

In the opinion of Quint & Thimmig LLP, Larkspur, California, Bond Counsel, subject to compliance by the Authority and the City with certain covenants, interest on the Bonds is excludable from gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations under the Internal Revenue Code of 1986, as amended, but such interest is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. In addition, in the opinion of Bond Counsel, interest on the Bonds is exempt from personal income taxation imposed by the State of California. See “TAX MATTERS” herein.



\$ \_\_\_\_\_ \*

**FINANCE AUTHORITY OF LONG BEACH  
Lease Revenue Refunding Bonds, Series 2016B  
(Rainbow Harbor Refinancing Project)**

**Dated: Date of Delivery**

**Due: August 1, as shown below**

The \$ \_\_\_\_\_\* Finance Authority of Long Beach Lease Revenue Refunding Bonds, Series 2016B (Rainbow Harbor Refinancing Project) (the “Bonds”), are being issued by the Finance Authority of Long Beach, a joint exercise of powers agency organized and existing under the laws of the State of California (the “Authority”), pursuant to the provisions of Article 4 (commencing with section 6584) of Chapter 5 of Division 7 of Title 1 of the California Government Code (the “Bond Law”), a resolution of the Board of Directors of the Authority (the “Resolution”) and an Indenture of Trust, dated as of August 1, 2016 (the “Indenture”), by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”). The Bonds are secured by a pledge of and lien on the Revenues (as defined herein), consisting primarily of Lease Payments (as defined herein), described below. The Bonds are being issued to (a) refund the outstanding Long Beach Bond Finance Authority Lease Revenue Refunding Bonds, 2006 Series A (Rainbow Harbor Refinancing Project) (the “Refunded Bonds”); and (b) pay costs of issuance of the Bonds. See “PLAN OF REFUNDING” and “ESTIMATED SOURCES AND USES OF FUNDS” herein.

The City will lease certain real property and the improvements thereon from the Authority pursuant to a Lease Agreement, dated as of August 1, 2016 (the “Lease Agreement”), by and between the Authority and the City. Under the Lease Agreement, the City is required to make the Lease Payments from legally available funds in amounts calculated to be sufficient to pay principal of and interest on the Bonds when due, as described herein. All of the Authority’s right, title and interest in and to the Lease Agreement (except for the right to receive any Additional Payments (as defined herein) to the extent payable to the Authority and certain rights to indemnification), including the right to receive Lease Payments under the Lease Agreement, are assigned to the Trustee under the Indenture for the benefit of the Bondowners. See “SECURITY FOR THE BONDS” herein. The obligation of the City to make Lease Payments and Additional Payments is subject to abatement during any period in which, by reason of damage, destruction or a taking by eminent domain, there is substantial interference with the use and occupancy by the City of any portion of the Property. See “SECURITY FOR THE BONDS—Abatement.”

*The Bonds are subject to redemption prior to maturity as described herein.* See “THE BONDS—Extraordinary Redemption from Insurance or Condemnation Proceeds” herein.

The Bonds are issuable in denominations of \$5,000 and any integral multiple thereof. Interest on the Bonds is payable on February 1 and August 1 of each year, commencing February 1, 2017. See “THE BONDS” herein. The Bonds will be delivered in fully registered form only, and, when delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”). DTC will act as securities depository of the Bonds. Ownership interests in the Bonds may be purchased in book-entry form only. Principal of and interest on the Bonds will be paid by the Trustee to DTC or its nominee, which will in turn remit such payment to its participants for subsequent disbursement to the beneficial owners of the Bonds. See “THE BONDS—General” herein and APPENDIX E—“BOOK-ENTRY ONLY SYSTEM.”

THE BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY, PAYABLE SOLELY FROM AND SECURED SOLELY BY A PLEDGE OF AMOUNTS IN CERTAIN FUNDS AND ACCOUNTS PURSUANT TO THE INDENTURE AND THE REVENUES DERIVED FROM LEASE PAYMENTS BY THE CITY PURSUANT TO THE LEASE AGREEMENT. THE CITY HAS COVENANTED IN THE LEASE AGREEMENT TO TAKE SUCH ACTIONS AS MAY BE NECESSARY TO INCLUDE ALL LEASE PAYMENTS DUE THEREUNDER IN ITS ANNUAL BUDGETS AND TO MAKE THE NECESSARY ANNUAL APPROPRIATIONS THEREFOR. NEITHER THE BONDS NOR THE OBLIGATION OF THE CITY TO MAKE LEASE PAYMENTS CONSTITUTES AN INDEBTEDNESS OF THE AUTHORITY, THE CITY, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION, OR A PLEDGE OF THE FAITH AND CREDIT OF THE CITY. THE AUTHORITY HAS NO TAXING POWER. THE OBLIGATION OF THE CITY TO MAKE LEASE PAYMENTS DOES NOT CONSTITUTE AN OBLIGATION OF THE CITY FOR WHICH THE CITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE CITY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION.

**MATURITY SCHEDULE**

**See the Inside Cover**

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

The Bonds will be offered when, as and if issued, and received by the Underwriter, subject to the approval as to their legality by Quint & Thimmig LLP, Larkspur, California, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the Authority and the City by the City Attorney. Certain legal matters will be passed upon for the Authority by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, as Disclosure Counsel. Certain matters will be passed upon for the Underwriter by Kutak Rock LLP, Denver, Colorado. It is anticipated that the Bonds will be available for delivery through the facilities of DTC on or about \_\_\_\_\_, 2016.

\* Preliminary; subject to change.

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

\_\_\_\_\_  
Date of this Official Statement: \_\_\_\_\_, 2016

\$ \_\_\_\_\_ \*

**FINANCE AUTHORITY OF LONG BEACH**  
**Lease Revenue Refunding Bonds, Series 2016B**  
**(Rainbow Harbor Refinancing Project)**

**MATURITY SCHEDULE**

CUSIP Prefix: 54241Q†

<u>Maturity (August 1)</u>	<u>Principal Amount*</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP Suffix†</u>
2017	\$2,885,000				
2018	2,405,000				
2019	2,520,000				
2020	2,645,000				
2021	2,780,000				
2022	2,920,000				
2023	3,065,000				

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† Copyright, American Bankers Association. CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, operated by Standard & Poor's. This data is not intended to create a database and does not serve in any way as a substitute for CUSIP Global Services. CUSIP numbers have been assigned by an independent company not affiliated with the Authority and are included solely for the convenience of the registered owners of the Bonds. None of the Authority, the City or the Underwriter is responsible for the selection or uses of these CUSIP numbers and no representation is made as to their correctness on the Bonds or as included herein. The CUSIP number for a specific maturity is subject to being changed after the delivery of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

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\* Preliminary; subject to change.

**FINANCE AUTHORITY OF LONG BEACH**

**CITY OF LONG BEACH**

**Authority Board of Directors**

Patrick H. West, *Chairperson*  
John Gross, *Vice-Chair and Executive Director*  
David S. Nakamoto, *Treasurer/Auditor*

**Long Beach Mayor and City Council**

Dr. Robert Garcia  
*Mayor*

Dr. Suja Lowenthal  
*Second District, Vice Mayor*

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

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

**City Staff**

Patrick H. West, *City Manager*  
Tom Modica, *Assistant City Manager*  
John Gross, *Director of Financial Management*  
David S. Nakamoto, *City Treasurer*  
Charles Parkin, *City Attorney*  
Laura L. Doud, *City Auditor*  
Maria de la Luz Garcia, *City Clerk*

**Professional Services**

KNN Public Finance, LLC  
Los Angeles, California  
*Municipal Advisor*

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

U.S. Bank National Association  
Los Angeles, California  
*Escrow Bank*

Quint & Thimmig LLP  
Larkspur, California  
*Bond Counsel*

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

## GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

No dealer, broker, salesperson or other person has been authorized by the Authority, the City or the Underwriter to give any information or to make any representations with respect to the offer or sale of the Bonds other than as set forth in this Official Statement and, if given or made, such other information or representation must not be relied upon as having been authorized by the Authority, the City or the Underwriter. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

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

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

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

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

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

**The Bonds have not been registered under the Securities Act of 1933, as amended (the “Securities Act”), in reliance upon an exemption from the registration requirements contained in**

**the Securities Act. The Bonds have not been registered or qualified under the securities laws of any state.**

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

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## OFFICIAL STATEMENT

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### **FINANCE AUTHORITY OF LONG BEACH Lease Revenue Refunding Bonds, Series 2016B (Rainbow Harbor Refinancing Project)**

#### INTRODUCTION

The following introduction presents a brief description of certain information in connection with the Bonds (as defined below) and is qualified in its entirety by reference to this entire Official Statement and the documents summarized or described herein. References to, and summaries of, provisions of the Constitution and the laws of the State of California (the “State”) and any documents referred to herein do not purport to be complete and such references are qualified in their entirety by reference to the complete provisions thereof. Capitalized terms used in this Official Statement and not defined herein have the meanings given to such terms in the Indenture. See APPENDIX C—”SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS—Definitions.”

#### **General Description**

This Official Statement, including the cover page, the inside cover page and the attached appendices (this “Official Statement”), provides certain information concerning the issuance of \$ \_\_\_\_\_ \* principal amount of Finance Authority of Long Beach Lease Revenue Refunding Bonds, Series 2016B (Rainbow Harbor Refinancing Project) (the “Bonds”), by the Finance Authority of Long Beach, a joint exercise of powers agency organized under the laws of the State (the “Authority”).

The Bonds are being issued pursuant to Article 4 of Chapter 5 of Division 7 of Title 1 of the California Government Code, a resolution of the Authority authorizing the issuance of the Bonds adopted on July [11], 2016 (the “Authority Resolution”) and an indenture of trust, dated as of August 1, 2016 (the “Indenture”), by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”).

The Bonds are being issued to (a) refund the outstanding Long Beach Bond Finance Authority Lease Revenue Refunding Bonds, 2006 Series A (Rainbow Harbor Refinancing Project) (the “Refunded Bonds”); and (b) pay costs of issuance of the Bonds. See “PLAN OF REFUNDING” and “ESTIMATED SOURCES AND USES OF FUNDS.”

#### **Terms of the Bonds**

The Bonds will mature on the dates and in the principal amounts set forth on the inside cover page of this Official Statement. Interest on the Bonds is payable semiannually on each February 1 and August 1 (each, an “Interest Payment Date”), commencing February 1, 2017, at the respective rates of interest set forth on the inside cover page of this Official Statement. The Bonds will be issuable in denominations of \$5,000 or any integral multiple thereof. The Bonds are subject to extraordinary redemption as described herein. See “THE BONDS.”

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\* Preliminary; subject to change.

## **Book-Entry Only**

The Bonds will be issuable in fully registered form and, when issued and delivered, will be registered in the name of Cede & Co., as nominee of the Depository Trust Company (“DTC”). DTC will act as the depository of the Bonds and all payments due on the Bonds will be made to DTC or its nominee. Ownership interests in the Bonds may be purchased in book-entry form only. See APPENDIX F—”BOOK-ENTRY ONLY SYSTEM.”

## **Source of Payment for the Bonds**

Pursuant to a site and facility lease, dated as of August 1, 2016 (the “Site and Facility Lease”), by and between the City and the Authority, the City will lease to the Authority certain real property and certain improvements located thereon (the “Property”) owned by the City. See “THE PROPERTY.” Concurrently, the City will sublease the Property from the Authority pursuant to a lease agreement, dated as of August 1, 2016 (the “Lease Agreement”), by and between the Authority and the City. Under the Lease Agreement, subject to abatement as provided therein, the City is required to make lease payments (the “Lease Payments”) from legally available funds for use and occupancy of the Property in amounts calculated to be sufficient to pay principal of and interest on the Bonds when due. The City has covenanted in the Lease Agreement to take such action as may be necessary to include the Lease Payments in each of its annual budgets during the Term of the Lease Agreement and has further covenanted to make the necessary annual appropriations for all such Lease Payments. All of the Authority’s right, title and interest in and to the Lease Agreement (apart from certain rights to receive Additional Payments to the extent payable to the Authority and to indemnification), including the right to receive Lease Payments under the Lease Agreement, are assigned to the Trustee under the Indenture for the benefit of the Bondowners.

Except to the extent of certain amounts available to the City for payments under the Lease Agreement, during any period in which, by reason of damage or destruction of the Property there is substantial interference with the use and occupancy by the City of any portion of the Property, Lease Payments will be abated in an amount agreed upon by the City and the Authority such that the resulting Lease Payments represent fair consideration for the use and occupancy of the portions of the Property not damaged or destroyed and available for use and possession by the City. Such abatement shall continue for the period commencing with such damage or destruction and ending with the substantial completion of the work of repair or reconstruction or the date when the remaining portion of the Property is available for use and possession by the City.

If all of the Property is taken permanently under the power of eminent domain or sold to a government threatening to exercise the power of eminent domain, the Term of the Lease Agreement will cease with respect to the Property as of the day possession shall be so taken; however, if less than all of the Property is taken permanently, or if all of the Property or any part thereof is taken temporarily under the power of eminent domain, (i) the Lease Agreement will continue in full force and effect and will not be terminated by virtue of such taking and (ii) there will be a partial abatement of Lease Payments in an amount to be agreed upon by the City and the Authority such that the resulting Lease Payments for the Property represent fair consideration for the use and occupancy of the remaining usable portion of the Property. See “SECURITY FOR THE BONDS—Abatement.”

The Bonds are limited obligations of the Authority payable solely from and secured by a pledge of the Revenues and other amounts (including proceeds of the sale of the Bonds) held by the Trustee in certain funds and accounts established under the Indenture and pledged therefor, and the Revenues may not be used for any other purpose while any of the Bonds remain Outstanding; provided, however, that the Revenues may be applied for such other purposes as are permitted under the Indenture. “Revenues”

means (i) all Lease Payments and certain amounts paid, or caused to be paid, by the City, and received by the Authority pursuant to the Lease Agreement (but not Additional Payments), and (ii) all interest or other income from the investment of amounts in certain funds and accounts established pursuant to the Indenture.

### **No Reserve Account**

A debt service reserve account will not be established for the Bonds.

### **No Additional Bonds; Additional Obligations Secured by the General Fund**

The Authority may not issue additional bonds or other indebtedness payable from the Revenues in whole or in part. See “SECURITY FOR THE BONDS—Additional Bonds.”

The Lease Agreement does not prohibit the City from incurring additional obligations secured by its General Fund. In that regard, the City from time to time incurs various General Fund obligations to finance public improvements (see “CITY FINANCIAL INFORMATION—Bonded Indebtedness”), which may also include lease obligations payable from its General Fund.

### **The City**

The City is a municipal corporation and chartered city, organized and existing under its charter and the laws of the State. See “THE CITY,” “CITY FINANCIAL INFORMATION” and APPENDIX A—“GENERAL, ECONOMIC AND DEMOGRAPHIC INFORMATION RELATING TO THE CITY OF LONG BEACH.”

### **The Authority**

The Authority is a joint exercise of powers agency formed by agreement between the City and the Housing Authority of the City (the “Housing Authority”) pursuant to Articles 1 through 4, Chapter 5, Division 7, Title 1 of the California Government Code. See “THE AUTHORITY.”

### **Limited Liability**

THE BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY, PAYABLE SOLELY FROM AND SECURED SOLELY BY A PLEDGE OF AMOUNTS IN CERTAIN FUNDS AND ACCOUNTS PURSUANT TO THE INDENTURE AND THE REVENUES DERIVED FROM LEASE PAYMENTS BY THE CITY PURSUANT TO THE LEASE AGREEMENT. THE CITY HAS COVENANTED IN THE LEASE AGREEMENT TO TAKE SUCH ACTIONS AS MAY BE NECESSARY TO INCLUDE ALL LEASE PAYMENTS DUE THEREUNDER IN ITS ANNUAL BUDGETS AND TO MAKE THE NECESSARY ANNUAL APPROPRIATIONS THEREFOR. NEITHER THE BONDS NOR THE OBLIGATION OF THE CITY TO MAKE LEASE PAYMENTS CONSTITUTES AN INDEBTEDNESS OF THE AUTHORITY, THE CITY, THE STATE OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION, OR A PLEDGE OF THE FAITH AND CREDIT OF THE CITY. THE AUTHORITY HAS NO TAXING POWER. THE OBLIGATION OF THE CITY TO MAKE LEASE PAYMENTS DOES NOT CONSTITUTE AN OBLIGATION OF THE CITY FOR WHICH THE CITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE CITY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION.

### **Continuing Disclosure**

The City, as an obligated person with respect to the Bonds within the meaning of Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission (the “Rule”), has agreed to undertake the continuing disclosure responsibilities required by the Rule. The Authority has not undertaken a commitment to provide any continuing disclosure required by the Rule.

The City has covenanted in a continuing disclosure certificate (the “Continuing Disclosure Certificate”) to provide, or cause to be provided, to the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access System (“EMMA”) certain annual financial information and operating data of the type set forth herein including, but not limited to, its annual audited financial statements and, in a timely manner, notice of certain enumerated events. See “CONTINUING DISCLOSURE” and APPENDIX E—“FORM OF CONTINUING DISCLOSURE CERTIFICATE” for a description of the specific nature of the annual report and notices of enumerated events and a summary description of the terms of the Continuing Disclosure Certificate pursuant to which such reports and notices are to be made.

### **Tax Matters**

In the opinion of Quint & Thimmig LLP, Larkspur, California, Bond Counsel, assuming the Authority’s and the City’s compliance with certain covenants, interest on the Bonds is excludable from gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the alternative minimum tax for individuals and corporations under the Internal Revenue Code of 1986, as amended, but is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. Failure to comply with certain of such covenants could cause interest on the Bonds to be includable in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds. Bond Counsel expresses no opinion regarding or concerning any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. In addition, in the opinion of Bond Counsel, interest on the Bonds is exempt from personal income taxation imposed by the State of California. See “TAX MATTERS” herein.

### **Certain Risk Factors**

Certain events could affect the ability of the City to make the Lease Payments when due. See “CERTAIN RISK FACTORS” for a discussion of certain factors that should be considered, in addition to other matters set forth herein, in evaluating an investment in the Bonds.

### **Other Information**

The descriptions herein of the Indenture, the Lease Agreement and other agreements relating to the Bonds are qualified in their entirety by reference to such documents, and the descriptions herein of the Bonds are qualified in their entirety by the form thereof and the information with respect thereto included in the aforementioned documents. See APPENDIX C—“SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS.” Copies of documents referred to in this Official Statement are on file and, upon request and payment to the City of a charge for copying, mailing and handling, copies are available from the City Treasurer, City of Long Beach, Department of Financial Management, 333 West Ocean Boulevard, 6th Floor, Long Beach, California 90802.

The information and expressions of opinion herein speak only as of their date and are subject to change without notice. Neither the delivery of this Official Statement nor any sale made hereunder nor any future use of this Official Statement, under any circumstances, creates any implication that there has been no change in the affairs of the City or the Authority since the date hereof.

The presentation of information, including tables of receipt of revenues, is intended to show recent historical information and is not intended to indicate future or continuing trends in the financial position or other affairs of the City or the Authority. No representation is made that past experience, as it might be shown by such financial and other information, will necessarily continue or be repeated in the future.

### **ESTIMATED SOURCES AND USES OF FUNDS**

The estimated sources and uses of funds realized upon the sale of the Bonds is as follows:

Estimated Sources:

Principal Amount of Bonds

Plus: Net Original Issue Premium

Plus: Amounts Available from Refunded Bonds

Total Sources

Estimated Uses:

Deposit to Escrow Fund

Costs of Issuance <sup>(1)</sup>

Total Uses

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<sup>(1)</sup> Includes, but is not limited to, the Underwriter's discount, the fees and expenses of Bond Counsel, Disclosure Counsel, the Trustee, the Municipal Advisor and the rating agencies, costs of printing the Official Statement and other costs incurred by the Authority and the City in connection with the issuance and delivery of the Bonds.

### **PLAN OF REFUNDING**

A portion of the proceeds of the Bonds will be deposited in an escrow fund (the "Escrow Fund") to be created and maintained by U.S. Bank National Association, acting as escrow agent (the "Escrow Agent") under an escrow agreement (the "Escrow Agreement"), by and between the City and the Escrow Agent. Moneys in the Escrow Fund will remain uninvested held in cash, and applied to pay the principal of, redemption premium and interest on the Refunded Bonds on August 29, 2016. Upon the deposit of the portion of the Bond proceeds in the Escrow Fund as described above, the Refunded Bonds will be discharged in accordance with the indenture pursuant to which the Refunded Bonds were issued.

Certain information relating to the Refunded Bonds are set forth below.

**Long Beach Bond Finance Authority  
Lease Revenue Refunding Bonds, 2006 Series A  
(Rainbow Harbor Refinancing Project)  
Redemption Date: August 29, 2016**

Maturity Date (May 1)	Interest Rate	Principal Amount	Redemption Price	CUSIP <sup>1</sup> (Base: 542402)
2017	4.000%	\$3,130,000.00	100%	JQ6
2018	4.100	2,785,000.00	100	JR4
2019	4.125	2,895,000.00	100	JS2
2020	4.250	3,015,000.00	100	JT0
2021	4.375	3,145,000.00	100	JU7
2022	4.400	3,280,000.00	100	JV5
2024	5.000	7,015,000.00	102	JW3

**THE PROPERTY**

The Property consists of the Rainbow Harbor area of the City and includes approximately 25.04 acres of land and 22.73 acres of water. The on-site improvements include the Pierpoint Landing building, a multilevel parking structure, various storage and mechanical equipment buildings, “birdcage structure,” flatwork, landscaping, docking systems and pier. (The Property does not include the real property upon which the Long Beach Aquarium is located.) The Pine Avenue Pier, which is 230 feet in length, was built of concrete structure decking with an attached floating dock tied to concrete pilings. The pier provides mooring for ships, acts as a base for commercial operations and provides public access. The Property located in the Rainbow Harbor also includes floating docks made of wood framed pontoons anchored in place by concrete pilings to provide additional mooring for boats. Aluminum gangways connect these docks to bulkheads on the land side. The Esplanade, a 300,000-foot multi-level walkway around the Peninsula, was built of brick, concrete, lithocrete paving and wood boardwalk. An amphitheater made of concrete and lithocrete construction was built and can accommodate several hundred listeners on concrete benches. A one story, wood frame and stucco building on a concrete slab which serves as headquarters for fishing operations, public restrooms and a fast food operation. To accommodate tourists and visitors, approximately one mile of asphalt roadway was built to provide access to the parking structure, parking lot, Aquarium and Catalina Terminal. A five-level concrete parking structure and a 150-stall visitor asphalt parking lot with concrete curbs, walkways, site lighting and landscaping were also built to provide visitor parking.

**THE BONDS**

**General**

The Bonds will be issued in fully registered form without coupons in denominations of \$5,000 or any integral multiple thereof. The Bonds will mature on August 1 in each of the years and in the

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<sup>1</sup> CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by S&P Capital IQ. All rights reserved. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. None of the Authority, the City, the Underwriter or their agents or counsel assumes responsibility for the accuracy of such numbers.

respective principal amounts, and will bear interest (calculated on the basis of a 360-day year of twelve 30-day months) at the respective rates set forth on the inside cover page hereof.

Interest on the Bonds will be payable semiannually on each Interest Payment Date, commencing February 1, 2017, to the person whose name appears on the Registration Books as the Owner thereof as of the fifteenth calendar day of the month immediately preceding each such Interest Payment Date (each, a "Record Date"), such interest to be paid by check of the Trustee mailed by first-class mail to the Owners at the respective addresses of such Owners as they appear on the Registration Books; provided, however, that payment of interest may be made by wire transfer in immediately available funds to an account in the United States of America to any Owner of Bonds in the aggregate principal amount of \$1,000,000 or more who furnishes written wire instructions to the Trustee at least five days before the applicable Record Date. Principal of any Bond will be paid by check of the Trustee upon presentation and surrender thereof at the corporate trust office of the Trustee, except as provided in APPENDIX F—"BOOK-ENTRY ONLY SYSTEM." Principal of and interest on the Bonds will be payable in lawful money of the United States of America.

Each Bond will be dated as of its date of delivery and will bear interest from the Interest Payment Date next preceding such date of authentication thereof, unless (a) it is authenticated after a Record Date and on or before the following Interest Payment Date, in which event it will bear interest from such Interest Payment Date, or (b) it is authenticated on or before January 15, 2017, in which event it will bear interest from the Closing Date; provided, however, that if, as of the date of authentication of any Bond, interest thereon is in default, such Bond will bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

The Bonds, when issued, will be registered in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company ("DTC," and together with any successor securities depository, the "Securities Depository"). DTC will act as Securities Depository for the Bonds. Individual purchases of the Bonds will be made in book-entry form. Purchasers will not receive certificates representing their ownership interest in the Bonds. *So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references herein to the Bondholders or registered owners thereof means Cede & Co. as aforesaid, and not the Beneficial Owners of the Bonds.* So long as Cede & Co. is the registered owner of the Bonds, principal of and interest on the Bonds are payable by wire transfer of same day funds by the Trustee to Cede & Co., as nominee for DTC. DTC is obligated, in turn, to remit such amounts to the Participants for subsequent disbursement to the Beneficial Owners. See APPENDIX F—"BOOK-ENTRY ONLY SYSTEM."

### **Transfer and Exchange of Bonds**

Any Bond may, in accordance with its terms, be transferred on the Registration Books maintained by the Trustee by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form acceptable to the Trustee. Transfer of any Bond will not be permitted by the Trustee during the period established by the Trustee for selection of Bonds for redemption or if such Bond has been selected for redemption pursuant to the Indenture. Whenever any Bond or Bonds are required to be surrendered for transfer, the Authority will execute and the Trustee will authenticate and will deliver a new Bond or Bonds for a like aggregate principal amount and of like maturity. The Trustee may require the Bond Owner requesting such transfer to pay any tax or other governmental charge required to be paid with respect to such transfer.

Any Bond may be exchanged at the corporate trust office of the Trustee for a like aggregate principal amount of Bonds of other authorized denominations and of like maturity. Exchange of any Bond

will not be permitted during the period established by the Trustee for selection of Bonds for redemption or if such Bond has been selected for redemption. The Trustee may require the Bond Owner requesting such exchange to pay any tax or other governmental charge required to be paid with respect to such exchange.

### **No Optional Redemption**

The Bonds are not subject to optional redemption prior to their respective stated maturities.

### **Extraordinary Redemption from Insurance or Condemnation Proceeds**

The Bonds are subject to redemption as a whole or in part on any date, to the extent the Trustee has received hazard insurance proceeds or condemnation proceeds not used to repair or replace any portion of the Property damaged or destroyed and elected by the City to be used for such purpose, at a redemption price equal to the principal amount thereof to be redeemed plus interest accrued thereon to the date fixed for redemption, without premium. If less than all the Outstanding Bonds are called for redemption from proceeds of eminent domain or insurance at any one time, the City shall specify to the Trustee a principal amount in each maturity to be redeemed which, to the extent practicable, results in approximately equal annual debt service on the Bonds Outstanding following such redemption.

### **Selection of Bonds for Redemption**

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

### **Notice of Redemption**

Notice of redemption will be mailed by first-class mail, postage prepaid, not less than 20 nor more than 60 days before any redemption date, to the respective Owners of any Bonds designated for redemption at their addresses appearing on the Registration Books maintained by the Trustee, and to the Securities Depositories and the Information Services. Each notice of redemption will state the date of the notice, the redemption date, the place or places of redemption, whether less than all of the Bonds (or all Bonds of a single maturity) are to be redeemed, the CUSIP numbers and (in the event that not all Bonds within a maturity are called for redemption) Bond numbers of the Bonds to be redeemed, the maturity or maturities of the Bonds to be redeemed and in the case of Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice will also state that on the redemption date there will become due and payable on each of said Bonds the redemption price thereof, and that from and after such redemption date interest thereon will cease to accrue, and will require that such Bonds be then surrendered for payment. Neither the failure to receive any notice nor any defect therein will affect the sufficiency of the proceedings for such redemption or the cessation of accrual of interest from and after the redemption date. Notice of redemption of Bonds will be given by the Trustee, at the expense of the Authority, for and on behalf of the Authority.

So long as the book-entry system is used for the Bonds, the Trustee will give any notice of redemption or any other notices required to be given to registered Owners of Bonds only to DTC. Any failure of DTC to advise any Participant, or of any Participant to notify the Beneficial Owner, of any such notice and its content or effect will not affect the validity of the redemption of the Bonds called for

redemption or any other action premised on such notice. See APPENDIX F—"BOOK-ENTRY ONLY SYSTEM."

### **Partial Redemption of Bonds**

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

### **Effect of Redemption**

If notice of redemption has been given, and moneys for payment of the redemption price of, together with interest accrued to the date fixed for redemption on, the Bonds (or portions thereof) so called for redemption are being held by the Trustee, on the redemption date designated in such notice, the Bonds (or portions thereof) so called for redemption will become due and payable, interest on the Bonds so called for redemption will cease to accrue, said Bonds (or portions thereof) will cease to be entitled to any benefit or security under the Indenture, and the Owners of said Bonds will have no rights in respect thereof except to receive payment of the redemption price thereof.

## **SECURITY FOR THE BONDS**

### **General**

The Bonds are limited obligations of the Authority payable solely from and secured solely by the Revenues pledged therefor under the Indenture, together with amounts on deposit from time to time in certain funds and accounts held by the Trustee under the Indenture. The primary source of the Revenues is the Lease Payments to be made by the City pursuant to the Lease Agreement.

Under the Indenture, the Authority assigns to the Trustee, for the benefit of the Owners from time to time of the Bonds, all of the Revenues and all of the rights of the Authority in the Lease Agreement (except for the right to receive any Additional Payments to the extent payable to the Authority and certain rights to indemnification set forth therein). The Trustee is entitled to collect and receive all of the Revenues, and any Revenues collected or received by the Authority are required to be held, and to have been collected or received, by the Authority as the agent of the Trustee and must be paid by the Authority to the Trustee.

### **Limited Obligation**

THE BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY, PAYABLE SOLELY FROM AND SECURED SOLELY BY A PLEDGE OF AMOUNTS IN CERTAIN FUNDS AND ACCOUNTS PURSUANT TO THE INDENTURE AND THE REVENUES DERIVED FROM LEASE PAYMENTS BY THE CITY PURSUANT TO THE LEASE AGREEMENT. THE CITY HAS COVENANTED IN THE LEASE AGREEMENT TO TAKE SUCH ACTIONS AS MAY BE NECESSARY TO INCLUDE ALL LEASE PAYMENTS DUE THEREUNDER IN ITS ANNUAL BUDGETS AND TO MAKE THE NECESSARY ANNUAL APPROPRIATIONS THEREFOR. NEITHER THE BONDS NOR THE OBLIGATION OF THE CITY TO MAKE LEASE PAYMENTS CONSTITUTES AN INDEBTEDNESS OF THE AUTHORITY, THE CITY, THE STATE OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION, OR A PLEDGE OF THE FAITH AND CREDIT OF THE CITY. THE AUTHORITY HAS NO TAXING POWER. THE OBLIGATION OF THE CITY TO MAKE

LEASE PAYMENTS DOES NOT CONSTITUTE AN OBLIGATION OF THE CITY FOR WHICH THE CITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE CITY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION.

### **Lease Payments and Additional Payments**

The Lease Agreement requires the City, subject to abatement as provided therein, to deposit with the Trustee, as assignee of the Authority, on the fifteenth day of the month preceding each February 1 and August 1, commencing with the fifteenth day of the month preceding February 1, 2017 (the “Lease Payment Dates”), an amount equal to the aggregate Lease Payment coming due and payable on each such Lease Payment Date. The Lease Payments payable in any fiscal year of the City constitute payment for the use and possession of the Property during such fiscal year. The City will receive a credit towards payment of Lease Payments for amounts on deposit in the Revenue Fund (including the Interest Account and the Principal Account therein) on each Lease Payment Date.

The obligation of the City to make Lease Payments under the Lease Agreement does not constitute an obligation of the City for which the City is obligated to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation. Neither the full faith and credit nor the taxing power of the City, the State or any of its political subdivisions is pledged to make Lease Payments under the Lease Agreement. The Authority has no taxing power. The Lease Payments are calculated to be sufficient to pay, when due, the principal of and interest on the Bonds.

In addition to the Lease Payments, the City is required to pay when due the following Additional Payments: (a) any fees and expenses incurred by the Authority in connection with or by reason of its leasehold estate in the Property as and when the same become due and payable; (b) any amount due to the Trustee pursuant to the terms of the Indenture; (c) any reasonable fees and expenses of such accountants, consultants, attorneys, and other experts as may be engaged by the Authority or the Trustee to prepare audits, financial statements, reports, opinions or provide such other services required under the Lease Agreement or the Indenture; (d) any reasonable out-of-pocket expenses of the Authority in connection with the execution and delivery of the Lease Agreement or the Indenture or in connection with the issuance of the Bonds; and (e) any amounts due and payable by the City as arbitrage rebate under section 148 of the Code with respect to the Bonds.

Pursuant to the Lease Agreement, the City covenants to take such action as may be necessary to include all Lease Payments due thereunder in its annual budgets and to make annual appropriations therefor. As provided in the Lease Agreement, the covenants of the City thereunder are duties imposed by law, and it is the duty of each and every public official of the City to take such action and to do such things as are required by law in the performance of the official duty of such officials to enable the City to carry out and perform the covenants and agreements in the Lease Agreement agreed to be carried out and performed by the City.

California law requires, and the Lease Agreement provides, that Lease Payments are required to be abated in whole or in part during any period in which there is substantial interference with the use and occupancy of the Property by the City due to damage, destruction or taking in eminent domain proceedings. Under these circumstances, failure to make any Lease Payment will not be an event of default under the Lease Agreement. See “SECURITY FOR THE BONDS—Abatement” below.

Lease Payments made by the City to the Authority are payable from any moneys lawfully available to the City therefor. The Lease Agreement and the Indenture require that Lease Payments be deposited in the Revenue Fund maintained by the Trustee, which fund is held for the benefit of the owners of the Bonds.

## **Insurance and Condemnation Awards**

In the event of any damage to or destruction of any part of the Property covered by insurance, the Authority, except as hereinafter provided, is required to cause the proceeds of such insurance to be utilized for the repair, reconstruction or replacement of the damaged or destroyed portion of the Property, and the Trustee is required to hold said proceeds in a fund established by the Trustee for such purpose separate and apart from all other funds, to the end that such proceeds are required to be applied to the repair, reconstruction or replacement of the Property to at least the same good order, repair and condition as was the case prior to the damage or destruction, insofar as the same may be accomplished by the use of said proceeds. The Trustee is required to invest said proceeds in Permitted Investments pursuant to the Written Request of the City, as agent for the Authority under the Lease Agreement, and withdrawals of said proceeds are required to be made from time to time upon the filing of a Written Request of the City with the Trustee, stating that the City has expended moneys or incurred liabilities in an amount equal to the amount therein stated for the purpose of the repair, reconstruction or replacement of the Property, and specifying the items for which such moneys were expended, or such liabilities were incurred, in reasonable detail. The City is required to file a written certificate with the Trustee to the effect that sufficient funds from insurance proceeds or from any funds legally available to the City, or from any combination thereof, are available in the event it elects to repair, reconstruct or replace the Property. Any balance of such proceeds not required for such repair, reconstruction or replacement and the proceeds of use and occupancy insurance are required to be treated by the Trustee as Lease Payments. Alternatively, the City, at its option, if the proceeds of such insurance together with any other moneys then available for such purpose are sufficient to prepay all, in case of damage or destruction in whole of the Property, or that portion, in the case of partial damage or destruction of the Property, of the Lease Payments relating to the damaged or destroyed portion of the Property, may elect not to repair, reconstruct or replace the damaged or destroyed portion of the Property and thereupon is required to cause said proceeds to be used for the redemption of Outstanding Bonds. See “THE BONDS—Extraordinary Redemption from Insurance or Condemnation Proceeds.”

No assurance can be given that the proceeds of any insurance or condemnation award will be sufficient under all circumstances to repair or replace any damaged or taken Property or to prepay all Lease Payments with respect to the Property. Also, the City makes no representation as to the sufficiency of any insurance awards or the adequacy of any self-insurance to pay, when and as due, amounts payable under the Lease Agreement.

## **Abatement**

The Lease Agreement provides for the abatement of Lease Payments during any period in which by reason of damage to or destruction of the Property (other than by eminent domain which may also cause abatement of Lease Payments as described below), which causes substantial interference with the use and occupancy by the City of the Property or any portion thereof. The amount of such abatement will be an amount agreed upon by the City and the Authority such that the resulting Lease Payments represent fair consideration for the use and occupancy of the portions of the Property not damaged or destroyed and available for use and possession by the City. Such abatement will continue for the period commencing with such damage or destruction and ending with the substantial completion of the work of repair or reconstruction. In the event of any such damage or destruction, the Lease Agreement will continue in full force and effect and the City waives any right to terminate the Lease Agreement by virtue of any such damage and destruction. There will be no abatement of the Lease Payments to the extent that moneys derived from insurance proceeds or proceeds from an eminent domain proceedings are available to pay the amount which would otherwise be abated or if there is any money available in the Bond Fund to pay the amount which would otherwise be abated. See “SECURITY FOR THE BONDS—Insurance” and “—Rental Interruption Insurance.”

If all of the Property is taken permanently under the power of eminent domain or sold to a government threatening to exercise the power of eminent domain, the Lease Agreement will terminate with respect to the Property as of the day possession is so taken. If less than all of the Property is taken permanently, or if all of the Property or any part thereof is taken temporarily under the power of eminent domain, (a) the Lease Agreement will continue in full force and effect, and (b) there will be a partial abatement of Lease Payments in an amount to be agreed upon by the City and the Authority such that the resulting Lease Payments for the Property represent fair consideration for the use and occupancy of the remaining usable portion of the Property.

## **Insurance**

*Public Liability and Property Damage Insurance.* The City is required under the Lease Agreement to procure and maintain or cause to be procured and maintained, throughout the term of the Lease Agreement, a standard comprehensive general insurance policy or policies in protection of the Authority, the City, and their respective Board members, Council members, officers, agents, employees and assigns. Said policy or policies will provide for indemnification of said parties against direct or contingent loss or liability for damages for bodily and personal injury, death or property damage occasioned by reason of the operation of the Property. Said policy or policies will provide coverage in the minimum liability limits of \$1,000,000 for personal injury or death of each person and \$3,000,000 for personal injury or deaths of two or more persons in each accident or event, and in a minimum amount of \$100,000 (subject to a deductible clause of not to exceed \$250,000) for damage to property resulting from each accident or event. Such public liability and property damage insurance may, however, be in the form of a single limit policy in the amount of \$3,000,000 covering all such risks. Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the City, and such liability insurance may be maintained in whole or in part in the form of self-insurance by the City, subject to the provisions of the Lease Agreement, or in the form of the participation by the City in a joint powers agency or other program providing pooled insurance. The net proceeds of such insurance will be applied toward extinguishment or satisfaction of the liability with respect to which they are paid.

*Fire and Extended Coverage Insurance.* The City is required under the Lease Agreement to procure and maintain or cause to be procured and maintained, throughout the term of the Lease Agreement, insurance against loss or damage to the improvements constituting a part of the Property by fire and lightning, with extended coverage and vandalism and malicious mischief insurance. Said extended coverage insurance, when required, shall, as nearly as practicable, cover loss or damage by explosion, windstorm, riot, aircraft, vehicle damage, smoke and such other hazards as are normally covered by such insurance. Such insurance shall be in an amount at least equal to the lesser of (a) one hundred percent (100%) of the replacement cost of all of the insured improvements, or (b) the aggregate principal amount of the outstanding Bonds. Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the City, and may be maintained in whole or in part in the form of the participation by the City in a joint powers agency or other program providing pooled insurance; provided however, that such insurance may not be maintained by the City in the form of self-insurance. The net proceeds of such insurance will be applied as provided under the caption "SECURITY FOR THE BONDS—Insurance and Condemnation Awards" above.

*Rental Interruption Insurance.* The Lease Agreement requires the City to procure and maintain or cause to be procured and maintained rental interruption or use and occupancy insurance to cover loss, total or partial, of the use of the Property as a result of certain hazards, in an amount at least equal to the maximum Lease Payments coming due and payable during any future 24-month period. Such insurance may be maintained as part of or in conjunction with any other property insurance coverage carried by the City, and may be maintained in whole or in part in the form of the participation by the City in a joint powers agency or other program providing pooled insurance; provided that such insurance may not be

maintained in the form of self-insurance except for a time element deductible not to exceed sixty days in duration. The proceeds of such insurance, if any, will be paid to the Trustee and deposited in the Revenue Fund, and will be credited towards the payment of the Lease Payments as the same become due and payable.

*Title Insurance.* The City is required to obtain upon the execution and delivery of the Lease Agreement, a CLTA policy of title insurance on the Property, in an amount not less than the aggregate initial principal amount of Bonds issued by a company of recognized standing duly authorized to issue the same, subject only to Permitted Encumbrances. Proceeds of such insurance are required to be delivered to the Trustee as a prepayment of rent under the Lease Agreement and are required to be applied by the Trustee to the redemption of Bonds.

**Debt Service Schedule**

The following table sets forth the annual debt service due on the Bonds, assuming no redemption of the Bonds prior to maturity.

Year Ending August 1	Principal	Interest	Total
_____	_____	_____	_____
=====	=====	=====	=====

Pursuant to the Lease Agreement, the City is required, subject to abatement (see “SECURITY FOR THE BONDS—Abatement”), to make Lease Payments which have been calculated to be sufficient to make the scheduled interest and principal payments due on the Bonds.

**No Additional Bonds**

Pursuant to the Indenture, the Authority may not issue additional bonds, notes or other indebtedness which would be payable out of the Revenues in whole or in part.

The Lease Agreement does not prohibit the City from incurring additional obligations secured by its General Fund. In that regard, the City from time to time incurs various General Fund obligations to finance public improvements (see “CITY FINANCIAL INFORMATION—Bonded Indebtedness”), which may also include lease obligations payable from its General Fund.

**THE AUTHORITY**

The Authority is a joint exercise of powers agency duly organized pursuant to the provisions of the Joint Exercise of Powers Act, comprising Articles 1, 2, 3 and 4 of Chapter 5 of Division 7 of Title 1 (commencing with section 6500) of the California Government Code (the “Act”), and a joint exercise of powers agreement, dated as of December 8, 2015 (the “Agreement”), by and between the City and the Housing Authority, and is authorized pursuant to Article 4 of the Act to borrow money for the purpose of financing the acquisition of bonds, notes and other obligations of, or for the purpose of making loans to, public entities, including its members, and to provide financing for public capital improvements of public entities, including its members. The Authority is governed by a board of directors comprised of three members, which are the City Manager, the City Treasurer and the Director of Financial Management of the City.

Except as provided by the Indenture, the Authority has no liability to the Owners or Beneficial Owners of the Bonds and has pledged none of its moneys, funds or assets toward the payment of any amount due in connection with the Bonds. The Authority has determined that no financial or operating

data concerning the Authority is material to any decision to purchase, hold or sell the Bonds and the Authority will not provide any such information.

## **THE CITY OF LONG BEACH**

The City is a municipal corporation and chartered city of the State and encompasses approximately 52 square miles of coastal area located on the southern edge of Los Angeles County (the “County”). The City is the second largest city in the County and the seventh largest city in the State. The center of the City is 22 miles south of downtown Los Angeles, 450 miles south of San Francisco and 110 miles north of San Diego. The City has long been a major industrial center and popular beach resort area. The Port of Long Beach (the “Port”), along with its related commercial activities, strengthens the local economy. Further, the City has been successful in building a substantial tourist and convention business.

For general, economic and demographic information about the City see APPENDIX A—”GENERAL, ECONOMIC AND DEMOGRAPHIC INFORMATION RELATING TO THE CITY OF LONG BEACH.”

## **CITY FINANCIAL INFORMATION**

### **General**

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

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

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

### **Budgetary Process**

The City’s Charter governs the budget development process and deadlines. Per the Charter, the City Council adopts an annual budget for all funds prior to the start of the new fiscal year, which begins on October 1. Based upon the City Council’s priorities and community feedback received during the budget development process, the City Manager submits a proposed budget to the Mayor on or before July 3. In a recent election, the Mayor was granted line-item veto. The Mayor then presents the City Manager’s proposed budget with any additional recommendations to the City Council on or before August 2, after which public budget workshops and hearings are conducted with the City Council during which further amendments can be made. If the City Council does not successfully adopt a budget before September 15, the City manager’s budget as proposed becomes the budget for the new fiscal year.

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

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

### **Current Financial Condition of the City**

The Fiscal Year 2015-16 City budget (the "2016 Budget") is a balanced budget, and reflects several years of review, examination and reassessment of the City's priorities and financial constraints and represents the ninth consecutive structurally balanced budget. In addition, the City has taken proactive measures to establish a long-term strategic approach. The approach ensures that the City's Police and Fire departments receive approximately 69% of the General Fund resources each year while allocating funds to pay for services such as parks, libraries, sidewalks, code enforcement, animal control, and internal support services. The 2016 Budget preserved City services but also avoided increases, except as necessary to address previous initiatives or committed costs.

[[UPDATE AS NECESSARY PRIOR TO POSTING]] The 2016 Budget continues to adjust to the current lower price of oil, which is expected to result in an approximately \$8 million decline in oil-related general fund revenues used for ongoing operations. Although a November 17, 2015, City Council update affirms that the 2016 Budget is still on track to achieve a modest, temporary surplus of \$675,000, Fiscal Year 2015-16 is expected to be the last transition year to a more difficult time period beginning in Fiscal Year 2016-17 with projected deficits (absent corrective action) of \$5.1-5.2 million annually in Fiscal Year 2016-17 and 2017-18. The projected deficits assume continuing modest growth in revenues. However, expenses are expected to increase at a higher rate, primarily due to increased CalPERS payments and health benefit costs. Projected continued low oil prices and increased pension costs are the two most significant financial issues the City must address in the next three to five years. Increasing health and pension costs continue a trend over the last several years. Since 2009 the City has reduced the budgeted workforce by almost 700 positions with approximately \$134 million in structural expense cuts over that period in an effort to address the rising expenses and structurally balance the budget. ]]

ADD DESCRIPTION OF YTD PERFORMANCE. ARE ACTUAL RESULTS EXPECTED TO BE WITHIN BUDGET? ANYTHING TO SAY ABOUT 2016-17 BUDGET DEVELOPMENT? ANY EXPECTATION OF SIGNIFICANTLY DECREASED REVENUES IN 2016-17?

### **Recent Developments**

On June 7, 2016, voters in the City approved two ballot measures:

*Measure A.* Measure A provides for the imposition of an additional sales tax for a ten year period, commencing January 1, 2017, at a rate of 1% for the first six years, and declining to 0.5% for the remaining four years. The tax automatically terminates on December 31, 2026. Measure A requires that a five-member citizens advisory committee be established to make recommendations on the priority of funded projects and to review the use of the funds by the City. The measure further requires annual audits

of expenditures. The City expects that Measure A will generate approximately \$\_ million annually for the first six years, and approximately \$\_\_ for the final four years.

*Measure B.* Measure B amended the Long Beach Municipal Code to establish a budget stabilization (or “rainy day”) fund. The fund is required to be used to pay for future City operations and services that might otherwise be reduced in scope, suspended or eliminated due to unanticipated shortfalls in general fund revenues, whether caused by economic recession or other financial hardship of the City.

The fund would receive automatic deposits/transfers of one percent of any new general tax revenues generated each year, commencing with Fiscal Year 2017-18. This includes new revenues from Measure A (described above).

Up to fifty percent of available funds could be expended by the City Council in any single fiscal year if the City Council declares a fiscal hardship requiring the use of such resources to maintain current levels of City services and programs. Measure B defines “fiscal hardship” as a projection by the City Manager in the proposed budget for any fiscal year that slow growth or a decrease in general fund revenues will result in a two percent or greater reduction in funding for general City services, as compared to the prior year’s base budget required to maintain those services.

Under Measure B, the City Council cannot expend funds from the Budget Stabilization Fund more than three consecutive years, after which the City Council must consider alternative revenue sources or permanent reductions in general City services for future years. At no time could the balance of the fund exceed five percent of the City’s general fund revenues forecast in the adopted budget for the subsequent fiscal year.

Measure B also includes mechanisms to establish and suspend automatic transfers to the fund based on revenue forecasts.

## **Financial Statements**

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

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

The following financial statements reflect transactions and balances in the City’s General Fund. Table 1 provides a statement of revenues, expenditures and changes in fund balances for the Fiscal Years 2010-11 through 2014-15. Table 2 presents the City’s final General Fund budget for Fiscal Year 2014-15, the City’s audited actuals for the General Fund for Fiscal Year 2014-15, and the City’s adopted General Fund budget for Fiscal Year 2015-16. These tables are excerpts from the City’s financial statements and may not include all relevant information. A complete compilation of the City’s financial statements attached hereto as APPENDIX B—“COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015” including the footnotes thereto, is necessary in order to make an informed investment decision.

**TABLE 1**  
**CITY OF LONG BEACH**  
**General Fund Revenues and Expenditures**  
**(in Thousands)**

	Fiscal Year Ended September 30,				
	2011	2012	2013	2014	2015
Revenues					
Property Taxes	\$116,692	\$115,513	\$169,590 <sup>(1)</sup>	\$141,898	\$151,111
Other Taxes <sup>(2)</sup>	121,934	123,141	130,129	126,915	134,929
Franchise Fees	24,184	23,143	25,243	26,175	25,915
Licenses and Permits	16,303	16,050	13,889	14,899	15,170
Fines and Forfeitures	16,193	17,762	16,394	16,166	15,988
Use of Money and Property	50,486	53,282	54,239	52,219	36,327
From Other Agencies	5,035	4,065	1,767	5,932	4,668
Charge for Services	26,897	27,006	26,295	26,415	26,310
Other	6,100	8,576	8,337	6,845	6,139
Total Revenue	<u>\$383,824</u>	<u>\$388,538</u>	<u>\$445,883<sup>(2)</sup></u>	<u>\$417,464</u>	<u>416,557</u>
Expenditures					
Current:					
Legislative and Legal	\$ 9,683	\$10,316	\$ 9,673	\$ 11,373	\$ 9,604
General Government	18,556	16,046	17,050	17,769	16,900
Public Safety	274,768	269,085	267,430	277,741	282,516
Public Health	5,438	5,248	5,383	5,371	5,876
Community and Cultural	40,265	40,958	40,750	41,215	41,849
Public Works	28,558	28,667	29,679	30,706	34,917
Oil Operations	7,173	9,146	4,722	4,309	3,512
Total Current Expenditures	<u>\$384,441</u>	<u>\$379,466</u>	<u>\$374,687</u>	<u>\$388,484</u>	<u>\$395,174</u>
Excess of Revenues Over (Under) Expenditures	(617)	9,072	71,196	28,980	21,383
Other Financing Sources (Uses)					
Debt Issuance	\$ --	\$ 302	\$ --	\$ 1,012	
Operating Transfers In <sup>(3)</sup>	24,565	23,110	24,269	18,729	\$ 16,944
Operating Transfers Out <sup>(4)</sup>	(120,657)	(22,354)	(34,851)	(68,179)	(44,575)
Total Other Financing Sources (Uses)	<u>\$ (96,092)</u>	<u>\$ 1,058</u>	<u>\$ (10,582)</u>	<u>\$ (48,438)</u>	<u>\$ (27,631)</u>
Net Change in Fund Balances <sup>(5)</sup>	(96,709)	10,130	60,614	(19,458)	(6,248)
Fund Balance–October 1	163,702	66,993	77,123	137,737	118,279
Fund Balance–September 30	<u>\$ 66,993</u>	<u>\$77,123</u>	<u>\$137,737<sup>2</sup></u>	<u>\$ 118,279</u>	<u>\$112,031</u>

1 Fiscal Year 2012-13 Property Tax Revenue contained \$33.1 million in post Redevelopment Agency dissolution funds, \$10.8 million in Proposition 1A repayment from the State and \$6.4 million in litigation proceeds related to property tax administration fees. The majority of these funds are considered one-time in nature.

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

3 The City regularly transfers current financial resources from one fund to another. In Fiscal Year 2013-14, the Solid Waste Management Fund transferred moneys to the General Fund (totaling \$2.9 million) for earnings due to the City under a Joint Powers Agreement between the City and Los Angeles County Sanitation District Number 2 and for reimbursement of certain fees over-paid by the City and the Gas Utility Fund transferred moneys to the General Fund (\$10.1 million) as permitted by the City Charter. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS–Proposition 26." Various other moneys owed to the General Fund from previous transfers out and revenues are also represented.

4 UPDATE TO 2014-15 The City regularly transfers current financial resources from one fund to another. In Fiscal Year 2013-14, the General Fund transferred approximately \$49.6 million to the Non-Major Governmental Funds (\$6.8 million of such transfer was to the General Debt Service Fund and approximately \$38.8 million of such transfer was to the General Capital Projects Fund). Additionally, in Fiscal Year 2013-14, the General Fund transferred approximately \$18.5 million to the Internal Service Fund (\$11.0 million of such transfer was to the General Service Fund for the acquisition of the City's financial/human resources systems replacement, \$2.8 million of such transfer was to the Civic Center Fund and \$2.8 million of such transfer was to the Employee Benefit Fund).

5 The City has used previous years' general fund balances (previous years' surplus) to cover one-time expenses or transfers out for one-time purposes such as infrastructure and other projects.

Source: City of Long Beach Summary Financial Information Continuing Disclosure for Fiscal Year ended September 30, 2014 for (Fiscal Years 2010-11 through 2013-14 data); City of Long Beach, California Comprehensive Annual Financial Report, Fiscal Year ended September 30, 2015 (2015 data).

**TABLE 2**  
**CITY OF LONG BEACH**  
**Final General Fund Budget for Fiscal Year 2014-15,**  
**Audited Actuals for Fiscal Year 2014-15,**  
**Adopted General Fund Budget for Fiscal Year 2015-16**  
**(in Thousands)**

	Final Budget 2014-15	Audited Actuals 2014-15	Adopted Budget 2015-16
<b>Revenues</b>			
Property Taxes	\$ 139,091	\$151,111	\$148,877
Other Taxes <sup>1</sup>	126,850	134,929	128,866
Franchise Fees	25,265	25,915	27,052
Licenses and Permits	14,783	15,170	15,234
Fines and Forfeitures	15,702	15,988	15,783
Use of Money and Property	38,056	36,486	14,556
From Other Agencies	4,136	4,668	3,856
Charges for Services	25,488	26,310	25,901
Other	5,554	8,318	5,086
<b>Total Revenue</b>	<b>\$ 394,925</b>	<b>\$418,895</b>	<b>\$386,411</b>
<b>Expenditures</b>			
<b>Current:</b>			
Legislative and Legal	\$ 10,606	\$ 9,613	\$ 13,201
General Government	21,626	17,189	22,183
Public Safety	285,058	282,840	288,882
Public Health	5,813	5,876	5,845
Community & Cultural	42,363	41,849	42,847
Public Works	35,396	35,351	37,115
Oil Operations	6,746	3,512	—
<b>Total Expenditures</b>	<b>\$ 407,608</b>	<b>\$396,230</b>	<b>\$410,073</b>
Excess of Revenues Over (Under) Expenditures	(12,683)	22,665	(23,662)
<b>Other Financing Sources (Uses):</b>			
Discount on Debt Issuance	—	—	—
Operating Transfers In <sup>3</sup>	15,775	16,944	26,793
Operating Transfers Out	(40,343)	(44,575)	(19,789)
<b>Total Other Financing Sources (Uses)</b>	<b>(24,568)</b>	<b>(27,631)</b>	<b>(7,004)</b>
<b>Net Change in Fund Balance</b>	<b>(37,251)</b>	<b>(4,966)</b>	<b>(16,658)</b>
<b>Beginning Fund Balance—October 1</b>	<b>118,279</b>	<b>118,279</b>	<b>114,210</b>
Encumbrances and Adjustments—Beginning of the Year		897	
<b>Ending Fund Balance – September 30</b>		<b>\$114,210</b>	

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

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

3 The City has used previous years' general fund balances (previous years' surplus) to cover budget shortfalls.

Source: City of Long Beach.

## **Pension Plans and Post-Retirement Health Care Benefits**

**CalPERS.** The City contributes to CalPERS, an agent multiple-employer public employee defined-benefit pension plan. CalPERS provides retirement and disability benefits, 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. Benefit provisions and all other requirements are established by state statute and city ordinance. A copy of CalPERS' annual financial report may be obtained from its executive office at 400 P. Street, Sacramento, California 95814. Since CalPERS is on a fiscal year ending June 30, all actuarial calculations for the City's retirement plan are made on a fiscal year consistent with CalPERS, which differs from the City's September 30 fiscal year- end.

Under the terms of the contract between CalPERS and the City, all full-time employees, which include both safety (fire and police) and miscellaneous (general and management) 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.

*"Classic" Safety:* Vested first and second tier safety employees who retire at age 50 are entitled to receive an annual retirement benefit, payable monthly for life, in an amount equal to 3.0 percent of the employee's highest paid year of employment for each year of credited service. Third-tier police and fire employees are entitled to receive an annual retirement benefit, payable monthly for life, in an amount equal to 2.0 percent of the employee's highest paid year of employment for each year of credited service. Retirees under the first tier are eligible to receive a maximum annual 5.0 percent cost- of-living increase while those under the second tier are eligible to receive a maximum annual 2.0 percent cost-of-living increase.

*"New" Safety:* Effective January 1, 2013, safety employees who are either new to CalPERS or who have had a break in CalPERS service of at least 6 months, and who retire at age 57, are entitled to receive an annual retirement benefit, payable monthly for life, in an amount equal to 2.7 percent of their highest average annual pensionable compensation earned during a period of at least 36 consecutive months for each year of credited service. For calendar year 2015, salaries are capped at \$140.0 thousand. The salary cap is permitted to be adjusted based on changes in the CPI for all urban areas.

*"Classic" Miscellaneous:* Vested first and second tier non-safety employees who retire at age 55 are entitled to receive an annual retirement benefit, payable monthly for life, in an amount equal to 2.7 percent of their highest paid year of employment for each year of credited service. The City created tier three for non-safety employees hired after October 1, 2006. Vested tier three non-safety employees who retire at age 55 are entitled to receive an annual retirement benefit, payable monthly for life, in an amount equal to 2.5 percent of their highest paid year of employment for each year of credited service. Retirees under the first tier are eligible to receive a maximum annual 5.0 percent cost-of-living increase while those under the second and third tier are eligible to receive a maximum annual 2.0 percent cost- of-living increase.

*"New" Miscellaneous:* Effective January 1, 2013, miscellaneous non-safety employees who are either new to CalPERS or who have had a break in CalPERS service of at least 6 months, and who retire at age 62, are entitled to receive an annual retirement benefit, payable monthly for life, in an amount equal to 2.0 percent of their highest average annual pensionable compensation earned during a period of at least 36 consecutive months for each year of credited service. For calendar year 2015, salaries are capped at \$117.0 thousand. The salary cap is permitted to be adjusted based on changes in the CPI for all urban areas. Table 4 shows the City's historical funding progression of CalPERS for 2009 through 2013, as of a June 30 actuarial valuation date. The 2009 values reflected in the table below do not reflect a

significant portion of Fiscal Year 2008-09 losses because of the smoothing methodology used by CalPERS.

*Funding Policy.* CalPERS is a contributory plan deriving funds from employee and employer contributions as well as earnings from investments. The actuarial funding method used for the retirement program is the Entry Age Normal Cost Method. Under this method, projected benefits are determined for all members and the associated liabilities are spread in a manner that produces level annual cost as a percent of pay in each year from the age of hire (entry aged) to the assumed retirement age. The cost allocated to the current fiscal year is called the normal cost.

The actuarial accrued liability for active members is then calculated as the portion of the total cost of the plan allocated to prior years. The actuarial accrued liability for members currently receiving benefits, for active members beyond the assumed retirement age, and for members entitled to deferred benefits, is equal to the present value of the benefits expected to be paid. No normal costs are applicable for these participants.

The excess of the total actuarial accrued liability over the actuarial value of plan assets is called the unfunded actuarial accrued liability. Funding requirements are determined by adding the normal cost and an amortization of the unfunded liability as a level percentage of assumed future payrolls. If a plan's accrued liability exceeds the actuarial value of assets, the annual contribution with respect to the total unfunded liability may not be less than the amount produced by a 30-year amortization of the unfunded liability.

For Fiscal Year 2014-15, CalPERS will no longer use an actuarial value of assets as part of the City's annual contribution rate calculation. The new amortization and smoothing policy will spread rate increases or decreases over a 5-year period, and will amortize all experience gains and losses over a fixed 30-year period. The rate increases reported below for Fiscal Year 2014-15 reflect the effect of this revised approach.

For Fiscal Year 2015-06, all Safety and Miscellaneous plan participants are required to contribute 9.0 percent and 8.0 percent of their annual covered salary, respectively. In addition, the City is required to contribute at an actuarially determined rate applied to annual covered payroll. For Fiscal Year 2015-06, the contribution rates are 18.380 percent for miscellaneous employees and 27.151 percent for safety employees. For Fiscal Year 2016-17, the contribution rates will be 20.5860 percent for miscellaneous employees and 30.784 percent for safety employees. The contribution requirements of plan members and the City are established by and may be amended by CalPERS.

*CalPERS Rate Increases.* CalPERS recently began implementing large increases in annual pension costs to cities, due to changes in actuarial smoothing and mortality assumptions to help ensure the cities' pension plans are financially sound and that they become fully funded. Assuming that actuarial assumptions are realized, CalPERS projects that for Fiscal Year 2021-22, the contribution rates will be 28.4 percent for miscellaneous employees and 43.6 percent for safety employees. Actual contribution rates will depend on a variety of factors, including investment return.

The City has created and funded a CalPERS Stabilization Fund to address the concern that actual amounts owed to CalPERS can and will vary from projections, potentially significantly, depending on a variety of factors, primarily investment returns.

*Annual Pension Cost.* The City's APC, the percentage of APC contributed to the plans, and certain other information for the miscellaneous and safety plans for the last five fiscal years are as follows (dollars in thousands):

**TABLE 3**  
**CITY OF LONG BEACH**  
**CalPERS Annual Pension Cost<sup>(1)</sup>**  
**(in Thousands)**

Fiscal Year	Miscellaneous Annual Pension Cost	Safety Annual Pension Cost	Annual Pension Cost	Percentage Contribution
2012	\$47,436	\$29,441	\$76,877	100%
2013	38,483	29,014	67,497	100
2014	33,856	28,952	62,808	100

Source: City of Long Beach, California Comprehensive Annual Financial Report, Fiscal Year ended September 30, 2014.

<sup>(1)</sup> Does not include debt service on the City's pension obligation bonds.

Commencing with the City's Comprehensive Annual Financial Report, Fiscal Year ended September 30, 2015, the City is utilizing the concept of "actuarially determined contribution" in place of "annual pension cost" which it had previously utilized in annual financial reports. See Note 13- "Retirement Programs" and the Required Supplementary Information in Appendix B – "COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015."

**TABLE 3A**  
**CITY OF LONG BEACH**  
**CalPERS Actuarially Determined Contribution<sup>(1)</sup>**  
**(in Thousands)**

Fiscal Year	Miscellaneous Actuarially Determined Contribution	Safety Actuarially Determined Contribution	Total Actuarially Determined Contribution	Percentage Contribution
2015	\$35,136	\$29,815	\$64,951	100%

Source: City of Long Beach, California Comprehensive Annual Financial Report, Fiscal Year ended September 30, 2015.

<sup>(1)</sup> Does not include debt service on the City's pension obligation bonds.

*Funded Status and Funding Progress.* The following table shows the City’s historical funding progression of CalPERS for 2010 through 2014, as of a June 30 actuarial valuation date.

**TABLE 4**  
**CITY OF LONG BEACH**  
**Funding Status of Retirement Plans**  
**(in Thousands)**

June 30 Actuarial Valuation Date	Market Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
<b>Miscellaneous Employees</b>						
2010	\$1,692,444	\$1,888,325	\$195,881	89.6%	\$221,420	88.5%
2011	1,765,236	1,971,682	206,446	89.5	222,312	92.9
2012	1,825,592	2,057,068	231,476	88.7	220,939	104.8
2013	1,652,793	2,143,507	490,714	77.1	219,853	223.2
2014	1,878,567	2,317,460	438,892	81.1	216,724	202.5
<b>Safety Employees</b>						
2010	\$1,713,418	\$1,786,693	\$73,275	95.9%	\$133,770	54.8%
2011	1,783,951	1,868,031	84,080	95.5	132,176	63.6
2012	1,834,547	1,936,904	102,357	94.7	124,868	82.0
2013	1,659,337	2,002,964	343,627	82.8	121,770	282.2
2014	1,886,789	2,170,647	283,857	86.9	123,558	229.7

Source: CalPERS Annual Valuation Report as of June 30, 2014.

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

In addition, GASB Statement 68 states that, for pensions within the scope of the statement, a cost-sharing employer that does not have a special funding situation is required to recognize a net pension liability, deferred outflows of resources, deferred inflows of resources related to pensions, and pension expense based on its proportionate share of the net pension liability for benefits provided through the pension plan. While the new accounting standards change financial statement reporting requirements, they do not impact funding policies of the pension systems. The reporting requirements for pension plans took effect for the fiscal year beginning mid-2013 and the reporting requirements for government

employers will take effect for the fiscal year beginning mid-2014. The Comprehensive Annual Financial Report of the City for the Fiscal Year Ended September 30, 2015 reflects implementation of the new GASB requirements, and resulted in the recognition of a net pension liability of approximately \$867.0 million. See Note 2- "Implementation of New Accounting Pronouncements" and the Required Supplementary Information in Appendix B – "COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015."

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

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

The Net Pension Liability for PARs as of September 30, 2015 was \$131,000, based on a Total Pension Liability relating to the Plan of approximately \$5.549 million and a Net Position of approximately \$5.418 million. The City recognized a pension expense of \$247,000 in Fiscal Year 2014-15, and expects to recognize an expense of \$326,000 in Fiscal Year 2015-16. For additional information about the Plan, see Note 13- "Retirement Programs" in Appendix B – "COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015."

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

At September 30, 2015, there were 585 participants in the City's Retired Employees Health Insurance Program, and the non-interest bearing cash value equivalent of the remaining unused sick leave for the current retirees totaled \$19.5 million. Total premiums and actual claims paid by the City under the Retired Employees Health Insurance Program for Fiscal Year 2014-15 were \$8.6 million, and are included in the expenses of the Employee Benefits Internal Service Fund.

**Termination Benefits.** As of September 30, 2015, the City has recorded a liability in the Employee Benefits Internal Service Fund of \$138.1 million, based on an actuarial study of current and future retiree accumulated sick leave performed in accordance with Governmental Accounting Standards Boards Statement No. 16, "Accounting for Compensated Absences". The liability takes into account an

estimate of future usage, additional leave accumulation and wage increases for both current retirees and active employees, an additional amount relating to the sick leave incentive for employees who retired during calendar year 1996 and in 2009 negotiated public safety health benefit supplements. The actuarial study assumes projected investment returns of 4.3% and wage increases of 3.3% per year for safety employees. The estimated current portion of such obligation of \$9.1 million has been fully funded and the long-term portion of the liability of \$129.0 million is being funded, over time, through burden rates charged to the City's various funds, applied as a percentage of current productive salaries.

*Other Postemployment Benefits.* As of September 30, 2015, the City has also recorded a liability in the Employee Benefits Internal Service Fund of \$72.2 million based on an actuarial study of the "implicit subsidy" as defined by GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (GASB 45). While the City does not directly contribute any funding toward the cost of premiums for retirees, the ability to obtain coverage at an active employees rate constitutes an economic benefit to the retirees. The inclusion of the retirees in the City's healthcare benefit plans increases the overall health plan rates. The economic benefit is defined as an "implicit subsidy" under GASB 45.

The ability to participate in the City's plan by self-paying the premiums extends for the lifetime of the retiree. However, upon attaining the age of Medicare eligibility, the retiree may enter a plan coordinated by Medicare. Standard actuarial practice assumes that Medicare supplemental plans do not generally give rise to an implicit subsidy, and while the City has included Medicare eligible retirees in this valuation, their liability under GASB 45 and their implicit subsidy are both \$0. This plan does not issue a separate financial report.

*Funding Policy.* The contribution requirement of plan members and the City are established and may be amended by the City. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually by the City Council. As of September 30, 2015, the City has not prefunded the plan.

*Annual OPEB Cost and Net OPEB Obligation.* The City's annual Other Postemployment Benefit (OPEB) cost (expense) is calculated based on the ARC, an amount that is actuarially determined in accordance with the requirements of GASB 45. The ARC represents the level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

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

**TABLE 5**  
**CITY OF LONG BEACH**  
**Annual OPEB Cost and Net OPEB Obligation**  
**As of September 30, 2015**  
**(in Thousands)**

Annual required contribution	\$21,233
Interest on net OPEB obligation	2,384
Adjustment to annual required contribution	(4,398)
Annual OPEB cost	19,219
Contributions made	(6,218)
Increase in net OPEB obligation	13,001
Net OPEB obligation – beginning of year	59,207
Net OPEB obligation – end of year	\$72,208

Source: City of Long Beach California Comprehensive Annual Financial Report for Fiscal Year ended September 30, 2015.

The ARC was determined as part of the September 2014 actuarial valuation. For the years ended September 30, 2011 through September 30, 2015, the City’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows:

**TABLE 6**  
**CITY OF LONG BEACH**  
**Historical Net OPEB Obligation**  
**(in Thousands)**

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	\$12,289	34.0%	\$26,139
2012	13,486	30.5	35,514
2013	14,437	32.6	45,242
2014	19,161	27.1	59,207
2015	19,219	32.4	72,208

Source: City of Long Beach California Comprehensive Annual Financial Report for Fiscal Year ended September 30, 2015.

See “Note 14 – Post Retirement Health Care Benefits” in “APPENDIX B—COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015” for additional information about the post-retirement health care benefits (including funded status and funding progress) provided to the employees of the City.

**Pension Reform**

The City has reduced [PAYROLL?] spending by \$134 million and almost 700 positions since 20\_\_\_. From Fiscal Year 2011-12 through 2013-14 the City negotiated with employee groups for employees to pay the full portion of their required employee pension contributions. Prior to this action, the City paid a percentage of the employee contributions to CalPERS.

### **Employer/Employee Relations**

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

**[[UPDATE STATUS PRIOR TO POSTING]] The collective bargaining agreement with the IAM expired on September 30, 2015 and the City is currently negotiating a successor agreement with this group. Negotiations with the remaining seven employee organizations have begun. The members of the POA and FFA are covered by contracts in effect until September 30, 2016. The City has not experienced a major work stoppage by City employees in the past five years. The City seeks to contain increasing employee related costs and unfunded liabilities through the collective bargaining process and by ensuring employee benefit programs adhere to best practices and sound cost containment measures.**

### **Insurance Coverage**

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

As of September 30, 2015 \$\_\_\_ million in pool cash had been established to cover anticipated claims and judgments. At September 30, 2015, the City accrued non-discounted estimates totaling \$130.6 million for workers’ compensation and general liability claims. This represents estimates of amounts to be paid for actual and incurred-but-not-reported claims based upon past experience, modified for current trends and developments. The City has recorded a current liability of \$25.6 million and a long-term liability of \$105.0 million in the Insurance Internal Service Fund.

The ultimate amount of losses incurred through September 30, 2015 is dependent on future developments. Based upon actuary evaluation, the City’s management believes that the aggregate accrual adequately represents such losses.

### **Bonded Indebtedness**

As of September 30, 2015, the City had \$2,348,930,000 of total bonds outstanding. These amounts are comprised as follows: (a) \$1,866,510,000 of outstanding revenue bonds, none of which are payable from the City’s General Fund; (B) \$179,090,000 of outstanding lease revenue bonds, all which are payable from the City’s General Fund, (c) \$267,415,000 of outstanding tax allocation revenue bonds, all of which are redevelopment tax revenue bonds and are not payable from the City’s General Fund; and, (d) \$35,915,000 million of outstanding pension obligation bonds, all of which are payable from the City’s General Fund. (In addition, on January 28, 2016, Finance Authority issued \$13,150,000 Lease Revenue Bonds, Series 2016A (Courthouse Demolition Project), payable from lease payments to be made from the City’s General Fund.

In addition to the outstanding bonds described above, the City has established various commercial paper programs and/or short-term borrowing programs.

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

**TABLE 7  
CITY OF LONG BEACH  
General Fund  
Outstanding Debt  
(as of September 30, 2015)**

Lease Revenue Bonds			
Issue Name	Final Maturity	Original Par Amount	Amount Outstanding
Series 2012A & B LBBFA Lease Refunding Bonds	2031	\$ 69,750,000	\$ 62,725,000
2010 Lease Agreement between Bank of America Public Capital Corporation and the City	2027	31,450,000	23,425,000
Series 2006B LBBFA Lease Revenue Bonds (Parks/Open Space Financing Project)	2031	24,320,000	24,320,000
Series 2006A LBBFA Lease Revenue Refunding Bonds (Rainbow Harbor Financing Project)	2024	50,785,000	28,280,000
Series 2003A (Non-AMT) & B (AMT) Southeast Resource Recovery Facility Authority Lease Revenue Bonds	2018	120,235,000	40,340,000
Pension Obligation Bonds			
Issue Name	Final Maturity	Original Par Amount	Amount Outstanding
Series 2002A & B Pension Obligation Refunding Taxable Bonds	2021	\$ 76,550,000	\$ 35,915,000

Source: City of Long Beach, California, Comprehensive Annual Financial Report, Fiscal Year ended September 30, 2015.

The table above does not reflect the issuance on January 28, 2016 of the \$13,150,000 Finance Authority of Long Beach (Los Angeles County, California) Lease Revenue Bonds, Series 2016A (Courthouse Demolition Project) (the "Series 2016A Bonds"). The Series 2016A Bonds mature on August 1, 2026 and are primarily payable from lease payments to be made from the City's General Fund. In addition, the table does not include the Civic Center Project Agreement (defined herein). See "--Civic Center Project Agreement."

**TABLE 8**  
**CITY OF LONG BEACH**  
**City and Related Agencies (All Other Funds)**  
**Outstanding Debt**  
**(as of September 30, 2015)**

Revenue Bonds			
Issue Name	Final Maturity	Original Par Amount	Amount Outstanding
2015 Marina Revenue Bonds (Alamitos Bay Marina Project)	2045	\$114,015,000	\$114,015,000
Series 2015D Harbor Revenue Bonds	2042	66,865,000	66,865,000
Series 2015C Harbor Revenue Bonds	2032	66,085,000	66,085,000
Series 2015B Harbor Revenue Refunding Bonds	2025	20,130,000	20,130,000
Series 2015A Harbor Revenue Refunding Bonds	2023	44,845,000	44,845,000
Series 2014C Harbor Revenue Short-Term Notes*	2018	325,000,000	325,000,000
Series 2014B Harbor Revenue Refunding Bonds	2027	20,570,000	20,570,000
Series 2014A Harbor Revenue Refunding Bonds	2017	38,465,000	25,690,000
Series 2012 Long Beach Bond Finance Authority (“LBBFA”) Refunding Revenue Bonds (Aquarium of the Pacific Project)	2030	102,580,000	89,570,000
Series 2012A Second Lien Water Revenue Bonds	2027	9,850,000	8,410,000
Series 2010A Water Revenue Refunding Bonds	2024	22,740,000	21,860,000
Series 2010A Senior Airport Revenue Bonds	2040	48,435,000	45,695,000
Series 2010B Senior Airport Revenue Bonds	2040	12,965,000	11,955,000
Series 2010B Harbor Revenue Refunding Bonds	2027	158,085,000	134,135,000
Series 2010A Harbor Revenue Bonds	2025	200,835,000	148,705,000
Series 2009A, B & C Airport Revenue Bonds and Airport Revenue Refunding Bonds	2039	61,440,000	55,080,000
Series 2007A LBBFA Natural Gas Purchase Revenue Bonds (Fixed Rate)	2037	635,665,000	537,930,000
Series 2007B LBBFA Natural Gas Purchase Revenue Bonds (LIBOR Index Rate)	2033	251,695,000	69,005,000
Series 1998A Harbor Revenue Refunding Bonds	2019	206,330,000	60,965,000
<b>Tax Allocation Revenue Bonds</b>			
Issue Name	Final Maturity	Original Par Amount	Amount Outstanding
Series 2010A & B Redevelopment Agency of the City of Long Beach, Taxable Recovery Zone Economic Development Bonds (North Long Beach)	2040	\$32,980,000	\$29,915,000
Series 2005C LBBFA Tax Allocation Revenue Bonds (Downtown and North Long Beach Redevelopment Project Areas)	2031	35,045,000	30,145,000
Series 2002B LBBFA Tax Allocation Revenue Bonds (Downtown Redevelopment and West Long Beach Industrial Redevelopment Project Areas)	2022	47,780,000	34,670,000
Series 1992 Tax Allocation Revenue Refunding Bonds (West Long Beach Industrial and Downtown Project)	2017	117,490,000	16,865,000
Series 2015 County of Los Angeles Redevelopment Refunding Authority	2040	155,820,000	155,820,000

Source: City of Long Beach, California, Comprehensive Annual Financial Report, Fiscal Year ended September 30, 2015.

\* The Harbor Department expects to pay these notes with the proceeds of a Transportation Infrastructure Finance and Innovation Act loan.

The following table sets forth a schedule of the City's direct and overlapping debt as of November 1, 2015.

**TABLE 9  
CITY OF LONG BEACH  
Direct and Overlapping Debt  
As of November 1, 2015**

2015-16 Assessed Valuation: \$50,926,611,241

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable (1)</u>	<u>Debt 11/1/15</u>
Cerritos Community College District	0.340%	\$ 933,121
Compton Community College District	2.494	1,876,985
Long Beach Community College District	86.010	346,227,581
Los Angeles Community College District	0.055	2,019,050
ABC Unified School District	1.031	373,789
Compton Unified School District	0.024	11,661
Long Beach Unified School District	86.011	646,799,023
Los Angeles Unified School District	0.068	6,741,296
Paramount Unified School District	8.736	9,895,076
Los Angeles County Flood Control District	4.220	637,431
City of Long Beach Community Facilities Districts	100.	55,945,000
City of Long Beach 1915 Act Bonds	100.	875,000
Metropolitan Water District	2.148	2,371,822
Los Angeles County Regional and Open Space Assessment District	4.138	2,094,242
<b>TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT</b>		<b>\$1,076,801,077</b>
<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>		
Los Angeles County General Fund Obligations	4.138%	\$ 78,862,157
Los Angeles County Superintendent of Schools Certificates of Participation	4.138	328,738
Compton Unified School District Certificates of Participation	0.024	5,004
Los Angeles Unified School District Certificates of Participation	0.068	195,996
Paramount Unified School District Certificates of Participation	8.736	2,524,704
<b>City of Long Beach Lease Agreement</b>	<b>100.</b>	<b>23,425,000</b>
<b>City of Long Beach Lease Revenue Bonds</b>	<b>100.</b>	<b>155,665,000 (2)</b>
<b>City of Long Beach Pension Obligation Bonds</b>	<b>100.</b>	<b>35,915,000</b>
County Sanitation District No. 1 Certificates of Participation	1.267	138,334
County Sanitation District No. 2 Certificates of Participation	0.194	32,705
County Sanitation District No. 3 Certificates of Participation	86.439	4,092,273
County Sanitation District No. 8 Certificates of Participation	2.576	171,402
County Sanitation District No. 19 Certificates of Participation	28.821	875,155
<b>TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT</b>		<b>\$302,231,468</b>
Less: Los Angeles Unified School District (Qualified Zone Academic Bonds supported by period payments to investment accounts)		9,198
<b>City of Long Beach supported Lease Revenue Bonds</b>		<b>40,340,000</b>
<b>TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT</b>		<b>\$261,882,270</b>
<u>OVERLAPPING TAX INCREMENT DEBT (Successor Agency):</u>	100.0%	\$271,870,000
<b>GROSS COMBINED TOTAL DEBT</b>		<b>\$1,650,902,545 (3)</b>
<b>NET COMBINED TOTAL DEBT</b>		<b>\$1,610,553,347</b>

Ratios to 2015-16 Assessed Valuation:

Total Overlapping Tax and Assessment Debt.....	2.11%
<b>Gross Total Direct Debt (\$215,005,000).....</b>	<b>0.42%</b>
<b>Net Total Direct Debt (\$174,665,000).....</b>	<b>0.34%</b>
Gross Combined Total Debt.....	3.24%
Net Combined Total Debt .....	3.16%

Ratios to Redevelopment Successor Agency Incremental Valuation (\$13,321,488,612):

Total Overlapping Tax Increment Debt.....	2.04%
-------------------------------------------	-------

Source: California Municipal Statistics, Inc.

- (1) Based on 2014-15 ratios
- (2) Excludes issue to be sold.
- (3) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

## **Civic Center Project Agreement**

The City is currently under contract for the construction and long-term maintenance of the New Civic Center Project, which includes a new City Hall, a new Port of Long Beach administrative Headquarters, a new Main Library facility for the City, redevelopment of the City's Lincoln Park, and private residential and commercial development. In total, the Civic Center project is expected to include the construction of six new buildings, three new parking garages, as well as related infrastructure, street and landscaping improvements.

In connection with the Civic Center Project, the City entered into a Project Agreement, dated April 20, 2016 (the "Civic Center Project Agreement"), with Plenary Edgemoor Civic Partners (the "Civic Center Project Developer"), pursuant to which the Civic Center Project Developer will construct, operate and maintain the Civic Center Project. As part of the financing plan for the Civic Center Project, the City contributed approximately \$40 million, funded from a combination of cash on hand and bond proceeds, and approximately \$30 million from the sale of City land.

Pursuant to the Project Agreement, upon substantial completion of the Civic Center Project (which is expected to occur in Fiscal Year 2018-19), the City is required to make an annual payment (the "Civic Center Annual Payment") currently projected to be approximately \$16.7 million in Fiscal Year 2019-20 (first full year of occupancy). In addition, in FY 2019-20, the City is expected to have an additional ongoing cost of \$4.5 million associated with the new Civic Center for a total cost in FY 2019-20 of \$21.2 million. If the City had stayed in the current City Hall and Library, the projected cost of doing so in FY 2019-20 is \$13.9 million, not including the cost of any improvements, major repairs, or seismic retrofitting that might have been required to continue occupancy. The net projected cost increase compared to continued occupancy of the existing City Hall and Library (not including any repair or improvement costs to the existing facilities) is approximately \$7.3 million (all funds). Although the entire amount is payable from the General Fund, the City anticipates that the cost will be shared by the various funds using the building as has been historically done in the past. The General Fund portion of the cost increase in Fiscal Year 2019-20 is projected to be \$5.4 million (74% of the total increase). Once private development occurs on the site, potentially after four to five years, the net cost and General Fund costs are expected to be offset in part by more than \$1 million annually due to anticipated increased tax revenue. The Civic Center Annual Payment is subject to increase annually using a formula that is 65% based on a 2.18% fixed growth rate and 35% based on an inflation index specified in the Project Agreement. The Civic Center Annual Payment is also subject to increase under specific circumstances set forth in the Project Agreement including cost increases due to the discovery of unforeseen site conditions, certain latent structural defects, earthquake damage, unusual losses and costs.

The term of the Civic Center Project Agreement is approximately 44 years, consisting of a projected four year construction period followed by a 40 year operation and maintenance period. The Civic Center Project Agreement contains performance guarantees on the part of the Civic Center Project Developer as well as event of defaults, termination provisions, and indemnification provisions. Under the Civic Center Project Agreement, in the event the Civic Center Project Agreement is terminated (whether following an event of default on the part of the Civic Center Project Developer or of the City, or at the option of the City), the City would likely be required to make substantial payments, possibly including repayment or assumption of all or a significant portion of the debt of the Civic Center Project Developer (estimated to be in excess of \$239 million).

## **Assessed Valuation**

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

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

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

**TABLE 10**  
**CITY OF LONG BEACH**  
**Assessed Valuations**

Fiscal Year*	Local Secured	Utility	Unsecured	Total
2011-12	\$40,500,578,593	\$343,583,399	\$2,495,387,506	\$43,339,549,498
2012-13	41,401,107,906	377,783,471	2,702,563,956	44,481,455,333
2013-14	44,277,088,233	488,083,343	2,649,623,885	47,414,795,461
2014-15	46,244,051,867	841,682,926	2,624,364,407	49,710,099,200
2015-16	47,185,730,667	820,860,659	2,920,019,915	50,926,611,241

\* Based on the County's Fiscal Year ending June 30.

Source: California Municipal Statistics, Inc.

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

## Largest Taxpayers

The following table shows the 10 largest owners of taxable property in the City as determined by secured assessed valuation in fiscal year 2015-16, representing 3.12% of the City’s total secured assessed valuation.

**TABLE 11**  
**CITY OF LONG BEACH**  
**Top 10 Taxpayers**  
**Fiscal Year 2015-16<sup>(1)</sup>**

	Property Owner	Primary Land Use <sup>(2)</sup>	2015-16 Assessed Valuation	% of Total <sup>(2)</sup>
1.	The Boeing Company	Industrial	\$ 285,974,297	.61%
2.	Tesoro I Logistics Operations LLC	Industrial – Petroleum	238,094,593	.50
3.	Legacy Partners II LB World Trade LLC	Office Building	165,989,932	.35
4.	2009 CUSA Community Owner LLC	Apartments	146,873,573	.31
5.	John Hancock Life Insurance	Apartments	138,207,290	.29
6.	AGNL Clinic LP	Apartments	137,939,241	.29
7.	Terra Funding Shoreline Square	Apartments	101,367,517	.21
8.	Noble Utah Long Beach LLC	Hotel	98,381,530	.21
9.	Lyon West Gateway LLC	Commercial	82,641,967	.18
10.	City Place Long Beach LLC	Shopping Center	77,670,022	.16
	<b>Total Top 10</b>		<b>\$1,473,139,962</b>	<b>3.12%</b>

Source: California Municipal Statistics, Inc.

<sup>(1)</sup> Table does not include the assessed valuation of property owners that are only taxed on their possessory interests, including interests in petroleum activities and terminal operations at the Port of Long Beach. There are five taxpayers whose assessed valuations of their possessory interests each are in excess of 0.61% of the total 2015-016 assessed valuation of the property in the City (aggregating to 8.93% of the total assessed valuation). There are an additional six taxpayers whose assessed valuations of their possessory interests are in excess of 0.18%, but less than 0.61%, of the total 2015-16 assessed valuation (aggregating to 2.4% of the total assessed valuation). The possessory interests of all participants in a petroleum production unit equals 6.18% of the total 2015-16 assessed valuation.

<sup>(2)</sup> 2015-16 Local secured and utility assessed valuation: \$47,185,730,667.

## 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.

Should real property the City decline in market value, Proposition 8 allows for reassessment procedures under which the assessor is obligated to review the property and enroll the lesser of the

factored base year value or the market value. The factored base year value of real property is the market value as established in 1975 or as established when the property last changed ownership or when the property was newly constructed. The assessed value of property that has been reassessed under Proposition 8 may rise more than the standard 2% maximum allowed for properties assessed under Proposition 13 up to its factored Proposition 13 base year value.

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

On November 7, 2000, the voters of the City approved Measure J, which provided for a reduction in the tax rate imposed upon users of electricity, gas, telephone and water services within the City. Measure J requires the utility users tax on changes made for such services to be reduced by 50% (10% each year for five years, commencing October 1, 2000). Proceeds from the utility users tax are considered a general fund revenue and are used to provide basic City services, such as police, fire and paramedic.

No assurance can be given that the voters of the City will not, in the future, approve additional initiatives which reduce or repeal local taxes, assessments, fees or changes that currently are deposited in the City’s General Fund.

The following chart summarizes all property tax rates for all overlapping governments per \$100 of assessed real property value within the City for the last five fiscal years.

**TABLE 12**  
**CITY OF LONG BEACH**  
**Property Tax Rates Per \$100 of Assessed Value<sup>1</sup>**

	2011-12	2012-13	2013-14	2014-15	2015-16
General	1.000000	1.000000	1.000000	1.000000	1.000000
Long Beach Unified School District	.092226	.093943	.079806	.087635	.083244
Long Beach Community College District	.026146	.050945	.022406	.045945	.038253
Metropolitan Water District	.003700	.003500	.003500	.003500	.003500
Total All Property	1.122072	1.148388	1.105712	1.137080	1.124977

<sup>1</sup> Based on the County’s Fiscal Year ending June 30.  
Source: California Municipal Statistics, Inc.

**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. The City’s ability to raise current taxes or impose future taxes is limited by Proposition 218. See “CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS— Proposition 218.”

The following table sets forth the total General Fund tax revenues received by the City by source:

**TABLE 13**  
**CITY OF LONG BEACH**  
**Total Tax Revenues by Source**  
**(in Thousands)**

	2011-12	2012-13	2013-14	2014-15	2015-16*
Property Tax <sup>1</sup>	\$115,513	\$169,590	\$141,898	\$151,111	\$148,876
Utility Users Tax <sup>2</sup>	37,097	38,026	38,691	38,419	39,332
Sales & Use Tax	58,329	61,474	56,620	61,613	58,500
Transient Occupancy Tax	11,593	13,285	15,046	17,159	16,000
Franchise Tax	23,143	25,243	26,175	25,915	27,053
Other Tax <sup>3</sup>	16,122	17,344	16,558	17,738	16,234
<b>Total<sup>4</sup></b>	<b>\$261,797</b>	<b>\$324,962</b>	<b>\$294,988</b>	<b>\$311,9550</b>	<b>\$305,995</b>

\*Fiscal Year 2015-16 are Adopted Budget

<sup>1</sup> Includes delinquent tax collections and supplemental or redemption revenue.

<sup>2</sup> Includes parcel audit results of misallocated tax rate areas.

<sup>3</sup> Includes business license tax, oil production tax and “other taxes” as defined in the City’s Comprehensive Annual Financial Report.

Source: City of Long Beach, California Comprehensive Annual Financial Report, Fiscal Year ended September 30, 2015.

### **Investment of City Funds**

The City maintains an Investment Policy, which, pursuant to the provisions of Section 53646 of the California Government Code, is annually submitted to and reviewed by the Investment Committee of the City and approved by the City Council. Any change in the Investment Policy is reviewed and approved by the City Council. Quarterly reports, which summarize the investment activity and portfolio balances, are also provided to the City Manager, the City Auditor and the City Council. In addition, the Investment Committee, comprised of the City Manager, the City Auditor, the City Attorney, the Director of Financial Management, the City Treasurer, the City Controller, the Budget Manager and the Chief Financial Officers of the Harbor and Water Departments, meets quarterly, or as needed, to review investment policies and strategies and to make recommendations consistent with approved investment policies.

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

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

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

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

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

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

According to the City Treasurer's Monthly Report for the quarter ending September 30, 2015, the City's invested funds and cash totaled approximately \$1.84 billion. The investment portfolio includes a variety of fixed income securities that vary in maturity from one day to five years. On September 30, 2015, 32.27% of the total City Portfolio was invested in Short Term investments (approximately 3 to 6 months to maturity), 28.79% in Intermediate Term investments (approximately 1 year to maturity) and 23.34% in Long Term investments (up to 5 years to maturity). The remaining 15.60% is cash held at various financial institutions.

Standard & Poor's Ratings Services has rated the City's investment portfolio "AAf" and a volatility rating of "S1." Any explanation of the significance of such a rating may be obtained from Standard & Poor's Ratings Services.

## STATE BUDGET INFORMATION

As described herein, the State is a significant source of City revenues, and the State's financial condition has from time to time adversely affected the financial condition of the City. From time to time in the past, the State has experienced significant financial stress, experiencing budget shortfalls in the billions of dollars. There can be no assurances state financial pressures in the future will not adversely affect the City.

### State Budget for Fiscal Year 2016-17

On June 27, 2016, Governor Brown signed the State Budget for Fiscal Year 2016-17. Information about the State Budget is regularly available at various State-maintained websites, including the State Department of Finance at [www.dof.ca.gov](http://www.dof.ca.gov). The City and the Underwriter take no responsibility for the continued accuracy of for the accuracy or timeliness of information posted there, and such information is not incorporated herein by these references.

*Future State Budgets.* The City receives a significant portion of its funding from the State. Changes in the revenues received by the State can affect the amount of funding, if any, to be received from the State by the City and other cities in the State.

The City cannot predict the extent of the budgetary problems the State will encounter in this fiscal year or in any future fiscal years, and, it is not clear what measures would be taken by the State to balance

its budget, as required by law. In addition, the City cannot predict the impact that State budgets will have on the City's finances and operations or what actions will be taken in the future by the State Legislature and the Governor to deal with changing State revenues and expenditures. Current and future State budgets will be affected by national and State economic conditions and other factors, including the current economic downturn, over which the City has no control. See also "RISK FACTORS—Dependence on State for Certain Revenues."

## **CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES, REVENUES AND APPROPRIATIONS**

### **Article XIII A of the California Constitution**

On June 6, 1978, California voters approved an amendment (commonly known as both Proposition 13 and the Jarvis-Gann Initiative) to the California Constitution. This amendment, which added Article XIII A to the California Constitution, among other things affects the valuation of real property for the purpose of taxation in that it defines the full cash property value to mean "the county assessor's valuation of real property as shown on the 1975-76 tax bill under "full cash value," or thereafter, the appraised value of real property newly constructed, or when a change in ownership has occurred after the 1975 assessment." The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or a reduction in the consumer price index or comparable local data at a rate not to exceed 2% per year, or reduced in the event of declining property value caused by damage, destruction or other factors including a general economic downturn. The amendment further limits the amount of any ad valorem tax on real property to one percent of the full cash value except that additional taxes may be levied to pay debt service on indebtedness approved by the voters prior to July 1, 1978, and bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978 by two-thirds of the votes cast by the voters voting on the proposition.

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

The voters of the State subsequently approved various measures which further amended Article XIII A. One such amendment generally provides that the purchase or transfer of (i) real property between spouses or (ii) the principal residence and the first \$1,000,000 of the Full Cash Value of other real property between parents and children, do not constitute a "purchase" or "change of ownership" triggering reappraisal under Article XIII A. Other amendments permitted the State Legislature to allow persons over the age of 55 who meet certain criteria or "severely disabled homeowners" who sell their residence and buy or build another of equal or lesser value within two years in the same county, to transfer the old residence's assessed value to the new residence. Other amendments permit the State Legislature to allow persons who are either 55 years of age or older, or who are "severely disabled," to transfer the old residence's assessed value to their new residence located in either the same or a different county and acquired or newly constructed within two years of the sale of their old residence.

In the November 1990 election, the voters approved an amendment of Article XIII A to permit the State Legislature to exclude from the definition of "new construction" certain additions and improvements, including seismic retrofitting improvements and improvements utilizing earthquake hazard mitigation technologies constructed or installed in existing buildings after November 6, 1990.

Article XIII A has also been amended to provide that there would be no increase in the Full Cash Value base in the event of reconstruction of the property damaged or destroyed in a disaster.

Section 51 of the Revenue and Taxation Code permits county assessors who have reduced the assessed valuation of a property as a result of natural disasters, economic downturns or other factors, to subsequently “recapture” such value (up to the pre-decline value of the property) at an annual rate higher than 2%, depending on the assessor’s measure of the restoration of value of the damaged property.

Section 4 of Article XIII A also provides that cities, counties and special districts cannot, without a two-thirds vote of the qualified electors, impose special taxes, which has been interpreted to include special fees in excess of the cost of providing the services or facility for which the fee is charged, or fees levied for general revenue purposes.

Both the California State Supreme Court and the United States Supreme Court have upheld the validity of Article XIII A.

### **Article XIII B of the California Constitution**

On November 6, 1979, California voters approved Proposition 4, the Gann Initiative, which added Article XIII B to the California Constitution. In June 1990, Article XIII B was amended by the voters through their approval of Proposition 111. Article XIII B of the California Constitution limits the annual appropriations of the State and any city, county, school district, authority or other political subdivision of the State to the level of appropriations for the prior fiscal year, as adjusted annually for changes in the cost of living, population and services rendered by the governmental entity. The “base year” for establishing such appropriation limit is fiscal year 1978-79. Increases in appropriations by a governmental entity are also permitted (1) if financial responsibility for providing services is transferred to the governmental entity, or (2) for emergencies so long as the appropriations limits for the three years following the emergency are reduced to prevent any aggregate increase above the Constitutional limit. Decreases are required where responsibility for providing services is transferred from the government entity.

Appropriations subject to Article XIII B include generally any authorization to expend during the fiscal year the proceeds of taxes levied by the State or other entity of local government, exclusive of certain State subventions, refunds of taxes, benefit payments from retirement, unemployment insurance and disability insurance funds. Appropriations subject to limitation pursuant to Article XIII B do not include debt service on indebtedness existing or legally authorized as of January 1, 1979, on bonded indebtedness thereafter approved according to law by a vote of the electors of the issuing entity voting in an election for such purpose, appropriations required to comply with mandates of courts or the Federal government, appropriations for qualified outlay projects, and appropriations by the State of revenues derived from any increase in gasoline taxes and motor vehicle weight fees above January 1, 1990 levels. “Proceeds of taxes” include, but are not limited to, all tax revenues and the proceeds to any entity of government from (1) regulatory licenses, user charges, and user fees to the extent such proceeds exceed the cost of providing the service or regulation, (2) the investment of tax revenues and (3) certain State subventions received by local governments. As amended by Proposition 111, the appropriations limit is tested over consecutive two-year periods. Any excess of the aggregate “proceeds of taxes” received by the City over such two-year period above the combined appropriations limits for those two years is to be returned to taxpayers by reductions in tax rates or fee schedules over the subsequent two years.

As amended in June 1990, the appropriations limit for the City in each year is based on the limit for the prior year, adjusted annually for changes in the costs of living and changes in population, and adjusted, where applicable, for transfer of financial responsibility of providing services to or from another

unit of government. The change in the cost of living is, at the City's option, either (1) the percentage change in California per capita personal income, or (2) the percentage change in the local assessment roll for the jurisdiction due to the addition of nonresidential new construction. The measurement of change in population is a blended average of statewide overall population growth, and change in attendance at local school and community college ("K-14") districts.

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

The City's appropriations limit for Fiscal Year 2015-16 has been established at \$670,758,243. The impact of the appropriations limit on the City's financial needs in the future is unknown.

### **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 City 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. The county-wide sales tax at issue received an affirmative vote of only 54.1% and was found to be invalid.

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

### **Proposition 218**

Proposition 218. On November 5, 1996, California voters approved Proposition 218—Voter Approval for Local Government Taxes—Limitation on Fees, Assessments, and Charges—Initiative Constitutional Amendment. Proposition 218 added Articles XIII C and XIII D to the California Constitution, imposing certain vote requirements and other limitations on the imposition of new or

increased taxes, assessments and property-related fees and charges. Proposition 218 states that all taxes imposed by local governments shall be deemed to be either general taxes or special taxes. Special purpose districts, including school districts, have no power to levy general taxes. No local government may impose, extend or increase any general tax unless and until such tax is submitted to the electorate and approved by a majority vote. No local government may impose, extend or increase any special tax unless and until such tax is submitted to the electorate and approved by a two-thirds vote.

Proposition 218 also provides that no tax, assessment, fee or charge shall be assessed by any agency upon any parcel of property or upon any person as an incident of property ownership except: (i) the ad valorem property tax imposed pursuant to Article XIII and Article XIII A of the California Constitution, (ii) any special tax receiving a two-thirds vote pursuant to Section 4 of Article XIII A of the California Constitution, and (iii) assessments, fees, and charges for property related services as provided in Article XIII D. Proposition 218 added voter requirements for assessments and fees and charges imposed as an incident of property ownership, other than fees and charges for sewer, water, and refuse collection services. In addition, all assessments and fees and charges imposed as an incident of property ownership, including sewer, water, and refuse collection services, are subjected to various additional procedures, such as hearings and stricter and more individualized benefit requirements and findings. The effect of such provisions will presumably be to increase the difficulty a local agency will have in imposing, increasing or extending such assessments, fees and charges.

Proposition 218 also extended the initiative power to reducing or repealing any local taxes, assessments, fees and charges. This extension of the initiative power is not limited to taxes imposed on or after November 6, 1996, the effective date of Proposition 218, and could result in retroactive repeal or reduction in any existing taxes, assessments, fees and charges, subject to overriding federal constitutional principles relating to the impairment of contracts.

Proposition 218 provides that, effective July 1, 1997, fees that are charged “as an incident of property ownership” may not “exceed the funds required to provide the property related services” and may only be charged for services that are “immediately available to the owner of the property.”

The City does not expect the application of Proposition 218 will have a material adverse impact on its ability to pay Lease Payments.

### **Proposition 1A of 2004**

The California Constitution and existing statutes give the legislature authority over property taxes, sales taxes and the vehicle license fee (the “VLF”). The legislature has authority to change tax rates, the items subject to taxation and the distribution of tax revenues among local governments, schools, and community college districts. The State has used this authority for many purposes, including increasing funding for local services, reducing State costs, reducing taxation, addressing concerns regarding funding for particular local governments, and restructuring local finance.

The California Constitution generally requires the State to reimburse the local governments when the State “mandates” a new local program or higher level of service. Due to the ongoing financial difficulties of the State, it has not provided in recent years reimbursements for many mandated costs. In other cases, the State has “suspended” mandates, eliminating both responsibility of the local governments for complying with the mandate and the need for State reimbursements.

The 2004 Budget Act, related legislation and the enactment of Proposition 1A of 2004 (described below) dramatically changed the State-local fiscal relationship. These constitutional and statutory changes

implemented an agreement negotiated between the Governor and local government officials (the “State-local agreement”) in connection with the 2004 Budget Act.

One change related to the reduction of the VLF rate from 2% to 0.65% of the market value of the vehicle. In order to protect local governments, which had previously received all VLF revenues, the 1.35 percent reduction in VLF revenue to cities and counties from this rate change was backfilled by an increase in the amount of property tax revenues they receive. This worked to the benefit of local governments, because the backfill amount annually increases in proportion to the growth in secured roll property tax revenues, which has historically grown at a higher rate than VLF revenues. Proposition 1A of 2004 requires the State to provide local governments with equal replacement revenues.

On November 3, 2004 the voters of the State approved Proposition 1A (“Proposition 1A of 2004”). Proposition 1A of 2004 amended the State Constitution to, among other things, reduce the Legislature’s authority over local government revenue sources by placing restrictions on the State’s access to local governments’ property, sales, and VLF revenues as of November 3, 2004. In addition, the State cannot reduce the local sales tax rate or restrict the authority of the local governments to impose or change the distribution of the Statewide local sales tax. Proposition 1A of 2004 generally prohibits the State from mandating activities on cities, counties, or special districts without providing the funding needed to comply with the mandates, and if the State does not provide funding for the activity that has been determined to be mandated, the requirement on cities, counties, or special districts to abide by the mandate is suspended. Proposition 1A of 2004 also expanded the definition of what constitutes a mandate to encompass State action that transfers to cities, counties, and special districts financial responsibility for a required program for which the State previously had partial or complete responsibility. The State mandate provisions of Proposition 1A of 2004 do not apply to schools or community colleges or to mandates relating to employee rights.

## **Proposition 22**

Proposition 22 (“Proposition 22”), which was approved by California voters in November 2010, prohibits the State, even during a period of severe fiscal hardship, from delaying the distribution of tax revenues for transportation, redevelopment, or local government projects and services and prohibits fuel tax revenues from being loaned for cash-flow or budget balancing purposes to the State General Fund or any other State fund. Due to the prohibition with respect to State’s ability to take, reallocate, and borrow money raised by local governments for local purposes, Proposition 22 supersedes certain provisions of Proposition 1A of 2004. See “ – Proposition 1A” herein. In addition, Proposition 22 generally eliminates the State’s authority to temporarily shift property taxes from cities, counties, and special districts to schools, temporarily increase school and community college district’s share of property tax revenues, prohibits the State from borrowing or redirecting redevelopment property tax revenues or requiring increased pass-through payments thereof, and prohibits the State from reallocating vehicle license fee revenues to pay for State imposed mandates. In addition, Proposition 22 requires a two-thirds vote of each house of the State Legislature and a public hearing process to be conducted in order to change the amount of fuel excise tax revenues shared with cities and counties. The LAO states that Proposition 22 will prohibit the State from enacting new laws that require redevelopment agencies to shift funds to schools or other agencies.

Proposition 22 prohibits the State from borrowing sales taxes or excise taxes on motor vehicle fuels or changing the allocations of those taxes among local government except pursuant to specified procedures involving public notices and hearings. In addition, Proposition 22 requires that the State apply the formula setting forth the allocation of State fuel tax revenues to local agencies revert to the formula in effect on June 30, 2009. The LAO anticipates that Proposition 22 will require the State to adopt alternative actions to address its fiscal and policy objectives, particularly with respect to short-term cash

flow need. The County does not believe that the adoption of Proposition 22 will have a significant impact on its revenues and expenditures during Fiscal Year 2012-13.

### **Proposition 26**

Proposition 26 (“Proposition 26”), which was approved by California voters on November 2, 2010, revises the California Constitution to expand the definition of “taxes.” Proposition 26 re-categorizes many State and local fees as taxes and specifies a requirement of two-thirds voter approval for taxes levied by local governments.

Proposition 26 requires the State obtain the approval of two-thirds of both houses of the State Legislature for any proposed change in State statutes, which would result in any taxpayer paying a higher tax. Proposition 26 eliminates the previous practice whereby a tax increase coupled with a tax reduction that resulted in an overall neutral fiscal effect was subject only to a majority vote in the State Legislature. Furthermore, pursuant to Proposition 26, any increase in a fee above the amount needed to provide the specific service or benefit is deemed to be a tax and the approval thereof will require such two-thirds vote of approval to be effective. In addition, for State imposed fees and charges, any fee or charge adopted after January 1, 2010 with a majority vote of approval of the State Legislature which would have required a two-thirds vote of approval of the State Legislature if Proposition 26 were effective at the time of such adoption is repealed as of November 2011 absent the re-adoption by the requisite two-thirds vote.

Proposition 26 amends Article XIII C of the State Constitution to state that a “tax” means a levy, charge or exaction of any kind imposed by a local government, except (1) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (2) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product; (3) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections and audits, 30 enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof; (4) a charge imposed for entrance to or use of local government property or the purchase rental or lease of local government property; (5) a fine, penalty, or other monetary charge imposed by the judicial branch of government or a local government as a result of a violation of law; (6) a charge imposed as a condition of property development; or (7) assessments and property related fees imposed in accordance with the provisions of Proposition 218. See “ – Proposition 218.”

Proposition 26 applies to any levy, charge or exaction imposed, increased, or extended by local government on or after November 3, 2010, unless exempted, as stated above. Accordingly, fees adopted prior to that date are not subject to the measure until they are increased or extended or if it is determined that an exemption applies. As of the date hereof, none of the County’s fees or charges has been challenged in a court of law in connection with the requirements of Proposition 26.

If the local government specifies how the funds from a proposed local tax are to be used, the approval will be subject to a two-thirds voter requirement. If the local government does not specify how the funds from a proposed local tax are to be used, the approval will be subject to a fifty percent voter requirement. Proposed local government fees that are not subject to Proposition 26 generally are subject to the approval of a majority of the governing body. In general, proposed property charges will be subject to a majority vote of approval by the governing body although certain proposed property charges will also require approval by a majority of the affected property owners.

### **Future Initiatives**

Articles XIII A, XIII B, XIII C and XIII D and Propositions 1A, 22, and 26 were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. The limitations imposed upon the City by these provisions hinder the City's ability to raise revenues through taxes or otherwise and may therefore prevent the City from meeting increased expenditure requirements. From time to time, other initiative measures could be adopted, some of which may place further limitations on the ability of the State, the City or local districts to increase revenues or to spend money or which could have other financially adverse effects such as requiring the City to undertake new responsibilities. Such other initiatives could have a material adverse effect on the City's financial condition.

## **RISK FACTORS**

*This section provides a general overview of certain risk factors which should be considered, in addition to the other matters set forth in this Official Statement, in evaluating an investment in the Bonds. This section is not meant to be a comprehensive or definitive discussion of the risks associated with an investment in the Bonds, and the order in which this information is presented does not necessarily reflect the relative importance of various risks. Potential investors in the Bonds are advised to consider the following factors, among others, and to review this entire Official Statement to obtain information essential to the making of an informed investment decision. Any one or more of the risk factors discussed below, among others, could lead to a decrease in the market value and/or in the marketability of the Bonds. There can be no assurance that other risk factors not discussed herein will not become material in the future.*

### **Limited Obligation**

The Bonds are not City debt and are limited obligations of the Authority. Neither the full faith and credit of the Authority nor the City is pledged for the payment of the interest on or principal of the Bonds nor for the payment of Lease Payments. The Authority has no taxing power. The obligation of the City to pay Lease Payments when due is an obligation payable from amounts in the general fund of the City, and is subject to abatement. The obligation of the City to make Lease Payments under the Lease Agreement does not constitute an obligation of the City for which the City is obligated to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation. Neither the Bonds nor the obligation of the City to make Lease Payments under the Lease Agreement constitute a debt or indebtedness of the Authority, the City, the State or any of its political subdivisions, within the meaning of any constitutional or statutory debt limitation or restrictions.

### **Lease Payments Are Not Debt**

The obligation of the City to make the Lease Payments under the Lease does not constitute an obligation of the City for which the City is obligated to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation. Neither the Bonds nor the obligation of the City to make Lease Payments constitute a debt of the City, the State of California or any political subdivision thereof (other than the Authority) within the meaning of any constitutional or statutory debt limitation or restriction.

Although the Lease does not create a pledge, lien or encumbrance upon the funds of the City, the City is obligated under the Lease to pay the Lease Payments from any source of legally available funds and the City has covenanted in the Lease that, for so long as the Property is available for its use, it will make the necessary annual appropriations within its budget for the Lease Payments. The City is currently liable and may become liable on other obligations payable from general revenues, some of which may have a priority over the Lease Payments, or which the City, in its discretion, may determine to pay prior to the Lease Payments.

The City has the capacity to enter into other obligations payable from the City's general fund, without the consent of or prior notice to the Owners of the Bonds. To the extent that additional obligations are incurred by the City, the funds available to make Lease Payments may be decreased. In the event the City's revenue sources are less than its total obligations, the City could choose to fund other municipal services before making Lease Payments. The same result could occur if, because of State constitutional limits on expenditures, the City is not permitted to appropriate and spend all of its available revenues. The City's appropriations, however, have never exceeded the limitations on appropriations under Article XIII B of the California Constitution. For information on the City's current limitations on appropriations, see "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES, REVENUES AND APPROPRIATIONS—Article XIII B of the California Constitution."

### **Additional Obligations of the City**

The City has a significant amount of obligations payable from its general fund, including but not limited to debt obligations, pension obligations, lease obligations and other obligations related to post employment retirement benefits as well as certain other liabilities. The Lease Agreement does not prohibit the City from incurring additional lease and other obligations payable from the City's General Fund. In that regard, the City from time to time incurs various general fund obligations to finance public improvements (see "CITY FINANCIAL INFORMATION—Bonded Indebtedness"), which may also include lease obligations payable from its general fund. The City anticipates incurring significant obligations payable from its general fund in the near future, in connection with its proposed Civic Center project mentioned under the heading "THE PROJECTS."

### **Valid and Binding Covenant to Budget and Appropriate**

Pursuant to the Lease Agreement, the City covenants to take such action as may be necessary to include Lease Payments due in its annual budgets and to make necessary appropriations for all such payments. Such covenants are deemed to be duties imposed by law, and it is the duty of the public officials of the City to take such action and do such things as are required by law in the performance of the official duty of such officials to enable the City to carry out and perform such covenants. A court, however, in its discretion may decline to enforce such covenants. Upon issuance of the Bonds, Bond Counsel will render its opinion (substantially in the form of APPENDIX D—"PROPOSED FORM OF BOND COUNSEL OPINION") to the effect that, subject to the limitations and qualifications described therein, the Lease Agreement constitutes a valid and binding obligation of the City. As to the Authority's practical realization of remedies upon default by the City, see "RISK FACTORS—Limitations on Remedies."

### **Abatement**

In the event of loss or substantial interference in the use and possession by the City of all or any portion of the Property caused by material damage, title defect, destruction to or condemnation of the Property, Lease Payments will be subject to abatement. In the event that such component of the Property, if damaged or destroyed by an insured casualty, could not be replaced during the period of time that proceeds of the City's rental interruption insurance will be available in lieu of Lease Payments, or in the event that casualty insurance proceeds or condemnation proceeds are insufficient to provide for complete repair or replacement of such component of the Property or prepayment of the Bonds, there could be insufficient funds to make payments to Owners in full. Reduction in Lease Payments due to abatement as provided in the Lease does not constitute a default thereunder.

It is not possible to predict the circumstances under which such an abatement of rental may occur. In addition, there is no statute, case or other law specifying how such an abatement of rental should be

measured. For example, it is not clear whether fair rental value is established as of commencement of the lease or at the time of the abatement. If the latter, it may be that the value of the Property is substantially higher or lower than its value at the time of the execution and delivery of the Bonds. Abatement, therefore, could have an uncertain and material adverse effect on the security for and payment of the Bonds.

### **No Acceleration Upon Default**

In the event of a default, there is no remedy of acceleration of the total Lease Payments due over the term of the Lease Agreement and the Trustee is not empowered to sell a fee simple interest in the Property and use the proceeds of such sale to prepay the Bonds or pay debt service thereon. Any suit for money damages would be subject to limitations on legal remedies against public agencies in the State, including a limitation on enforcement of judgments against funds needed to serve the public welfare and interest as described below.

### **Limitation on Remedies**

The enforcement of any remedies provided in the Lease Agreement and the Indenture could prove both expensive and time consuming. Although the Lease Agreement provides that if the City defaults the Trustee may reenter the Property and re-let the Property, portions of the Property may not be easily recoverable, and the Property is subject to certain agreements with respect to its operation. See “THE PROPERTY.” Additionally, the Trustee may have limited ability to re-let the Property to provide a source of rental payments sufficient to pay the principal of and interest on the Bonds so as to preserve the tax-exempt nature of interest on the Bonds. The Trustee is not obligated to re-let the Property in a manner so as to preserve the tax-exempt nature of interest on the Bonds.

Alternatively, the Trustee may terminate the Lease Agreement and proceed against the City to recover damages pursuant to the Lease Agreement. Any suit for money damages would be subject to limitations on legal remedies against public agencies in the State, including a limitation on enforcement of judgments against funds needed to serve the public welfare and interest.

The rights of the Owners of the Bonds are subject to certain limitations on legal remedies against cities, redevelopment agencies and other governmental entities in the State, including but not limited to a limitation on enforcement against funds that are otherwise needed to serve the public welfare and interest. Additionally, the rights of the Owners of the Bonds may be subject to (i) bankruptcy, insolvency, reorganization, moratorium, or similar laws limiting or otherwise affecting the enforcement of creditors’ rights generally (as such laws are now or hereafter may be in effect), (ii) equity principles (including but not limited to concepts of materiality, reasonableness, good faith and fair dealing) and the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or law, (iii) the exercise by the United States of America of the powers delegated to it by the Constitution, and (iv) the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose. Under Chapter 9 of the Bankruptcy Code (Title 11, United States Code), which governs bankruptcy proceedings for public agencies, there are no involuntary petitions in bankruptcy. If the City were to file a petition under Chapter 9 of the Bankruptcy Code, the Owners, the Trustee and the Authority could be prohibited or severely restricted from taking any steps to enforce their rights under the Lease Agreement and from taking any steps to collect amounts due from the City under the Lease Agreement.

Under Chapter 9 of the Bankruptcy Code (Title 11, United States Code), which governs the bankruptcy proceedings for public agencies such as the City, there are no involuntary petitions in

bankruptcy. If the City were to file a petition under Chapter 9 of the Bankruptcy Code, the Owners of Bonds, the Trustee and the Authority could be prohibited from taking any steps to enforce their rights under the Lease Agreement, and from taking any steps to collect amounts due from the City under the Lease Agreement.

All legal opinions with respect to the enforcement of the Lease Agreement and the Indenture will be expressly subject to a qualification that such agreements may be limited by bankruptcy, reorganization, insolvency, moratorium or other similar laws affecting creditors' rights generally and by the exercise of judicial discretion in accordance with general principles of equity.

### **Risk of Uninsured Loss**

The City covenants under the Lease to maintain certain insurance policies on the Property. See "SECURITY FOR THE BONDS—Insurance." These insurance policies do not cover all types of risk, and the City need not obtain insurance except as available on the open market from reputable insurers. For instance, the City does not covenant to maintain earthquake insurance. [The City currently carries earthquake insurance on the Property although the Lease Agreement does not require it to do so. The City plans to continue to purchase earthquake insurance on the Property so long as such insurance can be obtained on the open market at reasonable rates.] The Property could be damaged or destroyed due to earthquake or other casualty for which the Property is uninsured. Additionally, the Property could be the subject of an eminent domain proceeding. Under these circumstances an abatement of Lease Payments could occur and could continue indefinitely. There can be no assurance that the providers of the City's liability and rental interruption insurance will in all events be able or willing to make payments under the respective policies for such loss should a claim be made under such policies. Further, there can be no assurances that amounts received as proceeds from insurance or from condemnation of the Property will be sufficient to redeem the Bonds.

Under the Lease the City may obtain casualty insurance which provides for a deductible up to \$250,000. Should the City be required to meet such deductible expenses, the availability of general fund revenues to make Lease Payments may be correspondingly affected.

### **Eminent Domain**

If the Property is taken permanently under the power of eminent domain or sold to a government threatening to exercise the power of eminent domain, the term of the Lease will cease as of the day possession is taken. If less than all of the Property is taken permanently, or if the Property or any part thereof is taken temporarily, under the power of eminent domain, (a) the Lease will continue in full force and effect and will not be terminated by virtue of such taking, and (b) there will be a partial abatement of Lease Payments as a result of the application of net proceeds of any eminent domain award to the prepayment of the Lease Payments, in an amount to be agreed upon by the City and the Authority such that the resulting Lease Payments represent fair consideration for the use and occupancy of the remaining usable portion of the Property.

### **Hazardous Substances**

The existence or discovery of hazardous materials may limit the beneficial use of the Property. In general, the owners and lessees of the Property may be required by law to remedy conditions of such parcel relating to release or threatened releases of hazardous substances. The federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as "CERCLA" or the "Superfund Act," is the most well known and widely applicable of these laws, but California laws with regard to hazardous substances are also similarly stringent. Under many of these laws, the owner or

lessee is obligated to remedy a hazardous substance condition of the property whether or not the owner or lessee had anything to do with creating or handling the hazardous substance.

Further it is possible that the beneficial use of the Property may be limited in the future resulting from the current existence on the Property of a substance currently classified as hazardous but which has not been released or the release of which is not presently threatened, or may arise in the future resulting from the current existence on the Property of a substance not presently classified as hazardous but which may in the future be so classified. Further, such liabilities may arise not simply from the existence of a hazardous substance but from the method in which it is handled. All of these possibilities could significantly limit the beneficial use of the Property.

The City is unaware of the existence of hazardous substances on the Property site which would materially interfere with the beneficial use thereof.

### **Bankruptcy**

The City is a unit of State government and therefore is not subject to the involuntary procedures of the United States Bankruptcy Code (the "Bankruptcy Code"). However, pursuant to Chapter 9 of the Bankruptcy Code, the City may seek voluntary protection from its creditors for purposes of adjusting its debts. A City or Authority bankruptcy petition could have a material adverse effect on the payment of the Bonds. The following paragraphs present a discussion of certain potential consequences surrounding a potential City or Authority bankruptcy. It is not intended to be an exhaustive discussion of all potential adverse consequences or potential outcomes.

In the event the City were to become a debtor under the Bankruptcy Code, the City would be entitled to all of the protective provisions of the Bankruptcy Code as applicable in a Chapter 9 proceeding. Among the adverse effects of such a bankruptcy might be: (i) the application of the automatic stay provisions of the Bankruptcy Code, which, until relief is granted, would prevent collection of payments from the City or the commencement of any judicial or other action for the purpose of recovering or collecting a claim against the City; (ii) the avoidance of preferential transfers occurring during the relevant period prior to the filing of a bankruptcy petition; (iii) the existence of unsecured or court-approved secured debt which may have a priority of payment superior to that of Owners of Bonds; and (iv) the possibility of the adoption of a plan for the adjustment of the City's debt (a "Plan") without the consent of the Trustee or all of the Owners of Bonds, which Plan may restructure, delay, compromise or reduce the amount of any claim of the Owners if the Bankruptcy Court finds that the Plan is fair and equitable.

In addition, the City could either reject the Lease or assume the Lease despite any provision of the Lease which makes the bankruptcy or insolvency of the City an event of default thereunder. In the event the City rejects the Lease, the Trustee, on behalf of the Owners of the Bonds, would have a pre-petition claim that may be limited under the Bankruptcy Code and treated in a manner under a Plan over the objections of the Trustee or Owners of the Bonds. Moreover, such rejection would terminate the Lease and the City's obligations to make payments thereunder.

The Authority is a public agency and, like the City, is not subject to the involuntary procedures of the Bankruptcy Code. The Authority may also seek voluntary protection under Chapter 9 of the Bankruptcy Code. In the event the Authority were to become a debtor under the Bankruptcy Code, the Authority would be entitled to all of the protective provisions of the Bankruptcy Code as applicable in a Chapter 9 proceeding. Such a bankruptcy could adversely affect the payments under the Indenture. Among the adverse effects might be: (i) the application of the automatic stay provisions of the Bankruptcy Code, which, until relief is granted, would prevent collection of payments from the Authority

or the commencement of any judicial or other action for the purpose of recovering or collecting a claim against the Authority; (ii) the avoidance of preferential transfers occurring during the relevant period prior to the filing of a bankruptcy petition; (iii) the existence of unsecured or court-approved secured debt which may have priority of payment superior to that of the Owners of the Bonds; and (iv) the possibility of the adoption of a plan for the adjustment of the Authority's debt without the consent of the Trustee or all of the Owners of the Bonds, which plan may restructure, delay, compromise or reduce the amount of any claim of the Owners if the Bankruptcy Court finds that the Plan is fair and equitable.

### **No Liability of Authority to the Owners**

Except as expressly provided in the Indenture, the Authority will not have any obligation or liability to the Owners of the Bonds with respect to the payment when due of the Lease Payments by the City, or with respect to the performance by the City of other agreements and covenants required to be performed by it contained in the Lease or the Indenture, or with respect to the performance by the Trustee of any right or obligation required to be performed by it contained in the Indenture.

### **Dependence on State for Certain Revenues**

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

### **Risk of Tax Audit**

The Internal Revenue Service (the "IRS") has an ongoing program of examining tax-exempt obligations to determine whether, in the view of the IRS, interest on such obligations is properly excluded from gross income for federal income tax purposes. It is possible that the Bonds or other tax-exempt obligations of the City may be selected for examination under such program. There is no assurance that an IRS examination of the Bonds or other tax-exempt obligations of the City will not adversely affect the market value of the Bonds. See "TAX MATTERS."

The City has not been contacted by the IRS regarding the examination of any of its bond transactions.

### **Loss of Tax Exemption**

As discussed under the caption "TAX MATTERS," in order to maintain the exclusion from gross income for federal income tax purposes of the interest on the Bonds, the City has covenanted in the Lease Agreement not to take any action, or fail to take any action, if such action or failure to take such action would adversely affect the exclusion from gross income of interest on the Bonds under section 103 of the Internal Revenue Code of 1986, as amended. Interest on the Bonds could become includable in gross income for purposes of Federal income taxation retroactive to the date the Bonds were issued, as a result of acts or omissions of the City or the Authority in violation of the Code. Should such an event of taxability occur, the Bonds are not subject to early redemption and will remain outstanding to maturity or until prepaid under the optional redemption provisions of the Indenture.

### **Limited Secondary Market**

As stated herein, investment in the Bonds poses certain economic risks which may not be appropriate for certain investors, and only persons with substantial financial resources who understand the risk of investment in the Bonds should consider such investment. There can be no guarantee that there will be a secondary market for purchase or sale of the Bonds or, if a secondary market exists, that the Bonds can or could be sold for any particular price.

### **No Reserve Account**

No debt service reserve account has been established with respect to the Bonds.

### **City Pension Benefit Liability**

Many factors influence the amount of the City's pension benefit liability, including, without limitation, inflationary factors, changes in statutory provisions of applicable law, changes in the levels of benefits provided or in the contribution rates of the City, increases or decreases in the number of covered employees, changes in actuarial assumptions or methods, and differences between actual and anticipated investment experience of PERS. Any of these factors could give rise to additional liability of the City to PERS as a result of which the City would be obligated to make additional payments to PERS over the amortization schedule for full funding of the City's obligation to PERS. The City expects its pension benefit liability to increase in future years as a result of the CalPERS Board approved new investment return methodology.

### **Changes in Law**

There can be no assurance that the electorate of the State will not at some future time adopt additional initiatives or that the Legislature will not enact legislation that will amend the laws or the Constitution of the State resulting in a reduction of the general fund revenues of the City and consequently, having an adverse effect on the security for the Bonds.

## **TAX MATTERS**

Federal tax law contains a number of requirements and restrictions which apply to the Bonds, including investment restrictions, periodic payments of arbitrage profits to the United States, requirements regarding the proper use of bond proceeds and the facilities financed therewith, and certain other matters. The Authority and the City have covenanted to comply with all requirements that must be satisfied in order for the interest on the Bonds to be excludable from gross income for federal income tax purposes. Failure to comply with certain of such covenants could cause interest on the Bonds to become includable in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

Subject to the Authority's and the City's compliance with the above referenced covenants, under present law, in the opinion of Quint & Thimmig LLP, Bond Counsel, interest on the Bonds (i) is excludable from the gross income of the owners thereof for federal income tax purposes, and (ii) is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations under the Internal Revenue Code of 1986, as amended (the "Code"), but interest on the Bonds is taken into account, however, in computing an adjustment used in determining the federal alternative minimum tax for certain corporations.

Bond Counsel expects to deliver an opinion at the time of delivery of the Bonds in substantially the form set forth in APPENDIX D—"FORM OF BOND COUNSEL OPINION."

Bond Counsel's opinion represents its legal judgment based upon its review of the law and the facts that it deems relevant to render such opinion and is not a guarantee of a result.

The Code includes provisions for an alternative minimum tax ("AMT") for corporations in addition to the corporate regular tax in certain cases. The AMT, if any, depends upon the corporation's alternative minimum taxable income ("AMTI"), which is the corporation's taxable income with certain adjustments. One of the adjustment items used in computing the AMTI of a corporation (with certain exceptions) is an amount equal to 75% of the excess of such corporation's "adjusted current earnings" over an amount equal to its AMTI (before such adjustment item and the alternative tax net operating loss deduction). "Adjusted current earnings" would include certain tax exempt interest, including interest on the Bonds.

Ownership of the Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, corporations subject to the branch profits tax, financial institutions, certain insurance companies, certain S corporations, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry tax exempt obligations. Prospective purchasers of the Bonds should consult their tax advisors as to applicability of any such collateral consequences.

The issue price (the "Issue Price") for each maturity of the Bonds is the price at which a substantial amount of such maturity of the Bonds is first sold to the public. The Issue Price of a maturity of the Bonds may be different from the price set forth, or the price corresponding to the yield set forth, on the cover page hereof.

If the Issue Price of a maturity of the Bonds is less than the principal amount payable at maturity, the difference between the Issue Price of each such maturity, if any, of the Bonds (the "OID Bonds") and the principal amount payable at maturity is original issue discount.

For an investor who purchases an OID Bond in the initial public offering at the Issue Price for such maturity and who holds such OID Bond to its stated maturity, subject to the condition that the Authority and the City comply with the covenants discussed above, (a) the full amount of original issue discount with respect to such OID Bond constitutes interest which is excludable from the gross income of the owner thereof for federal income tax purposes; (b) such owner will not realize taxable capital gain or market discount upon payment of such OID Bond at its stated maturity; (c) such original issue discount is not included as an item of tax preference in computing the alternative minimum tax for individuals and corporations under the Code, but is taken into account in computing an adjustment used in determining the alternative minimum tax for certain corporations under the Code, as described above; and (d) the accretion of original issue discount in each year may result in an alternative minimum tax liability for corporations or certain other collateral federal income tax consequences in each year even though a corresponding cash payment may not be received until a later year. Owners of OID Bonds should consult their own tax advisors with respect to the state and local tax consequences of original issue discount on such OID Bonds.

Owners of Bonds who dispose of Bonds prior to the stated maturity (whether by sale, redemption or otherwise), purchase Bonds in the initial public offering, but at a price different from the Issue Price or purchase Bonds subsequent to the initial public offering should consult their own tax advisors.

If a Bond is purchased at any time for a price that is less than the Bond's stated redemption price at maturity or, in the case of an OID Bond, its Issue Price plus accreted original issue discount reduced by payments of interest included in the computation of original issue discount and previously paid (the "Revised Issue Price"), the purchaser will be treated as having purchased a Bond with market discount

subject to the market discount rules of the Code (unless a statutory de minimis rule applies). Accrued market discount is treated as taxable ordinary income and is recognized when a Bond is disposed of (to the extent such accrued discount does not exceed gain realized) or, at the purchaser's election, as it accrues. Such treatment would apply to any purchaser who purchases an OID Bond for a price that is less than its Revised Issue Price even if the purchase price exceeds par. The applicability of the market discount rules may adversely affect the liquidity or secondary market price of such Bond. Purchasers should consult their own tax advisors regarding the potential implications of market discount with respect to the Bonds.

An investor may purchase a Bond at a price in excess of its stated principal amount. Such excess is characterized for federal income tax purposes as "bond premium" and must be amortized by an investor on a constant yield basis over the remaining term of the Bond in a manner that takes into account potential call dates and call prices. An investor cannot deduct amortized bond premium relating to a tax exempt bond. The amortized bond premium is treated as a reduction in the tax exempt interest received. As bond premium is amortized, it reduces the investor's basis in the Bond. Investors who purchase a Bond at a premium should consult their own tax advisors regarding the amortization of bond premium and its effect on the Bond's basis for purposes of computing gain or loss in connection with the sale, exchange, redemption or early retirement of the Bond.

There are or may be pending in the Congress of the United States legislative proposals, including some that carry retroactive effective dates, that, if enacted, could alter or amend the federal tax matters referred to above or affect the market value of the Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to bonds issued prior to enactment. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal tax legislation. Bond Counsel expresses no opinion regarding any pending or proposed federal tax legislation.

The Internal Revenue Service (the "Service") has an ongoing program of auditing tax exempt obligations to determine whether, in the view of the Service, interest on such tax exempt obligations is includable in the gross income of the owners thereof for federal income tax purposes. It cannot be predicted whether or not the Service will commence an audit of the Bonds. If an audit is commenced, under current procedures the Service may treat the Authority as a taxpayer and the Bondholders may have no right to participate in such procedure. The commencement of an audit could adversely affect the market value and liquidity of the Bonds until the audit is concluded, regardless of the ultimate outcome.

Payments of interest on, and proceeds of the sale, redemption or maturity of, tax exempt obligations, including the Bonds, are in certain cases required to be reported to the Service. Additionally, backup withholding may apply to any such payments to any Bond owner who fails to provide an accurate Form W-9 Request for Taxpayer Identification Number and Certification, or a substantially identical form, or to any Bond owner who is notified by the Service of a failure to report any interest or dividends required to be shown on federal income tax returns. The reporting and backup withholding requirements do not affect the excludability of such interest from gross income for federal tax purposes.

In the further opinion of Bond Counsel, interest on the Bonds is exempt from California personal income taxes.

Ownership of the Bonds may result in other state and local tax consequences to certain taxpayers. Bond Counsel expresses no opinion regarding any such collateral consequences arising with respect to the Bonds. Prospective purchasers of the Bonds should consult their tax advisors regarding the applicability of any such state and local taxes.

## **CERTAIN LEGAL MATTERS**

Legal matters incident to the authorization, issuance, sale and delivery by the Authority of the Bonds are subject to the approval as to their validity of Quint & Thimmig LLP, Larkspur, California, Bond Counsel. Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Certain legal matters will be passed upon for the City by Stradling Yocca Carlson & Rauth, acting as Disclosure Counsel, and for the Authority and the City by the City Attorney. Certain matters will be passed on for the Underwriter by Kutak Rock LLP, Denver, Colorado. Compensation of Bond Counsel and Disclosure Counsel is contingent upon the issuance and delivery of the Bonds.

## **FINANCIAL STATEMENTS**

The City's financial statements for the fiscal year ended September 30, 2015, included in APPENDIX B—"COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015," have been audited by KPMG, LLC, as stated in their reports appearing in such appendix. KPMG, LLC has not undertaken to update its reports or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by KPMG, LLC with respect to any event subsequent to its report.

## **LITIGATION**

To the best knowledge of the Authority and the City, except as otherwise disclosed in this Official Statement, there is no pending or threatened litigation concerning the validity of the Bonds or the pledge of the Revenues or challenging any action taken by the Authority or the City in connection with the authorization of the Indenture or the Lease Agreement, or any other document relating to the Bonds or the defeasance and prepayment of the Bonds to which the Authority or the City is or is to become a party or the performance by the Authority or the City of any of their obligations under any of the foregoing.

## **RATINGS**

Fitch Ratings ("Fitch") and Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P"), have assigned their municipal bond ratings of "[AA-]" and "[AA-]," respectively, to the Bonds. Such ratings reflect only the views of Fitch and S&P and an explanation of the significance of such ratings may be obtained from Fitch at Fitch Ratings, One State Street Plaza, New York, NY 10004, and from S&P at Standard & Poor's Ratings Services, 55 Water Street, New York, NY 10041. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by Fitch or S&P if, in the judgment of Fitch or S&P, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Bonds.

## **UNDERWRITING**

The Bonds are being purchased by Merrill Lynch, Pierce, Fenner & Smith Incorporated (the "Underwriter") at a price of \$\_\_\_\_\_ (consisting of \$\_\_\_\_\_ aggregate principal amount of the Bonds, plus \$\_\_\_\_\_ of net original issue premium, less \$\_\_\_\_\_ of Underwriter's discount).

The Underwriter intends to offer the Bonds to the public at the offering prices set forth on the cover page of this Official Statement. The Underwriter may offer and sell to certain dealers and others at

a price lower than the offering prices stated on the cover page hereof. The offering price may be changed from time to time by the Underwriter.

The Underwriter has provided the following two paragraphs for inclusion in the Official Statement:

The Underwriter and its affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. Under certain circumstances, the Underwriter and its affiliates may have certain creditor and/or other rights against the City and its affiliates in connection with such activities. In the various course of their various business activities, the Underwriter and its affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the City (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the City. The Underwriter and its respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

The City intends to use a portion of the proceeds from the Bonds to redeem the Refunded Bonds. To the extent an Underwriter or an affiliate thereof is an owner of Refunded Bonds, such Underwriter or its affiliate, as applicable, would receive a portion of the proceeds from the issuance of the Bonds contemplated herein in connection with such Refunded Bonds being redeemed by the City.

#### **MUNICIPAL ADVISOR**

The City has retained KNN Public Finance, LLC, Los Angeles, California, as municipal advisor (the “Municipal Advisor”) in connection with the delivery of the Bonds. The Municipal Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement. Compensation of the Municipal Advisor is contingent upon the issuance and delivery of the Bonds.

#### **CONTINUING DISCLOSURE**

Pursuant to Rule 15c2-12 of the Securities and Exchange Commission (the “Rule”), the City has entered into the Continuing Disclosure Certificate pursuant to which it has agreed, for the benefit of owners of the Bonds, to provide certain financial information and operating data relating to the City and the balances of funds relating to the Bonds, by not later than 270 days after the end of each of its fiscal years commencing with the report for the 2015-16 fiscal year (the “Annual Information”), and to provide notices of the occurrence of certain enumerated events. The Annual Information and notices of material events will be filed by the City, with the Municipal Securities Rulemaking Board (the “MSRB”), via its Electronic Municipal Market Access (“EMMA”) system. The nature of the information to be provided in the Annual Information and the notices of material events is set forth in APPENDIX E—“FORM OF CONTINUING DISCLOSURE CERTIFICATE.”

The City has advised that during the past five years, the City and its related entities have never failed to comply in all material respects with previous continuing disclosure undertakings pursuant to the Rule.

**ADDITIONAL INFORMATION**

Summaries and explanations of the Bonds and documents contained in this Official Statement do not purport to be complete, and reference is made to such documents for full and complete statements of their provisions.

The preparation and distribution of this Official Statement have been authorized by the Authority and the City.

FINANCE AUTHORITY OF LONG BEACH

By \_\_\_\_\_  
Treasurer/Auditor

CITY OF LONG BEACH

By \_\_\_\_\_  
City Treasurer

## **APPENDIX A**

### **GENERAL, ECONOMIC, AND DEMOGRAPHIC INFORMATION RELATING TO THE CITY OF LONG BEACH**

#### **Municipal Government**

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

The City operates under the council-manager form of government with a nine-member City Council (the "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 city-wide elected offices are City Attorney, City Auditor and City Prosecutor.

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

As of November 1, 2015, the City employed approximately 5,235 Full-Time Equivalent ("FTE") staff within 23 departments. The police department consists of approximately 1,738 FTE uniformed officers and supporting personnel. The fire department operates 23 fire stations with approximately 485 FTE firefighters, officers and employees.

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

Within the framework of the City's General Plan, orderly growth and development of the 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 following table contains the population of the City, the County and the State of California for the last five years.

**TABLE A1**  
**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
2012	465,688	9,908,030	37,680,593
2013	468,538	9,980,432	38,030,609
2014	470,609	10,054,852	38,357,121
2015	472,849	10,136,509	38,822,536
2016	484,958	10,241,335	39,255,883

Source: California Department of Finance E-4 Population Estimates for Cities, Counties and State, 2011-2015 with 2010 Benchmark

## Personal Income

The following table sets forth the yearly total effective buying income and the median household effective buying income for the City, the County and the State for the prior five years:

**TABLE A2**  
**CITY OF LONG BEACH, COUNTY OF LOS ANGELES**  
**AND STATE OF CALIFORNIA**  
**Effective Buying Income**

Year	Area	Total Effective Buying Income (000's Omitted)	Median Household Effective Buying Income
2010	City of Long Beach	\$ 8,561,158	\$ 38,404
	Los Angeles County	196,757,991	43,133
	California	801,393,028	47,177
	United States	6,365,020,076	41,368
2011	City of Long Beach	\$ 8,682,273	\$ 38,561
	Los Angeles County	197,831,465	43,083
	California	814,578,457	47,062
	United States	6,438,704,663	41,253
2012	City of Long Beach	\$ 9,403,150	\$ 41,923
	Los Angeles County	201,048,048	44,384
	California	864,088,827	47,307
	United States	6,737,867,730	41,358
2013	City of Long Beach	\$ 9,540,843	\$ 43,421
	Los Angeles County	205,133,995	45,013
	California	858,676,636	48,340
	United States	6,982,757,379	43,715
2014	City of Long Beach	\$ 9,904,090	\$ 44,701
	Los Angeles County	214,247,274	46,449
	California	901,189,699	50,072
	United States	7,357,153,421	45,448

Source: Nielsen Claritas, Inc.

## Employment by Industry

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

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

**TABLE A3**  
**COUNTY OF LOS ANGELES**  
**(LOS ANGELES LONG BEACH GLENDALE MD)**  
**Labor Force and Industry Employment**  
**Annual Averages by Industry**

	2011	2012	2013	2014	2015
Total, All Industries	3,917,200	4,015,900	4,135,200	4,243,900	4,279,300
Total Farm	5,600	5,400	5,500	4,800	5,000
Mining and Logging	4,100	4,300	4,600	4,800	3,900
Construction	105,100	109,200	116,200	122,800	126,100
Manufacturing	366,900	367,400	368,200	363,600	360,800
Wholesale Trade	205,800	211,900	218,700	224,500	227,000
Retail Trade	393,000	401,000	406,000	414,000	420,500
Transportation, Warehousing & Utilities	151,800	154,500	157,500	163,700	170,400
Information	192,000	191,500	196,400	197,100	202,700
Financial Activities	208,600	211,000	211,700	209,700	214,200
Professional & Business Services	544,000	571,600	594,700	611,800	600,300
Educational & Health Services	643,200	674,300	719,600	751,600	742,200
Leisure & Hospitality	394,700	415,400	439,300	470,600	488,100
Other Services	137,000	141,700	145,700	153,700	151,700
Government	565,500	556,800	551,200	551,200	566,400

Source: California Employment Development Department, based on October 2015 benchmark and City of Long Beach.

Note: Does not include proprietors, self-employed, unpaid volunteers or family workers, domestic workers in households, and persons involved in labor/management trade disputes. Employment reported by place of work. Items may not add to totals due to independent rounding.

The following table summarizes the civilian labor force, employment and unemployment average statistics for the City, the State and the United States for the past five years.

**TABLE A4**  
**CITY OF LONG BEACH, STATE OF CALIFORNIA AND UNITED STATES**  
**Civilian Labor Force, Employment and Unemployment**  
**(Annual Averages)**

Year	Area	Labor Force	Employment	Unemployment	Unemployment Rate <sup>(1)</sup>
2011	Los Angeles County	4,929,500	4,326,100	603,400	12.2%
	California	18,419,500	16,260,100	2,159,400	11.7
	United States	153,617,000	139,869,000	13,747,000	8.9
2012	Los Angeles County	4,914,500	4,378,800	535,800	10.9%
	California	18,554,800	16,630,100	1,924,700	10.4
	United States	154,975,000	142,469,000	12,506,000	8.1
2013	Los Angeles County	4,982,300	4,495,700	486,600	9.8%
	California	18,671,600	17,002,900	1,668,700	8.9
	United States	155,389,000	143,929,000	11,460,000	7.4
2014	Los Angeles County	5,025,900	4,610,800	415,100	8.3%
	California	18,811,400	17,397,100	1,414,300	7.5
	United States	155,922,000	146,305,000	9,617,000	6.2
2015	Los Angeles County	5,011,700	4,674,800	336,900	6.7%
	California	18,981,800	17,798,600	1,183,200	6.2
	United States	157,130,000	148,834,000	8,296,000	5.3

Sources: California Employment Development Department, Monthly Labor Force Data for Counties, Annual Averages 2010-2014, Monthly Averages 2000-present, and US Bureau of Labor Statistics.

<sup>(1)</sup> Data not seasonally adjusted.

## Major Employers

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

**TABLE A5**  
**CITY OF LONG BEACH**  
**Major Employers**  
**As of September 30, 2015**

	Employer	Number of Employees	Percent of City Employment
1.	Long Beach Unified School District	12,508	31.7%
2.	City of Long Beach	5,286	13.4
3.	Long Beach Memorial Medical Center	5,212	13.2
4.	The Boeing Company	3,707	9.4
5.	CSU Long Beach	2,961	7.5
6.	Veteran Affairs Medical Center	2,665	6.8
7.	Long Beach City College	2,637	6.7
8.	CSULB Research Foundation	1,523	3.8
9.	Molina Healthcare Inc.	1,488	3.7
10.	St. Mary Medical Center	1,458	3.9

Source: City of Long Beach 2015 CAFR.

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

## Industry

The City is a vital element of the County's industrial and manufacturing base, which represents the largest concentration of major industrial firms in the western United States. The aircraft/aerospace products group, and the multitude of supporting suppliers, is a significant economic driver in the City. The Boeing Company is currently the third largest employer in the City. See “—Major Employers” above. However, in April 2014, The Boeing Company announced that its production line for its C-17 Globemaster III will be shutting down when the last plane is assembled in June 2015. In June 2014, Mercedes-Benz USA began renovation of Boeing's former 717 aircraft manufacturing plant covering over one million square feet of The Boeing Company's former 717 assembly plant site. Mercedes-Benz USA established its Western Regional Office/Vehicle Preparation Facility at this newly renovated facility located at 3860 Lakewood Blvd and operations commenced in September 2015. This facility will serve 82 dealerships over 12 states. The City has invested considerable effort in arranging the transition of what was a single purpose industrial land to a multi-use and economically diverse industrial redevelopment at the former 717 assembly plant site and the adjacent Douglas Park Planned Development District (west of Lakewood Blvd.). Of the 3 million square feet of entitled development, the permitted uses include office, retail, light industrial, aviation related manufacturing, hotel and medical office space. To date, more than 1.5 million square feet have been constructed and leased or sold. Furthermore, the City's Planning Commission recently provided the approval for an additional 483,000 square feet of development south of the former 717 assembly plant site east of Lakewood Blvd. Many of the buildings constructed within Douglas Park serve as the corporate headquarters for light industrial, office, and research and development companies. Tenants and owners in the adjacent Douglas Park development include the

KONG Company, FoodPharma, Lin Manufacturing, United Pacific Industries, Courtyard Marriott and two medical office buildings.

### Commercial Activity

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

Northeast of the Port of Long Beach and adjacent to the Long Beach Airport at the intersection of Interstate 405 and North Lakewood Boulevard, is the 33-acre Kilroy Airport Center, Long Beach (the “Kilroy Airport Center”), a high technology office complex comprised of six buildings with a diverse mix of business tenants.

Taxable sales transactions in the City for the five most recent available calendar years are shown below.

**TABLE A6**  
**CITY OF LONG BEACH**  
**Taxable Sales**  
**(in Thousands)**

	2011	2012	2013	2014	2015
Apparel Stores	\$145,296	\$148,342	\$150,378	\$155,328	\$165,237
General Merchandise Stores	292,149	300,651	297,644	286,409	286,648
Drug Stores	79,083	82,611	73,162	73,477	73,800
Food Stores	219,454	239,207	249,611	269,083	276,979
Packaged Liquor	39,293	42,014	43,262	45,885	46,045
Eating/Drinking Places	663,683	709,048	745,257	794,011	838,779
Home Furnishings and Appliance Stores	82,618	81,918	88,455	104,108	107,643
Building Materials and Farm Implements	1,426,138	1,414,937	905,308	743,613	200,899
Auto Dealers/Auto Supplies	261,831	310,740	322,610	318,269	324,222
Service Stations	573,517	623,068	612,882	607,758	520,542
Other Retail Stores	332,081	345,843	367,221	364,627	358,268
Retail Stores Totals	<u>\$4,115,143</u>	<u>\$4,298,379</u>	<u>\$3,855,791</u>	<u>\$3,762,568</u>	<u>\$3,199,059</u>
All Other Outlets	955,109	1,037,461	1,145,887	1,200,121	1,870,720
Total All Outlets	<u>\$5,070,252</u>	<u>\$5,335,840</u>	<u>\$5,001,677</u>	<u>\$4,962,689</u>	<u>\$5,069,779</u>

Source: City of Long Beach – Department of Financial Management.

## Construction

The following table reflects the five-year history of building permit valuation for the City:

**TABLE A7**  
**CITY OF LONG BEACH**  
**Building Permits and Valuation**  
**(in Thousands)**

	2011	2012	2013	2014	2015
<u>Permit Valuation:</u>					
New Single-family	\$13,800	\$6,084	\$22,471	\$5,885	\$4,515
New Multi-family	25,092	316	21,364	40,683	33,456
Res. Alterations/Additions	64,248	58,763	63,840	63,339	74,895
Total Residential	103,141	65,165	107,676	109,908	112,867
Total Nonresidential	88,211	209,027	270,409	145,340	187,818
Total All Building	<u>\$191,352</u>	<u>\$274,192</u>	<u>\$378,086</u>	<u>\$255,249</u>	<u>\$300,686</u>
<u>New Dwelling Units:</u>					
Single Family	66	23	148	25	19
Multiple Family	232	2	146	298	235
Total	<u>298</u>	<u>25</u>	<u>294</u>	<u>323</u>	<u>254</u>

Source: City of Long Beach – Development Services Department (formerly Planning & Building Department).

Note: Totals may not add due to independent rounding.

## Visitor and Convention Business

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

Tourism and the convention business remain a significant factor in the City’s economy and remain subject to the fluctuations in the local, State and national economies.

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

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

## Long Beach Convention Center and Entertainment Center

The City has fostered convention business by expanding convention facilities and encouraging private sector participation. Trade shows, conventions, athletic contests and other events are held

regularly at the Long Beach Convention and Entertainment Center (the “Convention Center”), which is part of the Pike at Rainbow Harbor oceanfront development. Over the past several years, the Convention Center has received monies to renovate and reposition the facility into a new campus designed to model the TED conference. The new Pacific Ballroom at the Long Beach Arena provides 45,000 square feet of customized event space.

**TABLE A8  
CITY OF LONG BEACH  
Convention and Delegate Attendance**

Calendar Year	Number of Conventions	Number of Delegates
2011	216	403,224
2012	204	394,542
2013	221	464,140
2014	243	396,494
2015 <sup>(1)</sup>	262	445,884

Source: City of Long Beach.  
(1) 2015 data is preliminary.

**Shoreline Village**

Shoreline Village has proven to be an integral part of Long Beach visitor offerings. With the addition of, among others, the Yard House and the Village Hat Shop, Shoreline Village is working to provide quality retail, dining and recreation as entertainment experiences for visitors, particularly those who stay at the downtown hotels.

**Downtown Long Beach**

The Pine Avenue corridor has enjoyed success since 1995 with an assortment of retailers and restaurants. CityPlace, an urban retail development in the heart of downtown, covers eight city blocks, with retail space and residential units.

**Long Beach Towne Center**

In November 1998, the development of the Long Beach Towne Center was completed. It is an approximately 850,000 square foot community retail shopping center located on approximately 81 acres within the City at the southwest corner of Carson Street and the I 605 Freeway.

**Rainbow Harbor**

Rainbow Harbor is anchored by the \$450 million “The Pike at Rainbow Harbor. It is one of the largest shoreline developments in California history. The Pike at Rainbow Harbor includes waterfront retail and entertainment space. The Pike at Rainbow Harbor is a joint venture of public and private investment. The development converted 300 acres of prime oceanfront property at the edge of downtown Long Beach into a major resort. The Pike at Rainbow Harbor complex include a central retail development and boutique hotel, surrounded by restaurants, Shoreline Park, Rainbow Harbor, and an apartment housing project. In 2015, the retail component at The Pike at Rainbow Harbor underwent a reorientation as a premium outlet center.

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

### **The Queen Mary**

On November 17, 2015, the Long Beach City Council approved an amendment and assignment of the Queen Mary Lease to Urban Commons, LLC. The amended and restated lease is intended to provide long-term stewardship of the iconic City-owned Queen Mary, and to spur development of the 43+ acres of adjacent shore side property. Preliminary plans are for a regional commercial/entertainment complex to be built at the site.

### **Transportation**

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

The County's 22-mile light rail line opened July 1, 1990, connecting the central business districts of Long Beach and Los Angeles.

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

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

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

### **Port of Long Beach**

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

The Port covers approximately 11.9 square miles, of which approximately 6.9 square miles are water and includes all harbor facilities of the City. The Port has approximately 31.5 miles of waterfront with 65 deep-water cargo berths. The Port has six container terminals with 68 cranes, all of which are post-panamax cranes (owned by the tenants) and three container freight stations. Five container terminals

are served by on dock railyards. Rail tracks serve all major marine facilities. In total, the Port owns 82 miles of rail trackage.

The Port was 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 financially self sufficient. Under the State's Tidelands laws, the Port must earn its revenue from activities related to commerce, navigation, recreation and fisheries, and the revenues collected must be used for Port purposes. The Port receives no [[CONFIRM]] General Fund revenues for its operations or expansions.

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 consolidates 90 miles of existing rail lines (4 rail lines were diverted onto 1 line) into an integrated system separated from nonrail traffic.

### **Long Beach Airport**

The City owns and operates the Long Beach Airport (the "Airport") and provides commercial airline service provided by JetBlue Airways, US Airways and Delta Air Lines, and cargo flights operated by Federal Express and United Parcel Service. The Airport is home to over 400 commercial, corporate and general aviation services, flight schools, air cargo, manufacturing, two business parks and a golf course.

### **Utilities**

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

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

The current utility users tax rate is 5% for all utilities.

### **Education**

The City is served by the Long Beach Unified School District, which provides primary and secondary educational instruction for more than 75,000 K-12 students. Post secondary education is available at Long Beach City College, a tax supported two-year institution administered by the Long

Beach Community College District. In addition to the lower division college program, extensive adult education and trade school facilities are offered at Long Beach City College. California State University – Long Beach (the “University”) is located on a 320-acre site in the eastern portion of the City on land donated by the City. The University’s offers various undergraduate and graduate degree programs.

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

### **Community Facilities**

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

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

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

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

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

**APPENDIX B**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015**

**APPENDIX C**

**SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS**

**APPENDIX D**  
**PROPOSED FORM OF BOND COUNSEL OPINION**

**APPENDIX E**

**FORM OF CONTINUING DISCLOSURE CERTIFICATE**

## APPENDIX F

### BOOK-ENTRY ONLY SYSTEM

The following description of the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal, redemption premium, if any, and interest with respect to the Bonds to The Depository Trust Company (“DTC”), New York, NY, its Participants or Beneficial Owners, confirmation and transfers of beneficial ownership interests in the Bonds and other related transactions by and between DTC, its Participants and the Beneficial Owners is based solely on the understanding of the Authority of such procedures and record keeping from information provided by DTC. Accordingly, no representations can be made concerning these matters and neither DTC, its Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or its Participants, as the case may be. The City, the Authority, the Trustee and the Underwriter understand that the current “Rules” applicable to DTC are on file with the Securities and Exchange Commission and that the current “Procedures” of DTC to be followed in dealing with Participants are on file with DTC.

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

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

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant

through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

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

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

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

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

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

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

The foregoing information concerning DTC and DTC's book-entry system has been provided by DTC, and neither the Authority nor the Trustee takes any responsibility for the accuracy thereof.

**NEITHER THE AUTHORITY NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS WITH RESPECT TO THE PAYMENTS OR THE PROVIDING OF NOTICE TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS OR THE SELECTION OF BONDS FOR REDEMPTION.**

Neither the Authority nor the Trustee can give any assurances that DTC, DTC Participants, Indirect Participants or others will distribute payments of principal of, premium, if any, and interest on the Bonds paid to DTC or its nominee, as the registered Owner, or any redemption or other notice, to the Beneficial Owners or that they will do so on a timely basis or that DTC will serve and act in a manner described in this Official Statement.

In the event that the book-entry system is discontinued as described above, the requirements of the Trust Agreement will apply.

The City, the Authority and the Trustee cannot and do not give any assurances that DTC, the Participants or others will distribute payments of principal, interest or premium, if any, evidenced by the Bonds paid to DTC or its nominee as the registered owner, or will distribute any redemption notices or other notices, to the Beneficial Owners, or that they will do so on a timely basis or will serve and act in the manner described in this Official Statement. Neither the Authority nor the Trustee are responsible or liable for the failure of DTC or any Participant to make any payment or give any notice to a Beneficial Owner with respect to the Bonds or an error or delay relating thereto.