





City of Long Beach
Working Together to Serve

Memorandum

Date: November 9, 2012

To: Patrick H. West, City Manager 

From: John Gross, Director of Financial Management 

For: Mayor and Members of the City Council

Subject: **2012 Long Beach Bond Finance Authority Refunding Bonds – Preliminary Official Statement (POS)**

At the City Attorney's request, we have attached for your review the Preliminary Official Statement (POS) for the 2012 LBBFA Refunding Bonds, slated for the November 13, 2012, City Council agenda. This POS has been developed with the assistance and guidance of the City Attorney's Office and the external Bond and Disclosure Counsel, Quint and Trimming, LLP.

Should you have any questions, please contact City Treasurer David Nakamoto at extension 8-6845.

JG: DN
T:\CORRESPONDENCES\TFF - 2012 REFUNDING BOND POS.DOC

ATTACHMENT

CC: SUZANNE FRICK, ASSISTANT CITY MANAGER
DAVID NAKAMOTO, CITY TREASURER

PRELIMINARY OFFICIAL STATEMENT DATED NOVEMBER 14, 2012

TWO NEW ISSUES—BOOK-ENTRY ONLY

RATINGS:
Fitch: " "
S&P: " "
See "RATINGS" herein.

In the opinion of Quint & Thimmig LLP, San Francisco, California, Bond Counsel, subject to compliance by the Authority and the City with certain covenants, interest on the Series A 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, but such interest is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. The interest on the Series B Bonds is subject to all applicable federal taxation. 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.



\$ *
LONG BEACH
BOND FINANCE AUTHORITY
(Los Angeles County, California)
Lease Revenue Refunding
Bonds, 2012 Series A

\$ *
LONG BEACH
BOND FINANCE AUTHORITY
(Los Angeles County, California)
Taxable Lease Revenue Refunding
Bonds, 2012 Series B

Dated: Date of Delivery

Due: August 1, as shown on the inside cover

The \$ * Long Beach Bond Finance Authority Lease Revenue Refunding Bonds, 2012 Series A (the "Series A Bonds"), are being issued by the Long Beach Bond Finance Authority, a joint exercise of powers entity organized and existing under the laws of the State of California (the "Authority"), pursuant to Articles 10 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code (the "Refunding Bond Law"), a resolution of the Authority (the "Resolution") and an Indenture, dated as of December 1, 2012 (the "Indenture"), by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"). The Series A Bonds are being issued to (a) refinance the costs of the acquisition, construction, installation and equipping of certain public capital improvements, including the refunding of (i) the outstanding Long Beach Bond Finance Authority Lease Revenue and Refunding Bonds (Temple and Willow Facility), 1998 Series B, (ii) the outstanding Long Beach Bond Finance Authority 2001 Lease Revenue Bonds (Plaza Parking Facility), (iii) the outstanding Long Beach Bond Finance Authority Lease Revenue Bonds (Public Safety Facilities Projects), Series 2002, and (iv) the outstanding Long Beach Bond Finance Authority Lease Revenue Bonds (Temple and Willow Facility Refinancing Project), 2005 Series A, and (b) pay a portion of the costs of issuance of the Bonds. See "THE REFUNDING PLAN—Series A Bonds" and "ESTIMATED SOURCES AND USES OF FUNDS—Series A Bonds" herein. The Series A Bonds are secured by a pledge of and lien on the Revenues (as defined herein), consisting primarily of Lease Payments, described below).

The \$ * Long Beach Bond Finance Authority Taxable Lease Revenue Refunding Bonds, 2012 Series B (the "Series B Bonds" and, with the Series A Bonds, the "Bonds"), are being issued by the Authority, pursuant to the Refunding Bond Law, the Resolution and the Indenture. The Series B Bonds are being issued to (a) refinance the costs of the acquisition, construction, installation and equipping of certain public capital improvements, including the refunding of (i) the outstanding Long Beach Bond Finance Authority Lease Revenue Bonds, Series 2003 (Skylinks Golf Course Project), and (ii) the outstanding City of Long Beach Taxable Variable Rate Demand Revenue Bonds, 2004 Series A (Long Beach Towne Center Site Refinancing Project), and (b) pay a portion of the costs of issuance of the Bonds. See "THE REFUNDING PLAN—Series B Bonds" and "ESTIMATED SOURCES AND USES OF FUNDS—Series B Bonds" herein. The Series B Bonds are secured by a pledge of and lien on the Revenues, consisting primarily of Lease Payments, described below).

The City will lease certain real property and the improvements thereon from the Authority pursuant to a Lease Agreement, dated as of December 1, 2012 (the "Lease Agreement"), by and between the Authority and the City. Under the Lease Agreement, the City is required to make Lease Payments (as defined herein) 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.

The Bonds are subject to optional and extraordinary redemption as described herein. See "THE BONDS—Redemption" 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, 2013. 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, New York, New York ("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, premium, if any, 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" herein and APPENDIX E—"BOOK-ENTRY ONLY SYSTEM."

THE BONDS ARE SPECIAL LIMITED OBLIGATIONS OF THE AUTHORITY PAYABLE SOLELY FROM AND SECURED SOLELY BY THE REVENUES PLEDGED UNDER THE INDENTURE. THE BONDS ARE NOT A DEBT OF THE CITY, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS, EXCEPT THE AUTHORITY TO THE EXTENT DESCRIBED HEREIN, AND NEITHER THE CITY, THE STATE OF CALIFORNIA NOR ANY OF ITS POLITICAL SUBDIVISIONS, EXCEPT THE AUTHORITY TO THE EXTENT DESCRIBED HEREIN, IS LIABLE THEREON. IN NO EVENT SHALL THE BONDS OR ANY INTEREST OR REDEMPTION PREMIUM THEREON BE PAYABLE OUT OF ANY FUNDS OR PROPERTIES OTHER THAN THOSE OF THE AUTHORITY AS SET FORTH IN THE INDENTURE. THE BONDS DO NOT CONSTITUTE AN INDEBTEDNESS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION. NEITHER THE MEMBERS OF THE AUTHORITY, THE CITY NOR ANY PERSONS EXECUTING THE BONDS ARE LIABLE PERSONALLY ON THE BONDS BY REASON OF THEIR ISSUANCE.

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 validity by Quint & Thimmig LLP, San Francisco, California, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the City and the Authority by the City Attorney, and by Quint & Thimmig LLP, San Francisco, California, Disclosure Counsel, and for the Underwriters by Stradling Yocca Carlson & Rauth, A Professional Corporation, Newport Beach, California. It is anticipated that the Bonds will be available for delivery through DTC in New York, New York, on or about December 13, 2012.

Loop Capital Markets

BofA Merrill Lynch

Dated: November __, 2012

*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 be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

\$ _____ *

LONG BEACH BOND FINANCE AUTHORITY
 (Los Angeles County, California)
Lease Revenue Refunding Bonds, 2012 Series A

CUSIP+ Prefix: _____

<u>Maturity</u> (November 1)	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP+</u> <u>Suffix</u>	<u>Maturity</u> (November 1)	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP+</u> <u>Suffix</u>
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\$ _____ *

LONG BEACH BOND FINANCE AUTHORITY
 (Los Angeles County, California)
Taxable Lease Revenue Refunding Bonds, 2012 Series B

CUSIP+ Prefix: _____

<u>Maturity</u> (November 1)	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP+</u> <u>Suffix</u>	<u>Maturity</u> (November 1)	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP+</u> <u>Suffix</u>
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*Preliminary, subject to change.

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LONG BEACH BOND FINANCE AUTHORITY

CITY OF LONG BEACH

City of Long Beach
333 West Ocean Boulevard
Long Beach, CA 90802

Authority Board of Directors

Patrick H. West, *Chair*
John Gross, *Vice-Chair and Executive Director*
David S. Nakamoto, *Treasurer and Controller*
Larry Herrera, *Secretary*

Long Beach Mayor and City Council

Bob Foster, *Mayor*
Robert Garcia, *Vice Mayor, First District*
Suja Lowenthal, *Second District* Dee Andrews, *Six District*
Gary DeLong, *Third District* James Johnson, *Seventh District*
Patrick O'Donnell, *Fourth District* Al Austin, *Eighth District*
Gerrie Schipske, *Fifth District* Steven Neal, *Ninth District*

City Staff

Patrick H. West, *City Manager*
Robert E. Shannon, Esq., *City Attorney*
Laura L. Doud, *City Auditor*
Douglas P. Haubert, Esq., *City Prosecutor*
Larry Herrera, *City Clerk*
John Gross, *Director of Financial Management*
David S. Nakamoto, *City Treasurer*

Professional Services

Quint & Thimmig LLP
San Francisco, California
Bond Counsel and Disclosure Counsel

Fieldman, Rolapp & Associates
Irvine, California
Financial Advisor

The Bank of New York Mellon Trust Company, N.A.
Los Angeles, California
Trustee and Escrow Bank for 1998, 2001, 2003 and 2005 Bonds

U.S. Bank National Association
Los Angeles, California
Escrow Bank for 2002 and 2004 Bonds

Grant Thornton LLP
Minneapolis, Minnesota
Verification Agent

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 other than as set forth herein and, if given or made, such other information or representation must not be relied upon as having been authorized by the 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.

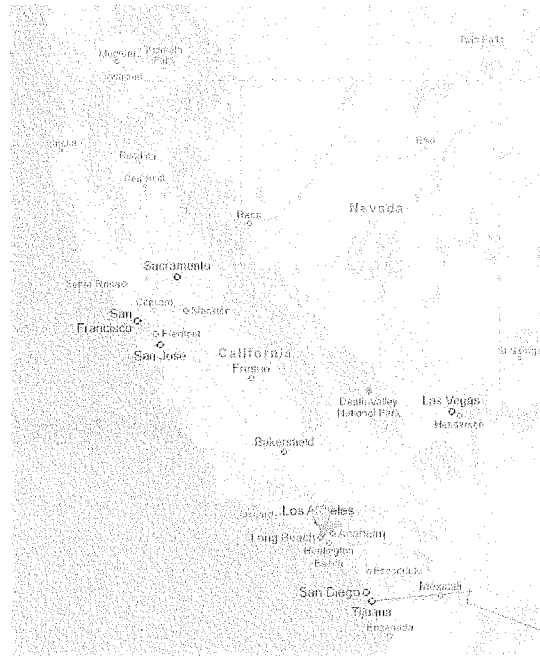
IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING TRANSACTIONS, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER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

The City maintains a website, however, the information presented therein 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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LOCATION MAP



OFFICIAL STATEMENT

\$ _____ *
LONG BEACH BOND FINANCE AUTHORITY
(Los Angeles County, California)
Lease Revenue Refunding Bonds, 2012 Series A

\$ _____ *
LONG BEACH BOND FINANCE AUTHORITY
(Los Angeles County, California)
Taxable Lease Revenue Refunding Bonds, 2012 Series B

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 the 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 elsewhere herein have the meanings given such terms in the Indenture. See APPENDIX B—"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 \$ _____ * aggregate principal amount of Long Beach Bond Finance Authority Lease Revenue Refunding Bonds, 2012 Series A (the "Series A Bonds"), and \$ _____ * aggregate principal amount of Long Beach Bond Finance Authority Taxable Lease Revenue Refunding Bonds, 2012 Series B (the "Series B Bonds" and, with the Series A Bonds, the "Bonds"), by the Long Beach Bond Finance Authority, a joint exercise of powers entity organized under the laws of the State (the "Authority").

The Bonds are being issued pursuant to Articles 10 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, a resolution of the Authority authorizing the issuance of the Bonds (the "Authority Resolution") and an Indenture, dated as of December 1, 2012 (the "Indenture"), by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee").

The Series A Bonds are being issued to (a) refinance the costs of the acquisition, construction, installation and equipping of certain public capital improvements, including the refunding of (i) the outstanding Long Beach Bond Finance Authority Lease Revenue and Refunding Bonds (Temple and Willow Facility), 1998 Series B (the "1998 Bonds"), (ii) the outstanding Long Beach Bond Finance Authority 2001 Lease Revenue Bonds (Plaza Parking Facility) (the "2001 Bonds"), (iii) the outstanding Long Beach Bond Finance Authority Lease Revenue Bonds (Public Safety Facilities Projects), Series 2002 (the "2002 Bonds"), and (iv) the outstanding Long Beach Bond Finance Authority Lease Revenue Bonds (Temple and Willow

* Preliminary, subject to change.

Facility Refinancing Project), 2005 Series A (the "2005 Bonds"), and (b) pay a portion of the costs of issuance of the Bonds. See "THE REFUNDING PLAN—Series A Bonds" and "ESTIMATED SOURCES AND USES OF FUNDS—Series A Bonds."

The Series B Bonds are being issued to (a) refinance the costs of the acquisition, construction, installation and equipping of certain public capital improvements, including the refunding of (i) the outstanding Long Beach Bond Finance Authority Lease Revenue Bonds, Series 2003 (Skylinks Golf Course Project) (the "2003 Bonds"), and (ii) the outstanding City of Long Beach Taxable Variable Rate Demand Revenue Bonds, 2004 Series A (Long Beach Towne Center Site Refinancing Project) (the "2004 Bonds"), and (b) pay a portion of the costs of issuance of the Bonds. See "THE REFUNDING PLAN—Series B Bonds" and "ESTIMATED SOURCES AND USES OF FUNDS—Series B Bonds."

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, 2013, computed 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 optional and mandatory redemption as described herein. See "THE BONDS."

Book-Entry Only

The Bonds will be issuable in fully registered form only and, when issued and delivered, will be registered in the name of Cede & Co., as nominee of the Depository Trust Company, New York, New York ("DTC"). DTC will act as 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 E—"BOOK-ENTRY ONLY SYSTEM."

Source of Payment for the Bonds

Pursuant to the Site and Facility Lease, dated as of December 1, 2012 (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 facilities and 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 December 1, 2012 (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 amounts available to the City for payments under the Lease Agreement, during any period in which, by reason of material damage or destruction (other than by condemnation, which is provided for in the Lease Agreement) there is substantial interference

with the use and occupancy by the City of any portion of the Property, Lease Payments will be adjusted or abated in the proportion in which the value of that portion of the Property rendered unusable bears to the entire value of the Property. Such adjustment or abatement will end with the substantial replacement or reconstruction of the Property. See "SECURITY FOR THE BONDS—Abatement."

The Bonds are special limited obligations of the Authority payable solely from and secured by the Revenues and certain other amounts (including proceeds of the sale of the Bonds) held by the Trustee in any fund or account 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 other 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 any investment of any money in any fund or account established pursuant to the Indenture (other than the Rebate Fund).

No Reserve Account

A 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, notes or other indebtedness that would be payable out of 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.

The City

The City is a municipal corporation and chartered city of the State. See "THE CITY" and "CITY FINANCIAL INFORMATION."

The Authority

The Authority is a joint exercise of powers entity formed by agreement between the City and the Redevelopment Agency of the City of Long Beach (the "Agency") 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 SPECIAL LIMITED OBLIGATIONS OF THE AUTHORITY, PAYABLE SOLELY FROM THE REVENUES DERIVED FROM LEASE PAYMENTS AND OTHER PAYMENTS MADE OR CAUSED TO BE MADE BY THE CITY PURSUANT TO THE LEASE AGREEMENT. THE AUTHORITY IS NOT OBLIGATED TO PAY INTEREST ON OR PRINCIPAL OF THE BONDS EXCEPT FROM THE REVENUES. 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 ultimate security for the payments of principal and interest on the Bonds comes from the Lease Payments to be made by the City, and, therefore, the City, as an obligated person within the meaning of the Rule (as defined below), 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 for the benefit of Bond Owners and beneficial owners of the Bonds in a continuing disclosure certificate (the "Continuing Disclosure Certificate") to provide certain annual financial information and operating data including, but not limited to, its audited financial statements, by not later than nine months following the end of the City's fiscal year (currently ending September 30) (the "Annual Report"), commencing with the report for the fiscal year ended September 30, 2012, and to provide notices of the occurrence of certain enumerated events, if material. The Annual Report and the notices of material events will be filed by the City with the Municipal Securities Rulemaking Board through the Electronic Municipal Access (EMMA) System. See "CONTINUING DISCLOSURE" and APPENDIX D—"FORM OF CONTINUING DISCLOSURE CERTIFICATE" for a description of the specific nature of the annual report and notices of material events and a summary description of the terms of the Continuing Disclosure Certificate pursuant to which such reports and notices are to be made. In the past five years, the City has not failed to comply with any previous undertakings with regard to said Rule to provide annual reports or notices of material events.

Tax Matters

In the opinion of Quint & Thimmig LLP, San Francisco, California, Bond Counsel, subject to compliance by the Authority and the City with certain covenants, interest on the Series A 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, but such interest is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. The interest on the Series B Bonds is subject to all applicable federal taxation. 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."

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 any 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 forms thereof and the information with respect thereto included in the aforementioned documents. See APPENDIX

B—"SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS." Copies of the documents are on file and, upon request and payment to the City of a charge for copying, mailing and handling, from the City Treasurer, City of Long Beach, 333 West Ocean Boulevard, Long Beach, CA 90802, Phone: (562) 570-6845.

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, or in connection with, the Bonds as follows:

Series A Bonds

Estimated Sources:

Principal Amount of Series A Bonds
Plus: Net Original Issue Premium
Plus: Released 1998 Bond Moneys
Plus: Released 2001 Bond Moneys
Plus: Released 2002 Bond Moneys
Plus: Released 2005 Bond Moneys
Total Sources

Estimated Uses:

Deposit to 1998 Escrow Fund (1)
Deposit to 2001 Escrow Fund (2)
Deposit to 2002 Escrow Fund (3)
Deposit to 2005 Escrow Fund (4)
Deposit to Costs of Issuance Fund (5)
Total Uses

- (1) Represents the amount estimated to be necessary to refund the 1998 Bonds. See "THE REFUNDING PLAN—Refunding of the 1998 Bonds."
- (2) Represents the amount estimated to be necessary to refund the 2001 Bonds. See "THE REFUNDING PLAN—Refunding of the 2001 Bonds."
- (3) Represents the amount estimated to be necessary to refund the 2002 Bonds. See "THE REFUNDING PLAN—Refunding of the 2002 Bonds."
- (4) Represents the amount estimated to be necessary to refund the 2005 Bonds. See "THE REFUNDING PLAN—Refunding of the 2005 Bonds."
- (5) Includes with respect to the Series A Bonds, but is not limited to, the Underwriter's discount, the fees and expenses of Bond Counsel, Disclosure Counsel, the Financial Advisor, the Trustee, the 1998 Escrow Bank, the 2001 Escrow Bank, the 2002 Escrow Bank, the 2005 Escrow Bank and the rating agencies, costs of printing the Official Statement, the premium for title insurance and other costs incurred by the Authority and the City in connection with the issuance and delivery of the Series A Bonds.

Series B Bonds

Estimated Sources:

Principal Amount of Series B Bonds
Plus: Net Original Issue Premium
Plus: Released 2003 Bond Moneys
Plus: Released 2004 Bond Moneys
Total Sources

Estimated Uses:

Deposit to 2003 Escrow Fund (1)
Deposit to 2004 Escrow Fund (2)
Deposit to Costs of Issuance Fund (3)
Total Uses

- (1) Represents the amount estimated to be necessary to refund the 2003 Bonds. See "THE REFUNDING PLAN—Refunding of the 2003 Bonds."
- (2) Represents the amount estimated to be necessary to refund the 2004 Bonds. See "THE REFUNDING PLAN—Refunding of the 2004 Bonds."
- (3) Includes with respect to the Series B Bonds, but is not limited to, the Underwriter's discount, the fees and expenses of Bond Counsel, Disclosure Counsel, the Financial Advisor, the Trustee, the 2003 Escrow Bank, the 2004 Escrow Bank and the rating agencies, costs of printing the Official Statement, the premium for title insurance and other costs incurred by the Authority and the City in connection with the issuance and delivery of the Series A Bonds.

THE REFUNDING PLAN

The Series A Bonds are being issued to (a) refund the 1998 Bonds, the 2001 Bonds, the 2002 Bonds and the 2005 Bonds, and (b) pay a portion of the costs of issuance of the Bonds. The Series B Bonds are being issued to (a) refund the 2003 Bonds and the 2004 Bonds, and (b) pay a portion of the costs of issuance of the Bonds.

Refunding of the 1998 Bonds

The 1998 Bonds were issued pursuant to the terms of an indenture, dated as May 1, 1998, by and between the Authority and U.S. Bank Trust National Association, since succeeded by The Bank of New York Mellon Trust Company, N.A., as trustee thereunder. In order to provide for the repayment of the 1998 Bonds, the Authority leased certain real property and improvements to the City pursuant to a lease agreement, dated as of May 1, 1998, under which the City agreed to make lease payments to the Authority from moneys in its General Fund and the City has budgeted and appropriated sufficient amounts in each year to pay the full amount of principal of and interest on the 1998 Bonds. The 1998 Bonds were issued to refinance the costs of a fleet services facility, including the refunding of a portion the then outstanding City of Long Beach Certificates of Participation (Fleet Services Project), 1992 Series A.

A portion of the proceeds of the Series A Bonds will be deposited in an escrow fund (the "1998 Escrow Fund") held in trust by The Bank of New York Mellon Trust Company, N.A., as escrow bank (the "1998 Escrow Bank"), under an escrow deposit and trust agreement with the Authority and the City. A portion of the amounts deposited in the 1998 Escrow Fund will be invested in United States Treasury Securities—State and Local Government Series (the "1998 Escrow Securities"), which will mature and bear interest in such amounts and at such times as, together with cash on deposit in the 1998 Escrow Fund, will be sufficient to redeem the outstanding 1998 Bonds in full on January 14, 2013, at a redemption price equal to 100% of the principal amount thereof, plus accrued interest.

The sufficiency of the moneys, investment earnings and maturing 1998 Escrow Securities such purposes will be verified by Grant Thornton LLP, Minneapolis, Minnesota (the "Verification Agent"). See "VERIFICATION OF MATHEMATICAL COMPUTATIONS."

Upon the issuance of the Series A Bonds and the deposit in the 1998 Escrow Fund of moneys sufficient to provide for the refunding of the 1998 Bonds, the 1998 Bonds will be deemed defeased and no longer outstanding. The holders of the 1998 Bonds will be entitled to payment solely out of the moneys or securities deposited in the 1998 Escrow Fund.

Refunding of the 2001 Bonds

The 2001 Bonds were issued pursuant to the terms of an indenture, dated as March 1, 2001 by and between the Authority and BNY Western Trust Company, since succeeded by The Bank of New York Mellon Trust Company, N.A., as trustee thereunder. In order to provide for the repayment of the 2001 Bonds, the Authority leased certain real property and improvements to the City pursuant to a lease agreement, dated as of March 1, 2001, under which the City agreed to make lease payments to the Authority from moneys in its General Fund and the City has budgeted and appropriated sufficient amounts in each year to pay the full amount of principal of and interest on the 2001 Bonds. The 2001 Bonds were issued to finance the costs of various public capital improvements throughout the geographic boundaries of the City.

A portion of the proceeds of the Series A Bonds, in the full amount required to provide for the redemption of the 2001 Bonds in full on January 3, 2013, at a redemption price equal to 100% of the principal amount thereof, plus accrued interest, will be deposited in an escrow fund (the "2001 Escrow Fund") held in trust by The Bank of New York Mellon Trust Company, N.A., as escrow bank (the "2001 Escrow Bank"), under an escrow deposit and trust agreement with the Authority and the City. The amounts deposited in the 2001 Escrow Fund will be held in cash.

The sufficiency of the moneys, in the 2001 Escrow Fund will be verified by the Verification Agent. See "VERIFICATION OF MATHEMATICAL COMPUTATIONS."

Upon the issuance of the Series A Bonds and the deposit in the 2001 Escrow Fund of moneys sufficient to provide for the refunding of the 2001 Bonds, the 2001 Bonds will be deemed defeased and no longer outstanding. The holders of the 2001 Bonds will be entitled to payment solely out of the moneys deposited in the 2001 Escrow Fund.

Refunding of the 2002 Bonds

The 2002 Bonds were issued pursuant to the terms of an indenture, dated as March 1, 2002 by and between the Authority and U.S. Bank National Association, as trustee thereunder. In order to provide for the repayment of the 2002 Bonds, the Authority leased certain real property and improvements to the City pursuant to a lease agreement, dated as of March 1, 2002, under which the City agreed to make lease payments to the Authority from moneys in its General Fund and the City has budgeted and appropriated sufficient amounts in each year to pay the full amount of principal of and interest on the 2002 Bonds. The 2002 Bonds were issued to finance the costs of renovating a public safety facility and a fire station.

A portion of the proceeds of the Series A Bonds, in the full amount required to provide for the redemption of the 2002 Bonds in full on January 3, 2013, at a redemption price equal to 100% of the principal amount thereof, plus accrued interest, will be deposited in an escrow fund (the "2002 Escrow Fund") held in trust by U.S. Bank National Association, as escrow bank (the "2002 Escrow Bank"), under an escrow deposit and trust agreement with the Authority and the City. The amounts deposited in the 2002 Escrow Fund will be held in cash.

The sufficiency of the moneys, in the 2002 Escrow Fund will be verified by the Verification Agent. See "VERIFICATION OF MATHEMATICAL COMPUTATIONS."

Upon the issuance of the Series A Bonds and the deposit in the 2002 Escrow Fund of moneys sufficient to provide for the refunding of the 2002 Bonds, the 2002 Bonds will be deemed defeased and no longer outstanding. The holders of the 2002 Bonds will be entitled to payment solely out of the moneys deposited in the 2002 Escrow Fund.

Refunding of the 2003 Bonds

The 2003 Bonds were issued pursuant to the terms of an indenture, dated as August 1, 2003, by and between the Authority and The Bank of New York Trust Company, N.A., now known as The Bank of New York Mellon Trust Company, N.A., as trustee thereunder. In order to provide for the repayment of the 2003 Bonds, the Authority leased certain real property and improvements to the City pursuant to a lease agreement, dated as of August 1, 2003, under which the City agreed to make lease payments to the Authority from moneys in its General Fund and the City has budgeted and appropriated sufficient amounts in each year to pay the full amount of principal of and interest on the 2003 Bonds. The 2003 Bonds were issued to improvements to a City owned municipal golf course.

A portion of the proceeds of the Series B Bonds will be deposited in an escrow fund (the "2003 Escrow Fund") held in trust by The Bank of New York Mellon Trust Company, N.A., as escrow bank (the "2003 Escrow Bank"), under an escrow deposit and trust agreement with the Authority and the City. A portion of the amounts deposited in the 2003 Escrow Fund will be invested in United States Treasury Securities—State and Local Government Series (the "2003 Escrow Securities"), which will mature and bear interest in such amounts and at such times as, together with cash on deposit in the 2003 Escrow Fund, will be sufficient to pay the principal of and interest on the 2003 Bonds through May 1, 2013, and to redeem the outstanding 2003 Bonds in full on May 1, 2013, at a redemption price equal to 100% of the principal amount thereof.

The sufficiency of the moneys, investment earnings and maturing 2003 Escrow Securities such purposes will be verified by the Verification Agent. See "VERIFICATION OF MATHEMATICAL COMPUTATIONS."

Upon the issuance of the Series B Bonds and the deposit in the 2003 Escrow Fund of moneys sufficient to provide for the refunding of the 2003 Bonds, the 2003 Bonds will be deemed defeased and no longer outstanding. The holders of the 2003 Bonds will be entitled to payment solely out of the moneys or securities deposited in the 2003 Escrow Fund.

Refunding of the 2004 Bonds

The 2004 Bonds were issued pursuant to the terms of an indenture, dated as January 1, 2004 by and between the Authority and U.S. Bank National Association, as trustee thereunder. The 2004 Bonds are payable from the net revenues derived by the City from the operation of the facilities generating revenues to the Upland Oil Fund. The 2004 Bonds were issued to prepay a note issued by the City the proceeds of which were used to acquire parcel of real property located in the City of Long Beach on Carson Street, adjacent to the 605 Freeway, on which the United States Navy formerly maintained the Long Beach Naval Hospital which, with two adjacent parcels, was developed by the City into a retail/entertainment complex known as the Long Beach Towne Center.

A portion of the proceeds of the Series B Bonds, in the full amount required to provide for the redemption of the 2004 Bonds in full on December 3, 2012, at a redemption price equal to 100% of the principal amount thereof, plus accrued interest, will be deposited in an escrow fund (the "2004 Escrow Fund") held in trust by U.S. Bank National Association, as escrow bank (the "2004 Escrow Bank"), under an escrow deposit and trust agreement with the Authority and the City. The amounts deposited in the 2004 Escrow Fund will be held in cash.

The sufficiency of the moneys, in the 2004 Escrow Fund will be verified by the Verification Agent. See "VERIFICATION OF MATHEMATICAL COMPUTATIONS."

Upon the issuance of the Series B Bonds and the deposit in the 2004 Escrow Fund of moneys sufficient to provide for the refunding of the 2004 Bonds, the 2004 Bonds will be deemed defeased and no longer outstanding. The holders of the 2004 Bonds will be entitled to payment solely out of the moneys deposited in the 2004 Escrow Fund.

Refunding of the 2005 Bonds

The 2005 Bonds were issued pursuant to the terms of an indenture, dated as August 1, 2005, by and between the Authority and The Bank of New York Trust Company, N.A., now known as The Bank of New York Mellon Trust Company, N.A., as trustee thereunder. In order to provide for the repayment of the 2005 Bonds, the Authority leased certain real property and improvements to the City pursuant to a lease agreement, dated as of August 1, 2005, under which the City agreed to make lease payments to the Authority from moneys in its General Fund and the City has budgeted and appropriated sufficient amounts in each year to pay the full amount of principal of and interest on the 2005 Bonds. The 2005 Bonds were issued to refinance the costs of a new fleet services, towing and lien sales operations and integrated resource operations facility in the City, including the refunding of the then outstanding Long Beach Bond Finance Authority Lease Revenue Bonds (Temple and Willow Facility), 1998 Series A.

A portion of the proceeds of the Series A Bonds will be deposited in an escrow fund (the "2005 Escrow Fund") held in trust by The Bank of New York Mellon Trust Company, N.A., as escrow bank (the "2005 Escrow Bank"), under an escrow deposit and trust agreement with the Authority and the City. A portion of the amounts deposited in the 2005 Escrow Fund will be invested in United States Treasury Securities—State and Local Government Series (the "2005 Escrow Securities"), which will mature and bear interest in such amounts and at such times as, together with cash on deposit in the 2005 Escrow Fund, will be sufficient to pay the principal of and interest on the 2005 Bonds through May 1, 2015, and to redeem the outstanding 2005 Bonds in full on May 1, 2015, at a redemption price equal to 100% of the principal amount thereof.

The sufficiency of the moneys, investment earnings and maturing 2005 Escrow Securities such purposes will be verified by the Verification Agent. See "VERIFICATION OF MATHEMATICAL COMPUTATIONS."

Upon the issuance of the Series A Bonds and the deposit in the 2005 Escrow Fund of moneys sufficient to provide for the refunding of the 2005 Bonds, the 2005 Bonds will be deemed defeased and no longer outstanding. The holders of the 2005 Bonds will be entitled to payment solely out of the moneys or securities deposited in the 2005 Escrow Fund.

THE PROPERTY

The Property consists of the following:

Temple/Willow Facility (northeast corner of Temple Avenue and Willow Street). The Temple/Willow Facility is where the City's Fleet Services Bureau and Environmental Services Bureaus are located. The land size of the property is approximately 942,167 square feet. Fleet Maintenance Operations and Acquisition occupies 165,411 square feet. Maintenance and repair services for the City's more than 1,800 vehicles and equipment is provided through the fleet services garage, tire shop, smog and vehicle storage. Fleet Operations including an liquefied natural gas fueling facility, car/truck wash facility, administration offices and fleet parking. Fleet Acquisition stores newly acquired vehicles reading them for service. Towing and Lien Sales occupies 270,373 square feet and provides towing, towed vehicle and evidence storage, police parking, propane tank fueling area, customer parking and lien sale auction vehicles areas and Towing and Lien Sales offices. Environmental Services Bureau (ESB) occupies 177,822 square feet for office space, parking for refuse trucks, sweepers, and equipment storage and parking for employees and customers. An additional 328,561 square feet provides common areas, an outdoor lunchroom, drive lanes and fire lanes. The City estimates the value of the Temple/Willow Facility to be approximately \$29,925,000.

West Long Beach Police Substation (southwest corner of Santa Fe Avenue and 19th Street). The West Long Beach Police Substation is a police substation located on a 2.5 acre site with perimeter fencing, lobby/front desk area, parking lot and vehicle refueling area. The main building (Police Station), built in 1997, is one story and contains 20,118 square feet. The building includes a central lobby, secretary pool area, commander's office, lieutenants' offices, conference rooms, squad room, gear and weapons room, kitchen, men's dormitory/shower room/locker room, women's dormitory/shower room/locker room, interview rooms, booking and fingerprinting room and holding cells. A 1,383 square foot maintenance garage, built in 1997, is located at the south end of the site. The City estimates the value of the West Long Beach Police Substation to be approximately \$5,100,000.

Public Safety Building (southeast corner of Magnolia Avenue and Broadway) is a six-story, 162,000 square foot structure, which includes a public lobby and front desk; a Patrol Division spaces, with lockers, showers, briefing a briefing room and office spaces; a prisoner booking area and men's and women's jail; a Department Operations Center; Executive Team offices for the Chief and the four Deputy Chiefs; office/work spaces for the Executive Bureau, the Investigations Bureau, the Administration Bureau; and maintenance and support spaces. The building has two main elevators and a jail elevator. three parking lots and a fueling station are enclosed in a wrought iron fence with three electronic gates. Fire Station 1 is adjacent to the Public Safety Building

Fire Station 1 (100 Magnolia Avenue), is a 21,319 square foot, three-story public safety facility. The station was built in 1958 and underwent major renovations in 2002, which included structural/seismic upgrades and privacy improvements to accommodate a dual-gender workforce. The station houses 10 firefighting personnel each day, on 24-hour shifts, and the following emergency response vehicles: one fire engine, one fire truck, and one paramedic ambulance. Personnel respond to fire, medical, and other emergency calls out of the facility. The building includes individual dormitories for assigned staff, separate men's and women's bathroom and shower facilities, a workshop area, and an apparatus floor for fire and emergency response vehicles. The City estimates the combined value of the Public Safety Building and Fire Station 1 to be approximately \$32,205,000.

Pine Avenue Parking Facility (51 East 3rd Street). The Pine Avenue Parking Facility provides 598 spaces for the City Place Shopping Center. It is one of three adjacent parking structures providing in total 2,413 spaces. The City Place is an urban retail development covering six city blocks bound by Sixth Street to the North, Long Beach Boulevard to the east, Third Street to the south, and Pine Street to the west. It offers 350,000 square feet of retail, restaurants and services. Businesses range from Wal-Mart, Nordstrom Rack and Ross, to diverse restaurants and services. The City estimates the value of the Pine Avenue Parking Facility to be approximately \$8,410,000.

The estimated combined value of all of the Property is approximately \$75,640,000.

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

Interest on the Bonds will be payable semiannually on each February 1 and August 1, commencing February 1, 2013 (each, an "Interest Payment Date"), 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 and any premium upon redemption 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 E—"BOOK-ENTRY ONLY SYSTEM." Principal of and interest and premium (if any) 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 April 15, 2010, 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, New York, New York ("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 E—"BOOK-ENTRY ONLY SYSTEM."

Transfer and Exchange of Bonds

Any Bond may, in accordance with its terms, be transferred on the Registration Books 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.

Optional Redemption

Series A Bonds. The Series A Bonds maturing prior to August 1, ____, are not subject to optional redemption. The Series A Bonds maturing on and after August 1, ____, are subject to optional redemption prior to their stated maturity dates, at the written direction of the Authority, from moneys deposited by the Authority or the City, in whole, or in part, on any date on or after August 1, ____, from any available source of funds, at a redemption price equal to the principal amount of Series A Bonds called for redemption, together with interest accrued thereon to the date fixed for redemption, without premium.

Series B Bonds. The Series B Bonds are not subject to optional redemption.

Extraordinary Redemption from Insurance or Condemnation Proceeds

The Bonds are also subject to redemption as a whole, or in part on a pro rata basis among maturities, on any date, in integral multiples of \$5,000, to the extent of prepayments made by the City from insurance proceeds or condemnation proceeds not used to repair, reconstruct or replace any portion of the Property damaged or destroyed or elected by the City to be used for such purpose, at a redemption price equal to 100% of the principal amount thereof plus interest accrued thereon to the date fixed for redemption, without premium.

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 Municipal Securities Rulemaking Board, 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. 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.

Notice of any optional redemption of Bonds shall either (i) explicitly state that the proposed redemption is conditioned on there being on deposit in the applicable fund or account on the redemption date sufficient money to pay the full redemption price of the Bonds to be redeemed, or (ii) be sent only if sufficient money to pay the full redemption price of the Bonds to be redeemed is on deposit in the applicable fund or account.

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. Beneficial Owners may desire to make arrangements with a Participant so that all notices of redemption or other communications to DTC which affect such Beneficial Owners, and notification of all interest payments, will be forwarded in writing by such Participant. See APPENDIX E—"BOOK-ENTRY ONLY SYSTEM."

Partial Redemption of Bonds

Upon surrender of any Bonds redeemed in part only, the Authority will execute and the Trustee will 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.

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.

All Bonds redeemed pursuant to the provisions of the Indenture will be canceled by the Trustee upon surrender thereof and destroyed.

SECURITY FOR THE BONDS

General

The Bonds are special 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 the funds and accounts held by the Trustee, including proceeds of the sale of the Bonds.

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.

THE BONDS ARE SPECIAL LIMITED OBLIGATIONS OF THE AUTHORITY, PAYABLE SOLELY FROM THE REVENUES DERIVED FROM LEASE PAYMENTS AND OTHER PAYMENTS MADE OR CAUSED TO BE MADE BY THE CITY PURSUANT TO THE LEASE AGREEMENT. THE AUTHORITY IS NOT OBLIGATED TO PAY INTEREST ON OR PRINCIPAL OF THE BONDS EXCEPT FROM THE REVENUES. 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 each January 15 and July 15, commencing on January 15, 2013 (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.

Pursuant to the Lease Agreement, the City covenants to take such action as may be necessary to include all Lease Payments and Additional 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.

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; and (d) any reasonable out-of-pocket expenses of the Authority in connection with the execution and delivery of the Lease Agreement, the Indenture or the Continuing Disclosure Certificate or in connection with the issuance 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. The City is not required to apply the proceeds of insurance to redeem the Bonds in part due to damage or destruction of a portion of the Property unless the Trustee receives a written certificate of the Authority to the effect that the Lease Payments on the undamaged portion of the Property will be sufficient to pay the initially-scheduled principal and interest on the Bonds remaining unpaid after such redemption.

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 or the Bonds.

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 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 or the portion of the Property completed 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 “—Insurance—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

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 any structures constituting any part of the Property by fire and lightning, with extended coverage insurance, vandalism, malicious mischief insurance and sprinkler system leakage insurance. Said extended coverage insurance is required to, 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 is required to be in an amount equal to the replacement cost (without deduction for depreciation) of all structures constituting any part of the Property, excluding the cost of excavations, of grading and filling, and of the land (except that insurance may be subject to deductible clauses for any one loss of not to exceed two hundred fifty thousand dollars (\$250,000) or a comparable deductible adjusted for inflation), or, in the alternative, is required to be in an amount and in a form sufficient, in the event of total or partial loss, to enable all Bonds then Outstanding to be redeemed. 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. See "CERTAIN RISK FACTORS—Earthquakes." 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, title insurance on the Property, in an amount not less than the aggregate 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 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.

Year Ending August 1	Series A Bonds			Series B Bonds			Aggregate Total
	Principal	Interest	Total	Principal	Interest	Total	
2013							
2014							
2015							
2016							
2017							
2018							
2019							
2020							
2021							
2022							
2023							
2024							
2025							
2026							
2027							
2028							
2029							
2030							
2031							

Pursuant to the Lease Agreement, the City is required to make Lease Payments which have been calculated to be sufficient to make the interest and principal payments due on the Bonds. The City's Lease Payments are due on the fifteenth calendar day of the month preceding each Interest Payment Date.

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 AUTHORITY

The Authority is a joint powers authority duly organized and existing under and pursuant to that certain Joint Exercise of Powers Agreement, dated as of June 26, 1997, as amended, by and between the City and the Agency (the "Members"), and under the provisions of Articles 1 through 4 (commencing with section 6500) of Chapter 5 of Division 7 of Title 1 of the California Government Code (the "Act"), 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 the Members, and to provide financing for public capital improvements of public entities, including the Members.

THE CITY

General

The City is a municipal corporation and chartered city of the State and encompasses approximately 52 square miles of coastal area located on the southern edge of Los Angeles County (the "County"). With a population as of January 1, 2012 of approximately 464,662, it is the second largest city in the County and the seventh largest city in the State. The City's climate is mild, with temperatures ranging from an average of 54 degrees in January to 72 degrees in July. Precipitation averages 12.1 inches per year. The center of the City is 22 miles south of downtown Los Angeles, 450 miles south of San Francisco and 110 miles north of San Diego. The City has long been a major industrial center and popular beach resort area. The Port of Long Beach (the "Port"), along with its related commercial activities, contributes to the strength to the local economy. Further, the City has been successful in building a substantial tourist and convention business and is currently taking vigorous steps to augment tax revenues from these sources.

Municipal Government

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

The City currently employs approximately 5,179 persons within 21 departments. The police department consists of 1,254 uniformed officers and supporting personnel. The fire department operates 23 fire stations with approximately 515 fire fighters, 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 City's population as of January 1, 2012, was estimated to be 464,662. This figure represents 4.70% of the County's population and 1.23% of the State's population. The following

table illustrates the City's population growth relative to the population of the County and the State.

**CITY OF LONG BEACH,
COUNTY OF LOS ANGELES AND STATE OF CALIFORNIA
Population Data**

<u>Year</u>	<u>City of Long Beach</u>	<u>County of Los Angeles</u>	<u>State of California</u>
1980	361,355	7,477,421	23,667,836
1990	427,200	8,832,500	29,558,000
2000	459,900	9,487,400	33,753,000
2004	487,305	10,107,451	36,271,091
2006	490,166	10,245,572	37,172,015
2007	492,921	10,331,939	37,662,518
2008	492,642	10,363,850	38,049,462
2009	490,882	10,355,053	38,255,508
2010	494,709	10,441,080	38,648,090
2011	462,257	9,857,567	37,578,616
2012	464,662	9,884,632	37,678,563

Source: City of Long Beach; Summary Financial Information Statement for Fiscal Year 2011.

Personal Income

The following chart sets forth the yearly total effective buying income and the median household effective buying income for the City, the County and the State for the periods of 2008 through 2012:

**CITY OF LONG BEACH,
COUNTY OF LOS ANGELES AND STATE OF CALIFORNIA
Personal Income 2008-2012**

<u>Year</u>	<u>Area</u>	<u>Total Effective Buying Income (in thousands)</u>	<u>Median Household Effective Buying Income</u>
2008	City of Long Beach	\$ 8,695,518	\$ 38,604
	Los Angeles County	202,646,560	43,883
	State of California	814,894,438	48,217
2009	City of Long Beach	8,810,320	39,214
	Los Angeles County	206,127,854	44,593
	State of California	832,531,446	48,915
2010	City of Long Beach	9,006,580	39,859
	Los Angeles County	207,077,609	45,390
	State of California	844,823,319	49,736
2011	City of Long Beach	8,561,158	38,404
	Los Angeles County	196,757,991	43,133
	State of California	801,393,028	47,177
2012	City of Long Beach	8,682,273	38,561
	Los Angeles County	197,831,465	43,083
	State of California	814,578,458	47,062

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.

COUNTY OF LOS ANGELES Average Employment by Industry 2007 through 2011

<u>Industry</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Agriculture	7,500	6,900	6,200	6,200	5,500
Natural Resources and Mining	4,400	4,400	4,100	4,100	4,000
Construction	157,600	145,200	117,300	104,500	103,500
Manufacturing	449,200	434,500	389,200	373,200	365,400
Wholesale Trade	227,000	223,700	204,500	203,300	207,200
Retail Trade	426,000	416,500	387,000	386,000	390,900
Transportation, Warehousing and Utilities	165,600	163,100	151,200	150,600	149,900
Information	209,800	210,300	191,200	191,500	195,600
Financial Activities	243,800	233,300	216,000	209,500	209,400
Professional/Business Services	605,400	582,600	529,800	527,500	540,400
Education/Health Services	492,700	505,800	514,600	522,000	534,800
Leisure/Hospitality	397,900	401,600	385,600	384,800	392,800
Other Services	147,100	146,100	137,900	136,700	135,000
Government	<u>595,700</u>	<u>603,700</u>	<u>595,800</u>	<u>579,600</u>	<u>565,200</u>
Total Wage and Salary*	<u>4,129,600</u>	<u>4,077,600</u>	<u>3,830,300</u>	<u>3,779,300</u>	<u>3,799,600</u>

Source: State of California Employment Development Department, Labor Market Division.

* Total may not add due to rounding.

The following table summarizes the civilian labor force, employment and unemployment average statistics for the City, the State and the United States since 2007.

**CITY OF LONG BEACH, STATE OF CALIFORNIA AND UNITED STATES
Civilian Labor Force, Employment and Unemployment
Calendar Years 2007 through 2011**

<u>Year</u>	<u>Area</u>	<u>Civilian Labor Force</u>	<u>Civilian Employment</u>	<u>Unemployment</u>	<u>Unemployment Rate (%)</u>
2007	City of Long Beach	234,300	221,200	13,200	5.6
	California	17,970,692	17,013,508	957,192	5.3
	United States	153,125,500	146,048,500	7,077,083	4.6
2008	City of Long Beach	237,900	218,300	19,600	8.2
	California	18,253,917	16,935,175	1,318,767	7.2
	United States	154,330,667	145,369,000	8,961,667	5.8
2009	City of Long Beach	237,600	207,300	30,300	12.7
	California	18,252,450	16,170,217	2,082,250	11.4
	United States	154,205,750	139,886,417	14,319,333	9.3
2010	City of Long Beach	236,975	204,375	32,600	13.8
	California	18,242,367	15,972,383	2,269,992	12.4
	United States	153,893,000	139,068,583	14,824,500	9.6
2011	City of Long Beach	236,618	204,809	31,791	13.5
	California	18,097,445	15,955,545	2,141,873	11.8
	United States	153,615,833	139,873,167	13,742,500	9.0

Source: City of Long Beach Summary of Financial Information Statement for Fiscal Year 2011.

Major Employers

The largest employer in the City is the Long Beach Unified School District, employing approximately 8,300 people. The Long Beach Unified School District serves approximately 83,980 students. The second largest employer in the City is The Boeing Company ("Boeing"), with facilities at the Long Beach Airport, employing approximately 6,850 persons.

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

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

**CITY OF LONG BEACH
Major Employers
As of September 30, 2011**

	<u>Employer</u>	<u>Number of Employees</u>	<u>Percent of City Employment</u>
1.	Long Beach Unified School District	8,304	3.51%
2.	The Boeing Company	6,847	2.89
3.	Long Beach Memorial Medical Center	5,805	2.45
4.	California State University, Long Beach	5,790	2.44
5.	City of Long Beach	5,312	2.24
6.	Veteran's Affairs Medical Center	2,332	0.98
7.	Long Beach City College	1,579	0.67
8.	St. Mary's Medical Center	1,556	0.66
9.	United States Postal Service	1,257	0.53
10.	California State Univ. Long Beach Foundation	1,020	0.43

Source: City of Long Beach Summary Financial Information Statement for Fiscal Year 2011.

* In calendar year 2011 The Boeing Company cut approximately 900 jobs at its Long Beach plant. In July 2012, the United States Air Force issued a \$500 million contract to begin planning the shutdown of the C-17 production line at the Long Beach plant by late 2014, but Boeing officials indicated that Boeing is determined to extend the life of the C-17 production line. The City cannot predict what impact the potential closure of the Long Beach plant would have on the future revenues of the City.

Industry

The City is an important component of the County industrial complex, the largest concentration of major industrial firms in the western United States. The aircraft/aerospace products group represents a very important single industrial category in the City. Boeing is the second largest employer in the City. Other important industries include petroleum and chemical production, metal fabrication and food and kindred product production.

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.

North of the Port at the intersection of the San Diego (I-405) and North Lakewood Boulevard, is the 55-acre Freeway Business Center, also known as the Kilroy Airport Center Long Beach (the "Kilroy Airport Center"), a high-technology office complex comprised of six buildings totaling approximately 949,156 square feet with a diverse mix of business tenants. As of January 2012, the Kilroy Realty Corporation reported the total market vacancy rate at the Kilroy Airport Center to be 5%. Each of the six buildings have square footage ranging from 10,457 square feet to 219,745 square feet with individual occupancy rates ranging from 84.8% to 100%. Tenants include a Federal Express World Service Center, SCAN health plan, fitness center, restaurant, car wash and detailing, and hire workforce agency.

Taxable sales transactions in the City fluctuated up and down between Fiscal Years 2007 and 2011; however, taxable sales transactions increased 9.8% between Fiscal Years 2010 and 2011.

The following table illustrates the City's annual volume of taxable transactions from Fiscal Years 2007 through 2011.

CITY OF LONG BEACH
Taxable Sales
Fiscal Years 2007-2011
(in Thousands)

<u>Type of Business</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Apparel Stores	\$ 150,119	\$ 145,602	\$ 130,464	\$ 128,877	\$ 145,296
General Merchandise Stores	319,674	314,243	305,002	300,479	292,149
Drug Stores	76,901	77,306	75,859	77,571	79,083
Food Stores	225,109	246,601	214,782	221,062	219,454
Packaged Liquor Stores	29,742	35,909	37,210	37,585	39,293
Eating/Drinking Places	685,944	684,793	661,528	632,733	663,683
Home Furnishings and Appliance Stores	98,069	88,166	79,969	68,842	82,618
Building Materials and Farm Implements	950,450	859,638	938,501	1,197,011	1,426,138
Auto Dealers/ Auto Supplies	313,617	264,373	279,669	272,820	261,831
Service Stations	507,833	586,069	491,491	625,517	573,517
Other Retail Stores	<u>477,026</u>	<u>415,493</u>	<u>376,469</u>	<u>337,634</u>	<u>332,081</u>
Retail Stores Totals	<u>\$3,834,484</u>	<u>\$3,718,193</u>	<u>\$3,590,942</u>	<u>\$3,900,131</u>	<u>\$4,115,145</u>
All Other Outlets	<u>912,021</u>	<u>998,099</u>	<u>829,510</u>	<u>718,317</u>	<u>955,109</u>
Total All Outlets	<u>\$4,746,505</u>	<u>\$4,716,292</u>	<u>\$4,420,452</u>	<u>\$4,618,447</u>	<u>\$5,070,255</u>

Source: City of Long Beach Summary Financial Information Statement for Fiscal Year 2011.

Construction

The City issued building permits, valued at approximately \$272 million during fiscal year 2011. Of this total, approximately 41% consisted of residential construction and approximately 59% consisted of non-residential construction. The City's annual permit values since Fiscal Year 2007 are set forth below:

CITY OF LONG BEACH
Building Permit Valuations
Fiscal Years 2007 through 2011
(in Thousands)

<u>Type of Permit</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Residential					
New Single Dwelling	\$ 16,876.4	\$ 12,366.4	\$ 3,700.2	\$ 5,869.4	\$ 14,891.1
New Multi Dwelling	56,107.9	87,383.6	8,719.5	4,298.3	37,463.6
Additions/ Alterations	<u>117,410.6</u>	<u>84,226.7</u>	<u>60,475.5</u>	<u>65,000.1</u>	<u>58,030.5</u>
Total Residential	<u>\$190,394.9</u>	<u>\$183,976.7</u>	<u>\$ 72,895.2</u>	<u>\$ 75,167.9</u>	<u>\$110,385.1</u>
Non-Residential					
New Commercial	\$ 22,734.7	\$ 31,912.0	\$ 9,092.0	\$ 53,302.4	\$ 27,162.8
New Industrial	259.4	297.5	0.0	22,222.6	15,731.4
Other	1,636.0	2,061.4	1,010.2	58,304.4	58,780.0
Additions/ Alterations	<u>82,545.8</u>	<u>55,343.1</u>	<u>52,926.4</u>	<u>1,048.0</u>	<u>60,000.0</u>
Total Non-Residential	<u>\$107,176.0</u>	<u>\$ 89,614.0</u>	<u>\$ 63,028.5</u>	<u>\$134,877.4</u>	<u>\$161,674.2</u>
Total Valuation*	<u>\$297,570.8</u>	<u>\$273,590.7</u>	<u>\$135,923.8</u>	<u>\$210,045.3</u>	<u>\$272,059.4</u>

Source: City of Long Beach Summary Financial Information Statement for Fiscal Year 2011.

* Totals may not add due to rounding.

Visitor and Convention Business

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

The City is also home to The Pike at Rainbow Harbor, a waterfront attraction in Southern California comprised of 300 acres of oceanfront land adjacent to the City's commercial core. It includes the Long Beach Aquarium, Rainbow Harbor, and the expanded Long Beach Convention Center and Entertainment Center. The Long Beach Aquarium and Rainbow Harbor opened to the public in June 1998.

The Queen Mary, a vintage ocean liner open to the public since 1971, provides the City with a unique tourist attraction. The Queen Mary features three major restaurants, three fast food service facilities and 40 specialty shops. The Queen Mary Hotel, with 314 staterooms and suites, is aboard the ship. In addition, a Russian submarine, the "Scorpion," is currently docked adjacent to the Queen Mary and is open for visitors. The Scorpion is another premier waterfront attraction complementing the popular Aquarium of the Pacific and the Queen Mary. Carnival Cruise Lines operates a homeport in Long Beach for its cruises to Mexico, adjacent to the Queen Mary.

The Maya Hotel, located on 18.8 waterfront acres west of the Queen Mary, is a development designed to afford 85% of the rooms with ocean views. The hotel consists of 199 rooms and offers resort style amenities in close proximity to the Queen Mary and Downtown Long Beach attractions.

Formula 5000/Formula One cars first raced through city streets and along the shoreline during the Long Beach Grand Prix in September 1975. The race was the first to be run on city streets in this country in 50 years. The City has hosted the United States Grand Prix West, now featuring "Indy" cars, every year since 1984 in what is now commonly known as the Toyota Grand Prix of Long Beach. This event is the longest running major "street" race held in North America and attracts approximately 200,000 visitors to the City each year.

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. The Convention Center was enlarged in 1994 to accommodate more than 400,000 square feet of exhibit and meeting space. This expansion increased the total number of conventions and meetings held at the Convention Center, which competes with convention centers in cities such as Albuquerque, San Jose, Denver and Phoenix, and larger facilities in Los Angeles, Anaheim and San Diego. While the Convention Center and other Downtown events and attractions have marketed the City to a broader public and brought notability, the Long Beach Convention and Visitors Bureau continues to focus on hotel occupancy rates in order to stabilize and increase them in future months as the nation's economy continues to recover. For the period of January to April 2012, Smith Travel Research reported that the City's hotels have increased their average

rate by 0.2%, daily occupancy has increased 6.4% and revenue per available room has increased 6.6%.

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 been one of the city's premier business districts. The revitalized commercial quarter has resumed its role as the focal point of downtown Long Beach business and social activity, following an extensive 20 year redevelopment effort with an assortment of retailers and restaurants. CityPlace, an urban retail development in the heart of downtown, covers eight city blocks. CityPlace is approximately 450,000 square feet of retail space and 341 residential units. Tenants include Wal-Mart, Nordstrom Rack, Ross Dress For Less and several other apparel stores and eateries. Pine Avenue's concentration of dining establishments confirms restaurants as the principal element of the area. Currently, the City estimates that downtown Long Beach has a 16.67% vacancy rate on office space, and a 25% vacancy rate on ground floor retail space due primarily to the Recession of 2008.

Long Beach Towne Center

In November 1998, the development of the Long Beach Towne Center was completed. It is an approximately 850,000 square foot community retail shopping center located on approximately 81 acres within the City at the southwest corner of Carson Street and the I-605 Freeway. The current operator of the Long Beach Towne Center is CREA/PPC Long Beach Towne Center PO, LLC, a Delaware limited liability company. The Long Beach Towne Center has a total market vacancy rate of 3.23%.

The Pike at Rainbow Harbor

The \$450 million "The Pike at Rainbow Harbor", developed by Developers Diversified Realty, is one of the largest shoreline developments in California history. The Pike at Rainbow Harbor includes approximately 369,000 square feet of waterfront retail and entertainment space. The Pike at Rainbow Harbor is a joint venture of public and private investment. The development converted 300 acres of prime oceanfront property at the edge of downtown Long Beach into a major resort. The Pike at Rainbow Harbor includes the Aquarium of the Pacific, Shoreline Park, Rainbow Harbor, a retail portion and a condominium housing portion. Currently, the City estimates that The Pike at Rainbow Harbor has a total market vacancy rate of 22.8%.

Petroleum Production

The Wilmington Oil Field, which is one of the largest oil fields in the United States, traverses Long Beach. Since 1939, the City has developed and managed the oil operations on its Upland and Tideland properties. The Upland properties are owned by the City and the revenues can be used for general-purpose activities. The Tideland properties are owned by the City in trust for the State. The revenues generated by the Tideland properties, by State legislation and various agreements, are shared between the City, State and the City's contractor, Occidental

Petroleum Inc. The City's share of revenue generated from the Tidelands properties can only be used in support of Tidelands purposes.

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

Transportation

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

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

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

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

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

Port of Long Beach

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

The Port covers 11.9 square miles, of which 7.1 square miles is water, and includes all harbor facilities of the City. The Port has 22 miles of waterfront with 65 deep water cargo berths. Container terminals occupy 1,356 acres, auto terminals occupy 182 acres, breakbulk and general cargo occupy 108 acres, dry bulk terminals occupy 100 acres, and petroleum and liquid bulk occupy 52 acres. The Port has seven container terminals with 70 cranes (owned mostly by the tenants) and one container freight station. Five container terminals are served by on-dock railyards. Additional cargo handling facilities include five transit sheds and 12 warehouses. Transit sheds are of concrete and steel construction. Wharves are constructed of reinforced concrete supported by reinforced concrete pilings or sheet pile bulkhead. Wharf aprons at all transit shed berths average 50 feet in width. Rail tracks serve all major marine facilities. In total,

the Port owns 82 miles of rail trackage. Current Harbor Department plans envision enlarging and consolidating several of the container terminals due to the demand for larger facilities.

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

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

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

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

Long Beach Airport

The City owns and operates the Long Beach Airport (the "Airport"), which has five runways varying from 4,200 to 10,000 feet in length. Pursuant to a court-ordered settlement reached in 1989, the current daily flight limits are 41 commercial jet airline and 25 commuter landings and takeoffs ("slots"). Included in the 41 aircraft slots are (i) commercial airline service provided by JetBlue Airways, US Airways, Delta Air Lines Alaska Airlines, and (ii) 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 and two Class A business parks.

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

The Airport is an important economic engine for the City and region. A recent economic impact study credited the Airport with producing 43,000 jobs regionally and an economic impact of \$11 billion.

The Airport recently completed a parking structure project which measures approximately 725,000 square feet and provides for 2,236 additional parking spaces in addition to the already existing Lot A which contains 1,017 spaces.

The Airport is five months ahead of schedule and nearing completion of a new passenger concourse which includes permanent facilities for passenger holdrooms, restrooms, concessions, and the consolidation of passenger security screening in one central location. In addition, the historic terminal is receiving some remodeling and restoration that will be completed in approximately 12 months.

Utilities

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

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

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

Education

The City is served by the Long Beach Unified School District, which provides primary and secondary educational instruction for approximately 83,979 students through the operation of 60 elementary schools, 16 junior high schools, nine high schools, one K-12 school, two alternative schools, and one continuation school. There are additionally four charter schools. Post-secondary education is available at Long Beach City College, a tax-supported two-year institution administered by the Long Beach Community College District. In addition to the lower division college program, extensive adult education and trade school facilities are offered at Long Beach City College, with a current enrollment that exceeds 26,097 per semester. California State University – Long Beach is located on a 320-acre site in the eastern portion of the City on land donated by the City. Opened in 1949 as Los Angeles-Orange County State College, the institution has been given university status and has a current enrollment of approximately 31,999 per semester. The University's distinguished educational program offers various undergraduate and graduate degree programs. Enrollment in the educational system serving the City and its residents for the past five years is set forth below:

CITY OF LONG BEACH Educational Enrollment

Year	Long Beach Unified School District	Long Beach City College ⁽¹⁾	California State University (Long Beach) ⁽¹⁾
2007	88,186	26,837	34,606
2008	87,509	28,372	35,850
2009	86,283	29,665	35,957
2010	85,257	28,447	33,416
2011	83,979	26,097	31,999

Source: City of Long Beach Summary Financial Information Statement for Fiscal Year 2011.

⁽¹⁾ Average enrollment per semester.

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

Community Facilities

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

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

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

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

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

Largest Taxpayers

No single taxpayer accounts for more than 1.03% of the City's total assessed valuation. The largest taxpayer is The Boeing Company, which had an assessed valuation as of September 30, 2011 of approximately \$416 million. The City's top 10 principal taxpayers are presented in the following table.

CITY OF LONG BEACH
Major Taxpayers
As of September 30, 2011
(in Thousands)

<u>Taxpayer</u>	<u>Industry</u>	<u>Assessed Valuation⁽¹⁾</u>	<u>Percentage of Total Net Assessed Valuation</u>
1. The Boeing Company	Industrial	\$ 415,898	1.03%
2. Macerich Lakewood LLC	Power Plant	286,656	0.71
3. AES Alamitos LLC	Power Plant	229,400	0.57
4. Legacy Partners II LB World Trade LLC	Office Building	153,840	0.38
5. 2009 CUSA Community Owner LLC	Office Building	136,697	0.34
6. Trizechahn Colony Square GP LLP	Apartments	114,069	0.28
7. GRE Shoreline Square LP	Industrial	94,380	0.23
8. Nobel Utah Long Beach LLC	Hotel	90,933	0.23
9. ARCO Terminal Services Corp	Industrial	84,573	0.21
10. 200 Oceangate LLC	Real Estate	<u>83,050</u>	<u>0.21</u>
Total		<u>\$1,689,496</u>	<u>4.19%</u>

Source: City of Long Beach Summary Financial Information Statement for Fiscal Year 2011.

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

CITY FINANCIAL INFORMATION

General

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

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

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

Budgetary Process

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

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

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

Current Financial Conditions of the State and the City

A number of the City's revenues are collected and dispersed by the State (such as sales tax and motor-vehicle license fees) or allocated in accordance with State law (most importantly, property taxes). Therefore, State budget decisions can have an impact on City finances. On-going weak economic conditions have resulted in significant revenue shortfalls to the State. See "STATE BUDGET INFORMATION."

There can be no assurances that, as a result of the current State financial stress, it will not significantly reduce revenues to local governments (including the City) or shift financial responsibility for programs to local governments as part of its efforts to address the State financial difficulties. No prediction can be made by the City as to what measures the State will adopt to respond to the current or potential future financial difficulties. The City cannot predict the final outcome of future State budget negotiations, the impact that such budgets will have on the City's finances and operations or what actions will be taken in the future by the State Legislature and 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. There can be no assurances that State actions to respond to State financial difficulties will not adversely affect the financial condition of the City.

Similar to the State, the City has experienced financial constraints due to the economic downturn beginning in 2008. The length and depth of the economic downturn has resulted in a lack of growth in revenues in recent years, due to the stagnant economy and expenditure pressures. The City has generally addressed expenditure pressures through layoffs, not filling vacant positions, and various cost-cutting measures in all departments at the City and revenue

shortfalls, from budgeted amounts, have been addressed through the use of previous years' general fund balances. Substantial progress has been made to reduce retirement costs for City employees. As a result of the City's negotiations with FFA and POA in Fiscal Year 2011, labor concessions made by the FFA and POA will result in savings of approximately \$6 million in Fiscal Year 2013. Negotiations are ongoing with the City's largest employee organization, IAM. The City's efforts for governmental reform will continue, with emphasis on consolidation of the City's various departments to improve efficiency and the evaluation of opportunities for competitively bidding city services. Additionally, the City continues to look for new sources of revenue and will take additional steps to achieve full cost recovery for demand-based services.

The City Council is adopted is Fiscal Year 2013 Budget (the "2013 Budget") on September 11, 2012.

The 2013 Budget is a balanced budget, and reflects several years of review, examination and reassessment of the City's priorities and financial constraints and identifies structural deficits through Fiscal Year 2015. The 2013 Budget includes solutions proposed by the City including departmental reductions and consolidation employee contributions, government reform, pension reform, and new revenue generation. In addition, the City has taken proactive measures to establish a long-term strategic approach. Utilizing the "proportionate share" model approach of allocating necessary cost reductions, the City has established a savings target resulting in solutions to the General Fund structural deficit of \$17.2 million in Fiscal Year 2013 and has identified a General Fund structural deficit of approximately \$17.3 million in total for Fiscal Years 2014 and 2015. In addition, the City's departments were assigned reduction targets to curtail their growth, primarily reductions in salary increases and pension cost increases. The approach ensures that the City's police and fire departments receive almost 68% of the General Fund resources each year while keeping funds to pay for services such as parks, libraries, sidewalks, code enforcement, animal control, and internal support services.

As of February 1, 2012, the Redevelopment Agency of the City was dissolved pursuant to State law. The City does not anticipate any potential impacts to the City's General Fund as a result of the dissolution of the City's Redevelopment Agency that can not be mitigated. The City's Successor Agency is working with its Oversight Board and the State Department of Finance to ensure that the former Redevelopment Agency's obligations will be met.

Financial Statements

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

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

The following financial statements reflect transactions and balances in the City's General Fund. These tables are excerpts from the City's financial statements and may not include all relevant information. A complete review of the City's financial statements attached hereto as APPENDIX A—COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011, including the footnotes thereto, is necessary in order to make an informed investment decision.

CITY OF LONG BEACH
General Fund Revenues and Expenditures
Fiscal Years Ended September 30, 2007 through 2011
(in Thousands)

	2007	2008	2009	2010 ⁽¹⁾	2011
Revenues					
Property Taxes	\$ 71,185	\$ 75,916	\$ 79,175	\$ 106,930	\$116,692
Other Taxes ⁽²⁾	144,237	148,514	133,846	116,014	121,934
Franchise Fees	—	—	—	24,040	24,184
Licenses and Permits	12,716	13,388	12,910	15,563	16,303
Fines and Forfeitures	17,644	18,509	19,501	17,042	16,193
Use of Money and Property	21,949	22,856	20,258	42,428	50,486
From Other Agencies	44,587	48,534	49,464	5,956	5,035
Charge for Services	23,468	24,760	27,052	24,870	26,897
Other	7,212	11,070	7,152	7,744	6,100
Total Revenue	\$342,998	\$363,547	\$349,358	\$360,587	\$383,824
Expenditures					
Current:					
Legislative and Legal	\$13,602	\$12,481	\$11,649	\$10,806	\$9,683
General Government	10,813	11,221	9,037	14,772	18,556
Public Safety	255,161	263,216	269,085	272,905	274,768
Public Health	4,833	4,812	4,962	5,132	5,483
Community and Cultural	48,143	48,957	44,172	41,844	40,265
Public Works	28,466	28,758	29,017	28,517	28,558
Oil Operations	—	—	—	6,718	7,173
Total Current Expenditures	\$361,018	\$369,445	\$367,922	\$380,694	\$384,441
Debt Service ⁽³⁾:					
Principal	\$6,706	\$5,191	\$8,369	—	—
Interest	8,278	8,107	7,503	—	—
Debt Administration Fees	—	88	166	—	—
Total Expenditures	\$376,002	\$382,831	\$383,960	\$380,694	\$384,441
Excess of Revenues Over (Under)	(33,004)	(19,284)	(34,602)	(20,017)	(617)
Expenditures					
Other Financing Sources (Uses) Proceeds	1,962	—	—	988	—
From Other Long-Term Obligations					
Advances Change in Principal	3,377	—	—	—	—
Operating Transfers In ⁽⁴⁾	35,443	39,426	39,025	26,670	24,565
Operating Transfers Out ⁽⁵⁾	(11,001)	(3,226)	(3,085)	(14,040)	(120,657)
Total Other Financing Sources (Uses)	\$29,781	\$36,200	\$35,940	\$13,618	\$(96,092)
Excess of Revenues Over (Under)					
Expenditures and Other Uses ⁽⁶⁾	(3,223)	16,916	1,338	(6,489)	(96,709)
Fund Balance—October 1	147,437	144,214	161,130	170,191	163,702
Fund Balance—September 30	\$144,214	\$161,130	\$162,468	\$163,702	\$66,993

Source: City of Long Beach – Comprehensive Annual Financial Report – Fiscal Years 2007 through 2011

- (1) As part of the implementation of GASB 54 Fiscal Year 2010 was restated and reclassified.
- (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) As part of the implementation of GASB 54, starting in Fiscal Year 2011, the City pays debt service from the General Debt Service Fund. The General Debt Service Fund is funded pursuant to an operating transfer out of the General Fund. See footnote 5.
- (4) The City regularly transfers current financial resources from one fund to another. In Fiscal Year 2011, the Solid Waste Management Fund transferred moneys to the General Fund (\$4.4 million) for earnings due to the City under a Joint Powers Agreement between the City and Los Angeles County Sanitation District Number 2 and the Gas Utility Fund (\$10.1 million). 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.
- (5) The City regularly transfers current financial resources from one fund to another. In Fiscal Year 2011, the General Fund transferred approximately \$18.8 million to the Non-Major Governmental Funds (\$15.3 of such transfer was to the General Debt Service Fund) and approximately \$101.1 to Redevelopment Capital Projects.
- (6) The City has used previous years' general fund balances (previous years' surplus) to cover budget shortfalls. The City has not used borrowings from restricted funds to cover budget shortfalls.

CITY OF LONG BEACH
General Fund Balance Sheet
Fiscal Years Ended September 30, 2007 through 2011
(in Thousands)

	2007 ⁽¹⁾	2008	2009	2010 ⁽³⁾	2011 ⁽³⁾
ASSETS					
Pooled Cash and Cash Equivalents	\$87,465	\$46,125	\$58,339	\$69,168	\$72,863
Investments short-term non-performing	—	178	178	178	178
Cash - Non-Pooled and Cash Equivalents	6,219	6,544	2,949	2,586	395
Investment - Non-Pooled	—	—	3,578	3,680	—
Investment Interest Receivable	21	21	23	22	—
Property Taxes Receivable	4,821	5,919	73,345	83,395	89,732
Accounts Receivable	20,086	25,063	30,014	30,017	36,838
Allowances for Uncollectible Taxes & Accounts Receivable	(17,227)	(20,834)	(28,035)	(24,458)	(27,810)
Notes & Loans Receivable	2,218	2,166	2,112	3,042	1,994
Due from Other Governments	18,484	20,656	15,756	15,702	14,955
Due from Other Funds	12,453	9,692	10,892	11,606	10,418
Advances to Other Funds	103,001	104,957	105,480	103,604	103,877
Allowances for Advances to Other Funds	—	—	—	—	—
Capital Lease Receivable	—	—	—	—	—
Inventory	—	—	—	—	—
Other Assets	6	881	34	21	33
Total Assets	\$237,547	\$201,368	\$274,665	\$298,563	\$303,473
LIABILITIES AND FUND BALANCE					
<i>Liabilities</i>					
Accounts Payable	\$6,187	\$5,961	\$6,282	\$9,051	\$12,796
Accrued Wages Payable	8,001	10,141	10,771	11,293	4,877
Accrued Interest Payable	2,436	13	95	98	—
Tax and Revenue Anticipation Notes Payable	54,000	—	—	—	—
Due to Other Funds	3,777	4,555	5,418	6,130	2,519
Advances From Other Funds	7,614	7,114	6,114	16,414	16,804
Deferred Revenues	8,204	8,697	78,289	88,384	95,689
Accrued Claims and Judgments	—	—	1,700	—	—
Deposits and Collections Held in Trust	3,114	3,757	3,528	3,491	2,860
Total Liabilities	\$93,333	\$40,238	\$112,197	\$134,861	\$135,545
FUND BALANCES					
RESERVED					
Noncurrent Receivables ⁽¹⁾	\$103,001	\$104,957	\$105,480	—	—
Asset Seizure Money	2,186	2,721	3,879	—	—
Encumbrances	1,248	741	315	—	—
Future Advances to Other Funds	1,486	1,486	1,486	—	—
Debt Service	6,333	5,183	5,409	—	—
Total Reserved Fund Balance	\$114,254	\$115,088	\$116,569	—	—
UNRESERVED					
Designated For Emergency Contingency	\$34,091	\$37,622	\$37,087	—	—
Designated For Subsequent Years' Appropriations	983	5,920	6,312	—	—
Undesignated	(5,114)	2,500	2,500	—	—
Total Unreserved Fund Balance	\$29,960	\$46,042	\$45,899	—	—
NONSPENDABLE					
	—	—	—	\$104,591	\$103,909
RESTRICTED					
	—	—	—	8,673	675
COMMITTED					
	—	—	—	3,798	4,108
ASSIGNED					
	—	—	—	37,551	58,554
UNASSIGNED					
	—	—	—	9,090	682
Total Fund Balances	\$144,214	\$161,130	\$162,468	\$163,703	\$167,928
Total Liabilities and Fund Balance	\$237,547	\$201,368	\$274,665	\$298,564	\$303,473

Source: City of Long Beach – Comprehensive Annual Financial Report – FY 2011.

⁽¹⁾ The fund balance "Reserved for non-current receivables" represents reserve fund balance not available for current obligations since the debt has no specified repayment date.

⁽²⁾ Undesignated funds of \$5.1 million represent the net of an annual \$2.5 million reserve and a \$7.6 million long- term advance from the Subsidence Fund to be repaid over 20 years.

⁽³⁾ The City implemented GASB Statement No. 54 in FY2011 and restated the presentation for FY2010. The Upland Oil Fund was reclassified from a Special Revenue Fund to a subset of the General Fund and Debt Service payments were transferred from General Fund to a newly created General Debt Service Fund.

CITY OF LONG BEACH
Final General Fund Budget for Fiscal Year 2011,
Audited Actuals for Fiscal Year 2011,
Adopted General Fund Budget for Fiscal Year 2012, and
Adopted General Fund Budget for Fiscal Year 2013
(in Thousands)

	Final Budget 2011	Audited Actuals 2011	Adopted Budget 2012	Adopted Budget 2013
Revenues				
Property Taxes	\$114,965	\$116,692	\$113,618	\$114,014
Other Taxes ⁽¹⁾	121,768	121,934	122,977	125,427
Franchise Fees	23,211	24,184	23,414	21,507
Licenses and Permits	17,406	16,303	17,620	20,084
Fines and Forfeitures	17,012	16,193	16,958	15,797
Use of Money and Property	48,347	50,486	35,012	37,893
From Other Agencies	6,203	5,035	5,089	3,861
Charges for Services	25,088	26,897	25,808	23,539
Other	6,502	6,100	8,882	4,923
Total Revenue	\$380,502	\$383,824	\$369,378⁽²⁾	\$367,045
Expenditures				
Current:				
Legislative and Legal	\$ 10,105	\$ 9,683	\$ 11,364	\$ 10,800
General Government	16,100	18,556	31,083	25,101
Public Safety	277,515	274,768	266,478	268,682
Public Health	5,321	5,483	5,506	902
Community & Cultural	40,918	40,265	36,861	44,444
Public Works	28,679	28,558	28,093	30,131
Oil Operations	8,357	7,173	6,746	6,750
Total Current Expenditures	\$386,995	\$384,441	\$386,131	\$386,810
Debt Service ⁽³⁾	72	—	16	—
Total Expenditures	\$387,067	\$384,441	\$386,147	\$386,810
Excess of Revenues Over (Under) Expenditures	\$(6,565)	\$(617)	\$(16,769)	\$(19,765)
Other Financing Sources (Uses):				
Operating Transfers In ⁽⁴⁾	25,831	24,565	28,701	24,589
Operating Transfers Out ⁽⁵⁾	(19,128)	(120,657)	(12,608)	(16,771)
Total Other Financing Sources (Uses)	\$6,703	\$(96,092)	\$16,093	\$7,818
Excess of Revenues Over (Under) Expenditures and Financing Sources (Uses)⁽⁶⁾	\$138	\$(96,709)	\$(676)	\$(11,947)
Beginning Fund Balance—October 1	163,374	163,702	66,812	66,317
Encumbrances—October 1	328	—	181	—
Ending Fund Balance—September 30	\$163,840	\$66,993	\$66,317	\$54,370

Source: City of Long Beach – Comprehensive Annual Financial Report Preliminary Fiscal Year 2011 Unaudited.

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

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

⁽³⁾ As part of the implementation of GASB 54, starting in Fiscal Year 2011, the City pays debt service from the General Debt Service Fund. The General Debt Service Fund is funded pursuant to an operating transfer out of the General Fund. See footnote 5.

⁽⁴⁾ The City regularly transfers current financial resources from one fund to another. In Fiscal Year 2011, the Solid Waste Management Fund transferred moneys to the General Fund (\$4.4 million) for earnings due to the City under a Joint Powers Agreement between the City and Los Angeles County Sanitation District Number 2 and the Gas Utility Fund (\$10.1 million). 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.

⁽⁵⁾ The City regularly transfers current financial resources from one fund to another. In Fiscal Year 2011, the General Fund transferred approximately \$18.8 million to the Non-Major Governmental Funds (\$15.3 of such transfer was to the General Debt Service Fund) and approximately \$101.1 to Redevelopment Capital Projects.

⁽⁶⁾ The City has used previous years' general fund balances (previous years' surplus) to cover budget shortfalls. The City has not used borrowings from restricted funds to cover budget shortfalls.

Pension Plans and Post-Retirement Health Care Benefits

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

Under the terms of the contract between CalPERS and the City, all full time employees are eligible to participate in CalPERS and become vested in the system after five years of service. The City has a multiple tier retirement plan with benefits varying by plan. Vested first and second tier safety employees who retire at age 50 are entitled to receive an annual retirement benefit, payable monthly for life, in an amount equal to 3% of the employee's highest paid year of employment for each year of credited service. Vested first and second tier miscellaneous employees who retire at age 55 are entitled to receive an annual retirement benefit, payable monthly for life, in an amount equal to 2.7% of their highest paid year of employment for each year of credited service. The City created a third tier for miscellaneous employees hired after October 1, 2006. Vested third tier miscellaneous employees who retire at age 55 are entitled to receive an annual retirement benefit, payable monthly for life, in an amount equal to 2.5% of their highest paid year of employment for each year of credited service.

Retirees under the first tier are eligible to receive a maximum annual 5% cost-of-living increase in their retirement benefit, while those under the second and third tier are eligible to receive a maximum annual 2% cost-of-living increase.

Contributions to PERS are divided into employee and employer shares. Employees are required to contribute 8% (9% for safety employees) of their annual covered salary as the employee share. The City has historically contributed 6% of the 8% (7% of the 9% for safety employees) required of City employees on their behalf and for their account. Through concession agreements effective for Fiscal Year 2011-12, the public safety employee bargaining groups have agreed that current members and new hires will pay their full employee contribution of 9%. A new, lower cost tier of 2%@50 which goes up to 2.7%@55 was established for the new hires as well (currently 3%@50). Other agreements have also been made with the miscellaneous employee bargaining groups resulting in most new hires paying their 8% full employee contribution share and current employees paying a range of 2% to 8% of their full employee contribution share. Effective January 1, 2013, additional new lower cost PERS retirement formulas will be established for new hires to the City and new to the PERS system. The new formula will be 2%@55 and goes up to 2.7%@57 for public safety, and 2.5%@67 for miscellaneous (currently 2.7%@55 and 2.5%@55). The City is required to contribute to PERS at an actuarially determined rate; the rate for Fiscal Year 2012-13 is 15.159% for miscellaneous employees, 22.315 % for fire and police employees, of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by PERS.

As of the most recent actuarial valuation date (June 30, 2010), the safety plan had an unfunded actuarial accrued liability of approximately \$73,275,000, with a funding ratio of 95.9%, and the miscellaneous plan had an unfunded actuarial accrued liability of approximately \$195,881,000, with a funding ratio of 89.6%. The funded ratio compares the actuarial value of

assets to the actuarial accrued liabilities of the safety plan or the miscellaneous plan, as applicable. The ratios change every valuation year, reflecting asset performance, demographic changes, actuarial assumption/method changes, benefit structure changes or a variety of other actuarial gains and losses. Generally, the impact of gains/losses from CalPERS investments are determined by using a rolling average methodology of gains and losses year over. The most recent year's impact does not affect the stakeholder's contribution rates until three years later. However, CalPERS believes the economic events beginning in Fiscal Year 2009 have been unique, and therefore should be treated separately from past gains/losses. Therefore, CalPERS approved a smoothing methodology for Fiscal Year 2010 where the losses for such year are isolated and amortized over a 30 year separate period, and phased in over a three year period. Such change to the methodology resulted in a second layer of contributions added to the rolling 30-year results the City has been using in past years. Just recently, CalPERS approved a quarter point reduction in its investment return forecast, resulting in an employer contribution rate increase (effective as of July 1, 2012). CalPERS is planning a two-year phase-in of the rate increase using the smoothing methodology it has been using in past years.

The table below provides a recent history of the employer contribution rates for the safety plan, as determined by the annual actuarial valuation. It does not account for prepayments or benefit changes made in the middle of the year.

Safety Plan of the City of Long Beach

Fiscal Year	Employer Normal Cost	Unfunded Rate	Total Employer Contribution Rate
2008 - 2009	17.735%	(1.885)%	15.850%
2009 - 2010	17.654	(1.647)	16.007
2010 - 2011	17.386	(0.289)	17.097
2011 - 2012	18.490	4.197	22.687
2012 - 2013	18.433	3.882	22.315

The funding history below shows the recent history of the actuarial accrued liability, the market value of assets, the actuarial value of assets, funded ratios and the annual covered payroll. The Actuarial Value of Assets is used to establish funding requirements and the funded ratio on this basis represents the progress toward fully funding future benefits for current plan participants. The funded ratio based on the Market Value of Assets is an indicator of the short-term solvency of the plan.

Safety Plan of the City of Long Beach

Valuation Date	Accrued Liability	Actuarial Value of Assets (AVA)	Market Value of Assets (MVA)	Funded Ratio		Annual Covered Payroll
				AVA	MVA	
06/30/06	\$1,388,323,846	\$1,424,542,238	\$1,512,359,575	102.6%	108.9%	\$110,145,989
06/30/07	1,479,271,323	1,514,812,549	1,762,194,832	102.4	119.1	119,753,081
06/30/08	1,592,666,635	1,602,456,920	1,642,107,251	100.6	103.1	132,155,831
06/30/09	1,730,517,689	1,652,959,833	1,208,498,685	95.5	69.8	137,922,737
06/30/10	1,786,692,529	1,713,418,197	1,340,369,356	95.9	75.0	133,769,553

The table below provides a recent history of the employer contribution rates for the miscellaneous plan, as determined by the annual actuarial valuation. It does not account for prepayments or benefit changes made in the middle of the year.

Miscellaneous Plan of the City of Long Beach

Fiscal Year	Employer Normal Cost	Unfunded Rate	Total Employer Contribution Rate
2008 - 2009	10.051%	2.147%	12.198%
2009 - 2010	9.965	1.865	11.830
2010 - 2011	9.866	2.431	12.297
2011 - 2012	9.668	6.404	16.072
2012 - 2013	9.403	5.756	15.159

The funding history below shows the recent history of the actuarial accrued liability, the market value of assets, the actuarial value of assets, funded ratios and the annual covered payroll. The Actuarial Value of Assets is used to establish funding requirements and the funded ratio on this basis represents the progress toward fully funding future benefits for current plan participants. The funded ratio based on the Market Value of Assets is an indicator of the short-term solvency of the plan.

Miscellaneous Plan of the City of Long Beach

Valuation Date	Accrued Liability	Actuarial Value of Assets (AVA)	Market Value of Assets (MVA)	Funded Ratio AVAMVA	Annual Covered Payroll
06/30/06	\$1,467,665,219	\$1,394,797,088	\$1,480,255,056	95.0% 100.9%	\$193,943,658
06/30/07	1,558,204,587	1,489,681,356	1,732,271,188	95.6 111.2	204,765,376
06/30/08	1,667,773,030	1,576,158,520	1,613,456,441	94.5 96.7	215,223,890
06/30/09	1,846,094,383	1,630,804,905	1,190,565,655	88.3 64.5	222,150,223
06/30/10	1,888,324,674	1,692,443,915	1,323,671,960	89.6 70.1	221,420,364

See "Note 14 - Retirement Programs" in COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011, for additional information about CalPERS.

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

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

The following information describes the calculation methodology:

(a) The Plan's annual pension cost ("APC") for Fiscal Year 2011 is based on data from Fiscal Year 2010 and was \$105,000; based on the same methodology, the APC for Fiscal Year 2012 is projected to be \$109,000.

(b) The actuarial liabilities and assets are valued as of September 30, 2010.

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

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

The unfunded actuarial liability is the difference between the actuarial accrued liability and plan assets. This difference is amortized as a level dollar amount (in the 2010 actuarial valuation used to determine the Fiscal Year 2011 APC, a seven-year amortization is used for the September 30, 2006 unfunded liability and a 10-year amortization is used for all other gains and losses) to determine the unfunded actuarial liability rate. The actuarial value of plan assets is based on a five-year smoothing of gains and losses. The actuarially assumed interest rate for the 2010 valuation was 5.25%.

See "Note 14 – Retirement Programs" in APPENDIX A—COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011, for additional information about the Plan.

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

At September 30, 2011, there were 557 participants in the City's Retired Employees Health Insurance Program, and the non-interest bearing cash value equivalent of the remaining unused sick leave for the current retirees totaled \$20.9 million. Total premiums and actual claims paid by the City under the Retired Employees Health Insurance Program for Fiscal Year 2011 were \$9.0 million, and are included in the expenses of the Employee Benefits Internal Service Fund.

As of September 30, 2011, the City has recorded a liability in the Employee Benefits Internal Service Fund of \$105.7 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 2009 negotiated public safety health benefit supplements. The actuarial study assumes projected investment returns of 5.0%; wage increases of 3.5% per year for miscellaneous and 4.5% per year for safety employees, and insurance premium increases of 4.5%. The estimated current portion of such obligation of \$7.8 million has been fully funded, over time, through burden rates charged to the City's various fund, applied as a percent of current productive salaries.

See "Note 15 - Post Retirement Health Care Benefits" in APPENDIX A—COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011, for additional information about the post-retirement health care benefits provided to the employees of the City.

Employer/Employee Relations

The City recognizes various employee organizations, the largest ones being the International Association of Machinists ("IAM"), Police Officers Association ("POA") and Fire Fighters Association ("FFA"), which collectively represent approximately 84% of all City employees in a variety of classifications. Most City employees are covered by negotiated agreements.

The contract with the IAM is in effect until September 30, 2013. The members of the POA are covered by contracts in effect until September 30, 2016. The City has not experienced a major work stoppage by City employees in the past five years.

Insurance Coverage

The City has adopted separate self-insurance programs for workers' compensation and general liability claims. The City has in place all-risk property insurance in the amount of \$1 billion and a Public Employee Dishonesty policy, including a Faithful Performance policy, with limits of \$10,000,000 which covers all employees, officers and elected officials.

As of September 30, 2011 a reserve of \$114.4 million had been established to cover anticipated claims and judgments. This represents estimates of amounts to be paid for actual and incurred but not reported claims based upon past experience, modified for current trends and developments. The City does not have any outstanding annuities. The City has recorded a current liability of \$21.6 million and a long-term liability of \$92.8 million in the Insurance Internal Service Fund.

The ultimate amount of losses incurred through September 30, 2011 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 July 31, 2012 the City had outstanding revenue bonds of approximately \$1.6 billion, of which approximately \$10.1 million are payable from the City General Fund. Also outstanding were (a) lease revenue bonds in the amount of approximately \$335 million, of which approximately \$166 million are payable from the City General Fund, (b) tax allocation revenue bonds, which include redevelopment bonds (not payable from the City General Fund*) in the amount of approximately \$166 million, and (c) pension obligation bonds (payable from the City General Fund*) in the amount of approximately \$55 million.

* General Fund totals include Internal Service Funds.

In addition to the outstanding revenue bonds described above, the City has established commercial paper programs (not payable from the City General Fund) for: (a) the Harbor Department in the aggregate principal amount of \$383,500,000 (none of which was outstanding as of July 31, 2012); (b) the Water Department's Sewer Fund in the aggregate principal amount of \$20,000,000 (none of which was outstanding as of July 31, 2012); (d) the Long Beach Airport in the aggregate principal amount of \$25,000,000 (none of which was outstanding as of July 31, 2012); and (e) the Gas and Oil Department in the aggregate principal amount of \$35,000,000 (\$3,000,000 million aggregate principal amount of which was outstanding as of July 31, 2012). Currently, the commercial paper programs for the Harbor Department, the Sewer Department and Long Beach Airport are not supported by letters of credit, and therefore no commercial paper notes may be issued under those programs at this time. The City has no plans to obtain new letters of credits on those programs at this time. Additionally, on May 26, 2011, the Sewer Department obtained a revolving line of credit from Wells Fargo, National Association, in the amount of \$20,000,000, which expires on May 26, 2014.

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

CITY OF LONG BEACH
Summary of the City and Related Agencies
Outstanding Debt
(as of July 31, 2012)

Obligations Secured by the City's General Fund

<u>Issue Name</u>	<u>Final Maturity</u>	<u>Original Par Amount</u>	<u>Amount Outstanding</u>
2010 Lease Agreement between Bank of America Public Capital Corporation and the City ⁽¹⁾	2027	\$ 31,450,000	\$28,435,000
Series 2006B LBBFA Lease Revenue Bonds (Parks/ Open Space Financing Project)	2031	24,320,000	24,320,000
Series 2006A LBBFA Lease Revenue Refunding Bonds (Rainbow Harbor Refinancing Project) ⁽²⁾	2024	50,785,000	36,655,000
Series 2005A LBBFA Lease Revenue Refunding Bonds (Temple Willow Facility Refinancing Project) ⁽³⁾	2028	8,145,000	6,430,000
Series 2003A (Non-AMT) & B (AMT) Southeast Resource Recovery Facility Authority Lease Revenue Bonds ⁽⁴⁾	2018	120,235,000	65,615,000
Series 2003 LBBFA Lease Revenue Bonds (Skylinks Golf Course Project)	2029	6,890,000	5,375,000
Series 2002A & B Pension Obligation Refunding Taxable Bonds ⁽⁵⁾	2021	76,550,000	54,525,000
Series 2002 LBBFA Lease Revenue Bonds (Public Safety Facilities)	2031	40,915,000	34,690,000
Series 2001 LBBFA Lease Revenue Bonds (Plaza Parking Facilities) ⁽⁶⁾	2027	11,500,000	8,860,000
Series 1998B LBBFA Lease Revenue and Refunding Bonds (Temple Willow)	2027	29,565,000	21,645,000

Source: City of Long Beach.

⁽¹⁾ The 2010 Lease Agreement Refunded the Series 1997A LBBFA Lease Revenue Refunding Bonds (Civic Center Project).

⁽²⁾ Series 2006 LBBFA Lease Revenue Refunding Bonds (Rainbow Harbor) issued April 2006 refunded the Series 1999A LBBFA Revenue Bonds (Rainbow Harbor) and the 1997 Queensway Parking Facility Bonds.

⁽³⁾ Series 2005 LBBFA Lease Revenue Refunding Bonds (Temple Willow) issued August, 2005 refunded the Series 1998A LBBFA Revenue Bonds (Temple Willow).

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

⁽⁵⁾ Series 2002A&B Pension Obligation Refunding Taxable Bonds partially defeased Series 1995 Pension Obligation Refunding Bonds in September 2002. The remaining issue amount after partial defeasement of the Series 1995 Pension Obligation Bonds was \$23,920,000. Series 2002A&B Pension Obligation Bonds were remarketed on December 30, 2005 to a fixed rate from auction rate

⁽⁶⁾ Series 2001 LBBFA Lease Revenue Bonds (Plaza Parking Facilities) defeased a portion (\$8,755,000 original par) of the Series 1992 Tax Allocation Revenue Bonds (West Long Beach Industrial and Downtown Project).

Obligations Secured by Enterprise Revenues (Non-General Fund Revenues)

<u>Issue Name</u>	<u>Final Maturity</u>	<u>Original Par Amount</u>	<u>Amount Outstanding</u>
LBBFA 2012 Refunding Revenue Bonds (Aquarium of the Pacific Project) ⁽¹⁾	2030	\$ 102,580,000	\$ 102,580,000
Series 2012A Second Lien Water Revenue Bonds	2027	9,850,000	9,850,000
Series 2010A Water Revenue Refunding Bonds ⁽²⁾	2024	22,740,000	22,250,000
Series 2010A & B Airport Revenue Bonds	2040	61,400,000	61,160,000
Series 2010B Harbor Revenue Refunding Bonds ⁽³⁾	2027	158,085,000	157,760,000
Series 2010A Harbor Revenue Bonds	2025	200,835,000	181,355,000
Series 2009A, B & C Airport Revenue Bonds and Airport Revenue Refunding Bonds ⁽⁴⁾	2039	61,440,000	59,515,000
Series 2007A & B, Long Beach Bond Finance Authority ("LBBFA") Natural Gas Purchase Revenue Bonds (Fixed Rate)	2032	635,665,000	560,365,000
Series 2007B LBBFA Natural Gas Purchase Revenue Bonds (LIBOR Index Rate) ⁽⁵⁾	2033	251,695,000	69,005,000
Series 2005 Gas Utility Bonds ⁽⁶⁾	2013	7,675,000	1,770,000
Series 2005A LBBFA Limited Obligation Refunding Revenue Bonds (AD 90-3)	2015	2,100,000	980,000
Series 2005A & B Harbor Revenue Refunding Bonds	2025	257,975,000	117,200,000
Series 2004A Taxable Variable Rate Demand Revenue Bonds (Towne Center) [*]	2030	11,595,000	10,095,000
Series 2004A & B Harbor Revenue Refunding Bonds ⁽⁷⁾	2018	113,410,000	45,685,000
Series 2002B Harbor Revenue Bonds	2027	150,000,000	48,455,000
Series 1998A Harbor Revenue Refunding Bonds	2019	206,330,000	98,215,000
Series 1997A Water Revenue Refunding Bonds	2024	46,945,000	5,175,000

Source: City of Long Beach.

⁽¹⁾ LBBFA 2012 Refunding Revenue Bond (Aquarium of the Pacific Project) issued April 3, 2012 refunded the Series 2001 LBBFA Lease Revenue Refunding Bonds (Aquarium of the Pacific Project).

⁽²⁾ Proceeds were used to partially refund the Series 1997A Water Revenue Refunding Bonds.

⁽³⁾ Proceeds were used to partially refund the Series 2002B Harbor Revenue Bonds, the Series 2004A Harbor Revenue Refunding Bonds and the Series 2005A Harbor Revenue Refunding Bonds.

⁽⁴⁾ The Series 2009C Airport Revenue Bonds are Federally Taxable-Build America Bonds which includes a federal direct payment equal to 35% of the interest payable on the Series 2009C Airport Revenue Bonds.

⁽⁵⁾ Proceeds were used to prepay the costs of the acquisition of a specified supply of natural gas to be delivered over approximately 30 years under an agreement between Merrill Lynch Commodities, Inc. ("Seller") and LBBFA. The Seller is obligated to deliver specified daily quantities of gas to LBBFA, make certain payments for any gas not delivered and to remarket gas not taken by the City. In the event the transaction is terminated by the Seller, there is a termination payment due to LBBFA. Merrill Lynch & Co. unconditionally guarantees the payment obligations of the Seller under the agreement. A tender offer was completed on August 12, 2009 reducing the outstanding debt of the Series 2007A & B LBBFA Natural Gas Purchase Revenue Bonds by \$48,255,000 and \$182,690,000, respectively.

⁽⁶⁾ Issued as part of Long Beach Bond Finance Authority Revenue Bonds (Redevelopment, Housing and Gas Utility Financings) 2005 Series A.

⁽⁷⁾ Defeased the Series 1993 Harbor Revenue Bonds aggregate principal amount of \$127,470,000.

Obligations Secured by Tax Increment Revenues

<u>Issue Name</u>	<u>Final Maturity</u>	<u>Original Par Amount</u>	<u>Amount Outstanding</u>
Series 2010A & B Redevelopment Agency of the City of Long Beach, Taxable Recovery Zone Economic Development Bonds (North Long Beach)	2040	\$ 32,980,000	\$32,390,000
Series 2005C LBBFA Tax Allocation Revenue Bonds (Downtown and North Long Beach Redevelopment Project Areas) ⁽¹⁾	2031	35,045,000	34,785,000
Series 2005A & B LBBFA Limited Obligation Refunding Revenue Bonds (Redevelopment, Housing and Gas Utility Financings) (Central Redevelopment, Los Altos Redevelopment, North Long Beach Redevelopment, Poly High Redevelopment and West Beach Redevelopment Project Areas and Housing Projects)	2040	184,757,306	167,657,306
Series 2002A LBBFA Tax Allocation Revenue Bonds (Downtown Redevelopment; North Long Beach Redevelopment; Poly High Redevelopment and West Beach Redevelopment Project Areas)	2031	77,715,000	25,864,789
Series 2002B LBBFA Tax Allocation Revenue Bonds (Downtown Redevelopment and West Long Beach Industrial Redevelopment Project Areas) ⁽²⁾	2024	47,780,000	41,490,000
Series 1992 Tax Allocation Revenue Refunding Bonds (West Long Beach Industrial and Downtown Project)	2017	117,490,000	31,025,000

Source: City of Long Beach.

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

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

Municipal Lease Obligations

The City has payment obligations with regard to various long-term leases including certifications of participation financings currently outstanding. See "CITY FINANCIAL INFORMATION—Bonded Indebtedness" herein for a full description of City long-term obligations payable from the City's general fund.

A schedule of the City's direct and overlapping debt as of June 30, 2012, is set forth below:

CITY OF LONG BEACH
Direct and Overlapping Debt
(in Thousands)

2011-12 Assessed Valuation: \$43,339,549
 Redevelopment Incremental Valuation: 9,627,393
 Adjusted Assessed Valuation: \$33,712,156

<u>DIRECT DEBT:</u>		<u>Outstanding</u>	<u>Exclusions</u>	<u>Outstanding</u>
City of Long Beach				
Lease Revenue Bonds		\$175,515	\$65,615 ¹	\$109,900
Marks-Roos Bonds ⁽⁴⁾		28,075	0	28,075
Pension Obligations		54,520	0	54,520
TOTAL DIRECT DEBT		<u>\$258,110</u>	<u>\$65,615</u>	<u>\$192,495</u>
<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>			
Cerritos Community College District	0.443%	\$189,248	\$188,410	\$838
Compton Community College District	1.788	63,611	62,474	1,137
Long Beach Community College District	87.965	338,552	40,745	297,807
Los Angeles Community College District	0.038	3,504,910	3,503,578	1,332
ABC Unified School District	1.690	46,320	45,537	783
Compton Unified School District	0.023	58,597	58,584	13
Long Beach Unified School District	87.962	536,652	64,602	472,050
Los Angeles Unified School District	0.046	11,279,905	11,274,716	5,189
Paramount Unified School District	6.926	118,754	110,529	8,225
Los Angeles County Flood Control District	3.620	37,195	35,849	1,346
Metropolitan Water District	1.869	196,545	192,872	3,673
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT ⁽¹⁾		<u>\$16,370,289</u>	<u>\$15,577,896</u>	<u>\$792,393</u>
<u>OVERLAPPING GENERAL FUND OBLIGATION DEBT:</u>				
Los Angeles County General Fund Obligations	3.633%	\$1,474,123	\$1,420,568	\$53,555
Los Angeles County Superintendent of Schools Certificates of Participation	3.633	11,270	10,861	409
Compton Unified School District Certificates of Participation	0.023	28,625	28,618	7
Los Angeles Unified School District Certificates of Participation	0.046	419,851	419,658	193
Paramount Unified School District Certificates of Participation	6.926	25,860	24,069	1,791
County Sanitation District No. 1 Certificates of Participation	0.901	19,768	19,590	178
County Sanitation District No. 2 Certificates of Participation	0.123	30,523	30,485	38
County Sanitation District No. 3 Certificates of Participation	84.221	14,809	2,337	12,472
County Sanitation District No. 8 Certificates of Participation	2.109	12,064	11,810	254
County Sanitation District No. 19 Certificates of Participation	38.192	5,498	3,398	2,100
TOTAL GROSS OVERLAPPING GENERAL FUND OBLIGATION DEBT		<u>\$2,042,391</u>	<u>\$1,971,394</u>	<u>\$70,997</u>
TOTAL GROSS OVERLAPPING COMBINED DEBT		<u>\$18,412,680</u>	<u>\$17,549,290</u>	<u>\$863,390</u>
Less: Los Angeles County General Fund Obligations supported by landfill revenues		28,050	27,443	607
Los Angeles Unified School District (Qualified Zone Academic Bonds supported by period payments to investment accounts)		10,000	9,998	2
TOTAL NET OVERLAPPING COMBINED DEBT		<u>\$18,374,630</u>	<u>\$17,511,849</u>	<u>\$862,781</u>
TOTAL NET DIRECT AND OVERLAPPING COMBINED DEBT ^{(2), (3)}		<u>\$18,632,740</u>	<u>\$17,577,464</u>	<u>\$1,055,276</u>

⁽¹⁾ Supported Southeast Resource Recovery Facility issues.

⁽²⁾ Excludes 1915 Act and Mello-Roos Act Bonds.

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

⁽⁴⁾ Principal payments made by the City of Long Beach on September 30, 2011, are not reflected on the schedule above. These payments were posted, by the Trustee, on October 1, 2011.

Ratios to 2011-2012 Assessed Valuation:

Total Overlapping Tax and Assessment Debt (\$792,393) 1.83%

Ratios to Adjusted Assessed Valuation:

Gross Combined Direct Debt (\$258,110) 0.77%⁽¹⁾
Net Combined Direct Debt (\$192,495) 0.57%
Gross Combined Total Debt (\$1,121,500) 3.33%⁽²⁾
Net Combined Total Debt (\$1,055,276) 3.13%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/2012: \$0

Source: California Municipal Statistics, Inc.

⁽¹⁾ Includes supported Southeast Resource Recovery Facility issues.

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

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. In addition to the information provided below, the County Assessor estimates an increase in assessed valuation of 6.9% for the City during the County's most recent Fiscal Year (July 1, 2011 through June 30, 2012).

CITY OF LONG BEACH
Assessed Valuations and Tax Collection Record
Fiscal Years 2007 through 2012
(in Thousands)

<u>Fiscal Year</u> ⁽¹⁾	<u>Estimated Full Market Valuation</u>	<u>Valuation For Revenue Purposes</u>	<u>Total City Tax Levy</u>	<u>Total Current Tax Levy Collections</u>	<u>Percent of Levy Collected</u>
2007	\$38,915,969	\$38,915,969	\$155,850	\$145,113	93.1%
2008	42,272,615	42,272,615	174,002	157,865	90.7
2009	45,573,824	45,573,824	191,251	179,716	94.0
2000	44,227,262	44,227,262	180,159	161,354	89.6
2011	42,995,965	42,995,965	174,025	165,851	95.3
2012	44,103,672	44,103,672			

Source: City of Long Beach Summary Financial Information Statement for Fiscal Year 2011.

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

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

Tax Rates

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

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

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

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

CITY OF LONG BEACH
Property Tax Rates
All Overlapping Governments
Per \$100 of Assessed Value
Fiscal Years 2007 through 2011

<u>Fiscal Year*</u>	<u>City Direct Rate</u>	<u>Los Angeles County</u>	<u>Unified Schools</u>	<u>Community Colleges</u>	<u>Special Districts</u>	<u>Total</u>
2007	\$1.000000	\$0.000663	\$0.106814	\$0.021462	\$0.004752	\$1.133691
2008	1.000000	0.000000	0.123342	0.008794	0.004500	1.136636
2009	1.000000	0.000000	0.124782	0.022115	0.004300	1.151197
2010	1.000000	0.000000	0.151809	0.023112	0.004300	1.179221
2011	1.000000	0.000000	0.186954	0.040310	0.003700	1.230964

Source: City of Long Beach.

* Based on Los Angeles County's Fiscal Year Ending June 30.

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

Tax Receipts

Taxes received by the City include Property Taxes, Utility Users Taxes, Sales and Use Taxes, Transient Occupancy Taxes, Business License Taxes, and an Oil Production Tax. Of such taxes, Property Taxes, Utility Users Taxes and Sales and Use Taxes constitute the major sources of tax revenues. None of the general taxes currently imposed by the City are affected by Proposition 218. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS—Proposition 218."

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

CITY OF LONG BEACH
Tax Revenues by Source
For Fiscal Years 2007 through 2011
(in Thousands)

<u>Fiscal Year</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Property Tax ⁽¹⁾	\$162,449	\$172,741	\$195,128	\$216,922	\$218,593
Utility Users Tax ⁽²⁾	41,694	41,028	39,901	39,148	38,739
Sales & Use Tax	55,848 ⁽³⁾	55,261	51,585	51,862	60,159
Transient Occupancy Tax	18,309	18,324	14,635	15,461	17,603
Business License Tax	10,909	11,681	11,647	11,686	11,956
Franchise Tax	22,340	27,147	23,774	21,488	24,184
Oil Production Tax ⁽⁴⁾	3,123	5,767	5,557	5,517	5,331
Other Tax ⁽⁵⁾	<u>10,524</u>	<u>10,796</u>	<u>8,137</u>	<u>9,801</u>	<u>8,364</u>
Total ⁽⁶⁾	<u>\$325,196</u>	<u>\$342,745</u>	<u>\$351,364</u>	\$371,891	<u>\$384,929</u>

Source: City of Long Beach Summary Financial Information Statement for Fiscal Year 2011.

⁽¹⁾ Includes delinquent tax collections and supplemental or redemption revenue.

⁽²⁾ Utility Users Tax Revenue decrease is due to Measure J. Measure J is a voter initiative that lowered the Utility Users Tax 1% a year starting from Fiscal Year 2001 until Fiscal Year 2005 (from 10% to 5%). The Fiscal Year 2007 and 2008 figures re net of refunds and adjustments.

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

⁽⁴⁾ In May 2007, the City's voters approved an increase in the oil production tax (OPT) per barrel of crude petroleum taken from the City. The OPT was increased from .15 a barrel to .40 with the .25 increase going to public safety budgets.

⁽⁵⁾ Includes real property transfer, special parking, miscellaneous taxes and transfers in lieu of taxes.

⁽⁶⁾ Tax revenues by source include all governmental fund types (general, special revenue, and capital projects funds), including property tax and transient occupancy tax, also referred to as hotel tax, for the Long Beach Redevelopment Agency, in accordance with generally accepted accounting principles. The Long Beach Housing Authority had no tax revenue in Fiscal Year 2007.

Transient Occupancy Taxes

The following table sets forth the City's transient occupancy tax receipts (currently computed at 12%) during the period from Fiscal Years 2007 through 2011:

CITY OF LONG BEACH
Transient Occupancy Tax Receipts
Fiscal Years 2007 through 2011
(in Millions)

<u>Fiscal Year</u>	<u>Transient Occupancy Tax Receipts</u>
2007	\$18.3
2008	18.3
2009	14.6
2010	15.5
2011	17.6

Source: City of Long Beach Summary of Financial Information Statement for Fiscal Year 2011.

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. 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. The objectives of the Investment Policy are, in the following order of priority:

(1) 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.

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

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

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

According to the City Treasurer's Monthly Report for the quarter ending June 30, 2012, the City's invested funds and cash totaled approximately \$1.79 billion. The investment portfolio includes a variety of fixed income securities that vary in maturity from one day to five years. On June 30, 2012, 84.02% of the total City Portfolio was invested in U.S. Treasury and Agency Notes, 3.22% in money market funds and the State Treasurer's Local Agency Investment Fund, and 0.11% in other types of income securities. The remaining 12.65% is held in cash at various financial institutions.

A summary of the City Treasurer's Monthly Report for the quarter ending June 30, 2012, is set forth below:

CITY OF LONG BEACH
Invested Funds
Quarter Ending
June 30, 2012

	<u>Pooled Fund</u>
Invested Market Balance*	\$1,786,886,669
Portfolio Market Yield	0.34%
Average Portfolio Maturity in Days	318
Average Portfolio Maturity in Years	0.87

Source: City of Long Beach.

*Includes ending cash balances held at various financial institutions.

As of March 31, 2012, Standard & Poor's Ratings Services ("S&P") reaffirmed the City's rating on the City's investment portfolio of "AAA" and a volatility rating of "S1." Any explanation of the significance of such a rating may be obtained from S&P.

On September 3, 2008, the City invested \$19,963,250 of City funds in 27-day commercial paper notes (the "Commercial Paper") issued by Lehman Brothers Holdings Inc. ("Lehman"), which came due for payment on September 30, 2009. Lehman failed to pay the City on September 30, 2009. Lehman filed for Chapter 11 bankruptcy protection on September 15, 2008. The General Fund's estimated portion of the potential loss related to this Commercial Paper investment is approximately \$350,000, which assumes no recovery from the bankruptcy estate. The City has filed a claim in the U.S. Bankruptcy Court for the Southern District of New York (Manhattan) against Lehman (the "Lehman Bankruptcy Action"), as well as a separate action for fraud against the Lehman directors, officers and other related parties in the Superior Court of the State of California in and for the County of Los Angeles (the "Lehman Fraud Action") relating to Lehman's failure to pay the City and related matters. To date, the City has received a partial payment of \$1,203,534.53 related to the Lehman Bankruptcy Action, and a partial payment of \$574,401.86 related to the Lehman Fraud Action. As both actions continue, there is no assurance that the City will prevail in either the Lehman Bankruptcy Action or the Lehman Fraud Action.

STATE BUDGET INFORMATION

The following information concerning the State of California's budgets has been obtained from publicly available information which the City believes to be reliable; however, the City takes no responsibility as to the accuracy or completeness thereof and has not independently verified such information.

According to the State Constitution, the Governor must propose a budget to the State Legislature no later than January 10 of each year, and a final budget must be adopted no later than June 15. Historically, the budget required a two-thirds vote of each house of the State Legislature for passage. However, on November 2, 2010, the State's voters approved Proposition 25, which amends the State Constitution to lower the vote requirement necessary for each house of the State Legislature to pass a budget bill and send it to the Governor. Specifically, the vote requirement was lowered from two-thirds to a simple majority (50% plus one) of each house of the State Legislature. The lower vote requirement also would apply to trailer bills that appropriate funds and are identified by the State Legislature "as related to the budget in the budget bill." The budget becomes law upon the signature of the Governor, who may veto specific items of expenditure. Under Proposition 25, a two-thirds vote of the State Legislature is still required to override any veto by the Governor.

2011-12 State Budget. The Governor signed the fiscal year 2011-12 State budget (the "2011-12 State Budget") on June 30, 2011. The 2011-12 State Budget proposed to close a \$26.6 billion budget gap with \$15.0 billion in expenditure reductions, \$0.9 billion in targeted revenue increases, \$8.3 billion in an improvement in the State's revenue outlook and \$2.9 billion in new loans and transfers. The complete 2011-12 State Budget is available from the California Department of Finance website at www.dof.ca.gov. The City can take no responsibility for the continued accuracy of this internet address or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated herein by such reference. On December 13, 2011, Governor Brown announced that State revenues had fallen \$2.2 billion below projections made at the adoption of the 2011-12 State Budget, thus triggering certain automatic spending reductions.

2012-13 State Budget. The Governor signed the fiscal year 2012-13 State budget (the "2012-13 State Budget") on June 27, 2012. The 2012-13 State Budget closes a \$15.7 billion budget gap and builds a reserve of nearly \$1 billion with (i) \$8.1 billion in expenditure reductions, (ii) \$6 billion in increased revenues (which assumes the approval by the voters of temporary taxes at the November 2012 election, as further described below) and (iii) \$2.5 billion from certain loan and transfer measures. This \$15.7 billion budget gap is less than the \$26.6 billion budget gap encountered for fiscal year 2011-12. The 2012-13 State Budget purports to position the State to have a balanced budget in an ongoing manner for the first time in over a decade, with future spending expected to stay within available revenues.

The 2012-13 State Budget assumes the passage of The Schools and Local Public Safety Protection Act (the "Temporary Tax Measure") at the November 2012 election. Such measure, if approved by the voters, would increase the personal income tax on the State's wealthiest taxpayers by up to three percent for a period of seven years, and increase the sales tax by one-quarter percent for a period of four years. The 2012-13 State Budget projects that the Temporary Tax Measure will generate an estimated \$8.5 billion in revenues in fiscal year 2012-13. Such additional revenues would increase the State's Proposition 98 obligation by \$2.9 billion and provide a net benefit of \$5.6 billion to the State's general fund.

The complete 2012-13 State Budget is available from the California Department of Finance website at www.dof.ca.gov. The City can take no responsibility for the continued accuracy of this interest address or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated herein by such reference.

Prohibitions on Diverting Local Revenues for State Purposes. Beginning in 1992-93, the State satisfied a portion of its Proposition 98 obligations by shifting part of the property tax revenues otherwise belonging to cities, counties, special districts, and redevelopment agencies, to school and college districts through a local Educational Revenue Augmentation Fund (ERAF) in each county. Local agencies, objecting to invasions of their local revenues by the State, sponsored a statewide ballot initiative intended to eliminate the practice. In response, the State Legislature proposed an amendment to the State Constitution, which the State's voters approved as Proposition 1A at the November 2004 election. That measure was generally superseded by the passage of a new initiative constitutional amendment at the November 2010 election, known as "Proposition 22."

The effect of Proposition 22 is to prohibit 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. It prevents the State from redirecting redevelopment agency property tax increment to any other local government, including school districts, or from temporarily shifting property taxes from cities, counties and special districts to schools, as in the ERAF program. This is intended to, among other things, stabilize local government revenue sources by restricting the State's control over local property taxes. One effect of this amendment will be to deprive the State of fuel tax revenues to pay debt service on most State bonds for transportation projects, reducing the amount of State general fund resources available for other purposes, including education.

Prior to the passage of Proposition 22, the State invoked Proposition 1A to divert \$1.935 billion in local property tax revenues in 2009-10 from cities, counties, and special districts to the State to offset State general fund spending for education and other programs, and included another diversion in the adopted 2009-10 State budget of \$1.7 billion in local property tax revenues from local redevelopment agencies, which local redevelopment agencies have now been dissolved. Redevelopment agencies had sued the State over this latter diversion. However, the lawsuit was decided against the California Redevelopment Association on May 1, 2010. Because Proposition 22 reduces the State's authority to use or shift certain revenue sources, fees and taxes for State general fund purposes, the State will have to take other actions to balance its budget in some years—such as reducing State spending or increasing State taxes, and school and community college districts that receive Proposition 98 or other funding from the State will be more directly dependent upon the State's general fund.

Dissolution of Redevelopment Agencies. The adopted State budget for fiscal 2011-12, as signed by the Governor of the State on June 30, 2011, included as trailer bills Assembly Bill No. 26 (First Extraordinary Session) ("ABX1 26") and Assembly Bill No. 27 (First Extraordinary Session) ("ABX1 27"), which the Governor signed on June 29, 2011. ABX1 26 suspended most redevelopment agency activities and prohibited redevelopment agencies from incurring indebtedness, making loans or grants, or 45 entering into contracts after June 29, 2011. ABX1 26 dissolves all redevelopment agencies in existence and designates "successor agencies" and "oversight boards" to satisfy "enforceable obligations" of the former redevelopment agencies and administer dissolution and wind down of the former redevelopment agencies. Certain provisions of ABX1 26 are described further below. As signed by the Governor, ABX1 27 would have allowed a redevelopment agency to continue to exist, notwithstanding ABX1 26, upon the enactment by the city or county that created the redevelopment agency of an ordinance to comply with ABX1 27's provisions and the satisfaction of certain other conditions.

In July of 2011, various parties filed an action before the Supreme Court of the State of California (the "Court") challenging the validity of ABX1 26 and ABX1 27 on various grounds (*California Redevelopment Association v. Matosantos*). The Court subsequently stayed the implementation of a portion of ABX1 26 and all of ABX1 27 pending its decision in *Matosantos*. On December 29, 2011, the Court rendered its decision in *Matosantos* upholding virtually all of ABX1 26 and invalidating ABX1 27. In its decision, the Court also modified various deadlines for the implementation of ABX1 26. The deadlines for implementation of ABX1 26 below take into account the modifications made by the Court in *Matosantos*.

After *Matosantos*, ABX1 26 continues to suspend most redevelopment agency activities and continues to prohibit redevelopment agencies from incurring indebtedness, making loans or grants, or entering into contracts. After redevelopment agencies were dissolved on February 1, 2012, ABX1 26 requires redevelopment agencies to continue to make scheduled payments on and perform obligations required under its "enforceable obligations." For this purpose, ABX1 26 defines "enforceable obligations" to include "bonds, including the required debt service, reserve set-asides, and any other payments required under the indenture or similar documents governing the issuance of outstanding bonds of the former redevelopment agency" and "any legally binding and enforceable agreement or contract that is not otherwise void as violating the debt limit or public policy." ABX1 26 specifies that only payments included on an "enforceable obligation payment schedule" adopted by a redevelopment agency shall be made by a redevelopment agency until its dissolution.

On February 1, 2012, and pursuant to *Matosantos*, ABX1 26 dissolved all redevelopment agencies in existence and designated "successor agencies" and "oversight boards" to satisfy "enforceable obligations" of the former redevelopment agencies and administer dissolution and wind down of the former redevelopment agencies. With limited exceptions, all assets, properties, contracts, leases, records, buildings and equipment, including cash and cash equivalents of a former redevelopment agency will be transferred to the control of the successor agency and, unless otherwise required pursuant to the terms of an enforceable obligation, distributed to various taxing agencies pursuant to ABX1 26.

ABX1 26 requires each successor agency to continue to make payments on enforceable obligations of the former redevelopment agencies. However, until a successor agency adopts a "recognized obligation payment schedule" the only payments permitted to be made are payments on enforceable obligations included on an enforceable obligation payment schedule. The initial enforceable obligation payment schedule will be the enforceable obligation payment schedule adopted by the former redevelopment agency. A successor agency may amend the enforceable obligation payment schedule at any public meeting, subject to the approval of its oversight board.

Under ABX1 26, commencing February 1, 2012, property taxes that would have been allocated to each redevelopment agency if the agencies had not been dissolved will instead be deposited in a "redevelopment property tax trust fund" created for each former redevelopment agency by the related county auditor-controller and held and administered by the related county auditor-controller as provided in ABX1 26. ABX1 26 generally requires each county auditor-controller, on May 16, 2012 and June 1, 2012 and each January 16 and June 1 thereafter, to apply amounts in a related redevelopment property tax trust fund, after deduction of the county auditor-controller's administrative costs, in the following order of priority:

- To pay pass-through payments to affected taxing entities in the amounts that would have been owed had the former redevelopment agency not been dissolved; provided, however, that if a successor agency determines that insufficient funds will be

available to make payments on the recognized obligation payment schedule and the county auditor-controller and State Controller verify such determination, pass-through payments that had previously been subordinated to debt service may be reduced;

- To the former redevelopment agency's successor agency for payments listed on the successor agency's recognized obligation payment schedule for the ensuing six-month period;
- To the former redevelopment agency's successor agency for payment of administrative costs; and
- Any remaining balance to school entities and local taxing agencies.

It is possible that there will be additional legislation proposed and/or enacted to "clean up" various inconsistencies contained in ABX1 26 and there may be additional legislation proposed and/or enacted in the future affecting the current scheme of dissolution and winding up of redevelopment agencies currently contemplated by ABX1 26. No assurances can be given as to the effect of any such future proposed and/or enacted legislation on the City.

Future Budgets and Budgetary Actions. The City cannot predict what actions will be taken in the future by the State Legislature and the Governor to address changing State revenues and expenditures or the impact such actions will have on State revenues available in the current or future years for education. The State budget will be affected by national and State economic conditions and other factors over which the City cannot predict and will have no control. Certain actions could result in a significant shortfall of revenue and cash, and could impair the State's ability to fund schools during fiscal year 2012- 13 and in future fiscal years. Continued State budget shortfalls in fiscal year 2012-13 and future fiscal years could have a material adverse financial impact on the City.

Changes in State Budget. The final State Budget, which requires approval by a two-thirds vote of each house of the State Legislature, may differ substantially from the Governor's original budget proposal. Accordingly, the City cannot predict the impact that the 2011-12 or the 2012-13 budget, or subsequent budgets, will have on its finances and operations. The State Budget will be affected by State and national economic conditions and other factors over which the City will have no control.

The City cannot predict what actions will be taken in the future by the State Legislature and the Governor to deal with changing State revenues and expenditures and the repercussions they may have on the current State budget and future State budgets. These developments at the State level may, in turn, affect local governments, including the City. The State's revenue transfers to local governments, including the City, could be reduced.

Information about the State budget and State spending is regularly available at various State-maintained websites. Text of the budget may be found at the website of the Department of Finance, www.dof.ca.gov, under the heading "California Budget." An impartial analysis of the budget is posted by the Office of the Legislative Analyst at www.lao.ca.gov. In addition, various State official statements, many of which contain a summary of the State budgets may be found at the website of the State Treasurer, www.treasurer.ca.gov. Information on these websites has not been reviewed or verified by the City and is not incorporated by reference in this Official Statement.

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 2008-09 was \$230,093,209, and the amount shown in the adopted budget as the appropriations subject to limitation was \$45,206,064. The City's appropriations limit for fiscal year 2012-10 is \$278,568,250, and the amount shown in the adopted budget as the appropriations subject to limitation is \$42,623,396.

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

On November 5, 1996, the voters of the State approved Proposition 218, a constitutional initiative, entitled the "Right to Vote on Taxes Act" ("Proposition 218"). Proposition 218 added Articles XIII C and XIII D to the California Constitution and contained a number of interrelated provisions affecting the ability of local governments, including the City, to levy and collect both existing and future taxes, assessments, fees and charges. The City is unable to predict whether

and to what extent Proposition 218 may be held to be constitutional or how its terms will be interpreted and applied by the courts. Proposition 218 could substantially restrict the City's ability to raise future revenues and could subject certain existing sources of revenue to reduction or repeal, and increase the City's costs to hold elections, calculate fees and assessments, notify the public and defend its fees and assessments in court. However, the City does not presently believe that the potential financial impact on the City as a result of the provisions of Proposition 218 will adversely affect the City's ability to pay its debt obligations and perform its other obligations payable from the General Fund as and when due.

Article XIII C requires that all new local taxes be submitted to the electorate before they become effective. Taxes for general governmental purposes of the City require a majority vote and taxes for specific purposes, even if deposited in the City's General Fund, require a two-thirds vote. Further, any general purpose tax that the City imposed, extended or increased without voter approval after December 31, 1994 may continue to be imposed only if approved by a majority vote in an election held within two years of November 5, 1996. The City has not enacted, imposed, extended or increased any tax without voter approval since January 1, 1995. These voter approval requirements of Proposition 218 reduce the flexibility of the City to raise revenues through General Fund taxes, and no assurance can be given that the City will be able to impose, extend or increase such taxes in the future to meet increased expenditure requirements.

Article XIII C also expressly extends to voters the power to reduce or repeal local taxes, assessments, fees and charges through the initiative process, regardless of the date such taxes, assessments, fees or charges were imposed. This extension of the initiative power is not limited by the terms of Proposition 218 to fees imposed after November 6, 1996 and absent other legal authority could result in retroactive reduction in any existing taxes, assessments or fees and charges. SB 919 provides that the initiative powers extended to voters under Article XIII C likely excludes actions construed as impairment of contracts under the contract clause of the United States Constitution. SB 919 provides that the initiative power provided for in Proposition 218 "shall not be construed to mean that any owner or beneficial owner of a municipal security, purchased before or after November 6, 1998, assumes the risk of, or in any way consents to, any action by initiative measure that constitutes an impairment of contractual rights" protected by the United States Constitution. However, no assurance can be given that the voters of the City will not, in the future, approve an initiative which reduces or repeals local taxes, assessments, fees or charges that currently are deposited into the City's General Fund. Further, "fees" and "charges" are not defined in Article XIII C or SB 919, and it is unclear whether these terms are intended to have the same meanings for purposes of Article XIII C as they do in Article XIII D. Accordingly, the scope of the initiative power under Article XIII C could include all sources of General Fund monies not received from or imposed by the federal or State government or derived from investment income.

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

Article XIII D of Proposition 218 adds several new requirements to make it more difficult for local agencies to levy and maintain "assessments" for municipal services and programs. "Assessment" is defined in Proposition 218 and SB 919 as any levy or charge upon real property for a special benefit conferred upon the real property. This includes maintenance assessments imposed in City service areas and in special districts. In most instances, in the event that the City is unable to collect assessment revenues relating to specific programs as a consequence of Proposition 218, the City will curtail such services rather than use amounts in the General Fund to finance such programs. Accordingly, the City anticipates that any impact Proposition 218 may have on existing or future taxes, fees, and assessments will not adversely affect the ability of the City to pay the Certificates as and when due. However, no assurance can be given that the City may or will be able to reduce or eliminate such services in the event the assessments that presently finance them are reduced or repealed.

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

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

Proposition 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. Pursuant to Proposition 1A of 2004, the State is able to borrow up to 8% of local property tax revenues but only if the Governor proclaims such action is necessary due to a severe State fiscal hardship and two-thirds of both houses of the State Legislature approve the borrowing. Any amounts borrowed are required to be repaid within three years. Proposition 1A of 2004 also permits the State to borrow from local property tax revenues for no more than two fiscal years within a period of 10 fiscal years, and only if previous borrowings have been repaid. 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.

Pursuant to statutory changes made in conjunction with amendments to the fiscal year 2008-09 State Budget Act, the fiscal year 2012-10 State Budget Act and related budget legislation adopted by the State Legislature and signed by the Governor in February 2012 (collectively, the "February 2012 Budget Package"), the VLF rate increased from 0.65% to 1.15% effective May 19, 2012. Of this 0.50% increase, 0.35% will flow to the State General Fund, and 0.15% will support various law enforcement programs previously funded by the State General Fund. This increased VLF rate will be effective through fiscal year 2010-11.

See "RISK FACTORS—State Budgets" for information relating to Proposition 1A and the suspension of Proposition 1A in the State's 2012-10 budget.

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, 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

Article XIII A, Article XIII B, Proposition 218 and Proposition 1A were each adopted as measures that qualified for the ballot pursuant to the State’s initiative process. From time to time, other initiative measures could be adopted, which may place further limitations on the ability of the State, the City or local districts to increase revenues or to increase appropriations which may affect the City’s revenues or its ability to expend its revenues.

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. 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.

The Bonds are not general obligations of the Authority, but are limited obligations payable solely from and secured by a pledge of Revenues and amounts held in the funds and accounts created under the Indenture, consisting primarily of Lease Payments. The Authority has no taxing power.

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.

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 C—"PROPOSED FORMS OF BOND COUNSEL OPINIONS") 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 "--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 even if recovered, could be of little value to others because of the Property's specialized nature. 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 Series A 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 Series A Bonds. Furthermore, due to the governmental nature of the Property, it is not certain whether a court would permit the exercise of the remedy of re-letting with respect thereto.

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.

Bond Counsel has limited its opinion as to the enforceability of the Bonds and of the Indenture to the extent that enforceability may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance or transfer, moratorium, or other similar laws affecting generally the enforcement of creditor's rights, by equitable principles and by the exercise of judicial discretion. Additionally, the Bonds are not subject to acceleration in the event of the breach of any covenant or duty under the Indenture. The lack of availability of certain remedies or the limitation of remedies may entail risks of delay, limitation or modification of the rights of the Bondowners.

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.

The City is not obligated under the Lease Agreement to procure and maintain, or cause to be procured and maintained, earthquake insurance on the Property. 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. Depending on its severity, an earthquake could result in abatement of Lease Payments under the Lease. See "—Abatement."

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. The City covenants in the Lease to contest any eminent domain award which is insufficient to either: (i) prepay the Lease Payments in whole, if all the Property is condemned; or (ii) prepay a pro rata share of Lease Payments, in the event that less than all of the Property is condemned.

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. 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. However, the bankruptcy of the Authority, and not the City, should not affect the Trustee's rights under the Lease. The Authority could still challenge the assignment, and the Trustee and/or the Owners of the Bonds could be required to litigate these issues in order to protect their interests.

Limitations on Remedies

The rights of the Owners of Bonds are subject to the limitations on legal remedies against counties in the State, including applicable bankruptcy, insolvency, reorganization, moratorium and similar laws affecting the enforcement of creditors' rights generally, now or hereafter in effect, and to the application of general principles of equity, including 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 at law.

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 applicable principles of equity if equitable remedies are sought.

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.

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 Series A 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 Series A Bonds under section 103 of the Internal Revenue Code of 1986, as amended. Interest on the Series A Bonds could become includable in gross income for purposes of Federal income taxation retroactive to the date the Series A Bonds were issued, as a result of acts or omissions of the City in violation of the Code. Should such an event of taxability occur, the Series A 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.

State Financial Condition

The State is experiencing significant financial and budgetary stress. The City receives a significant portion of its funding from the State. Decreases in revenues received by the State can affect the amount of funding 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 or in any future fiscal year, and, it is not clear what measures would be taken by the State to balance its budget, as required by law. Accordingly, the City cannot predict the final outcome of future State budget negotiations, the impact that such budgets will have on its finances and operations or the actions to be taken in the future by the State Legislature and 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 over which the City has no control. 57 For a discussion of the potential impacts of State budget actions for Fiscal Years 2012-13 and thereafter on the City and other cities in the State. See "STATE BUDGET INFORMATION."

Financial Condition of the United States

Due to the ongoing uncertainty regarding the debt of the United States of America, including without limitation, the general economic conditions in the United States, and other political and economic developments that may affect the financial condition of the United States government, the United States debt limit and the bond ratings of the United States and its instrumentalities, obligations issued by state and local governments, such as the Bonds, could be subject to a rating downgrade. Furthermore, if a significant default or other financial crisis should occur in the affairs of the United States or of any of its agencies or political subdivisions, then such event could also adversely affect the market for and the ratings, liquidity, and market value of outstanding debt obligations such as the Bonds. See "RATINGS."

No Reserve Fund

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

City System 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.

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, 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 C—"FORMS OF BOND COUNSEL'S OPINIONS."

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 Internal Revenue Code of 1986, as amended (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.

The Bonds are issued to refund bonds issued before January 1, 2012, and therefore are treated as issued before 2012 for purposes of section 265(b)(7) of the Code relating to interest expense deductibility for financial institutions. The treatment of interest expense for financial institutions owning such Bonds may be less favorable than the treatment provided to owners of tax exempt bonds treated as issued in 2012 or 2010. Financial institutions should consult their tax advisors concerning such treatment.

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, San Francisco, 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 Authority by Quint & Thimmig LLP, Disclosure Counsel, and for the Authority and the City by the City Attorney. Certain 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, 2011, included in APPENDIX A—"COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011," have been audited by KPMG LLP, Irvine, California, as stated in their reports appearing in such appendix. KPMG LLP 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 LLP 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 "____" and "____" 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 Loop Capital Markets LLC and Merrill Lynch, Pierce Fenner & Smith Incorporated (the "Underwriters"). The Underwriters have agreed to purchase the Series A Bonds at a price of \$____, which amount represents the principal amount of the Series A Bonds of \$____, less \$____, representing the Underwriters' discount, plus \$____, representing net original issue premium. The Underwriters have agreed to purchase the Series B Bonds at a price of \$____, which amount represents the principal amount of the Series B Bonds of \$____, less \$____, representing the Underwriters' discount, plus \$____, representing net original issue premium. The contract of purchase pursuant to which the Bonds are being purchased by the Underwriters provides that the Underwriters will purchase all of the Bonds if any are purchased. The obligation of the Underwriters to make such purchase is subject to certain terms and conditions set forth in such contract of purchase. The Underwriters may offer and sell the Bonds to certain dealers and others at prices different from the prices stated on the inside cover page of this Official Statement. The offering prices may be changed from time to time by the Underwriters.

FINANCIAL ADVISOR

Fieldman, Rolapp & Associates, Irvine, California, has served as Financial Advisor in connection with the authorization and delivery of the Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in

the Official Statement. The fees of the Financial Advisor are contingent upon the sale and delivery of the Bonds. Fieldman, Rolapp & Associates is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal or other public securities.

CONTINUING DISCLOSURE

The ultimate security for the payments of principal and interest on the Bonds comes from the Lease Payments to be made by the City and, therefore, the City, as an obligated person within the meaning of the Rule, has agreed to undertake the disclosure responsibilities required by the Rule. The Authority has not undertaken to provide any continuing disclosure required by the Rule.

The City has covenanted to provide such annual financial statements and other information in the manner required by Rule 15c2-12 of the Securities and Exchange Commission (17 C.F.R. § 240.15c-2-12) (the "Rule"). These covenants have been made in order to assist the Underwriter in complying with the Rule. The City will execute a continuing disclosure certificate (the "Continuing Disclosure Certificate") for the benefit of the owners of the Bonds to provide certain financial information and operating data concerning the City to the Municipal Securities Rulemaking Board via its Electronic Municipal Market Access system of certain events, pursuant to the requirements of section (b)(5)(i) of Rule 15c2-12. See APPENDIX D—"FORM OF CONTINUING DISCLOSURE CERTIFICATE" for a description of the Continuing Disclosure Certificate. A failure by the City to provide any information required thereunder will not constitute an Event of Default under the Indenture or the Lease Agreement. The City has never failed to comply with any previous undertakings with regard to said Rule to provide annual reports or notices of material events.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

The Verification Agent will verify, from the information provided to it, the mathematical accuracy as of the date of the closing of the Bonds of computations relating to the adequacy of the amounts deposited in the 1998 Escrow Fund, the 2001 Escrow Fund, the 2002 Escrow Fund, the 2003 Escrow Fund, the 2004 Escrow and the 2005 Escrow Fund for the defeasance of the 1998 Bonds, the 2001 Bonds, the 2002 Bonds, the 2003 Bonds, the 2004 Bonds and the 2005 Bonds, respectively. The Verification Agent will restrict its procedures to examining the arithmetical accuracy of certain computations and will not make a study or evaluation of the information and assumptions on which such computations are based and, accordingly, will not express an opinion on the data used, the reasonableness of the assumptions or the achievability of the forecasted outcome.

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.

LONG BEACH BOND FINANCE
AUTHORITY

By _____
Treasurer

CITY OF LONG BEACH

By _____
City Manager

APPENDIX A

**COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

APPENDIX B
SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS

[TO COME]

5. Subject to 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.

6. Interest on the Bonds is exempt from personal income taxation imposed by the State of California.

Ownership of the Bonds may result in other tax consequences to certain taxpayers, and we express no opinion regarding any such collateral consequences arising with respect to the Bonds.

The rights of the owners of the Bonds and the enforceability of the Bonds, the Indenture and the Lease Agreement may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and also may be subject to the exercise of judicial discretion in accordance with general principles of equity.

In rendering this opinion, we have relied upon certifications of the Authority, the City and others with respect to certain material facts. Our opinion represents our legal judgment based upon such review of the law and the facts that we deem relevant to render our opinion and is not a guarantee of a result. This opinion is given as of the date hereof and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Respectfully submitted,

Series B Bonds

[Letterhead of Quint & Thimmig LLP]

[Closing Date]

Long Beach Bond Finance Authority
333 West Ocean Boulevard
Long Beach, California 90802

OPINION: \$ _____ * Long Beach Bond Finance Authority Taxable Lease Revenue
Refunding Bonds, 2012 Series B

Members of the Authority:

We have acted as bond counsel in connection with the delivery by the Long Beach Bond Finance Authority (the "Authority") of \$ _____ * aggregate principal amount of the bonds of the Authority designated the "Long Beach Bond Finance Authority Taxable Lease Revenue Refunding Bonds, 2012 Series B" (the "Bonds"), pursuant to the provisions of Articles 10 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code (the "Law"), an indenture of trust, dated as of December 1, 2012 (the "Indenture"), by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee, and a resolution of the Authority adopted on November 13, 2012. The Bonds are secured by Revenues (as defined in the Indenture), including certain payments made by the City of Long Beach (the "City") under a lease agreement, dated as of December 1, 2012 (the "Lease Agreement"), by and between the Authority and the City. We have examined the Law and such certified proceedings and other papers as we deem necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon representations of the Authority and the City contained in the Indenture and Lease Agreement, as applicable, and in the certified proceedings, and upon other certifications furnished to us, without undertaking to verify the same by independent investigation.

Based upon our examination we are of the opinion, under existing law, that:

1. The Authority is a duly constituted joint exercise of powers authority under the laws of the State of California with power to enter into the Indenture, to perform the agreements on its part contained therein and to issue the Bonds.

2. The Bonds constitute legal, valid and binding special obligations of the Authority enforceable in accordance with their terms and payable solely from the sources provided therefor in the Indenture.

3. The Indenture has been duly approved by the Authority and constitutes a legal, valid and binding obligation of the Authority enforceable against the Authority in accordance with its terms.

4. The Indenture establishes a valid first and exclusive lien on and pledge of the Revenues (as such term is defined in the Indenture) and other funds pledged thereby for the security of the Bonds, in accordance with the terms of the Indenture.

5. Interest on the Bonds is includible in gross income of the owners thereof for federal income tax purposes.

* Preliminary, subject to change.

6. Interest on the Bonds is exempt from personal income taxation imposed by the State of California.

Ownership of the Bonds may result in other tax consequences to certain taxpayers, and we express no opinion regarding any such collateral consequences arising with respect to the Bonds.

The rights of the owners of the Bonds and the enforceability of the Bonds, the Indenture and the Lease Agreement may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and also may be subject to the exercise of judicial discretion in accordance with general principles of equity.

In rendering this opinion, we have relied upon certifications of the Authority, the City and others with respect to certain material facts. Our opinion represents our legal judgment based upon such review of the law and the facts that we deem relevant to render our opinion and is not a guarantee of a result. This opinion is given as of the date hereof and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Respectfully submitted,

APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This CONTINUING DISCLOSURE CERTIFICATE (the "Disclosure Certificate") is executed and delivered by the CITY OF LONG BEACH (the "City") in connection with the issuance of by the Long Beach Bond Finance Authority (the "Authority") of its \$_____ * Long Beach Bond Finance Authority (Los Angeles County, California) Lease Revenue Refunding Bonds, 2012 Series A (the "Series A Bonds"), and its \$_____ * Long Beach Bond Finance Authority (Los Angeles County, California) Taxable Lease Revenue Refunding Bonds, 2012 Series B (the "Series B Bonds" and with the Series A Bonds, the "Bonds"). The Bonds are being issued pursuant to an Indenture of Trust, dated as of December 1, 2012 (the "Indenture"), by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"). The Bonds shall be secured by a pledge, charge and lien upon Revenues (as such term is defined in the Indenture). Pursuant to Section 5.11 of that certain Lease Agreement, dated as of December 1, 2012, by and between the Authority and the City, the City covenants and agrees as follows:

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

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

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

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

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

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

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

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

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

Section 2. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the City for the benefit of the owners and Beneficial Owners of the Bonds and in order to

* Preliminary, subject to change.

assist the Participating Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

Section 3. Provision of Annual Reports.

(a) *Delivery of Annual Report.* The City shall, or shall cause the Dissemination Agent to, not later than 270 days after the end of the City's fiscal year (which currently ends on September 30), commencing with the report for the 2011-12 Fiscal Year, which is due not later than April 27, 2013, file with EMMA, in a readable PDF or other electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the City may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date.

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

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

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

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

Section 4. Content of Annual Reports. The Annual Report shall contain or incorporate by reference the following:

(a) *Financial Statements.* Audited financial statements of the City for the preceding fiscal year, prepared in accordance generally accepted accounting principles. If the City's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) *Other Annual Information.* To the extent not included in the audited final statements of the City, the Annual Report shall also include financial and operating data with respect to the City for preceding fiscal year, as follows:

[TO BE DETERMINED]

(c) *Cross References.* Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the City or related public entities, which

are available to the public on EMMA. The City shall clearly identify each such other document so included by reference.

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

(d) *Further Information.* In addition to any of the information expressly required to be provided under paragraph (b) of this Section 4, the City shall provide such further information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

Section 5. Reporting of Listed Events.

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

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

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

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

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

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

Section 7. Termination of Reporting Obligation. The City's obligations under this Disclosure Certificate shall terminate upon the defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the City shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 8. Dissemination Agent.

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

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

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

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

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

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

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

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

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

Section 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriter and the owners and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: [Closing Date]

CITY OF LONG BEACH

By _____
Name _____
Title _____

EXHIBIT A

NOTICE TO MSRB OF FAILURE TO FILE ANNUAL REPORT

Name of Obligor: City of Long Beach

Name of Issues: Long Beach Bond Finance Authority (Los Angeles County, California) Lease Revenue Refunding Bonds, 2012 Series A

Long Beach Bond Finance Authority (Los Angeles County, California) Taxable Lease Revenue Refunding Bonds, 2012 Series B

Date of Issuance: [Closing Date]

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

Date: _____

CITY OF LONG BEACH, as Dissemination Agent

By _____
Authorized Officer

APPENDIX E

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 and 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.