of the applicability of Proposition 62 to charter cities. Two cases decided by the California Courts of Appeals in 1993, *Fielder v. City of Los Angeles*, (1993), 14 Cal. App. 4th 137 (rev. den. May 27, 1993), and *Fisher v. County of Alameda* (1993) 20 Cal. App. 4th 120 (rev. den. February. 24, 1994), held that Proposition 62's restrictions on property transfer taxes did not apply to charter cities because charter cities derive their power to enact such taxes under Article XI, Section 5 of the California Constitution relating to municipal affairs. While no assurance can be given that a court would not hold otherwise, in the opinion of the City Attorney, Proposition 62 is not applicable to the levy of taxes by the City as a charter city, and the decision of the California Supreme Court in the *Santa Clara* decision should have no effect on the ability of the City to levy and/or collect local taxes without compliance with the voter approval requirements of Proposition 62. Note Counsel is rendering no opinion on this matter.

Notwithstanding the foregoing, if a court were to rule that Proposition 62 applied to charter cities, the City estimates that approximately \$384,000,000 has been collected as a result of increases in electric, gas, telephone, water and hotel taxes imposed without voter approval between November 5, 1986 (the effective date of Proposition 62) and September 30, 2000. The amount of such taxes collected as a result of these post-Proposition 62 increases was approximately \$38,000,000 in fiscal year 1999-00. The City has also increased its business license taxes subsequent to the enactment of Proposition 62 based on increases in the consumer price index (CPI) pursuant to an ordinance adopted prior to November 5, 1986; these tax increases may or may not be subject to Proposition 62 even if Proposition 62 were determined to apply to charter cities. Because business license taxes are calculated on the basis of different variables for different types of businesses (for example, number of vehicles or tables or employees), the City does not have an estimate of the amount of business license tax collections attributable to post-Proposition 62 increases in the CPI. The total amount of business license taxes collected in fiscal year 1999-00 was approximately \$7,752,000. Annual increases in the CPI since 1986 have ranged from 0 to 6.4%, averaging 3.75% per year. If a court determined that a jurisdiction imposed a tax in violation of Proposition 62, the portion of the 1% general ad valorem property tax levy allocated to that jurisdiction would be required to be reduced by \$1 for every \$1 in revenue attributable to the tax for each year that the tax is collected. In the event that the provisions of Proposition 62 are determined by a court to apply to charter cities and such provisions are applied retroactively to the tax increases imposed between November 5, 1986 and September 30, 1999 as summarized above, the City can give no assurance that its ability to pay the Lease Payments will not be materially adversely affected.

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 adds Articles XIII C and XIII D to the California Constitution and contains 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. Proposition 218 became effective on November 6, 1996. Senate Bill 919 was enacted to provide certain implementing provisions for Proposition 218 and became effective July 1, 1997. 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. If upheld, Proposition 218 could substantially restrict the City's ability to raise future revenues and could increase the City's costs to hold elections, calculate fees and assessments, notify the public and defend its fees and assessments in court.

Proposition 218's long-term effects on the City may include the elimination of revenue sources or the repeal of taxes, assessments, fees or charges through taxpayer initiatives. The City may also be required to curtail municipal services or to use moneys from its California General Fund to replace such lost revenues. The City is unable to predict at present the precise financial impact of Proposition 218 in this regard; however, the City does not believe that Proposition 218 will directly impact the revenue available to it to repay the Notes.

The City currently imposes fees and charges on certain of its services (water, sewer, refuse collection and storm drainage services), which amount to approximately \$256 million in revenues each year. The City is unable to determine at this time whether, under the terms of Proposition 218, such revenues would constitute "property-related fees and charges" subject to the limitations set forth in the initiative. The City is unable to predict whether litigation under Proposition 218 might affect its ability to continue collection of these revenues.

Proposition 218 has no effect upon the City's ability to pursue voter approval of a general obligation bond issue or a Mello-Roos Community Facilities District bond issue in the future, both of which are already subject to a 2/3 vote, although certain procedures and burdens of proof may be altered slightly. The City is unable to predict the nature of any future challenges to Proposition 218 or to the extent to which, if any, Proposition 218 may be held to be unconstitutional.

The interpretation and application of Proposition 218 will ultimately be determined by the courts with respect to a number of the matters discussed above, and it is not possible at this time to predict with certainty the outcome of such determination.

TAX MATTERS

Federal Income Taxes

The Internal Revenue Code of 1986, as amended (the "Code"), and the Treasury Regulations promulgated thereunder (the "Treasury Regulations") establish certain requirements that must be met subsequent to the issuance and delivery of the Notes in order for interest on the Notes to be excluded from the gross income of the owners thereof for federal income tax purposes. Noncompliance with such requirements may cause interest on the Notes to be included in gross income of the owners thereof retroactive to the date of issuance of the Notes.

In the Resolution, the City has covenanted to do and perform all acts and things permitted by law and necessary to assure that the interest paid on the Notes be excluded from the gross income of the owners thereof for federal income tax purposes. The Tax Certificate of the City (the "Tax Certificate") to be delivered concurrently with the issuance and delivery of the Notes contains provisions and procedures regarding compliance with the requirements of the Code and the Treasury Regulations. The City, in executing the Tax Certificate, certifies that the City expects and intends to comply with the provisions contained therein.

In rendering the opinions described below with respect to the Notes, Note Counsel has relied upon the Tax Certificate and the City's tax covenant in the Resolution and has assumed the material accuracy of the representations, statements of intention and reasonable expectation and certification of fact contained in the Tax Certificate.

Tax Opinion

In the opinion of The Law Offices of Marilyn L. Garcia, Note Counsel, under existing law, and assuming compliance by the City with certain covenants in the Resolution and the Tax Certificate and requirements of the Code and the Treasury Regulations regarding the use, expenditure and investment of proceeds of the Notes and the timely payment of certain investment earnings paid to the United States, interest on the Notes is excluded from the gross income of the owners thereof for federal income tax purposes. In addition, under existing law, interest on the Notes is not treated as an item of tax preference for purposes of calculating federal alternative minimum taxable income of individuals and corporations. Such interest, however, is included as an adjustment in calculating federal corporate alternative minimum taxable income and may therefore affect a corporation's alternative minimum tax liability. For other federal tax information, see "Additional Federal Tax Consequences" below.

In addition, in the opinion of Note Counsel, interest on the Notes is exempt from personal income taxes imposed by the State of California.

The opinion of Note Counsel, substantially in the form included in this Official Statement as Appendix B, will be delivered concurrently with the Notes. Note Counsel's employment is limited to a review of the legal proceedings required for authorization of the Notes and to rendering an opinion as to the validity of the Notes, the exclusion from gross income for federal income tax purposes of interest on the Notes, and the exemption from State of California personal income taxes of interest on the Notes. The opinion of Note Counsel will not consider or extend to any documents, agreement, representations, offering circulars, official statements or other materials of any kind concerning the Notes.

Additional Federal Tax Consequences

Prospective purchasers of the Notes should be aware that ownership of governmental obligations, such as the Notes, may have collateral federal income tax consequences for certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, certain S corporations with excess passive income, certain foreign corporations doing business in the United States, individual recipients of Social Security or Railroad Retirement benefits, taxpayers that may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, and taxpayers who may be eligible for the earned income credit. Prospective purchasers

should consult their tax advisors as to any possible consequences from the ownership of the Notes. Note Counsel expresses no opinion regarding any collateral federal income tax consequences.

Certain requirements and procedures contained or referred to in the Tax Certificate may be changed and certain actions may be taken or omitted upon the advice or with the approving opinion of nationally recognized Note Counsel. No opinion is expressed herein as to the exclusion from gross income for federal income tax purposes of the interest payable on the Notes if any such change occurs or action is taken or omitted upon the advice or approval of counsel other than The Law Offices of Marilyn L. Garcia.

Legislation affecting municipal obligations is continually being considered by the United States Congress. There can be no assurance that legislation enacted after the date of issuance of the Notes will not have an adverse effect on the tax-exempt status of the Notes. Legislation or regulatory actions and proposals may also affect the economic value of tax exemption or the market price of the Notes.

Legal Matters

Note Counsel's employment is limited to the review of the legal proceedings required for the authorization of the Notes and to rendering the opinion set forth in APPENDIX B hereto. Note Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Note Counsel will receive compensation contingent upon the sale, issuance and delivery of the Notes.

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 2004-05, 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.

RATINGS

Moody's Investors Service Inc., Standard and Poor's Rating Services, a division of the McGraw Hill Companies Inc. ("S&P"), and Fitch Inc. have assigned ratings of "___", "___" and "___", respectively to the Notes. The ratings issued reflect only the views of such rating agencies, and any explanation of the significance of such ratings should be obtained from each rating agency. Further, there is no assurance that any of the ratings will be retained for any given period of time or that any of the ratings will not be revised or withdrawn entirely by such rating agencies 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.

FINANCIAL ADVISOR

The City has retained Public Financial Management, Inc., San Francisco, 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 of 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.

UNDERWRITING

Pursuant to the terms of a public bid dated October __, 2004, _____, as Underwriter, has agreed to purchase the Notes in the par amount of \$_____, plus original issue premium of \$_____, less an underwriter's discount of \$_____, for a total purchase price of \$_____. The bid proposal relating to the Notes provides that the Underwriter will purchase all of the Notes if any are purchased, subject to the approval of certain legal matters by counsel and certain other conditions.

The Underwriter may offer and sell Notes to certain dealers, dealer banks, and banks, and banks acting as Agent at prices lower than the offering price stated on the cover page thereof. The public offering prices may be changed from time to time by the Underwriter.

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 contracting the City Treasurer, City of Long Beach, 6th floor, City Hall, 333 West Ocean Boulevard, California 90802.

CITY OF LONG BEACH

APPENDIX A
EXCERPTS FROM THE CITY'S
SEPTEMBER 30, 2003 AUDITED FINANCIAL STATEMENTS