

**POLSINELLI DRAFT DATED MARCH 10, 2015**  
**PRELIMINARY OFFICIAL STATEMENT DATED [\_\_\_\_\_] , 2015**

**NEW ISSUES—BOOK-ENTRY ONLY**

**RATINGS: See “RATINGS” herein.**

*In the opinion of Polsinelli LLP, Bond Counsel to the City, under existing laws, regulations, rulings and judicial decisions and assuming the accuracy of certain representations and continuing compliance with certain covenants of the City, interest on the Series 2015 Senior Bonds is excluded from gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), except for interest on any Series 2015A Senior Bond or Series 2015C Senior Bond for any period during which such Series 2015A Senior Bond or Series 2015C Senior Bond is held by a “substantial user” of the facilities refinanced by the Series 2015A Senior Bonds or financed by the Series 2015C Senior Bonds or a “related person,” as such terms are defined in Section 147(a) of the Code. Bond Counsel is further of the opinion that (a) interest on the Series 2015A Senior Bonds and Series 2015C Senior Bonds is a specific preference item for purposes of the alternative minimum tax imposed under the Code with respect to individuals and corporations, and (b) interest on the Series 2015B Senior Bonds and Series 2015D Senior Bonds is not a specific preference item for purposes of the alternative minimum tax imposed under the Code with respect to individuals and corporations, except that interest on the Series 2015B Senior Bonds and Series 2015D Senior Bonds is included in “adjusted current earnings” in computing alternative minimum taxable income for purposes of the alternative minimum tax imposed by the Code on certain corporations. Bond Counsel is further of the opinion that interest on the Series 2015 Senior Bonds is exempt from State of California personal income taxes. See “TAX MATTERS” herein.*



\$[\_\_\_\_\_] \*  
**CITY OF LONG BEACH, CALIFORNIA**



\$[\_\_\_\_\_] \*  
**Harbor Revenue Refunding Bonds Series 2015A (AMT)**

\$[\_\_\_\_\_] \*  
**Harbor Revenue Refunding Bonds Series 2015B (Non-AMT)**

\$[\_\_\_\_\_] \*  
**Harbor Revenue Bonds Series 2015C (AMT)**

\$[\_\_\_\_\_] \*  
**Harbor Revenue Bonds Series 2015D (Non-AMT)**

**Dated: Date of Delivery**

**Due: May 15, as shown on the inside cover**

The City of Long Beach, California, Harbor Revenue Refunding Bonds Series 2015A (the “Series 2015A Senior Bonds”), the City of Long Beach, California, Harbor Revenue Refunding Bonds, Series 2015B (the “Series 2015B Senior Bonds,” and together with the Series 2015A Senior Bonds, the “Series 2015 Senior Revenue Refunding Bonds”), the City of Long Beach, California, Harbor Revenue Bonds, Series 2015C (the “Series 2015C Senior Bonds,”) and the City of Long Beach, California, Harbor Revenue Bonds, Series 2015D (the “Series 2015D Senior Bonds,” and together with the Series 2015C Senior Bonds, the “Series 2015 Senior Revenue Bonds”) are being issued by the City of Long Beach, California (the “City”), acting by and through its Board of Harbor Commissioners (the “Board”) as described herein. Capitalized terms not defined on the cover of this Official Statement shall have the meanings ascribed to them in this Official Statement.

The Series 2015 Senior Revenue Refunding Bonds are being issued for the purpose of, together with certain other available moneys, (a) current refunding and/or defeasing all or a portion of the Refunded Bonds (as defined herein) and (b) paying the financing costs and the costs of issuing the Series 2015 Senior Revenue Refunding Bonds. The Series 2015 Senior Revenue Bonds are being issued for the purpose of (a) paying and/or reimbursing the Harbor Department of the City of Long Beach (the “Harbor Department”) for capital expenditures incurred or to be incurred by the Harbor Department at the Port of Long Beach (the “Port”), including, but not limited to, the Series 2015 Projects (as defined herein), (b) repaying all or a portion of the outstanding Series A Subordinate Obligations and Series B Subordinate Obligations (described and defined herein) and (c) paying the financing costs and the costs of issuing the Series 2015 Senior Revenue Bonds. See “PLAN OF FINANCE.”

**The Series 2015 Senior Revenue Refunding Bonds and the Series 2015 Senior Revenue Bonds (together, the “Series 2015 Senior Bonds”) are special limited obligations of the City and are secured by a pledge of and shall be a charge upon and shall be payable solely from and secured by a lien upon Revenues and other funds, assets and**

\* Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment without notice. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

security provided in the Senior Resolution (as defined herein) on parity with the other Senior Bonds. The Series 2015 Senior Bonds are not a debt of the City nor a legal or equitable pledge, charge, lien or encumbrance upon any of its property or upon any of its income, receipts or revenues, except Revenues and other funds, security or assets which are pledged to the payment of the Series 2015 Senior Bonds. The general fund of the City is not liable for the payment of the Series 2015 Senior Bonds, nor is the credit or the taxing power of the City pledged for the payment of the Series 2015 Senior Bonds. An Owner of Series 2015 Senior Bonds may not compel the exercise of the taxing power of the City or the forfeiture of any of its property. The Series 2015 Senior Bonds will be issued on parity with certain other outstanding indebtedness of the City pursuant to the Senior Resolution. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2015 SENIOR BONDS."

Interest on the Series 2015 Senior Bonds will be payable on May 15 and November 15 of each year, commencing on November 15, 2015. The Series 2015 Senior Bonds will be issued as fully registered bonds in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company ("DTC"), New York, New York. Individual purchases and sales of the Series 2015 Senior Bonds may be made in book-entry form only in denominations of \$5,000 and integral multiples thereof. Purchasers will not receive certificates representing their interest in the Series 2015 Senior Bonds. So long as the Series 2015 Senior Bonds are held by DTC, the principal of and interest on the Series 2015 Senior Bonds will be payable by wire transfer to DTC, which in turn will be required to remit such principal and interest to the DTC participants for subsequent disbursement to the beneficial owners of the Series 2015 Senior Bonds, as more fully described herein.

The Series 2015 Senior Revenue Refunding Bonds are not subject to redemption prior to maturity. The Series 2015 Senior Revenue Bonds are subject to optional and mandatory redemption prior to maturity as described herein. See "DESCRIPTION OF THE SERIES 2015 SENIOR BONDS—Redemption of Series 2015 Senior Bonds."

The purchase and ownership of the Series 2015 Senior Bonds involve investment risk and may not be suitable for all investors. This cover page is not intended to be a summary of the Series 2015 Senior Bonds or the security thereof. Investors are advised to read the Official Statement in its entirety to obtain information essential to the making of an informed investment decision. Capitalized terms used on this cover page and not otherwise defined have the meanings set forth herein.

*The Series 2015 Senior Bonds are offered, when, as and if issued by the City, subject to the approval of validity by Polsinelli LLP, Bond Counsel to the City, and to certain other conditions. Certain matters will be passed upon for the City by the City Attorney of the City of Long Beach. Polsinelli LLP also serves as Disclosure Counsel to the City. Certain legal matters will be passed upon for the Underwriters by their counsel, Sidley Austin LLP. Public Resources Advisory Group has served as Financial Advisor to the City. It is expected that the Series 2015 Senior Revenue Refunding Bonds will be available for delivery through the facilities of DTC on or about [\_\_\_\_\_], 2015 that the Series 2015 Senior Revenue Bonds will be available for delivery through the facilities of DTC on or about [\_\_\_\_\_], 2015.*

**RBC Capital Markets**

**Citigroup**

**Siebert, Brandford, Shank & Co., L.L.C.**

Date of Official Statement: [\_\_\_\_\_], 2015

**MATURITY DATES, PRINCIPAL AMOUNTS, INTEREST RATES, PRICE OR YIELDS AND CUSIP NUMBERS**

\$[\_\_\_\_\_]\*

**City of Long Beach, California Harbor Revenue Refunding Bonds  
Series 2015A  
(AMT)**

<b>Maturity Date (May 15)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>Price/Yield</b>	<b>CUSIP No. †</b>
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\$[\_\_\_\_\_]\*

**City of Long Beach, California Harbor Revenue Refunding Bonds  
Series 2015B  
(Non-AMT)**

<b>Maturity Date (May 15)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>Price/Yield</b>	<b>CUSIP No. †</b>
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\$[\_\_\_\_\_]\*

**City of Long Beach, California Harbor Revenue Bonds  
Series 2015C  
(AMT)**

<b>Maturity Date (May 15)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>Price/Yield</b>	<b>CUSIP No. †</b>
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\$\_\_\_\_\_ – \_\_\_\_% Series 2015C Senior Term Bonds due May 15, 20\_\_ – Yield \_\_\_\_%, CUSIP No. † \_\_\_\_\_

\$[\_\_\_\_\_]\*

**City of Long Beach, California Harbor Revenue Bonds  
Series 2015D  
(Non-AMT)**

<b>Maturity Date (May 15)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>Price/Yield</b>	<b>CUSIP No. †</b>
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\$\_\_\_\_\_ – \_\_\_\_% Series 2015D Senior Term Bonds due May 15, 20\_\_ – Yield \_\_\_\_%, CUSIP No. † \_\_\_\_\_

\* Preliminary, subject to change.

† Copyright 2015, American Bankers Association. CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by the CUSIP Service Bureau, managed on behalf of the American Bankers Association by Standard & Poor's. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services Bureau. CUSIP numbers have been assigned by an independent company not affiliated with the Harbor Department and are included solely for the convenience of the registered owners of the applicable bonds. None of the Underwriters, the Co-Financial Advisors or the Harbor Department is responsible for the selection or use of these CUSIP numbers and no representation is made as to their correctness on the applicable bonds or as included herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the bonds.



PORT OF LONG BEACH

**HARBOR DEPARTMENT OF THE CITY OF LONG BEACH**

***BOARD OF HARBOR COMMISSIONERS***

Doug Drummond  
*President*

Rich Dines  
*Vice President*

Lori Ann Farrell  
*Secretary*

Lou Anne Bynum  
*Commissioner*

Tracy J. Egoscue  
*Commissioner*

***PORT MANAGEMENT***

Jon Slangerup  
*Chief Executive*

Duane L. Kenagy, P.E.  
*Capital Programs, Senior Executive Lead*

Michael R. Christensen, P.E.  
*Supply Chain Optimization, Senior Executive Lead*

Steven B. Rubin  
*Managing Director, Finance & Administration*

Douglas A. Thiessen  
*Managing Director, Engineering Services*

Richard D. Cameron  
*Managing Director, Planning & Environmental Compliance*

Dr. Noel Hacegaba  
*Managing Director, Commercial Operations/Chief Commercial Officer*

Vacant  
*Managing Director, Communications*

Betsy Christie  
*Director of Finance*

Vacant  
*Managing Director, Human Resources & Team Development*

**CITY OF LONG BEACH, CALIFORNIA**

Dr. Robert Garcia  
*Mayor*

***CITY COUNCIL***

Dr. Suja Lowenthal-2nd District  
*Vice Mayor*

Lena Gonzalez-1st  
Suzie Price-3rd  
Vacant-4th  
Stacy Mungo-5th

Dee Andrews-6th  
Roberto Uranga-7th  
Al Austin-8th  
Rex Richardson-9th

***CITY OFFICIALS AND STAFF***

Patrick H. West  
*City Manager*

Tom Modica  
*Assistant City Manager*

John Gross  
*Director of Financial Management, CFO*

Laura L. Doud  
*City Auditor*

Charles Parkin  
*City Attorney*

Douglas Haubert  
*City Prosecutor*

David S. Nakamoto  
*City Treasurer*

Larry Herrera-Cabrera  
*City Clerk*

Dominic T. Holzhaus  
*Principal Deputy City Attorney*

**PROFESSIONAL SERVICES**

***FINANCIAL ADVISOR***  
Public Resources Advisory Group  
Los Angeles, California

***FISCAL AGENT***  
U.S. Bank National Association  
Los Angeles, California

***BOND COUNSEL AND DISCLOSURE COUNSEL***  
Polsinelli LLP

No dealer, broker, salesperson or other person has been authorized by the City or the Board to give any information or to make any representations other than as set forth herein and, if given or made, such other information or representation must not be relied upon as having been authorized by the City or the Board. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Series 2015 Senior Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers of the Series 2015 Senior Bonds. Statements contained in this Official Statement which 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. See “INTRODUCTION—Forward-Looking Statements” herein.

The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the City, the Board, the Harbor Department or the Port since the date hereof. This Official Statement is submitted in connection with the sale of the Series 2015 Senior Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

THE SERIES 2015 SENIOR BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED THEREIN, AND HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE. THE SENIOR RESOLUTION HAS NOT BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED THEREIN. THE SERIES 2015 SENIOR BONDS HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY COMMISSION. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS OFFICIAL STATEMENT.

The Harbor Department undertakes no responsibility for and makes no representations as to the accuracy or completeness of the content of materials contained on the websites referenced in this Official Statement, including but not limited to, updates of such information or links to other Internet sites accessed through such websites. Any information contained on such websites that is inconsistent with the information set forth in this Official Statement should be disregarded. No information contained on such websites is a part of or incorporated into this Official Statement except as expressly noted.

The Underwriters have provided the following sentences for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities under federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information. IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2015 SENIOR 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 UNDERWRITERS MAY OFFER AND SELL THE SERIES 2015 SENIOR BONDS TO CERTAIN DEALERS AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE INSIDE COVER PAGE OF THIS OFFICIAL STATEMENT, AND SUCH PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITERS.

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OFFICIAL STATEMENT

\$[\_\_\_\_\_] \*  
CITY OF LONG BEACH, CALIFORNIA

\$[\_\_\_\_\_] \*  
**Harbor Revenue  
Refunding Bonds  
Series 2015A  
(AMT)**

\$[\_\_\_\_\_] \*  
**Harbor Revenue  
Refunding Bonds  
Series 2015B  
(Non-AMT)**

\$[\_\_\_\_\_] \*  
**Harbor Revenue  
Bonds  
Series 2015C  
(AMT)**

\$[\_\_\_\_\_] \*  
**Harbor Revenue  
Bonds  
Series 2015D  
(Non-AMT)**

INTRODUCTION

*This introduction contains a summary of the offering and certain documents. Investors must read this Official Statement, including the appendices hereto, in its entirety.*

**General**

The purpose of this Official Statement, which includes the cover page, inside cover pages, table of contents and appendices hereto, is to provide certain information concerning the sale and delivery by the City of Long Beach, California (the “City”), acting by and through the Board of Harbor Commissioners of the City (the “Board”), of (a) \$[\_\_\_\_\_] aggregate principal amount of City of Long Beach, California, Harbor Revenue Refunding Bonds, Series 2015A (the “Series 2015A Senior Bonds”), (b) \$[\_\_\_\_\_] aggregate principal amount of City of Long Beach, California, Harbor Revenue Refunding Bonds, Series 2015B (the “Series 2015B Senior Bonds” and together with the Series 2015A Senior Bonds, the “Series 2015 Senior Revenue Refunding Bonds”), (c) \$[\_\_\_\_\_] aggregate principal amount of City of Long Beach, California, Harbor Revenue Bonds, Series 2015C (the “Series 2015C Senior Bonds”) and (d) \$[\_\_\_\_\_] aggregate principal amount of City of Long Beach, California and Harbor Revenue Bonds, Series 2015D (the “Series 2015D Senior Bonds” and together with the Series 2015C Senior Bonds, the “Series 2015 Senior Revenue Bonds”) The Series 2015 Senior Revenue Refunding Bonds and the Series 2015 Senior Revenue Bonds are referred to together as the “Series 2015 Senior Bonds”. Capitalized terms used but not otherwise defined herein will have the respective meanings assigned to them in Appendix B hereto.

**The City, the Harbor Department and the Board**

The City is a municipal corporation and chartered city organized and existing under the Charter of the City of Long Beach, California (the “Charter”) and the Constitution and the laws of the State of California (the “State”). The Harbor Department of the City (the “Harbor Department”) was created in 1931 by an amendment to the Charter to promote, develop and operate the Port of Long Beach (the “Port”). The Charter confers on the Board exclusive control and management of the Harbor Department and control and jurisdiction over the Harbor District (as defined herein) other than the tide and submerged lands granted to the City and the State used for, or in connection with the drilling for, developing, producing, extracting, processing, taking or removing, storing and disposing of oil, gas and other hydrocarbon substances. See “THE PORT OF LONG BEACH” for additional information about the Harbor Department, the Port and the Board.

**The Port of Long Beach**

The Port is a harbor complex that covers approximately 12 square miles, of which approximately 6.9 square miles is water. The Port has approximately 31.5 miles of waterfront with an approximately 76-

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\* Preliminary, subject to change.

foot deep main channel, and approximately 65 deep-water berths, several of which are and are expected to be capable of servicing the largest commercial ships currently afloat and the largest commercial ships currently being designed, with equipment and facilities for handling all types of cargo. According to the American Association of Port Authorities, for the calendar year ended December 31, 2014, the Port was the number two-ranked container port in the nation in terms of container cargo (the Port of Los Angeles was the number one-ranked container port). The facilities at the Port moved more than 6.8 million containers, measured as Twenty-Foot Equivalent Units (“TEUs”), during the calendar year ended December 31, 2014. See “THE PORT OF LONG BEACH” for additional information about the Port.

### **Plan of Finance**

The Series 2015 Senior Revenue Refunding Bonds are being issued for the purpose of, together with certain other available moneys, (a) current refunding and/or defeasing all or a portion of the Refunded Bonds (as defined herein), and (b) paying the financing costs and the costs of issuing the Series 2015 Senior Revenue Refunding Bonds. The Series 2015 Senior Revenue Bonds are being issued for the purpose of (a) paying and/or reimbursing the Harbor Department for capital expenditures incurred or to be incurred by the Harbor Department at the Port, including, but not limited to, the Series 2015 Projects (as defined herein), (b) repaying all or a portion of the outstanding Series A Subordinate Obligations and Series B Subordinate Obligations (described and defined herein) and (c) paying the financing costs and the costs of issuing the Series 2015 Senior Revenue Bonds. See “PLAN OF FINANCE.”

### **The Series 2015 Senior Bonds**

The Series 2015 Senior Bonds are authorized and being issued pursuant to Article XII of the Charter, Title 3, Chapter 3.52, Division I of the Municipal Code of the City, certain provisions of the Revenue Bond Law of 1941, Section 54300, *et seq.*, of the Government Code of the State of California, Resolution No. HD-[\_\_\_], adopted by the Board on [\_\_\_\_], 2015 (“Resolution No. HD-[\_\_\_]”), Resolution No. HD-1475, adopted by the Board on November 8, 1989, as amended and supplemented (the “Master Senior Resolution”) and the Eighteenth Supplemental Senior Resolution and the Nineteenth Supplemental Senior Resolution, which, as provided for in Resolution No. HD-[\_\_\_], are expected to be adopted by the Board after the execution and delivery of the Bond Purchase Agreements (as defined herein) and prior to delivery of the Series 2015 Senior Bonds (the “Eighteenth Supplemental Senior Resolution” and the “Nineteenth Supplemental Senior Resolution”, respectively, and together with the Master Senior Resolution, the “Senior Resolution”).

The Series 2015 Senior Bonds will be dated their date of delivery, and will bear interest (calculated on the basis of a 360-day year consisting of twelve 30-day months) from such date at the rates per annum set forth on the inside cover of this Official Statement, payable semiannually on May 15 and November 15 of each year commencing November 15, 2015.

The Series 2015 Senior Bonds are special limited obligations of the City and are secured by a pledge of and shall be a charge and shall be payable solely from and secured by a lien upon the Revenues (as defined herein) and other funds, assets and security provided in the Senior Resolution on parity with the other Senior Bonds. Revenues generally include all moneys collected by the Board from or arising out of the use or operation of the Port but exclude certain income and revenue arising from certain activities related to oil, gas or other hydrocarbon production from the tide and submerged lands granted to the City by the State.

**THE SERIES 2015 SENIOR BONDS ARE NOT A DEBT OF THE CITY NOR A LEGAL OR EQUITABLE PLEDGE, CHARGE, LIEN OR ENCUMBRANCE UPON ANY OF ITS PROPERTY OR UPON ANY OF ITS INCOME, RECEIPTS OR REVENUES, EXCEPT REVENUES AND OTHER FUNDS, SECURITY OR ASSETS WHICH ARE PLEDGED TO THE PAYMENT OF THE SERIES 2015 SENIOR BONDS. THE GENERAL FUND OF THE CITY IS**

**NOT LIABLE FOR THE PAYMENT OF THE SERIES 2015 SENIOR BONDS, NOR IS THE CREDIT OR THE TAXING POWER OF THE CITY PLEDGED FOR THE PAYMENT OF THE SERIES 2015 SENIOR BONDS. AN OWNER OF SERIES 2015 SENIOR BONDS MAY NOT COMPEL THE EXERCISE OF THE TAXING POWER OF THE CITY OR THE FORFEITURE OF ANY OF ITS PROPERTY. THE SERIES 2015 SENIOR BONDS WILL BE ISSUED ON PARITY WITH CERTAIN OTHER OUTSTANDING INDEBTEDNESS OF THE CITY PURSUANT TO THE SENIOR RESOLUTION. SEE “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2015 SENIOR BONDS.”**

#### **Rate Covenant**

Rates, charges, rentals and fees for the use of the Port are established by the Board. The Board has covenanted in the Master Senior Resolution to establish and collect rates, charges, rentals and fees that will produce Revenues in each fiscal year equal to 1.25 times Maximum Annual Debt Service, and that, together with other moneys available or reasonably expected to be available, will be sufficient to pay debt service on all Senior Bonds and to pay the expenses of operating and maintaining the Port. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2015 SENIOR BONDS—Rate Covenant.”

#### **Outstanding Senior Obligations**

Pursuant to the Master Senior Resolution, the City, acting by and through the Board, has previously issued and as of April 1, 2015 there was outstanding \$535,280,000 aggregate principal amount of Bonds and \$325,000,000 aggregate principal amount of the City of Long Beach, California Harbor Revenue Short-Term Notes, Series 2014C (the “Series 2014C Senior Notes,” and together, the “Outstanding Senior Bonds” and together with the Series 2015 Senior Bonds and any additional Senior Bonds issued pursuant to the terms of the Master Senior Resolution, collectively, the “Senior Bonds.”) The Senior Bonds are special limited obligations of the City and are secured by a pledge of and shall be a charge and shall be payable solely from and secured by a lien upon the Revenues and other funds, assets and security provided in the Senior Resolution on parity with the other Senior Bonds. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2015 SENIOR BONDS” and “OUTSTANDING OBLIGATIONS AND DEBT SERVICE SCHEDULE.” The Series 2014C Senior Notes were issued to finance and refinance a portion of the costs of constructing a replacement bridge for the existing Gerald Desmond Bridge located at the Port (the “Gerald Desmond Bridge Replacement Project”). It is anticipated that the Series 2014C Senior Notes will be repaid from the proceeds of the Subordinate TIFIA Loan (as defined herein). See “– Outstanding Subordinate Obligations; Subordinate TIFIA Loan.”

#### **Outstanding Subordinate Obligations; Subordinate TIFIA Loan**

The City, acting by and through the Board, is authorized to issue and have outstanding, from time to time, up to \$200,000,000 in aggregate principal amount of Subordinate Obligations (as defined herein) pursuant to Revolving Credit Agreements dated as of July 1, 2013 with each of Bank of America, N.A. and Union Bank, N.A., relating to \$78 million and \$122 million aggregate principal amount, respectively. As of April 1, 2015, the City, acting by and through the Board, had \$120,000,000 aggregate principal amount of Subordinate Revolving Obligations (as defined herein) outstanding. See “OUTSTANDING OBLIGATIONS AND DEBT SERVICE SCHEDULE—Outstanding Subordinate Obligations.” A portion of the proceeds of the Series 2015 Senior Revenue Bonds is expected to be used to repay certain sums outstanding under the Subordinate Revolving Obligations Credit Agreements (as defined herein).

The City, acting by and through the Board, entered into a loan agreement, dated as of May 21, 2014 (the “Subordinate TIFIA Loan Agreement”), with the U.S. Department of Transportation, acting by and through the Federal Highway Administrator (the “TIFIA Lender”), pursuant to which the TIFIA Lender, subject to certain conditions, has agreed to make a loan to the City, acting by and through the

Board, in an amount not to exceed \$325 million (the “Subordinate TIFIA Loan”), the proceeds of which, if drawn, will be used by the Harbor Department to repay the Series 2014C Senior Notes when due. See “CAPITAL DEVELOPMENT PROGRAM – 2015-24 Capital Plan,” “PLAN OF FINANCE” and “OUTSTANDING OBLIGATIONS AND DEBT SERVICE SCHEDULE.”

The Subordinate Revolving Obligations, the Subordinate TIFIA Loan and any additional obligations issued pursuant to the terms of the Master Subordinate Resolution are collectively referred to herein as “Subordinate Obligations.”

### **Capital Development Program**

The Harbor Department maintains a master plan of capital projects and improvements to be undertaken at the Port. The most recent version of the Port of Long Beach Master Plan, as amended (the “Port Master Plan”), sets forth certain capital projects and improvements to the Port that the Harbor Department anticipates undertaking through 2020. The purpose of the Port Master Plan is to provide the Harbor Department with a planning tool to guide future Port development and to ensure that projects and developments in the Harbor District are consistent with the requirements of the California Coastal Act of 1976, as amended (the “California Coastal Act”).

In addition to the Port Master Plan, the Harbor Department maintains a 10-year capital plan that sets forth the specific projects the Harbor Department expects to develop and construct over the next ten years. The Harbor Department’s current 10-year capital plan (the “2015-24 Capital Plan”) includes capital projects and improvements to be undertaken at the Port between fiscal years 2015 and 2024. The City’s and the Harbor Department’s fiscal year currently begins on October 1 and ends on September 30 of the immediately following year. The 2015-24 Capital Plan includes, but is not limited to, the Gerald Desmond Bridge Replacement Project, the expansion and modernization of the shipping terminals on Piers D, E, F and G, the expansion of on-dock rail facilities, the construction of a new Port administration building, the dredging of the Long Beach Harbor and the installation of various security improvements. Currently, the 2015-24 Capital Plan has an aggregate estimated cost of approximately \$3.046 billion. The Harbor Department expects to finance approximately \$2.417 billion of the costs of the 2015-24 Capital Plan with revenues of the Harbor Department, proceeds of the Series 2015 Senior Revenue Bonds and proceeds of additional Senior Bonds and/or Subordinate Obligations. The Harbor Department expects the remaining approximately \$629 million of costs of the 2015-24 Capital Plan will be financed with federal and State grants and other sources of funds. In the event any of the expected federal and State grants are not received by the Harbor Department, the projects to be financed with such grants will be delayed and/or reduced in scope, or the Harbor Department will seek other sources of funding to complete these projects. See “CAPITAL DEVELOPMENT PROGRAM.”

### **Property Agreements**

The Harbor Department operates the Port as a landlord through various property agreements entered into with tenants of the Port. The property agreements entered into by the Board, which convey the right to use, rent or lease Port assets, include leases, preferential assignment agreements, revocable permits, area assignments and pipeline licenses. Pursuant to the property agreements, the tenants of the Port pay tariff charges (including, but not limited to, wharfage (the charge assessed when cargo crosses the wharf), dockage (the charge assessed for docking a vessel at a berth), storage and demurrage (charges related to the duration that cargo may be stored at the terminal, which represent an insignificant component of Revenues)) and other fees to the Harbor Department for the right to use, rent or lease Port facilities. Most of the Port’s long-term property agreements contain guaranteed annual minimum payments. For fiscal year 2014, the long-term property agreements with the Port’s major tenants contained guaranteed annual minimum payments of approximately \$265 million. Over the last five fiscal years, property agreements covering waterfront property and facilities generated in excess of 95% of the Harbor Department’s operating revenues. The Board has property agreements with approximately 325 different entities (approximately over 85% of which are with private companies). See “THE PORT OF

LONG BEACH—Property Agreements” for additional information on the property agreements entered into by the Board.

### **Continuing Disclosure**

In connection with the issuance of the Series 2015 Senior Bonds, the City, acting by and through the Board, will covenant for the benefit of the owners of the Series 2015 Senior Bonds to provide annually certain financial information and operating data concerning the Harbor Department and the Port to the Municipal Securities Rulemaking Board (“MSRB”) and notice of certain enumerated events, pursuant to the requirements of Rule 15c2-12 adopted by the Securities and Exchange Commission (“Rule 15c2-12”). See “CONTINUING DISCLOSURE” and “APPENDIX D—FORM OF CONTINUING DISCLOSURE CERTIFICATE.”

### **Amendments to Master Senior Resolution**

Pursuant to Resolution No. HD-2762 adopted by the Board on May 5, 2014 (the “Sixteenth Supplemental Senior Resolution”), the City, acting by and through the Board, approved certain amendments to the Master Senior Resolution (the “Master Senior Resolution Amendments”), which are described in Appendix E hereto. If and when the Master Senior Resolution Amendments become effective, certain rights of the owners of the Senior Bonds will change as described therein. By the purchase and acceptance of the Series 2015 Senior Bonds, the Owners and Beneficial Owners of the Series 2015 Senior Bonds are deemed to have consented to the Master Senior Resolution Amendments. The Master Senior Resolution Amendments will not become effective until all of the Series 1998A Senior Bonds, the Series 2005 Senior Bonds and the Series 2010 Senior Bonds have been defeased and are no longer Outstanding. Any Owners and Beneficial Owners of Senior Bonds issued on and after May 7, 2014 (including the Series 2015 Senior Bonds) will be deemed to have consented to and will be subject to the Master Senior Resolution Amendments, but only after all of the all of the Series 1998A Senior Bonds, the Series 2005 Senior Bonds and the Series 2010 Senior Bonds have been defeased and are no longer Outstanding. It is anticipated that the Series 2005 Senior Bonds will be defeased upon the issuance of the Series 2015 Senior Revenue Refunding Bonds. See “PLAN OF FINANCE.”

### **Forward-Looking Statements**

The statements contained in this Official Statement, including the appendices that are not purely historical, are forward-looking statements, including statements regarding the City’s, the Harbor Department’s or the Board’s expectations, hopes, intentions or strategies regarding the future. Such statements are generally identifiable by the terminology used such as “plan,” “expect,” “estimate,” “budget,” “project,” “forecast,” “will likely result”, “may”, “are expected to,” “will continue,” “is anticipated,” “intend” or other similar words or expressions. Prospective investors should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the City, the Harbor Department and the Board on the date hereof, and the City, the Harbor Department and the Board assume no obligation to update any such forward-looking statements with new forward-looking statements. It is important to note that the Harbor Department’s actual results likely will differ, and could differ materially, from those in such forward-looking statements. See “CERTAIN INVESTMENT CONSIDERATIONS.”

### **Additional Information**

Brief descriptions of the Series 2015 Senior Bonds, the Senior Resolution, the Fiscal Agent Agreement and certain other documents are included in this Official Statement. Such descriptions do not purport to be comprehensive or definitive. All references herein to such documents and any other documents, statutes, reports or other instruments described herein are qualified in their entirety by reference to each such document, statute, report or other instrument. The information herein is subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder will under any circumstances, create any implication that there has been no change in the affairs of the

City, the Harbor Department and the Board since the date hereof. This Official Statement is not to be construed as a contract or agreement between the City and/or the Board and purchasers or Owners of any of the Series 2015 Senior Bonds. The City, the Harbor Department and the Board maintain certain websites, the information on which is not part of this Official Statement, is not incorporated by reference herein and should not be relied upon in deciding whether to invest in the Series 2015 Senior Bonds. The City and the Harbor Department maintain certain websites, the information on which is not part of this Official Statement, is not incorporated by reference herein and should not be relied upon in deciding whether to invest in the Series 2015 Senior Bonds.

## **PLAN OF FINANCE**

### **Plan of Finance**

The Series 2015 Senior Revenue Refunding Bonds are being issued for the purpose of, together with certain other available moneys, (a) current refunding and/or defeasing all or a portion of the Refunded Bonds and (b) paying the financing costs and the costs of issuing the Series 2015 Senior Revenue Refunding Bonds. The Series 2015 Senior Revenue Bonds are being issued for the purpose of (a) paying and/or reimbursing the Harbor Department for capital expenditures incurred or to be incurred by the Harbor Department at the Port, including, but not limited to, the Series 2015 Projects, (b) repaying all or a portion of the outstanding Series A Subordinate Obligations and Series B Subordinate Obligations and (c) paying the financing costs and the costs of issuing the Series 2015 Senior Revenue Bonds.

### **The Series 2015 Projects**

The “Series 2015 Projects” to be financed in part by proceeds of the Series 2015 Senior Revenue Bonds consist of capital projects and improvements at the Port that will include, but not be limited to, terminal development projects at Piers D/E/F (Middle Harbor), Pier G, various environmental projects; dredging projects; Port security and safety projects; rail projects; Harbor Department buildings; and related facilities and improvements.

### **Refunding of Series 2005 Senior Bonds \***

A portion of the proceeds of the Series 2015 Senior Revenue Refunding Bonds, together with moneys held in certain funds and accounts for the Series 2005 Senior Bonds and other available moneys, is to be used, among other things, to current refund and/or defease all or a portion of the Series 2005 Senior Bonds.

The specific principal amount, if any, of each maturity of the outstanding Series 2005 Senior Revenue Refunding Bonds that will be refunded (the “Refunded Bonds”) will be determined by the Board and the Harbor Department at the time the City, acting by and through the Board, and the Underwriters (as defined herein) execute the Revenue Refunding Bonds Purchase Agreement (as defined herein). A portion of the proceeds of the Series 2015 Senior Revenue Refunding Bonds, together with other available moneys, will be deposited with U.S. Bank National Association, as escrow agent (the “Escrow Agent”), and held in separate escrow funds for each series of the Refunded Bonds (each, an “Escrow Fund” and together, the “Escrow Funds”) created under the terms of an escrow agreement (the “Escrow Agreement”) among the City, acting by and through the Board, and the Fiscal Agent for the Series 2005 Senior Revenue Refunding Bonds, as fiscal agent, and the Escrow Agent. Proceeds deposited into the Escrow Funds will be held uninvested in cash and used to redeem and/or defease the Refunded Bonds.

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\* Preliminary, subject to change.

**POLSINELLI DRAFT DATED MARCH 10, 2015**

The applicable outstanding Series 2005 Senior Bonds which are expected to be refunded on May 15, 2015 are described below.\*

<u>Series</u>	<u>Maturity Date (May 15)</u>	<u>Principal</u>	<u>CUSIP Numbers<sup>1</sup></u>
2005A	2015	\$12,185,000	542424MK9
2005A	2016	8,960,000	542424ML7
2005A	2018	25,000	542424MM5
2005A	2019	6,210,000	542424MN3
2005A	2020	6,850,000	542424MP8
2005A	2021	4,835,000	542424MQ6
2005A	2022	14,390,000	542424MR4
2005A	2023	16,815,000	542424MS2
2005A	2024	7,025,000	542424MT0
2005A	2025	3,330,000	542424MU7
2005B	2017	13,430,000	542424MV5
<u>2005B</u>	<u>2018</u>	<u>11,540,000</u>	<u>542424MW3</u>
Total		\$105,595,000	

\*Preliminary, subject to change.

<sup>1</sup> CUSIP numbers are provided only for the convenience of the reader. None of the City, the Board or the Underwriters undertakes any responsibility for the accuracy of such CUSIP numbers or for any changes or errors in the list of CUSIP numbers.

**ESTIMATED SOURCES AND USES OF FUNDS**

The following table sets forth the estimated sources and uses of funds in connection with the issuance of the Series 2015 Senior Bonds.

**POLSINELLI DRAFT DATED MARCH 10, 2015**

	<b>Series 2015A Senior Bonds</b>	<b>Series 2015B Senior Bonds</b>	<b>Series 2015C Senior Bonds</b>	<b>Series 2015D Senior Bonds</b>	<b>Total</b>
<i>Sources</i>					
Principal Amount	\$	\$	\$	\$	\$
Net Original Issue Premium/Discount					
Funds Released from Series 2005 Reserve Fund					
Funds Released from Series 2005 Bond Service Fund					
Total Sources	\$	\$	\$	\$	\$
<i>Uses</i>					
Deposit to Escrow Fund <sup>1</sup>	\$	\$	\$	\$	\$
Deposit to Series 2015 Construction Fund <sup>2</sup>					
Payment to Subordinate Revolving Obligations Banks	\$	\$	\$	\$	\$
Costs of Issuance <sup>3</sup>					
Total Uses	\$	\$	\$	\$	\$

<sup>1</sup> For the purposes of refunding and defeasing the Refunded Series 2005 Senior Bonds.

<sup>2</sup> To be used to pay a portion of the costs of the Series 2015 Projects.

<sup>3</sup> Includes legal fees, underwriters' discount, trustee fees, fiscal agent fees, financial advisory fees, consultant fees, verification agent fees, rating agencies' fees, printing costs, escrow agent fees and other costs of issuance.

**DESCRIPTION OF THE SERIES 2015 SENIOR BONDS**

**General**

The Series 2015 Senior Bonds will be dated their date of delivery, and will bear interest (calculated on the basis of a 360-day year consisting of twelve 30-day months) from such date at the rates per annum set forth on the inside cover of this Official Statement, payable semiannually on May 15 and November 15 of each year commencing November 15, 2015 (each an "Interest Payment Date"). Each Series 2015 Senior Bond will bear interest from the Interest Payment Date next preceding the date of authentication thereof unless such date of authentication is an Interest Payment Date, in which event such Series 2015 Senior Bond will bear interest from such date of authentication, or unless such date of authentication is after a Record Date and before the next succeeding Interest Payment Date, in which event such Series 2015 Senior Bond will bear interest from such succeeding Interest Payment Date, or unless such date of authentication is prior to November 1, 2015, in which event such Series 2015 Senior Bond will bear interest from its date of delivery. If interest on the Series 2015 Senior Bonds is in default, Series 2015 Senior Bonds issued in exchange for Series 2015 Senior Bonds surrendered for transfer or exchange will bear interest from the Interest Payment Date to which interest has been paid in full on the Series 2015 Senior Bonds surrendered. The Series 2015 Senior Bonds will mature (subject to prior redemption with respect to the Series 2015 Senior Revenue Bonds), on May 15 in the years and in the principal amounts set forth on the inside cover of this Official Statement. The principal of and interest on the Series 2015 Senior Bonds will be payable in lawful money of the United States of America.

The Series 2015 Senior Bonds will be issued in denominations of \$5,000 and integral multiples thereof, in fully registered form and, when issued, will be registered in the name of Cede & Co., as registered owner and nominee of DTC. DTC will act as securities depository for the Series 2015 Senior Bonds. Individual purchases may be made in book-entry form only. Purchasers will not receive certificates representing their interest in the Series 2015 Senior Bonds purchased. So long as Cede & Co., as nominee of DTC, is the registered owner of the Series 2015 Senior Bonds, references herein to the Owners or registered owners will mean Cede & Co. and will not mean the Beneficial Owners of the Series 2015 Senior Bonds.

So long as Cede & Co. is the registered owner of the Series 2015 Senior Bonds, principal of and interest on the Series 2015 Senior Bonds are payable by wire transfer by U.S. Bank National Association, as fiscal agent (the “Fiscal Agent”) to Cede & Co., as nominee for DTC, which is required, in turn, to remit such amounts to the DTC participants for subsequent disbursement to the Beneficial Owners. See “APPENDIX F—BOOK-ENTRY-ONLY SYSTEM.”

**See Appendix B for a summary of certain provisions of the Senior Resolution, including, without limitation, certain covenants of the Board, provisions relating to amendments of the Senior Resolution and procedures for defeasance of the Series 2015 Senior Bonds.**

**Redemption of Series 2015 Senior Bonds\***

**Optional Redemption.** The Series 2015 Senior Revenue Refunding Bonds are not subject to redemption prior to maturity. The Series 2015 Senior Revenue Bonds maturing on or before May 15, 20\_\_ are not subject to redemption prior to maturity. The Series 2015 Senior Revenue Bonds maturing on or after May 15, 20\_\_ are subject to redemption prior to maturity, at the option of the Board, as a whole or in part on any date, on or after May 15, 20\_\_, at a Redemption Price equal to 100% of the principal amount of the Series 2015 Senior Revenue Bonds to be redeemed, plus accrued interest thereon to the date fixed for redemption, without premium.

**Mandatory Sinking Fund Redemption.** The Series 2015\_ Senior Revenue Bonds maturing on May 15, 20\_\_ (the “Series 2015\_ Senior Term Bonds are subject to mandatory sinking fund redemption in part, by lot, at a redemption price equal to 100% of the principal amount thereof, plus accrued interest thereon to the date fixed for redemption, without premium, on May 15 of the following years and in the following principal amounts:

[Series 2015_] Senior Term Bonds	
Redemption Date (May 15)	Principal Amount
20__	\$
20__	
20__	
20__	
20__ <sup>†</sup>	

<sup>†</sup> Final Maturity

**Selection of Series 2015 Senior Revenue Bonds to be Redeemed.** Redemption of the Series 2015 Senior Revenue Bonds will only be in Authorized Denominations. The Series 2015 Senior Revenue Bonds are subject to redemption in such order of maturity and interest rate as the Board may direct and by

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\* Preliminary, subject to change.

lot within such maturity and interest rate selected in such manner as the Fiscal Agent (or DTC, as long as DTC is the securities depository for the Series 2015 Senior Revenue Bonds), deems appropriate.

***Notice of Redemption; Conditional Notice of Optional Redemption.*** Each notice of redemption will be mailed by the Fiscal Agent, not less than 30 nor more than 60 days prior to each redemption date, to each Owner (DTC, so long as the book-entry system with DTC is in effect) of the Series 2015 Senior Revenue Bonds selected for redemption. Each notice of redemption will state the date of such notice, the date of issue of the Series 2015 Senior Revenue Bonds, the date fixed for redemption, the redemption price, the place or places of redemption (including the name and appropriate address or addresses of the Fiscal Agent), the maturity date, the interest rate and CUSIP number of the Series 2015 Senior Revenue Bonds to be redeemed, if less than all Series 2015 Senior Bonds of a maturity and interest rate are to be redeemed, the distinctive certificate numbers of the Series 2015 Senior Revenue Bonds of such maturity and interest rate to be redeemed, and the principal amount of the Series 2015 Senior Revenue Bonds to be redeemed. Except as described in the following paragraph with respect to an optional redemption of the Series 2015 Senior Revenue Bonds, each such notice will also state that on said date there will become due and payable on each of said Series 2015 Senior Revenue Bonds called for redemption the redemption price thereof, or of said specified portion of the principal amount thereof in the case of a Series 2015 Senior Revenue Bond to be redeemed in part only, together with interest accrued thereon to the date fixed for redemption, and that from and after such redemption date interest thereon will cease to accrue, and will require that such Series 2015 Senior Revenue Bonds be then surrendered at the address or addresses of the Fiscal Agent specified in the redemption notice. Neither the failure of any Owner of Series 2015 Senior Revenue Bonds to receive notice nor any defect in any such notice will affect the sufficiency of the proceedings for redemption.

The Board may cause the Fiscal Agent to provide that, if at the time of mailing of notice of an optional redemption there has not been deposited with the Treasurer of the City (the "Treasurer"), the Fiscal Agent, an escrow agent or other fiduciary, in trust, moneys sufficient to redeem all the applicable Series 2015 Senior Revenue Bonds called for redemption, such notice may state that it is conditional, that is, subject to the deposit of the redemption moneys with the Treasurer, the Fiscal Agent, an escrow agent or other fiduciary prior to the scheduled redemption date, and that such notice will be of no effect unless such moneys are so deposited. In the event sufficient moneys are not on deposit on the required date, then the redemption will be canceled and on such cancellation date notice will be mailed to the Owners of such Series 2015 Senior Revenue Bonds.

***Effect of Notice of Redemption.*** Notice having been given in the manner described above under the caption "Notice of Redemption; Conditional Notice of Optional Redemption," if on the redemption date, moneys for the redemption of all the Series 2015 Senior Revenue Bonds or portions thereof to be redeemed on such date, together with interest to the redemption date, will be available therefor on said date then, from and after the redemption date such Series 2015 Senior Revenue Bonds so called for redemption will cease to accrue and become payable.

## **SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2015 SENIOR BONDS**

Following is a summary of certain provisions of the Senior Resolution, including but not limited to sections of the Senior Resolution detailing the pledge of Revenues, the rate covenant, the flow of funds, the issuance of additional Senior Bonds, and the Investments. These summaries do not purport to be comprehensive or definitive. See Appendix B for a more complete description of these provisions of the Senior Resolution.

### **Pledge of Revenues**

The Series 2015 Senior Bonds are special, limited obligations of the City and are secured by a pledge of and lien upon and will be a charge upon and will be payable, as to principal thereof, interest

thereon and premiums, if any, solely from the Revenues and other funds pledged under the Senior Resolution.

Under the Senior Resolution, the Board has pledged, placed a charge upon and assigned all Revenues to secure the payment of all principal of, premium, if any, and interest on the Senior Bonds in accordance with their respective terms, without priority or distinction of one over the other, subject only to the provisions of the Senior Resolution permitting the application thereof for the purposes and on the terms and conditions provided therein. "Revenues" means all revenues and all money secured or collected for the benefit of and received by the Board from or arising out of the use or operation of the Port, including, without limitation, all tolls, charges, rentals, compensations or fees required to be paid for services, franchises or licenses, as permitted or required by the Charter or otherwise by law, ordinance or order, to the City for the operation of any public service utility upon lands and waters under the control and management of the Harbor Department and all investment earnings credited to the Harbor Revenue Fund and not required to be credited to a sub-fund, excepting therefrom any revenues arising from any lease, contract or other agreement providing for the drilling for, developing, producing, extracting, taking or removing, storing and disposing of oil, gas or other hydrocarbon substances from the tide and submerged lands granted to the City by the State.

As used in this Official Statement, "Port of Long Beach" or "Port" means the entire harbor system subject to and under the jurisdiction of the Board as defined in the Charter, and including, without limitation, all harbor or port improvements, works, utilities, appliances, facilities and water craft, owned, controlled or operated by the City in or upon or pertaining to the waterfront or navigable waters of the City as such system now exists together with all additions acquired, constructed or financed with surplus revenues or funds derived from the sale of indebtedness authorized by the Master Senior Resolution or any subsequent resolution of the Board, together with all improvements and extensions to said system later constructed or acquired.

The Board, on behalf of the City, also has pledged all amounts on deposit in the Principal Account and the Interest Account of the Bond Service Fund, to secure payment of the Senior Bonds without priority or distinction of one over the other. In all cases, such pledges are subject only to the provisions of the Senior Resolution permitting the application thereof for the purposes and on the terms and conditions provided in the Senior Resolution. See "—Flow of Funds" below.

**The principal of and interest on any Series 2015 Senior Bonds are not a debt of the City nor a legal or equitable pledge, charge, lien or encumbrance upon any of its property or upon any of its income, receipts or revenues, except the Revenues and the funds, security or assets which are pledged to the payment of the Series 2015 Senior Bonds and interest thereon. The general fund of the City is not liable for the payment of any Series 2015 Senior Bonds or interest thereon, nor is the credit or taxing power of the City pledged for the payment of any Series 2015 Senior Bonds or interest thereon. An Owner of any Series 2015 Senior Bond may not compel the exercise of the taxing power by the City or the forfeiture of any of its property.**

#### **Rate Covenant**

The Master Senior Resolution provides that the City, acting by and through the Board, is required to prescribe, revise and collect such charges, rentals, compensation or fees required to be paid for services, franchises, leases or licenses, as permitted or required by the Charter or otherwise by law, ordinance or order, to the City for operation upon lands and waters under the control and management of the Board, which, after making allowances for contingencies and error in the estimates, will produce Revenues in each Fiscal Year equal to 1.25 times Maximum Annual Debt Service and which are sufficient, taking into account all other moneys available or reasonably expected to be available to the Harbor Department, to pay the following amounts:

- (a) the interest on and principal of all Outstanding Senior Bonds as the same becomes due and payable;
- (b) all payments required for compliance with the Senior Resolution including payments required to be made into any reserve fund required to be maintained pursuant to any Supplemental Senior Resolution;
- (c) all payments required to meet any other obligations of the City (such as the payment of principal of and interest on the Subordinate Revolving Obligations and the Subordinate TIFIA Loan (if drawn) and the Harbor Department's Shortfall Advances (as defined herein) and Surety Obligation Payments (as defined herein)), which are charges, liens and encumbrances upon or payable from the Revenues; and
- (d) all Maintenance Costs.

See "OUTSTANDING OBLIGATIONS AND DEBT SERVICE SCHEDULE" for additional information on the Outstanding Senior Bonds and Subordinate Obligations.

### **Flow of Funds**

The Charter and the Master Senior Resolution require all Revenues of the Harbor Department to be deposited with the Treasurer and placed in the Harbor Revenue Fund established by the Charter. From Revenues on deposit in the Harbor Revenue Fund, the Treasurer is required to transfer to the Bond Service Fund established under the Master Senior Resolution and maintained by the Treasurer and any reserve fund established for a Series of Senior Bonds under a Supplemental Senior Resolution adopted in connection with the issuance of Senior Bonds, amounts sufficient to pay the principal, premium, if any, and interest on the Senior Bonds and to maintain in such funds the balances required by the Master Senior Resolution and any Supplemental Senior Resolution adopted in accordance therewith. The Master Senior Resolution requires that all Revenues remaining in the Harbor Revenue Fund after making such transfers will be used first, to pay the principal, premium, interest, other payment obligations and reserve fund requirements of any Subordinate Obligations, and second, to pay the reasonable expenses of management and other expenses necessary to operate, maintain and preserve the Port in good repair and working order ("Maintenance Costs"). After the payment of Maintenance Costs, remaining Revenues constitute surplus revenues and may be used for any lawful purpose. The Board's obligation to make the Shortfall Advances and the Surety Obligation Payments in connection with the Alameda Corridor (as defined herein) is payable from surplus revenues. For a description of the Shortfall Advances, the Surety Obligation Payments and the Alameda Corridor, see "OUTSTANDING OBLIGATIONS AND DEBT SERVICE SCHEDULE—Other Obligations—ACTA Shortfall Advances and Surety Obligation Payments" herein. The pledge of Revenues to secure the payment of principal of, premium, if any, and interest on the Senior Bonds is irrevocable until all such obligations are no longer deemed outstanding. For a further description of the flow of funds and a description of the funds and accounts established and maintained under the Senior Resolution, see "APPENDIX B—SUMMARY OF CERTAIN PROVISIONS OF THE SENIOR RESOLUTION—MASTER SENIOR RESOLUTION—Application of Funds and Accounts."

### **Funds Held by Third Parties**

Pursuant to Resolution No. HD-1940 (the "Sixth Supplemental Senior Resolution") adopted by the Board on November 2, 1998, the Treasurer is authorized to appoint and engage agents as may be appropriate to perform the duties and obligations of the Treasurer to establish and maintain certain funds and accounts (except the Harbor Revenue Fund). In connection with the issuance of the Series 2015 Senior Revenue Refunding Bonds, the Treasurer will enter into a trustee services agreement with U.S. Bank National Association to establish and maintain the Series 2015 Senior Revenue Refunding Bonds Costs of Issuance Fund and Series 2015 Senior Revenue Refunding Bonds Rebate Fund. In connection with the issuance of the Series 2015 Senior Revenue Bonds, the Treasurer will enter into a trustee services

agreement with U.S. Bank National Association to establish and maintain the Series 2015 Senior Revenue Bonds Costs of Issuance Fund, Series 2015 Senior Revenue Bonds Rebate Fund and the Series 2015 Revenue Bonds Construction Fund. All such funds will be held in trust, disposed of and invested in accordance with instructions given by the Treasurer.

### **Additional Senior Bonds**

Under the Master Senior Resolution, the City, acting by and through the Board, has covenanted that it will not incur any indebtedness having any priority in payment from Revenues over the Senior Bonds (including the Series 2015 Senior Bonds).

Under the Master Senior Resolution, the Board, on behalf of the City, has covenanted not to issue additional Senior Bonds payable from and secured by Revenues on parity with the Outstanding Senior Bonds and the Series 2015 Senior Bonds unless (a) such additional Senior Bonds are issued to pay or discharge outstanding Senior Bonds (“Refunding Senior Bonds”), or (b) at the time such additional Senior Bonds are issued (i) the City is not in default under the terms of the Master Senior Resolution and (ii) either (A) the Net Revenues for the last completed Fiscal Year or the 12-month period ended not more than one month before the issuance or incurrence of such additional Senior Bonds as set forth in a certificate of the Board or (B) the estimated Net Revenues for the 12-month period when the improvements or extensions to the Port financed with the proceeds of the additional Senior Bonds will be in operation as estimated by and set forth in a certificate of an independent certified public accountant or an independent engineer appointed by the Board, amount to at least 1.25 times Maximum Annual Debt Service on all Senior Bonds outstanding immediately subsequent to the issuance of such additional Senior Bonds.

“Net Revenues” means, for any period, Revenues for such period less Maintenance Costs for such period. For purposes of determining compliance with clauses (b)(ii)(A) and (B) in the above paragraph, there may be included in Net Revenues either or both of the following: (1) an allowance for any increase in Net Revenues (including, without limitation, a reduction in Maintenance Costs) which may arise from any additions to and extensions and improvements to the Port to be made or acquired with the proceeds of such additional Senior Bonds or with the proceeds of Senior Bonds previously incurred and also for increases in Net Revenues from any additions, extensions or improvements which have been made or acquired with moneys from any source but which, during the Fiscal Year or 12-month period used for the calculation, were not in service, all in an amount equal to the estimated additional average annual net revenues to be derived from such additions, extensions and improvements for the first 36-month period in which each addition, extension or improvement is respectively to be in operation, all as shown by the certificate or opinion of a qualified independent engineer employed by the Board; and/or (2) an allowance for earnings arising from any increase in the charges made for the use of the Port which has become effective prior to the issuance of such additional Senior Bonds, but which, during the last completed Fiscal Year or 12-month period, was not in effect, in an amount equal to the amount by which the Net Revenues would have been increased if such increase in charges had been in effect during the whole of such Fiscal Year or last completed 12-month period, as shown by the certificate or opinion of a qualified independent engineer employed by the Board.

The Series 2015 Senior Revenue Refunding Bonds will be issued as Refunding Senior Bonds and therefore, the Board will not be required to provide the additional bonds certificate described above. The Board will provide the additional bonds certificate described above with respect to the Series 2015 Senior Revenue Bonds. The Master Senior Resolution does not restrict the City from issuing or incurring indebtedness having a lien upon Revenues which is subordinate to that of the Senior Bonds.

### **Investments**

All moneys in any of the funds and accounts held by the Treasurer and its agents and established pursuant to the Senior Resolution will be invested solely in Investment Securities maturing or available

on demand not later than the date on which it is estimated that such moneys will be required by the Treasurer. See “FINANCIAL DATA—Investment Policy” for further information on the City’s investment policy.

**OUTSTANDING OBLIGATIONS AND DEBT SERVICE SCHEDULE**

**Outstanding Senior Bonds**

Pursuant to the Master Senior Resolution, the City, acting by and through the Board, issued the Outstanding Senior Bonds, which as of April 1, 2015, were outstanding in the aggregate principal amount of \$860,280,000, consisting of \$535,280,000 of Senior Bonds and \$325,000,000 of Series 2014C Senior Notes. See “PLAN OF FINANCE” with respect to the Board’s plans to refund and/or defease all of the outstanding Series 2005 Senior Bonds on May 15, 2015.

The following table sets forth the Outstanding Senior Bonds which have been issued and were outstanding as of April 1, 2015.

**TABLE 1**  
**Harbor Department of the City of Long Beach**  
**Outstanding Senior Bonds**  
**(As of April 1, 2015)**

<b>Outstanding Senior Bonds</b>	<b>Original Principal Amount</b>	<b>Principal Amount Outstanding</b>	<b>Final Maturity Date</b>
Series 1998A	\$206,330,000	\$74,110,000	5/15/2019
Series 2005A <sup>1</sup>	233,005,000	80,625,000	5/15/2025
Series 2005B <sup>1</sup>	24,970,000	24,970,000	5/15/2018
Series 2010A	200,835,000	160,175,000	5/15/2025
Series 2010B	158,085,000	136,365,000	5/15/2027
Series 2014A	38,465,000	38,465,000	5/15/2017
Series 2014B	20,570,000	20,570,000	5/15/2027
Series 2014C	325,000,000 <sup>2</sup>	325,000,000	11/15/2018
Total	<u>\$1,027,260,000</u>	<u>\$860,280,000</u>	

<sup>1</sup> See “PLAN OF FINANCE” for a discussion of the refunding and defeasance of the Refunded Bonds.

<sup>2</sup> Represents the principal of the \$325 million Series 2014C Senior Notes due in fiscal year 2019 and anticipated to be paid with the proceeds of the Subordinate TIFIA Loan.

Source: Harbor Department

### Senior Bonds Debt Service Requirements

The following table sets forth the debt service requirements of the Outstanding Senior Bonds (after giving effect to the redemption and/or payment of the Refunded Bonds as described under “—PLAN OF FINANCE”) and the Series 2015 Senior Bonds. See “—Future Financings (Additional Senior Bonds and Subordinate Obligations)” below for a discussion of the Board’s current plans to issue additional Senior Bonds.

**TABLE 2**  
**Harbor Department of the City of Long Beach**  
**Senior Debt Service Requirements<sup>1</sup>**

<b>Bond Year Ending May 15</b>	<b>Total Debt Service Requirements for Existing Prior Senior Bonds &amp; Notes<sup>2</sup></b>	<b>Principal Requirements for Series 2015A Senior Revenue Refunding Bonds</b>	<b>Interest Requirements for Series 2015A Senior Revenue Refunding Bonds</b>	<b>Principal Requirements for Series 2015B Senior Revenue Refunding Bonds</b>	<b>Interest Requirements for Series 2015B Senior Revenue Refunding Bonds</b>	<b>Principal Requirements for Series 2015C Senior Revenue Bonds</b>	<b>Interest Requirements for Series 2015C Senior Revenue Bonds</b>	<b>Principal Requirements for Series 2015D Senior Revenue Bonds</b>	<b>Interest Requirements for Series 2015D Senior Revenue Bonds</b>	<b>Total Senior Debt Service</b>
2015	\$50,233,350									
2016	64,913,200									
2017	60,882,450									
2018	52,034,800									
2019 <sup>3</sup>	384,201,150									
2020	41,275,000									
2021	43,602,850									
2022	34,289,100									
2023	31,775,350									
2024	42,410,600									
2025	46,408,750									
2026	9,922,750									
2027	12,411,000									
Total	<u>\$874,360,350</u>									

<sup>(1)</sup> Numbers may not sum due to rounding.

<sup>(2)</sup> Excludes debt service on the Refunded Bonds expected to be redeemed and/or defeased from the proceeds of the Series 2015 Revenue Refunding Bonds. See “– PLAN OF FINANCE”.

<sup>(3)</sup> Includes the principal of the \$325 million Series 2014C Senior Notes due in fiscal year ending September 30, 2019 and anticipated to be paid with the proceeds of the Subordinate TIFIA Loan..

Source: Harbor Department and Public Resources Advisory Group

**Senior Debt Service Coverage**

A summary of Revenues, Maintenance Costs, Net Revenues, Senior Debt Service and debt service coverage for fiscal years 2010 through 2014 is presented below.

**TABLE 3**  
**Harbor Department of the City of Long Beach**  
**Senior Debt Service Coverage**  
**(\$000's)**

Fiscal Years	Revenues <sup>(1)</sup>	Maintenance Costs <sup>(2)</sup>	Net Revenues <sup>(3)</sup>	Senior Debt Service <sup>(4)</sup>	Senior Debt Service Coverage	
					Gross <sup>(6)</sup>	Net <sup>(7)</sup>
2010	\$329,570	\$98,026	\$231,544	\$81,996	4.0	2.8
2011	350,384	81,423	268,961	80,016	4.4	3.4
2012	337,189	84,637	252,552	80,008	4.2	3.2
2013	346,984	97,696	249,288	79,991	4.3	3.1
2014	360,016	108,455	251,561	84,724	4.2	3.0

<sup>1</sup> Calculated in accordance with the provisions of the Master Senior Resolution. Includes Total Port Operating Revenue and Interest Income as shown in “Table 13, Harbor Department of the City of Long Beach, Comparative Summary of Statements of Revenues and Expenses” set forth below.

<sup>2</sup> Calculated in accordance with the provisions of the Master Senior Resolution. Includes all Port Operating Expenses excluding Depreciation and Amortization as shown in “Table 12, Harbor Department of the City of Long Beach, Comparative Summary of Statements Revenues and Expenses” set forth below.

<sup>3</sup> Revenues less Maintenance Costs.

<sup>4</sup> Includes debt service on all Senior Obligations.

<sup>5</sup> Not calculated in accordance with the provisions of the Master Senior Resolution. The rate coverage covenant set forth in the Master Senior Resolution requires that Revenues each fiscal year be equal to at least 1.25 times Maximum Annual Debt Service. This table shows the ratios of Revenues and Net Revenues to actual debt service paid during the related fiscal year.

<sup>6</sup> Revenues divided by Senior Debt Service.

<sup>7</sup> Net Revenues divided by Senior Debt Service.

Source: Revenues and Maintenance Costs are derived from the Harbor Department’s audited financial statements for fiscal years 2010-2014; Harbor Department

**Outstanding Subordinate Obligations; Subordinate TIFIA Loan**

Pursuant to the Master Subordinate Resolution, the Subordinate Revolving Obligations Supplemental Resolutions and Subordinate Revolving Obligations Credit Agreements, the City, acting by and through the Board, is authorized to issue and have outstanding, from time to time, up to \$200,000,000 in aggregate principal amount of its (i) City of Long Beach, California Subordinate Harbor Revenue Revolving Obligations Series A (Tax-Exempt) (the “Series A Subordinate Obligations”), (ii) City of Long Beach, California Subordinate Harbor Revenue Revolving Obligations Series B (Tax-Exempt) (the “Series B Subordinate Obligations”) and (iii) City of Long Beach, California Subordinate Harbor Revenue Revolving Obligations Series C (Taxable) (the “Series C Subordinate Obligations” and together with the Series A Subordinate Obligations and the Series B Subordinate Obligations, the “Subordinate Revolving Obligations”) pursuant to Resolution No. HD-2726 adopted by the Board on July 16, 2013 (the “Master Subordinate Resolution”), Resolution No. HD-2727 adopted by the Board on July 16, 2013 (the “First Supplemental Subordinate Resolution”), Resolution No. HD-2728 adopted by the Board on July

16, 2013 (the “Second Supplemental Subordinate Resolution” and together with the First Supplemental Subordinate Resolution, the “Subordinate Revolving Obligations Supplemental Resolutions”), the Revolving Credit Agreement, dated as of July 1, 2013 (the “Series A Subordinate Credit Agreement”), by and between the City, acting by and through the Board, and Bank of America, N.A. (the “Series A Subordinate Revolving Obligations Bank”), relating to \$78 million aggregate principal amount, and the Revolving Credit Agreement, dated as of July 1, 2013 (the “Series B/C Subordinate Credit Agreement,” and together with the Series A Subordinate Credit Agreement, the “Subordinate Revolving Obligations Credit Agreements”), by and between the City, acting by and through the Board, and Union Bank, N.A. (the “Series B/C Subordinate Revolving Obligations Bank,” and together with the Series A Subordinate Revolving Obligations Bank, the “Subordinate Revolving Obligations Banks”) relating to \$122 million aggregate principal amount. The Series A Subordinate Obligations were issued pursuant to the First Supplemental Subordinate Resolution, in furtherance of the Series A Subordinate Credit Agreement and in favor of the Series A Subordinate Revolving Obligations Bank. The Series B Subordinate Obligations and the Series C Subordinate Obligations were issued pursuant to the Second Supplemental Subordinate Resolution, in furtherance of the Series B/C Subordinate Credit Agreement and in favor of the Series B/C Subordinate Revolving Obligations Bank.

As of April 1, 2015, the City, acting by and through the Board, had \$120,000,000 aggregate principal amount of Subordinate Revolving Obligations outstanding. The Subordinate Revolving Obligations are secured by a pledge of Subordinate Revenues (consisting of Revenues minus the payment of debt service on the Senior Bonds (including the Series 2015 Senior Bonds) and the required deposits to any debt service reserve fund established with respect to the Senior Bonds). All Subordinate Revolving Obligations issued by the City, acting by and through the Board, are purchased by the Subordinate Revolving Obligations Banks in accordance with the terms of the respective Subordinate Revolving Obligations Credit Agreements. Pursuant to the terms of the Subordinate Revolving Obligations Credit Agreements, the Subordinate Revolving Obligations bear interest, at the option of the City, acting by and through the Board, at fixed or floating rates set forth in the Subordinate Revolving Obligations Credit Agreements. Except as otherwise provided in the Subordinate Revolving Obligations Credit Agreements, the principal of all Subordinate Revolving Obligations outstanding is due and payable on July 29, 2016. However, subject to the terms of the Series B/C Subordinate Credit Agreement, on July 29, 2016, the City, acting by and through the Board, can convert any outstanding Series B Subordinate Revolving Obligations and/or Series C Subordinate Revolving Obligations to a term loan that will be payable over a period of time set forth in the Series B/C Subordinate Credit Agreement after the July 29, 2016 maturity date. Pursuant to the provisions of the Subordinate Revolving Obligations Credit Agreements, the Subordinate Revolving Obligations Banks, respectively, have the right to accelerate the payment of the principal of and interest on the applicable Subordinate Revolving Obligations upon the occurrence of certain events of default set forth in the respective Subordinate Revolving Obligations Credit Agreements.

A portion of the proceeds of the Series 2015 Senior Revenue Bonds is expected to be used to repay all or a portion of the outstanding Series A Subordinate Obligations and Series B Subordinate Obligations.

The City, acting by and through the Board, entered into the Subordinate TIFIA Loan Agreement, pursuant to which the TIFIA Lender, subject to certain conditions, has agreed to make the Subordinate TIFIA Loan to the City, acting by and through the Board, the proceeds of which, if drawn, will be used by the Harbor Department to finance and refinance the costs of the Gerald Desmond Bridge Replacement Project. See “CAPITAL DEVELOPMENT PROGRAM – 2015-24 Capital Plan.” The Subordinate TIFIA Loan, if and when made, will be incurred by the City, acting by and through the Board, pursuant to the Master Subordinate Resolution and Resolution No. HD-2763, adopted by the Board on May 12, 2014, and secured by a pledge of Subordinate Revenues. The proceeds of the Subordinate TIFIA Loan are expected to be drawn, if ever, no later than one year after substantial completion of the Gerald Desmond Bridge Replacement Project. Pursuant to the terms of Resolution No. HD-2767 adopted by the Board on

June 9, 2014, the Board has reserved the right to (but is not obligated to) use all or a portion of the proceeds it expects to receive from the Subordinate TIFIA Loan to pay all or a portion of the principal of the Series 2014C Senior Notes on their maturity date and/or to pay additional federally eligible costs of the Gerald Desmond Bridge Replacement Project. “See “PLAN OF FINANCE” and “OUTSTANDING OBLIGATIONS AND DEBT SERVICE SCHEDULE.”

**Future Financings (Additional Senior Bonds and Subordinate Obligations)**

See “CAPITAL DEVELOPMENT PROGRAM—Funding Sources of 2015-24 Capital Plan” for a discussion of the Board’s plans to issue additional Senior Bonds and/or Subordinate Obligations in the future to finance a portion of the costs of the 2015-24 Capital Plan. Additionally, the City, acting by and through the Board, may issue additional Senior Bonds and/or additional Subordinate Obligations in the future to refund outstanding Senior Bonds and/or Subordinate Obligations.

**Other Obligations**

*ACTA Shortfall Advances and Surety Obligation Payments.* In 1999, the Alameda Corridor Transportation Authority (“ACTA”) issued and entered into obligations to finance a portion of the cost of the design and construction of a 20-mile long, multiple-track rail system linking the railyards and tracks at the Port and the Port of Los Angeles (together, the “San Pedro Bay Ports”) with the Railroads’ (as defined in the following paragraph) transcontinental mainlines originating near downtown Los Angeles (the “Alameda Corridor”). The Alameda Corridor was financed with contributions from the Harbor Department and the Port of Los Angeles, proceeds of taxable and tax-exempt bonds issued by ACTA, a federal loan (which was prepaid in May 2004 with the proceeds of subordinate taxable and tax-exempt bonds issued by ACTA), a grant from the Los Angeles County Metropolitan Transportation Authority, and various other grant moneys. As of June 30, 2014, ACTA had outstanding approximately \$2.1 billion of aggregate principal and accrued interest on taxable and tax-exempt bonds (collectively, the “ACTA Obligations”).

On October 12, 1998, the City, acting by and through the Board; the City of Los Angeles, acting by and through its Board of Harbor Commissioners; ACTA; the Union Pacific Railroad Company (“Union Pacific”); and BNSF Railway Company (formerly known as The Burlington Northern and Santa Fe Railway Company) (“BNSF” and together with Union Pacific, the “Railroads”) entered into the Alameda Corridor Use and Operating Agreement, as amended (the “ACTA Operating Agreement”). The ACTA Operating Agreement governs the administration, operation and maintenance of the Alameda Corridor and the collection and application of use fees, container charges, maintenance and operation charges and certain payments described herein (the “Shortfall Advances”) from the Harbor Department and the Harbor Department of the City of Los Angeles. The ACTA Obligations are payable from the use fees and container charges, payable by the Railroads, and from Shortfall Advances.

The ACTA Operating Agreement requires the Harbor Department and the Port of Los Angeles, severally and not jointly, to make Shortfall Advances in the event the amount of use fees and container charges collected from the Railroads are not sufficient to make the debt service payments on the ACTA Obligations. Pursuant to the ACTA Operating Agreement, the Harbor Department and the Port of Los Angeles are each obligated to make up one-half of any deficiency in the payment of debt service on the ACTA Obligations. However, the Harbor Department and the Port of Los Angeles are liable only for a maximum of 40% (20% each) of the total amount of debt service due in each year on the ACTA Obligations. Additionally, neither the Harbor Department nor the Port of Los Angeles is required to make Shortfall Advances that should have been paid by the other party. Based upon the June 30, 2014 outstanding amount of the ACTA Obligations, the Harbor Department and the Port of Los Angeles are potentially liable for a maximum of approximately \$1.6 billion (the Harbor Department and the Port of Los Angeles each being liable for approximately \$800 million) of debt service payments on the ACTA Obligations through 2037. Pursuant to the ACTA Operating Agreement, the Harbor Department is

obligated to include any forecasted Shortfall Advances in its budget for each fiscal year. The Harbor Department and the Port of Los Angeles were first required to pay Shortfall Advances in calendar year 2011 when they paid a total of \$5.9 million (\$2.95 million each) for debt service payments due on October 1, 2011. The Harbor Department and the Port of Los Angeles were again required to pay Shortfall Advances in calendar year 2012 when they paid a total of \$5.9 million (\$2.95 million each) for debt service payments due on October 1, 2012. The Harbor Department and the Port of Los Angeles were not required to pay Shortfall Advances in 2013 or 2014 and do not expect to pay Shortfall Advances in 2015. The Harbor Department expects that it (and the Port of Los Angeles) may be required to make one or more additional Shortfall Advances between 2016 and 2037, however, as of the date of this Official Statement, the Harbor Department cannot predict either the amount or timing of any such Shortfall Advances.

In connection with ACTA's issuance of \$83,710,000 of refunding bonds in 2012 (the "Series 2012 ACTA Bonds"), the City, acting by and through the Board, and the Port of Los Angeles entered into a debt service reserve surety agreement (the "Series 2012 ACTA Surety Agreement"). Pursuant to the Series 2012 ACTA Surety Agreement, the Harbor Department and the Port of Los Angeles each agreed to make individual payments originally of up to \$3.6 million (the "Surety Obligation Payments") for a period of seven years, towards payment of the principal of and interest on the Series 2012 ACTA Bonds in the event the amount of use fees and container charges collected from the Railroads is insufficient to make the debt service payments on the Series 2012 ACTA Bonds. The Surety Obligation Payments are distinct from obligations relating to Shortfall Advances but are payable from the same sources from which shortfall advances are made by the Harbor Department and the Port of Los Angeles. Since the Series 2012 ACTA Surety Agreement was signed, ACTA has made cash deposits of approximately \$2.1 million, reducing the Surety Obligation Payments to a maximum of approximately \$2.5 million each for both the Harbor Department and the Port of Los Angeles. The Harbor Department's (and the Port of Los Angeles') obligation under the Series 2012 Surety Agreement to make the Surety Obligation Payments will decrease further to the extent that deposits, if any, are made to the debt service reserve fund established for the Series 2012 ACTA Bonds. Such deposits are scheduled to be made by ACTA each October 1 in an amount of approximately \$1.0 million so as to fully cash fund the debt service reserve fund established for the Series 2012 ACTA Bonds by October 1, 2019.

The Harbor Department is obligated to make the Shortfall Advances and the Surety Obligation Payments from any legally available source of excess revenues after making all payments due with respect to the Senior Bonds and the Subordinate Obligations, and the payment of all Maintenance Costs. The Harbor Department's obligation to make Shortfall Advances and Surety Obligation Payments is to continue even though use fees may be abated as a result of complete blockage of the rail corridor for more than five days. Shortfall Advances and Surety Obligation Payments are to be reimbursed to the Harbor Department and the Port of Los Angeles from use fees and container charges to the extent available, after payment of debt service on the ACTA Obligations, the funding of any reserves associated with the ACTA Obligations, the payment of maintenance and operating expenses of the Alameda Corridor, and the payment of administrative and other amounts.

***Clean Trucks Program - Lease Subsidy Obligations.*** In 2006, the Harbor Department together with the Port of Los Angeles, developed the San Pedro Bay Ports Clean Air Action Plan (the "CAAP"). The CAAP was updated and reauthorized in 2010. The CAAP is the Harbor Department's ten-year comprehensive plan to address air pollution emissions from Port related sources. Emission sources targeted by the CAAP include ships, trains, cargo handling equipment, harbor craft and heavy duty trucks. Pursuant to the CAAP, the Harbor Department has undertaken several programs to lower air pollution levels at the Port, including a Clean Trucks Program (the "CTP"), which established progressively cleaner engine standards for trucks operating at the Port so that by January 2012, all trucks operating at the Port were required to either be replaced or retrofitted with emission controls to meet the United States

Environmental Protection Agency's ("EPA") 2007 On-Road Heavy Duty emissions standards. See "THE PORT OF LONG BEACH—Environmental Compliance—Air Pollution Reduction Programs—Clean Trucks Program."

The Harbor Department offered financial incentives, including a subsidized lease program to assist current truck operators that needed financial assistance to buy a cleaner truck. The Harbor Department agreed to provide an 80% subsidy towards the monthly lease obligations, the preventative maintenance requirements of participants in the lease program of the CTP, and the payment of the residual value of the leased truck upon purchase of such truck by the participants in the lease program of the CTP. The Harbor Department's lease subsidy obligations are collectively referred to herein as the "Lease Subsidy Obligations." Additionally, as part of the Port's subsidized lease program, the Harbor Department agreed to guarantee pursuant to a Continuing Guaranty, dated October 8, 2008 (the "Guaranty"), to DCFS USA LLC and Daimler Trust (collectively, "Daimler"), the lease obligations of each of the participants in the lease program of the CTP.

The Harbor Department's Lease Subsidy Obligations and its obligations under the Guaranty are payable from any legally available source of funds after the payment of debt service and reserve fund obligations on the Senior Bonds (including the Series 2015 Senior Bonds) and the Subordinate Obligations. As of April 1, 2015, there were 134 lessee participants in the CTP representing for 248 trucks, and as of such date the Harbor Department had paid approximately \$24 million in lease subsidies. The Harbor Department expects that its total Lease Subsidy Obligations and its total obligations under the Guaranty will be approximately \$33 million through 2017.

***Transfers to City.*** Pursuant to Chapter XII, Section 1209(c)(4) of the Charter, at the beginning of each fiscal year, the City Council may, but is not obligated to, determine that an amount not to exceed 5% of the gross operating revenues of the Harbor Department for the previous fiscal year shall be transferred from the Harbor Revenue Fund to the City's Tideland's Operating Fund. Any amounts transferred to the City's Tideland's Operating Fund must be approved by a majority of all members of the Board. When approving any transfer, the Board must determine that the amount to be transferred will not be needed for Harbor Department operations, including, without limitation, operating expenses and capital projects, and that such transfer will not result in insufficient funds to pay the principal and interest on the Senior Bonds, or otherwise impair the ability to meet covenants with respect to the Senior Bonds. The Harbor Department transferred approximately \$17.3 million (5% of the Harbor Department's fiscal year 2013 gross operating revenue) from the Harbor Revenue Fund to the City's Tideland's Operating Fund during the fiscal year ended September 30, 2014. It is anticipated that for the foreseeable future these discretionary transfers may continue to be made each fiscal year from the Harbor Revenue Fund to the City's Tideland's Operating Fund.

***Repayment Obligations.*** Under certain circumstances the obligation of the Board, pursuant to a written agreement, to reimburse the provider of a credit facility or a liquidity facility (a "Repayment Obligation") may be secured by a pledge of and lien on Revenues on parity with the Senior Bonds. If a credit provider or liquidity provider advances funds to pay principal or the purchase price of or the interest on Senior Bonds, all or a portion of the Board's Repayment Obligation may be afforded the status of a Senior Bond under the Senior Resolution. The Board currently does not have any Repayment Obligations outstanding.

## **THE PORT OF LONG BEACH**

### **General**

According to the American Association of Port Authorities, the Port was the number two-ranked container port in the nation in terms of container cargo for the year ended December 31, 2014. The facilities at the Port moved approximately 6.8 million TEUs for the year ended December 31, 2014. According to statistics compiled by the World Shipping Council, during calendar year 2013 (the latest

information available), the Port was the 21st busiest container port in the world (the world's busiest ports being located in China, Singapore, Hong Kong, South Korea, United Arab Emirates and Rotterdam). See "CERTAIN INVESTMENT CONSIDERATIONS—Port Competition" for additional information about the Port's competitors. The Port is a harbor complex located two miles from open sea in an 11.9 square-mile area (the "Harbor District") within the City and on 359 acres of City of Los Angeles property adjacent to the City. The Port is held in trust by the City pursuant to certain tideland and submerged land grants from the State to the City, and is operated by the Harbor Department. The Harbor Department was created in 1931 by an amendment to the Charter. See "—Power and Authority of the Board" below.

Development of a harbor in the City began in 1905 when private interests acquired 800 acres of property for port purposes. Certain property at the Port is still privately owned. An ocean entrance to this area was completed in 1909, and in the same year voters of the City approved a \$245,000 bond issue for the purchase of water frontage and construction of the first pier. In 1911, the wharf was opened, and the Port was established. General obligation bond issues were authorized in 1916, 1924 and 1928 for channel work and construction of additional terminal facilities. With the discovery of oil in 1936, Port development was financed with petroleum revenues, and the general obligation bond issues were fully retired. Since 1965, Port development has been financed primarily with surplus revenues and the proceeds of revenue bonds. No general obligation bonds have been issued for Port development since the 1920s.

In 1990, the U.S. Congress enacted the Defense Base Closure and Realignment Act of 1990 ("DBCRA"), which established a decision making process for the closure of U.S. military bases throughout the world. Pursuant to DBCRA, the Long Beach Naval Station and the Long Beach Naval Shipyard (collectively, the "Naval Complex") were included in the base closures announced during 1991 and 1995, respectively. The Naval Complex consists of 1,140 acres (602 acres of water and 538 acres of land) located on the west side of the Harbor District. The City owns 966 acres of the Naval Complex and leases the remaining 174 acres from the United States pursuant to the Lease in Furtherance of Conveyance dated as of August 11, 1998 (the "Naval Complex Lease"). The Naval Complex Lease terminates in 2048 unless terminated earlier by the conveyance of the leased property in fee from the United States to the City. The Board anticipates that the remaining 174 acres will be transferred to the City in the future.

The Port currently has 65 deep-water berths (several of which are and will be capable of servicing the largest commercial ships currently afloat and the largest commercial ships currently being designed) with equipment and facilities to handle all types of cargo. See "—Current Port Facilities" below. As of September 30, 2014, the total investment in land and property-related rights and rights of way, structures and facilities at the Port was in excess of \$5.4 billion, including the value of work in progress, but before allowance for depreciation.

The Harbor Department operates the Port as a landlord through various property agreements entered into with tenants of the Port. The property agreements entered into by the Board, which convey the right to use, rent or lease Port assets, include leases, preferential assignment agreements, revocable permits, area assignments and pipeline licenses. The Harbor Department leases and/or assigns docks, wharves, transit sheds, terminals and other facilities to shipping or terminal companies and other private firms for operation of such facilities. Pursuant to the property agreements, the tenants of the Port pay tariff charges (including, but not limited to, wharfage (the charge assessed when cargo crosses the wharf), dockage (the charge assessed for docking a vessel at a berth), storage and demurrage (charges related to the duration that cargo may be stored at the terminal, which represent an insignificant component of Revenues)) and other fees to the Harbor Department for the right to use, rent or lease Port facilities. See "—Property Agreements" and "—Port Tariffs." Comparative operating statistics for the Harbor Department are presented under the caption "—Operating Performance" below. See also "FINANCIAL DATA."

### **Power and Authority of the Board**

Pursuant to Chapter 676, Statutes of 1911, Chapter 102, Statutes of 1925, and Chapter 158, Statutes of 1935, the State conveyed to the City certain tide and submerged lands in trust, for the establishment, improvement and conduct of a harbor to accommodate and promote commerce, navigation and fishing. Consistent with this grant, the Charter confers on the Board exclusive control and management of the Harbor Department and control and jurisdiction over the Harbor District other than the lands used for or in connection with the drilling for, developing production, extracting, processing, taking or removing, storing and disposing of oil, gas and other hydrocarbon substances previously transferred by the State from the Harbor Department's control to the control of the City. Pursuant to the Charter, the Board is authorized, on behalf of the City, to make provisions for the needs of commerce, navigation, recreation and fishery in the Harbor District; to promote, develop, construct, reconstruct, alter, repair, maintain, equip and operate all waterfront properties including piers, wharves, sea walls, docks, basins, channels, slips, landings, warehouses, floating and other plants or works; dredge and reclaim land; construct, equip and operate terminal rail trackage; and to establish, equip and operate all other facilities or aids incident to the development, protection and operation of the Port both inside and outside the Harbor District.

The Charter grants the Board the exclusive power and duty for and on behalf of the City to enter into contracts, leases and agreements, to take legal actions in any matter within its jurisdiction, to exercise the right of eminent domain and to make and enforce general rules and regulations throughout the Harbor District, including the regulation of public service, public utilities and private construction; to fix and collect all rates, tolls and other charges, including tariffs, for the use and occupation of the public facilities and appliances of the Port; to take charge of, control and supervise the Port and to perform any and all other acts and things which are necessary and proper to carry out the general powers of the City. The Board's actions are not subject to review by the Mayor or the City Council of the City, except that the City Council must approve the issuance of revenue bonds, the annual budget and appeals of California Environmental Quality Act determinations regarding the environmental impacts of capital projects at the Port. The City Council has approved the issuance of the Series 2015 Senior Bonds.

### **Management and Administration**

***The Board.*** The Board is composed of five members ("Commissioners") appointed by the Mayor of the City subject to confirmation by the City Council. Commissioners must be qualified electors of the City. To assure continuity, the Commissioners serve overlapping six-year terms. Every year the Board selects a President, Vice President and Secretary from among its members. The current Commissioners are as follows:

***Doug Drummond—President.*** Mr. Drummond was appointed to the Board in 2011 and his six-year term ends on June 30, 2015. Upon the expiration of his term, Mr. Drummond may be reappointed for a second term or a successor may be named by the Mayor with the approval of the City Council. He was elected President of the Board by the other members of the Board in December 2013 and re-elected to a full, one-year term in 2014. Mr. Drummond's more than 45 years of service to Long Beach began in 1959 when he became a Long Beach Police Department officer, attaining the ranks of Sergeant, Lieutenant and Captain, and then retiring in 1988 as Commander after 29 years on the force. He was elected to the Long Beach City Council in 1990, and Mr. Drummond served two four-year terms on the Council, two of those years as Vice Mayor. Mr. Drummond also has been a member of the City of Long Beach Civil Service Commission, the Board of Directors of the Long Beach Transportation Company, California State Commissioner for the Board of Parole Hearings, and Fish & Game Commissioner for Los Angeles County. He served in the U.S. Army as a paratrooper in Germany and was discharged as a sergeant. He holds a bachelor's degree from California State University, Long Beach, in Political Science and Public Administration, a master's degree in Public Administration from the University of Southern California, a doctorate in Criminology from August Vollmer University, and is a part-time faculty

member at all three schools. He also graduated from the FBI National Academy in 1974 and is a published author.

*Rich Dines–Vice President.* Mr. Dines was appointed to the Board in 2011 and his six-year term ends on June 30, 2017. He was elected Vice President of the Board by the other members of the Board in December 2013. Mr. Dines, a Marine Clerk with the International Longshore and Warehouse Union, brings nearly 20 years of experience on the waterfront to his position as a member of the Board. Together with the other Board members, he has provided policy direction and oversight for the most extensive capital improvement program in the Port’s history, reaching \$4 billion over 10 years. Mr. Dines also has been actively involved with long-range efforts to improve efficiency and productivity at the Port, and is an advocate for the use of alternative energy, resulting in adoption by the Board of a groundbreaking energy policy in 2013. A resident of Long Beach’s Fifth District, Mr. Dines is active in the community and currently sits on the Policy and Steering Committee for the California State University, Long Beach, Center for International Trade and Transportation. He also currently serves on the Alameda Corridor Transportation Authority Governing Board and is Chair of the Intermodal Container Transfer Facility (ICTF) Joint Powers Authority.

*Lori Ann Farrell–Commissioner.* Ms. Farrell was appointed to the Board in 2013 and her six-year term will end on June 30, 2019. She was named Secretary by her Board colleagues in December 2013 and re-elected to a full, one-year term in July 2014. Since December 2010, she has served as Director of Finance for the City of Huntington Beach, and, previously, served the City, first as City Controller (2006-2007) and then as Chief Financial Officer (2007-2010). A Long Beach resident, she has served on the Long Beach Transit Board, is a 2000 graduate of Leadership Long Beach and was awarded the Government Finance Officers’ Association’s Certificate of Excellence in Financial Reporting for the City of Long Beach. Ms. Farrell received a master’s degree in Public Administration from Columbia University School of International and Public Affairs and a bachelor’s degree from Barnard College at Columbia University.

*Lou Anne Bynum–Commissioner.* Ms. Bynum was appointed to the Board in May 2014 and her term will end on June 30, 2015. Upon the expiration of her term, Ms. Bynum may be reappointed or a successor may be named by the Mayor with the approval of the City Council. She is the Executive Vice President of College Advancement and Economic Development for Long Beach City College, where she previously served as Vice President and Administrative Dean. In her role at Long Beach City College, Ms. Bynum has worked in cooperation for many years with the Harbor Department on its workplace development and education programs. She also serves as a board member for the Pacific Gateway Workforce Investment Network, Downtown Long Beach Associates, St. Mary Medical Center Hospital Advisory Board, Memorial Medical Center Community Trustees, and the Advisory Board for the Los Angeles County BizFed Institute. In the past, Ms. Bynum served as chair of the Long Beach Area Chamber of Commerce, vice chair of the Long Beach Economic Development Commission and president of the Southern California International Business Association. She earned a bachelor’s degree from California State University, Long Beach, and a master’s degree from University of California, Los Angeles.

*Tracy J. Egoscue–Commissioner.* Ms. Egoscue was appointed to the Board in September 2014, and her term will end on June 30, 2020. Ms. Egoscue is a Long Beach-based environmental attorney and former Deputy Attorney General for the State of California. Before founding the Egoscue Law Group in the Bixby Knolls neighborhood, focusing on California environmental law, Ms. Egoscue worked as Of Counsel in the environmental practice group in the law firm of Paul Hastings LLP. She has also served as the Executive Officer of the State of California Regional Water Quality Control Board-Los Angeles Region, and as Executive Director of the Santa Monica Baykeeper, where she achieved a \$5 billion settlement against the City of Los Angeles for sewage spills, the largest settlement in the history of the

Clean Water Act. As California Deputy Attorney General, her work focused on the defense of various state agencies including the Department of Parks and Recreation, Department of Fish and Game, California Air Resources Board, Regional Water Quality Control Boards and the State Water Resources Control Board. Ms. Egoscue received her juris doctor degree from George Washington University in Washington, D.C. and her bachelor's degree from the University of California at Santa Barbara.

***The Staff.*** The Charter provides that the Board appoint and employ a Chief Executive, who acts as the executive director of the Harbor Department and who exercises the management of all affairs of the Harbor Department. Management and administration of the Harbor Department is divided into six bureaus (the Finance and Administration Bureau, the Commercial Operations Bureau, the Planning and Environmental Compliance Bureau, the Engineering Services Bureau, the Communications Bureau and the Human Resources and Team Development Bureau) reporting directly to the Chief Executive. The Finance and Administration Bureau, headed by the Managing Director, Finance and Administration, consists of four divisions: the Finance Division, the Information Management Division, the Real Estate Division and the Risk Management Division. The Commercial Operations Bureau, headed by the Managing Director, Commercial Operations/Chief Commercial Officer, consists of three divisions: the Business Development Division, the Security Services Division and the Tenant Services and Operations Division. The Planning and Environmental Affairs Bureau, headed by the Managing Director, Planning and Environmental Affairs, consists of three divisions: the Environmental Planning Division, the Master Planning Division and the Transportation Planning Division. The Engineering Services Bureau, headed by the Managing Director, Engineering Services, consists of five divisions: the Design Division, the Maintenance Division, the Construction Management Division, the Program Management Division and the Project Controls Division. The Communications Bureau, headed by the Managing Director, Communications, consists of three divisions, the Communications and Community Relations Division, the Government Relations Division and the Marketing Division. The Human Resources and Team Development Bureau, headed by the Managing Director, Human Resources and Team Development, consists of two divisions, the Human Resources Services Division and the Team Development Division.

The executive management of the Harbor Department includes the following individuals:

*Jon W. Slangerup - Chief Executive.* Mr. Slangerup was named Chief Executive of the Port of Long Beach in June 2014. As Chief Executive, he leads the Port's Harbor Department staff of 500 people, with an annual budget of nearly \$900 million. Mr. Slangerup has more than 34 years of corporate leadership experience and for the past 20 years has served as president, CEO and/or director of both public and private companies. With expertise in aviation, logistics and clean technologies, Mr. Slangerup has built global businesses ranging from technology startups to a billion-dollar subsidiary of FedEx, where he led the transformation of FedEx Canada from a small regional domestic courier operation into Canada's leading international express logistics company. Since FedEx, his focus has been on technology companies bringing leading-edge products to market in the fields of industrial software, clean energy technologies and marine ballast water treatment. He currently serves on the Board of Directors of Mxi Technologies, a leading aviation maintenance management software company, and on the Board of Trustees of his alma mater, Embry-Riddle Aeronautical University, where he graduated cum laude with a bachelor's degree in Aeronautics. He also holds a master's degree in Business Administration from Kennedy-Western University and is a certified Board Leadership Fellow with the National Association of Corporate Directors.

*Duane L. Kenagy, P.E. - Capital Programs, Senior Executive Lead.* Mr. Kenagy was appointed to the newly created position of Capital Programs Executive for the Port of Long Beach in November 2014. His role is to oversee all elements of the Port's Capital Development Program with a goal of completing a number of landmark projects on schedule and within budget. These projects include the Gerald Desmond Bridge replacement, the Middle Harbor Container Terminal and rail improvements to increase on-dock rail capacity. As an engineering consultant, Mr. Kenagy has worked with Port on a

number of projects since 1990, primarily with the \$2.5 billion Alameda Transportation Corridor Project, where he served as Director of Engineering and overall Program Manager for 20 years and received numerous engineering awards. Mr. Kenagy has more than 35 years of engineering and design project management experience in the U.S. and overseas, most recently with the Moffatt & Nichol engineering consulting firm. He joined the company in 1994 and worked in a variety of roles, including with the company's Goods Movement and Transportation Practice Group. He earned a bachelor's degree in Structural Engineering with High Honors from Oregon State University and was named to the University's Academy of Distinguished Engineers in 2011. He is a registered Civil Engineer in California and six other states, a U.S. Air Force veteran, and a member of the Transportation Research Board, the American Society of Civil Engineers and the Design-Build Institute of America.

*Michael R. Christensen, P.E. –Supply Chain Optimization, Senior Executive Lead.* Mr. Christensen was appointed to the newly created position of Supply Chain Optimization Executive for the Port of Long Beach in February 2015. His role is to work collaboratively with industry stakeholders and find new ways to increase communication and cooperation among the links of the supply chain. Mr. Christensen is a transportation professional with more than 40 years of experience in both public and private sector planning, goods movement, operations, governmental affairs, and environmental, design, construction and project management. Most recently, with the Port of Los Angeles, Mr. Christensen was the Deputy Executive Director since 2006. Previously, he was Vice President for the Parsons Transportation Group in Irvine, and earlier served as Vice President and Managing Principal for Nolte and Associates in Walnut Creek. Mr. Christensen earned his bachelor's degree in civil engineering at Arizona State University and a certificate in Executive Education from Harvard Kennedy School of Government. He is also a registered professional engineer in 10 states and an elected member of the Redondo Beach Board of Education.

*Steven B. Rubin–Managing Director, Finance and Administration.* Mr. Rubin was appointed to the position of Managing Director, Finance and Administration, in May 2003. He oversees the Harbor Department's Finance, Real Estate, Information Management and Risk Management Divisions. Mr. Rubin led the development of the financing plan for the groundbreaking Clean Trucks Program, has managed bond transactions totaling over \$1.7 billion and was the lead negotiator for the \$4.6 billion lease of the new Middle Harbor Container Terminal with Orient Overseas Container Line LLC ("OOCL") and Long Beach Container Terminal, Inc. ("LBCT"). With more than 20 years of experience in public and private sector financial management before joining the Harbor Department, Mr. Rubin was Assistant Finance Director for the City of Los Angeles and was a member of Mayor Richard Riordan's senior staff, serving as Budget Director and Assistant Deputy Mayor for Budget and Policy, responsible for developing the city's annual \$4.2 billion capital and operating budgets. In the private sector, he worked for Unisys Corp. and TRW Inc. Mr. Rubin has a master's degree in Business Administration from UCLA and bachelor's degrees from the University of Pennsylvania, including a Bachelor of Science in International Business from its Wharton School.

*Douglas A. Thiessen, D. PE–Managing Director, Engineering Services Bureau.* Mr. Thiessen has been Managing Director of the Engineering Services Bureau for the Harbor Department since February 2007. He oversees the Port's two service groups, Design & Maintenance and Program Delivery, heading all Harbor Department engineering and construction projects and overseeing an annual program budget of more than \$600 million. He has extensive experience in public engineering and transportation, working in the Port industry since childhood and in the San Pedro Bay ports for more than 30 years. Mr. Thiessen joined the Harbor Department in 2000 as Assistant Chief Harbor Engineer and was promoted to Chief Harbor Engineer the same year. He began his engineering career with the California Transportation Department, and then moved to the Port of Los Angeles in 1983, where he worked for 15 years on expansion projects and eventually was named the Port's Manager of Special Projects, including the APL-Pier 300 container terminal. Following service with the Los Angeles City Public Works' Bureau of

Engineering as Acting Division Engineer of the Environmental Engineering Division, he began his career with the Port of Long Beach. He is past Chair of the Ports and Harbors Committee and a Governing Board Member of the Coasts, Oceans, Ports and Rivers Institute of the American Society of Civil Engineers, past Chairman of the California Marine Affairs and Navigation Conference, Long Beach's member on the Alameda Corridor Railroad Operating Committee and as the Executive Director of the Intermodal Container Transfer Facility Joint Powers Authority. Mr. Thiessen received his bachelor's degree and completed graduate work in civil engineering at the University of Southern California and is a graduate lecturer in Civil Engineering at California State University, Long Beach.

*Richard D. Cameron - Managing Director, Planning and Environmental Compliance Bureau.* Mr. Cameron is the Managing Director, Planning and Environmental Compliance, for the Harbor Department, named to the post in January 2014. He oversees the Planning and Environmental Compliance Bureau that includes Environmental Planning, Master Planning and Transportation Planning. Mr. Cameron joined the Harbor Department in 1996 as an Environmental Specialist, was promoted to Manager of Environmental Planning and named Director of the newly created Division of Environmental Planning in 2007 before being appointed Acting Managing Director in July 2013. Earlier in his career, as an Environmental Specialist, he worked in the areas of water quality, air quality and California Environmental Quality Act documentation. He also managed environmental programs for the Port of Los Angeles and was a consultant for other clients. Mr. Cameron has a bachelor's degree in urban and regional planning from California State Polytechnic University, Pomona.

*Dr. Noel Hacegaba—Managing Director, Commercial Operations Bureau and Chief Commercial Officer.* Dr. Hacegaba was named Managing Director of Commercial Operations for the Port of Long Beach in October 2014. He functions as the Port's Chief Commercial Officer and leads the Port's Business Development, Customer Service, Terminal Operations and Security functions. Before this appointment, Dr. Hacegaba served as Acting Deputy Executive Director and Chief Operating Officer for the Port, supporting the Acting Executive Director during the year-long search for a new Chief Executive. As Acting Deputy Executive Director, Dr. Hacegaba functioned as Chief Operating Officer, overseeing the daily business activities of the Harbor Department's operating bureaus. Dr. Hacegaba first joined the Port in 2010 as Executive Officer to the Board of Harbor Commissioners. Dr. Hacegaba's more than 17 years of public and private sector experience, spanning a variety of industries and capacities, also includes serving as Manager of Municipal Services for Republic Services, the nation's second-largest environmental services company, and Assistant Chief of Staff for the Long Beach City Prosecutor's Office. He is a graduate of the University of Southern California, with degrees in economics (bachelor and masters), business administration (bachelor) and urban planning (masters). He also is a graduate of the Coro Fellows Program in Public Affairs, holds the Port Professional Manager (PPM) designation from the American Association of Port Authorities, and a doctorate in public administration from the University of La Verne, where he continues to serve on the faculty. He serves on the AAPA Maritime Economic Development Committee and is a member of the Marine Exchange of Southern California Board of Directors, Harbor Association of Industry and Commerce Board of Directors, St. Mary Medical Center Board of Trustees, the Long Beach City College Foundation Board of Governors and the Propeller Club.

*Vacant - Managing Director, Communications Bureau.*

*Vacant - Managing Director, Human Resources and Team Development.*

*Betsy Christie, CPA, CGMA, CMA, MBA - Director of Finance.* Betsy Christie was appointed Director of the Finance Division for the Harbor Department in October 2014. The Division is responsible for ensuring that the Port is financially self-sustaining and fiscally strong. Ms. Christie leads and directs all financial operations of the Port with a staff of 27 and an operating budget of nearly \$4.2 million. Operations

include billings, collections, cash flow analysis, internal controls, general accounting, fixed asset management, cashiering, contract compliance, financial forecasting, planning and reporting, budget development, SBE/VSBE program administration, and the Port's annual financial report. Before coming to the Port, Ms. Christie, a 28-year finance and accounting veteran, worked in a wide variety of industries, including maritime, healthcare, financial services, and manufacturing. Most recently, she was Chief Financial Officer for terminal operating and stevedoring company, NYK Terminals. Ms. Christie earned both a bachelor's degree in Accounting and a master's degree in Business Administration from California State University, Fullerton. She is a Certified Public Accountant (CPA) in the State of California, a Chartered Global Management Accountant (CGMA), certified as a Management Accountant (CMA) by the Institute of Management Accountants and has an IFRS Certification.

### **Employment and Labor Relations**

As of January 1, 2015, the Harbor Department has approximately 500 regular employees. With the exception of the management positions, most employees are hired through the City Civil Service system and are represented by the International Association of Machinists and Aerospace Workers ("IAM") or the Long Beach Association of Engineering Employees ("Engineers' Association") under the terms of separate Memoranda of Understanding. The Memorandum of Understanding with the IAM became effective October 1, 2007, and expired on September 30, 2014, although employees represented by the IAM continue to work under the terms of the expired MOU. The Memorandum of Understanding with the Engineers' Association became effective October 1, 2013, and will expire on September 30, 2015. The employees of the Harbor Department do not work for the tenants of the Port and therefore any work stoppage related to the negotiations of a new Memorandum of Understanding would not affect the collection of revenues. See "—Stevedoring and Cargo Handling." There never has been a work stoppage by the employees of the Harbor Department.

### **Current Port Facilities**

*General.* The Port covers approximately 7,600 acres (or approximately 11.9 square miles), of which approximately 4,400 acres (or approximately 6.9 square miles) are water, and includes all harbor facilities of the City. The Port has approximately 31.5 miles of waterfront with 65 deep-water cargo berths. The Port's main channel is 76 feet deep. Container terminals occupy 1,253 acres, auto terminals occupy 144 acres, break-bulk (i.e., non-containerized) and general cargo terminals occupy 77 acres, dry bulk terminals occupy 84 acres and petroleum and liquid bulk terminals occupy 44 acres. The Port has six container terminals with 52 cranes, all of which are post-panamax cranes and three container freight stations. Five container terminals are served by on-dock rail yards. Additional cargo handling facilities include five transit sheds. 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. The Harbor Department owns a total of 82 miles of rail trackage. Current Harbor Department plans include enlarging and consolidating several of the container terminals due to the demand for larger facilities. See "CAPITAL DEVELOPMENT PROGRAM".

The Port is protected by a federally financed breakwater over nine miles in length. Water depths throughout the Port range from 76 feet at the entrance channel to 45 feet in the inner harbor and 55 feet in part of the middle harbor. Depth alongside wharves ranges from 32 to 50 feet, except that the bulk petroleum terminal provides berthing depths of over 70 feet. This facility, at maximum depth, is capable of handling supertankers of up to 265,000 dead weight tons. See "CAPITAL DEVELOPMENT PROGRAM—2015-24 Capital Plan—Long Beach Harbor Dredging."

Shipments to and from the Port can be received or dispatched by water, rail or truck. Two major rail lines, BNSF and Union Pacific, serve the Port. These rail carriers have connections with the Port's

rail system and offer reciprocal switching arrangements. Rail service to and from the Port increased after the opening in 2002 of the Alameda Corridor. The Alameda Corridor consists of a 20-mile long, multiple-track rail system that links the rail yards and tracks at the Port and the Port of Los Angeles with the Railroads' transcontinental mainlines originating near downtown Los Angeles, California. The Alameda Corridor consolidated 90 miles of pre-existing rail lines on four separate routes, into an integrated system that is separated from non-rail traffic along Alameda Street. The consolidated rail route eliminated more than 200 at-grade points of conflict between east-west streets and highways and north-south railroad traffic. ACTA was responsible for administering the overall design and construction of the Alameda Corridor (with the exception of specific work that was completed by the Railroads, certain utility owners and local agencies), and ACTA is now responsible for the operation of the Alameda Corridor, including all activities related thereto. See "OUTSTANDING OBLIGATIONS AND DEBT SERVICE SCHEDULE – Other Obligations – ACTA Shortfall Advances and Surety Obligation Payments."

In addition, the Port is located at the end of Interstate Highway 710 ("710 Freeway"), which provides access to the interstate highway system. Major highway carriers serve the Port and provide transportation to all parts of the United States. Some of the containers leaving and entering the Port are also handled at the Intermodal Container Transfer Facility (the "ICTF"), a specialized rail yard located four miles from the Port for the transfer of containers between trucks and railcars, and to the switchyards of BNSF and Union Pacific. Truck travel to such switchyards takes approximately 30 to 60 minutes. The ICTF was financed and constructed by Southern Pacific Transportation Company and the Intermodal Container Transfer Facility Joint Powers Authority, a joint powers authority organized by the San Pedro Bay Ports. The ICTF is now operated by Union Pacific.

**Container Terminals.** Containerized cargo represents the largest source of revenue for the Harbor Department. For the 12 months ended September 30, 2014, containerized cargo accounted for approximately 78.4% of the Harbor Department's total operating revenue, primarily through the collection of wharfage. See "—Property Agreements" and "—Port Tariffs." Containerization service at the Port began in 1962 when Sea-Land Service, Inc. (now part of Maersk Sealand) opened a container freight station at the Port. See "CAPITAL DEVELOPMENT PROGRAM—2015-24 Capital Plan" for information on the construction and improvement of the container terminals at the Port. The following is a summary of the major container facilities at the Port.

**Pier A.** SSA Terminals (Long Beach), LLC (a joint venture among SSA Terminals, L.L.C. ("SSAT"), Terminals Investment Limited, and Mediterranean Shipping Company) currently operates the container terminal on Pier A (the "Pier A Container Terminal"). The Pier A Container Terminal is an approximately 200-acre facility, that includes three berths, a 3,600 foot-long wharf with a water depth of 50 feet, two gate facilities with a total of 28 truck lanes, a storage area for approximately 24,000 on-ground containers, power outlets for 650 refrigerated containers, and an on-site rail yard capable of handling two double-stack trains simultaneously. The Pier A Container Terminal has ten gantry cranes, with capacities ranging from 40-tons to 60-tons. The facilities at the Pier A Container Terminal can handle ships carrying up to 9,000 TEUs.

**Pier C.** SSAT operates a container terminal on Pier C (the "Pier C Container Terminal"). The Pier C Container Terminal is an approximately 68-acre facility, which includes two berths, an 1,800 foot-long wharf with a water depth of 42 feet, a storage area for approximately 4,000 on-ground containers, and power outlets for 114 refrigerated containers. The Pier C Container Terminal has three gantry cranes, with capacities ranging from 40-tons to 60-tons. The facilities at the Pier C Container Terminal can handle ships carrying up to 4,500 TEUs.

**Piers D, E and F.** Piers D, E and F are currently being consolidated into one 305-acre container terminal as part of the Middle Harbor Redevelopment project. The facilities on Piers D and E are

currently out of service as the Harbor Department constructs the Middle Harbor Redevelopment project. California United Terminals operated an omni-terminal at Piers D and E (handling container and break-bulk cargoes), prior to its leaving the Port in 2012. In 2012, the Harbor Department and OOCL entered into a 40-year preferential assignment agreement for the Middle Harbor container terminal. Based on the guaranteed annual minimum payments required to be made by OOCL pursuant to the terms of the agreement, the Harbor Department expects that the agreement with OOCL will generate approximately \$4.6 billion of operating revenues for the Harbor Department over the 40-year term. See “CAPITAL DEVELOPMENT PROGRAM—2015-24 Capital Plan—Middle Harbor Redevelopment (Piers D, E and F)” for information on the new 40-year preferential assignment agreement the Harbor Department has entered into with Orient Overseas Container Line LLC to operate the new container terminal being developed on Piers D, E and F as part of the Middle Harbor Redevelopment project. When Phase 1 at the Middle Harbor Terminal is complete, the Harbor Department expects that the facility will be capable of handling ships carrying approximately to 15,000 TEUs.

Pier F continues to be operational while improvements are made to the Pier as part of the Middle Harbor Redevelopment project. LBCT, an OOCL subsidiary, conducts its ground and chassis operation at Pier F (the “Pier F Container Terminal”). The Pier F Container Terminal is an approximately 100-acre facility that includes five berths, a 2,750 foot-long wharf with a water depth of 50 feet, a storage area for approximately 10,000 on-ground containers, power outlets for 240 refrigerated containers, and an on-dock rail yard. The Pier F Container Terminal has seven gantry cranes, with capacities ranging from 40-tons to 60-tons. The facilities at the Pier F Container Terminal can handle ships carrying up to 8,500 TEUs. The operations of Pier F will be consolidated with the operations on Piers D and E once the Middle Harbor Redevelopment project is complete.

See “CAPITAL DEVELOPMENT PROGRAM—2015-24 Capital Plan—Middle Harbor Redevelopment (Piers D, E and F)” for information on the improvements being made to Piers D, E and F.

*Pier G.* International Transportation Service Inc. (“ITS”) operates a container terminal at Pier G (the “Pier G Container Terminal”). The Pier G Container Terminal is an approximately 247-acre facility, that includes five berths, a 6,379 foot-long wharf with a water depths ranging from 42 feet to 52 feet, a storage area for approximately 12,800 on-ground containers, power outlets for 384 refrigerated containers, and [an on-dock rail yard. The Pier G Container Terminal has seventeen gantry cranes, with capacities ranging from 30-tons to 60-tons. The facilities at the Pier G Container Terminal can handle ships carrying up to 10,000 TEUs. See “CAPITAL DEVELOPMENT PROGRAM—2015-24 Capital Plan—Pier G Redevelopment Project” for information on the improvements being made to Pier G.]

*Pier J.* Pacific Maritime Services LLC (a joint venture between SSAT, CMA-CGM and China Overseas Shipping Company) operates from Pier J (the “Pier J Container Terminal”). The Pier J Container Terminal is an approximately 256-acre facility that includes five berths, a 5,900 foot-long wharf with water depths ranging from 49 feet to 50 feet, a storage area for approximately 12,320 on-ground containers, power outlets for 685 refrigerated containers, and an on-dock rail yard. The Pier J Container Terminal has seventeen gantry cranes, with capacities ranging from 40-tons to 60-tons. The facilities at the Pier J Container Terminal can handle ships carrying up to 14,000 TEUs.

*Pier T.* Total Terminals International, LLC (a joint venture between Hanjin Shipping Company, Ltd., Mediterranean Shipping Company and Marine Terminals Inc.) operates the Port’s largest container terminal on Pier T (the “Pier T Container Terminal”). The Pier T Container Terminal is an approximately 380-acre facility that includes five berths, a 5,000 foot-long wharf with a water depth of 55 feet, a storage area for approximately 8,300 on-ground containers, power outlets for 1,850 refrigerated containers, and an on-dock rail yard. The Pier T Container Terminal has fourteen 65-ton gantry cranes. The facilities at the Pier T Container Terminal can handle ships carrying up to 14,000 TEUs.

***Dry Bulk.*** For the 12 months ending September 30, 2014, dry bulk accounted for approximately 7% of the Harbor Department's total operating revenue, primarily through the collection of wharfage. The following is a summary of the major dry bulk facilities at the Port.

***Piers G and F.*** Approximately 7.5 million metric tons of dry bulk products were exported through the dry bulk terminals on Piers G and F in each of fiscal years 2013 and 2014. These products include petroleum coke, calcined petroleum coke, coal and sulfur.

The Pier G bulk loader consists of two conveyor system shiploaders operated by Metropolitan Stevedore Company. Petroleum coke is stored temporarily in seven specifically designed sheds that have a total capacity of 586,000 tons, and are subsequently moved automatically to dockside where ships can be loaded at approximately 3,900 tons per hour. An eighth storage shed, used to store coal, has a capacity of 150,000 tons of product and includes two rotary plow feeders with a capacity of 3,000 metric tons per hour, which are connected via conveyor to the Pier G shiploaders. The storage sheds are leased to industrial firms that transport their products to the Port for sale abroad. The current storage shed tenants include Oxbow Carbon & Minerals, LLC, Tesoro Refining and Marketing Company LLC, and Ultramar. The entire facility is automated and capable of high-speed handling of cargo by truck or rail. A rotary railroad car dumper is capable of emptying an entire 100-car train in less than four hours, while bottom dumpers on two different track systems also operate at high capacity.

The Pier F bulk loader consists of an automated conveyor shiploader and a ten acre silo complex operated by Koch Carbon Inc. for the storage and exporting of petroleum coke. The petroleum coke is delivered by rail or truck to the silos, screened, sorted and stored for shipment overseas.

***Cement Facilities.*** There are two cement terminals in the Port. CEMEX Pacific Coast Cement Corporation operates a 50,000-ton capacity bulk cement terminal from Pier D. This terminal has six silos and a pollution-free enclosed unloader that can unload directly into the silos. The screw type unloader has capacity to handle up to 800 tons of cement per hour. A second cement terminal is located on Pier F and utilizes a vacuum type unloader. Operated by MMC Terminal, Inc., this facility can handle 800 tons per hour and utilizes a warehouse (with a capacity of 52,000 tons), instead of a silo system, to house and transfer product.

***Salt.*** At Pier F, Morton Salt Co. handles bulk solar salt shipped from Baja, California. This salt is used primarily in water softeners and by chemical companies. Conveyor belts, cranes and other equipment are used for unloading and stockpiling the crude salt, which is then graded and bagged or delivered in bulk.

***General Cargo.*** For the 12 months ending September 30, 2014, general cargo accounted for approximately 7.1% of the Harbor Department's total operating revenue, primarily through the collection of wharfage and facilities rentals. The following is a summary of the major general cargo facilities at the Port.

***Vehicles.*** The Toyota Motor Sales automobile terminal occupies a total of 144 acres in the northern area of the Port on Pier B. Vehicles are unloaded at this terminal, cleaned, processed and transported to destinations from Southern California to the Midwest. Approximately 214,000 vehicles were shipped through this terminal during fiscal year 2014 as compared to approximately 180,100 vehicles during fiscal year 2013. The Harbor Department understands that a majority of all Lexus cars imported into the United States pass through this terminal. Toyota Motor Sales also exports vehicles manufactured at its factories in the United States through this terminal.

Mercedes Benz vehicles arrive and are unloaded at Pier F, Berths 206 and 207 and are stored on an 11-acre parcel of land in the Port's North Harbor. Crescent Terminals, Inc. ("Crescent Terminals")

operated Berths 206 and 207. Mercedes received approximately 76,000 vehicles in fiscal year 2014 and approximately 71,000 vehicles in fiscal year 2013 through these facilities.

*Forest Products.* Weyerhaeuser Company, a subtenant of Fremont Forest Group Corporation, located at Pier T, transports framing lumber by barge to the Port, generally from Coos Bay, Oregon, and Longview and Aberdeen, Washington. At this facility, approximately 150 million board feet of lumber are handled annually.

*Metals.* SA Recycling, LLC, operates a recycled steel and iron ore facility on Pier T, which includes an 850 foot wharf with a steel reinforced concrete storage area and two loading cranes. The facility is served by rail and truck and has a scrap steel capacity of 650,000 tons per year.

*Break Bulk.* CSA Equipment Inc. (a joint venture of SSA and Cooper/T. Smith) occupies Berths 204-205 on Pier F, and mainly handles machinery, equipment and steel products imported from the Far East. The CSA terminal has a 180,000 square foot storage shed on site. At Berths F206 and F207 Crescent Terminals, in addition to the Mercedes Benz vehicles, handles other products, including finished steel and project cargo. The Crescent terminal has a 190,000 square foot storage shed on site.

*Petroleum/Liquid Bulk.* For the 12 months ending September 30, 2014, petroleum/liquid bulk accounted for approximately 4.4% of the Harbor Department's total operating revenue, primarily through the collection of wharfage per barrel. The Port maintains five liquid bulk oil terminals; two are leased to Tesoro Refining and Marketing Company (on Pier B); one is leased to Carson Cogeneration Company, a Tesoro subsidiary (on Pier T); one is leased to Petro Diamond Terminal Co. (on Pier B) and one is leased to Chemoil Marine Terminal (on Pier F). Each terminal is directly connected to the storage and tank farms of the respective lessee. The three Tesoro terminals handle primarily crude oil, while the Petro Diamond and Chemoil terminals primarily handle finished petroleum products such as gasoline, vessel bunker fuel and jet fuel. The total movement of crude and refined petroleum products over the Port's berths during fiscal year 2014 was approximately 29.7 million metric tons as compared to approximately 30.6 million metric tons during fiscal year 2013.

### **Long Term Land Use**

The Harbor Department is currently preparing to undertake a comprehensive, long range, land use planning study (the "Long Term Land Use Study") expected to be completed in mid-2016, the purpose of which is to produce conceptual plans for future land use and a plan evaluation process that will help Harbor Department staff and the Board evaluate future needs of the Port. The Long Term Land Use Study will address all cargo types and the support facilities they require, and cover the entire Harbor District and key adjacent property owned by the Harbor Department. The Long Term Land Use Study will look beyond the point in time at which existing and entitled developments reach capacity, which most likely will occur after 2030.

### **Marine Commerce and Cargoes**

The Harbor Department derives the majority of its revenue from containerized cargo operations. The Port handles "local cargo" that "naturally" moves through Southern California (e.g., cargo consumed within the locally defined region) and "discretionary cargo" (cargo that is not consumed within the locally defined region but moves through Southern California for other reasons (e.g., inland distribution capability)). Currently, approximately 65% of the cargo handled by the Port is discretionary cargo. Most discretionary cargo is moved via rail to inland destinations both within and outside California. The amount of discretionary cargo handled by the Port varies on a month-to-month basis and on a year-to-year basis because ocean carriers and cargo owners can choose between various ports to get their cargoes to

inland destinations. See “CERTAIN INVESTMENT CONSIDERATIONS—Port Competition and – Factors Affecting Demand for Port Facilities.”

**Tonnage.** The Harbor Department tracks the volume of marine commerce by Metric Revenue Tons (“MRTs”) at municipal berths and at private berths. Municipal cargo is cargo that enters the Port through City-owned berths. Private cargo is cargo that enters the Port through privately-owned berths. Private berths were established prior to the formation of the Harbor Department and remain independent. Private facilities have their own agreements with customers who load and unload cargo through those berths and facilities. No Harbor Department tariffs are assessed at the private berths and facilities. As of September 30, 2014, the Harbor Department does not measure the total inbound cargo entering the Port that moves through privately-owned berths, and has not measured outbound cargo leaving the Port through privately-owned berths since 2011.

Marine commerce passing through the Port by MRTs during the last five fiscal years is summarized in the following table:

**TABLE 4**  
**Harbor Department of the City of Long Beach**  
**Revenue Tonnage Summary**  
**(Fiscal Year Ended September 30)**  
**(MRTs)<sup>1</sup>**

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
<b>Municipal Berths</b>					
<b>INBOUND CARGO</b>					
Foreign	91,334,962	96,907,924	91,490,396	101,026,699	104,245,298
Coastwise/Intercoastal	16,733,433	16,054,362	15,793,069	18,476,723	17,998,456
<b>Total inbound cargo</b>	108,068,395	112,962,286	107,283,465	119,503,422	122,243,754
<b>OUTBOUND CARGO</b>					
Foreign	33,340,283	36,209,860	33,278,391	36,768,609	37,066,641
Coastwise/Intercoastal	3,535,755	3,507,497	3,270,377	5,141,434	5,348,303
Bunkers	2,412,405	1,545,586	1,311,310	843,291	866,945
<b>Total outbound cargo</b>	39,288,443	41,262,943	37,860,078	42,753,334	43,281,889
<b>Total Municipal cargo</b>	147,356,838	154,225,229	145,143,543	162,256,756	165,525,643
<b>Private Berths</b>					
Inbound <sup>2</sup>	209,143	191,568	-	-	-
Outbound	-	-	-	-	-
<b>Total private cargo</b>	209,143	191,568	200,000	150,000	-
<b>GRAND TOTAL</b>	147,565,981	154,416,797	145,343,543	162,406,756	165,525,643
Total inbound cargo (including private berths)	108,277,538	113,153,854	107,483,465	119,653,422	122,243,754
Total outbound cargo	39,288,443	41,262,943	37,860,078	42,753,334	43,281,889
<b>Container count in TEUs<sup>3</sup></b>	5,936,066	6,298,840	5,857,210	6,647,976	6,817,590

<sup>1</sup>Metric Revenue Tons is equal to either 1,000 kilograms or one cubic meter.

<sup>2</sup>Private berth cargo information is no longer collected. Revenues from private berth are revenues of the terminal operator or private land owner and not part of the Harbor Department's revenue.

<sup>3</sup>A TEU represents a twenty-foot equivalent unit.

Source: Harbor Department

Cargo volumes as measured by MRTs and by TEUs increased by approximately 1.9% and 2.6%, respectively, in fiscal year 2014 as compared to fiscal year 2013. See “FINANCIAL DATA” for a discussion of the Harbor Department’s fiscal year 2014 financial results.

The following table sets forth the number of TEUs handled by the Port in the first six months (October through March) of fiscal years 2014 and 2015.

**TABLE 5**  
**Harbor Department of the City of Long Beach**  
**TEUs Handled by Port**  
**(First Six Months of Fiscal Year)**

<b>Month</b>	<b>2014</b>	<b>2015</b>	<b>Percentage Change</b>
October	576,502	583,009	1.1%
November	569,599	581,514	2.1%
December	582,443	567,237	-2.6%
January	528,884	429,490	-18.8%
February	517,173	-	%
March	-	-	%
<b>Total</b>	<u><b>2,774,601</b></u>	<u><b>2,161,250</b></u>	<b>-22.1%</b>

Source: Harbor Department

January and February 2015 cargo numbers were down sharply, as a result of congestion at the San Pedro Bay Ports that began in late 2014 and continued through February with as many as 22 containerships (33 ships overall) backed up at anchorage. The Harbor Department anticipates that cargo numbers will rebound in March 2015. See “OPERATING PERFORMANCE — Stevedoring and Cargo Handling” and “CERTAIN INVESTMENT CONSIDERATIONS—Factors Affecting Demand for Port Facilities.”

**Cargo Summary.** For the year ended December 31, 2014, the Port’s principal inbound cargoes were bulk petroleum, metal and metal products, furniture, machinery, motor vehicle parts, electronics, apparel, chemicals, plastics and food products, and its principal outbound shipments were petroleum coke, wastepaper, food products, animal feed, scrap metal, chemicals, plastics, coal, bulk petroleum and mineral ores and ash.

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

**TABLE 6**  
**Harbor Department of the City of Long Beach**  
**Cargo Summary**  
**(Fiscal Year Ended September 30)**

	2013				2014			
	Metric Revenue Tons (000s)	Percent of Total Tons	Berth/Special Facility Revenue (000s) <sup>1</sup>	Percent of Shipping Revenue <sup>1</sup>	Metric Revenue Tons (000s)	Percent of Total Tons	Berth/Special Facility Revenue (000s) <sup>1</sup>	Percent of Shipping Revenue <sup>1</sup>
Containerized	121,572	75%	\$268,295	80%	125,662	76%	\$279,633	81%
Dry Bulk	30,595	19%	24,166	5%	7,771	5%	25,665	7%
General Cargo	9,127	6%	26,549	8%	2,400	1%	25,416	7%
Petroleum/Liquid Bulk	962	1%	16,909	7%	29,692	18%	15,543	4%
<b>Totals</b>	162,256	100%	\$335,869	100%	165,525	100%	\$346,258	100%

<sup>1</sup> Revenue in this table includes only operating revenues from wharfage, dockage, bunkers, special facilities rentals, crane rentals and other.

Source: Harbor Department

The approach to long-term forecasting for the San Pedro Bay Ports has been to develop an estimate of the throughput demand for both container and non-container cargoes of the Port and the Port of Los Angeles, combined. These estimates have been based on global macroeconomic trade models and market share expectations based on historical experience. The most recent comprehensive forecast for the San Pedro Bay Ports was completed in 2007. This study projected growth for both container and non-container cargoes in five year increments to 2030. Due to the global financial crisis and associated economic downturn, which developed late in 2007, in 2009, the San Pedro Bay Ports developed an update to the 2007 long-term container cargo forecast. Non-container cargoes were not updated in 2009. The long term trend in container cargo growth in the 2009 forecast update is approximately 5% per year between 2015 and 2030. A revised comprehensive long-term forecast is underway, which is expected to contain projections of anticipated throughput growth through 2040. The updated study is expected to be completed in late 2015.

**Trading Countries.** The top five trading countries with the Harbor Department for the past five fiscal years, ranked based upon calendar year 2014 results, are summarized in the following table:

**TABLE 7**  
**Harbor Department of the City of Long Beach**  
**Five Leading Trading Countries**  
**(Fiscal Year Ended September 30)**  
**(Ranked on Fiscal Year 2014 Results)**  
**(Metric Tons in 000's)**

<u>Countries</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
<b>Inbound</b>					
China	11,045	12,074	11,768	14,868	16,040
Mexico (Gulf of Mexico)	2,178	4,141	3,932	4,269	2,749
Panama	1,262	1,091	1,676	2,182	2,607
Iraq	2,491	1,925	3,391	4,498	2,150
Ecuador	2,705	2,908	3,048	2,238	1,764
<b>Outbound</b>					
China	8,534	9,901	9,142	11,623	8,765
Japan	4,321	4,557	3,936	4,318	4,118
Taiwan	1,578	1,768	1,611	1,907	1,848
Mexico	760	556	1,241	1,524	1,435
South Korea	2,529	1,962	1,208	964	973

Source: Harbor Department

In addition to the trading countries listed above, the other major inbound trading countries include Japan, South Korea, Mexico, Canada and Colombia, and the other major outbound trading countries include Hong Kong, Indonesia, India, Australia and Vietnam.

### Property Agreements

The Harbor Department operates the Port as a landlord through various property agreements entered into with the tenants of the Port. The property agreements, which convey the right to use, rent or lease Port assets, include leases, preferential assignment agreements, revocable permits, area assignments and pipeline licenses. Pursuant to the property agreements, the tenants of the Port pay the Harbor Department tariff charges (including, but not limited to, wharfage, dockage, storage and demurrage) and other fees, including crane and land rentals. See “—Port Tariffs” below.

Property agreements for industrial and commercial use constitute one of the Harbor Department’s largest and most stable sources of income. The City, acting by and through the Board, has property agreements with approximately 325 different entities (approximately over 85% of which are with private companies). Over the last five fiscal years, property agreements covering waterfront property and facilities have generated in excess of 95% of the Harbor Department’s operating revenues. Under these agreements, the Board assigns or leases property and facilities to terminal operators for terms of up to 40 years. The property agreements with the Port’s current top ten revenue producers have expiration dates ranging from 2019 to 2051, with nine of these agreements expiring between 2022 and 2034. The top ten revenue producers vary from year to year.

Most of the property agreements entered into by the cargo terminal operators are in the form of preferential assignment agreements. Under the preferential assignment agreements, the terminal operators primarily pay the Harbor Department tariff charges, mainly wharfage (the charge assessed when cargo crosses the wharf), dockage (the charge assessed for docking a vessel at a berth), storage, and demurrage (charges related to the duration that cargo may be stored at the terminal), for the use of the Port facilities. Most of the preferential assignment agreements with the cargo terminal operators contain a

guaranteed annual minimum payment. Between fiscal year 2010 and 2014, the guaranteed annual minimum payments due under the long-term preferential assignment agreements with the Port's major cargo terminal operators varied from approximately \$225 million in fiscal year 2010 to approximately \$265 million in 2014. The preferential assignment agreements require that the compensation payable to the Harbor Department be renegotiated every five years, and if the parties cannot agree, compensation is to be set through arbitration.

Under most of the current property agreements, the terminal operators are responsible for the operation and maintenance of the property and facilities, but the Harbor Department retains responsibility for maintaining the structural integrity of the piers, wharves, bulkheads, retaining walls and fender systems. The Harbor Department expects that future property agreements also will allocate responsibility for maintaining the structural integrity of the piers, wharves, bulkheads, retaining walls and fender systems to the terminal operators. Under the property agreements, Port tenants are required to comply with all applicable environmental standards set by federal, state or local laws. Port tenants are liable for all costs, expenses, losses, damages, claims, cleanup costs and penalties arising from such tenants' failure to comply with applicable environmental standards. Additionally, Port tenants are required to carry commercial general liability insurance, including bodily injury and property damage liability on the leased premises and to name the City, the Board and the officers and employees of the Harbor Department as additional insureds. The property agreements also provide that if the property or facilities covered thereby are damaged by acts of God such as fire, flood or earthquake, compensation payable to the Harbor Department will be reduced in proportion to the interference with operations. See "—Stevedoring and Cargo Handling" below. See also "CERTAIN INVESTMENT CONSIDERATIONS—Security at the Port" and "—Seismic Risks."

During the last five fiscal years ended September 30, 2014, revenues from non-waterfront properties and miscellaneous sources have accounted for approximately 2.9% of the Harbor Department's operating revenues. These agreements generally provide for flat rentals or require payment of a percentage of gross revenues, subject to a fixed minimum rental.

### **Port Tariffs**

The Board sets tariff charges for wharfage, dockage, pilotage, land usage, storage and demurrage applicable to all ships and cargo at municipal berths and wharves or otherwise using City owned property in the Harbor District. The current tariffs are published in the Port of Long Beach Tariff No. 4 (the "Port Tariff"). Under the terms of the various property agreements, the terminal operators, as assignees or lessees, are responsible for collecting tariff charges and for remitting all or a portion of such tariff charges to the Harbor Department. The Harbor Department charges wharfage on a per container load of freight basis for container cargoes and a commodity rate per ton of cargo basis for bulk and break-bulk cargoes. Dockage is also charged on a per vessel, per day basis. See "—Property Agreements" above.

The Harbor Department and all other California public ports control and determine their own individual tariff structures. However, the ports cooperate in setting tariff rates through membership in the California Association of Port Authorities ("CAPA"). One of CAPA's goals is to establish and maintain reasonable and, as far as practicable, uniform terminal rates, charges, classifications, rules and regulations for the handling and movement of domestic and foreign waterborne cargo. These tariff provisions cover assignment of marine terminal facilities, as well as rates and provisions for vessel dockage, wharfage, wharf storage, wharf demurrage and other miscellaneous terminal charges necessary for the orderly movement of cargo. The goal is to permit California ports to obtain an adequate return on investment in order to facilitate the necessary maintenance, expansion and improvement of marine facilities. CAPA enjoys an exemption from federal antitrust laws which permits this cooperative rate setting. See "CERTAIN INVESTMENT CONSIDERATIONS—Factors Affecting Demand for Port Facilities."

The Harbor Department may increase tariff charges without amending the property agreements or receiving the consent of the tenants of the Port. See “CERTAIN INVESTMENT CONSIDERATIONS—Factors Affecting Demand for Port Facilities” and “—Port Competition.”

**Operating Performance**

*Sources of Operating Revenues.* As discussed under “—Property Agreements” and “—Port Tariffs” above, the Harbor Department derives income from tariffs assessed on shipping activity (primarily wharfage and dockage) and from leases, rentals and utility services. The following table summarizes the sources of the Harbor Department’s operating revenues for the past five fiscal years.

**TABLE 8**  
**Harbor Department of the City of Long Beach**  
**Sources of Operating Revenues**  
**(Fiscal Year Ended September 30)**  
**(\$000’s)**

	2010	2011	2012	2013	2014 <sup>1</sup>
<b>Berths &amp; Special Facilities</b>					
Wharfage	\$256,904	\$279,734	\$268,080	\$296,623	\$ 298,171
Dockage	11,280	12,003	11,705	12,055	10,877
Bunkers	2,334	1,547	1,373	1,375	703
Special Facilities Rentals	20,609	22,814	28,188	12,426	19,763
Crane Rentals <sup>2</sup>	12,789	12,789	12,760	12,789	16,174
Other	79	100	319	601	570
<b>Total Berths &amp; Special Facilities</b>	<b>\$303,995</b>	<b>\$328,987</b>	<b>\$322,425</b>	<b>\$335,869</b>	<b>\$346,258</b>
Rental Properties	14,279	14,138	9,577	9,374	9,360
Utilities/Miscellaneous	3,365	2,265	1,885	1,001	1,262
<b>Total Operating Revenues</b>	<b>\$321,639</b>	<b>\$345,390</b>	<b>\$333,887</b>	<b>\$346,244</b>	<b>\$356,880</b>

<sup>1</sup> See “FINANCIAL DATA” for a discussion of the Harbor Department’s fiscal year 2014 financial results.

<sup>2</sup> The Harbor Department sold the remaining 14 cranes that it owned to Total Terminals International in fiscal year 2015.  
 Source: Harbor Department

Wharfage is the Harbor Department’s primary source of operating revenue, generating approximately 84% of the Harbor Department’s operating revenues. For fiscal year 2014, the long-term property agreements with the Port’s major tenants contained guaranteed annual minimum payments of approximately \$265 million. The following table compares revenues generated from wharfage charges at municipal berths to tonnage during the last five fiscal years:

**TABLE 9**  
**Harbor Department of the City of Long Beach**  
**Wharfage Revenues**  
**(Fiscal Year Ended September 30)**

	2010	2011	2012	2013	2014
Total Metric Revenue Tons (000's) (Municipal Only)	147,357	154,226	145,144	162,257	165,525
Wharfage Revenue (000's)	\$256,904	\$279,734	\$268,080	\$296,623	\$298,171
Average Wharfage Revenues Per Ton	\$1.74	\$1.81	\$1.85	\$1.83	\$1.80

Source: Harbor Department

**Leading Revenue Producers.** The following companies represent the Harbor Department's twenty-one largest customers in terms of revenues, listed alphabetically. These customers accounted for approximately 97% of the Harbor Department's operating revenue in fiscal year 2014. The largest single customer accounted for approximately 27% of the Harbor Department's operating revenues in fiscal year 2014.

**TABLE 10**  
**Harbor Department of the City of Long Beach**  
**Leading Revenue Producers**  
**Fiscal Year 2014**

CEMEX USA	Metropolitan Stevedore Company
Chemoil Corp.	Mitsubishi Cement Corporation
Crescent Terminals, Inc.	Oxbow Carbon & Minerals, LLC
Crescent Warehouse	Pacific Container Terminal
CSA Equipment	SA Recycling, LLC
Energia Logistics Ltd.	SSA Terminal C60 / Matson Navigation
International Transportation Service, Inc.	SSA Terminals Long Beach, LLC
Jacobsen Pilot Service, Inc.	Tesoro Refining & Marketing
Koch Carbon, Inc.	Total Terminals International, LLC
Long Beach Container Terminal, Inc.	Toyota Logistics Services
Mercedes Benz U.S.A., LLC	Weyerhaeuser Co.

Source: Harbor Department

### **Stevedoring and Cargo Handling**

Arranging for stevedoring and cargo handling services is the responsibility of each marine terminal operator. Stevedoring and cargo handling at the Port are provided pursuant to a contract between the Pacific Maritime Association (the "Association") and the International Longshore and Warehouse Union ("ILWU"). The contract covers approximately 20,000 dockworkers on the West Coast. The Association represents most of the steamship lines, marine terminal operators, car loading bureaus and stevedore companies on the Pacific Coast. The major providers of stevedoring and terminal services are Cooper/T. Smith Stevedoring, Metropolitan Stevedore Company (doing business as Metro Ports), Stevedoring Services of America, and Ports America Inc. The current contract between the Association

and ILWU expired on June 30, 2014. The Association and the ILWU began negotiating a new contract on May 12, 2014. The protracted negotiations had a compounding effect on congestion issues that had slowed down container cargo movement through San Pedro Bay Ports since September 2014. The Association and the ILWU reached a tentative agreement on February 20, 2015. Harbor Department revenues were temporarily impacted in January and February 2015 as a result of the prolonged negotiations and other congestion factors. The Harbor Department cannot predict whether or when the tentative agreement will be finalized, or the extent to which any future failure of the ILWU and the Association to reach contractual agreements may lead to future work slowdowns or work stoppages.

In December 2012, a strike by the members of the Office Clerical Unit (“Unit 63”) of the ILWU, which was honored by the ILWU dock workers, resulted in an eight-day closure affecting only three container terminals in the San Pedro Bay that used Unit 63 workers. Unit 63 and the Los Angeles and Long Beach Harbor Employers Association subsequently agreed to a new contract and the closed terminals were reopened. There was no financial impact to the Harbor Department as a result of the Unit 63 strike. Prior to the work stoppage in December 2012, there had been no prolonged work stoppage since October 2002. In October 2002, after the Association and the ILWU failed to agree upon a new contract, the shipping lines and terminal operators instituted a lock-out of the stevedoring companies, thereby shutting down all West Coast ports, including the Port, for 10 days. Work resumed when the President of the United States ordered the ports to re-open pursuant to the Taft-Hartley Act. Prior to the 2002 lock-out, there had not been a prolonged work stoppage since 1971. Other than the work stoppages in 1971 and 2002, and as noted above, there has generally been a history of excellent working relationships between the ILWU and the employer group represented by the Association. Prolonged work slowdowns or stoppages, particularly if combined with excessive congestion, could adversely affect Revenues. The employees of the Harbor Department do not work for the tenants of the Port or the stevedoring companies.

The Harbor Department is actively evaluating the entire supply chain process, including ways to reduce costs, increase efficiencies and build relationships with stakeholders in the supply chain. On February 23, 2015 the Board appointed a Senior Executive for Supply Chain Optimization to lead this long-term strategy. . On February 27, 2015 the Federal Maritime Commission approved a cooperative working agreement between the Port and the Port of Los Angeles that allows the two ports to discuss and agree on projects and programs that address congestion issues, transportation infrastructure needs, and reduce pollution caused by port-related activities.

### **Environmental Compliance**

*General.* The Harbor Department is required to comply with the provisions of a number of federal and state laws designed to protect or enhance the environment. The two basic laws are the Federal National Environmental Policy Act (“NEPA”) and the State of California Environmental Quality Act (“CEQA”). Other federal environmental laws applicable to the Port include the Resources Conservation and Recovery Act, which governs the cleanup, treatment and disposal of hazardous waste; the Clean Air Act, which governs the release of air pollutants; the Toxic Substances Control Act, which governs the handling and disposition of polychlorinated biphenyls (PCBs) and other toxic substances; the Marine Protection, Research and Sanctuary Act, which governs the ocean dumping of dredged materials; the Rivers and Harbors Act, which governs navigable waterways; and the Clean Water Act, which governs discharge of surface waters. Enforcement agencies include the U.S. and California Environmental Protection Agencies and the U.S. Army Corps of Engineers, which rely on consultation and advice from various federal resource agencies.

The Harbor Department is also required to conform to provisions of a number of other state environmental laws, including the Hazardous Waste Control Act, which governs hazardous waste treatment and disposal, and the Porter-Cologne Act, which governs surface and ground water quality. State enforcement agencies include the Department of Toxic Substances Control, the State Water

Resources Control Board and the local Regional Water Quality Control Board. The Air Resources Board, and the regional Air Quality Management District administer the federal Clean Air Act.

Additional environmental laws and regulations may be enacted and adopted, and/or court cases decided, in the future that could be applicable to the Harbor Department and the Port. The Harbor Department is not able to predict what those laws, regulations and/or cases may provide or the costs to the Harbor Department to comply with such laws and regulations. Any additional environmental laws and regulations could significantly delay or limit the Harbor Department's plans to construct and develop new revenue generating facilities at the Port. See "CAPITAL DEVELOPMENT PROGRAM".

In conforming to these laws and their implementing regulations, the Harbor Department has instituted a number of compliance programs and procedures. Some of these are ongoing, including the sampling and analysis of harbor sediments to comply with dredging permit requirements; monitoring of water quality at stormwater outfalls; and oversight of the Harbor Department and tenant housekeeping practices. Other compliance activities are carried out on an intermittent basis as necessary. These include disposal of contaminated soil excavated from construction sites, surveys of Harbor Department-owned buildings for asbestos, and associated remedial actions, other hazardous substances site cleanup related to spills, release and illegal disposal of materials and substances on Port property by third parties, and monitoring and reporting pursuant to construction permits related to air and water quality.

***Hazardous Materials/Waste Management.*** The Harbor Department administers a number of hazardous materials and waste management programs designed to ensure compliance with applicable federal, State, and local regulations. These programs include facility audits to identify the presence of hazardous materials, including asbestos and lead-based paint; assessment and remediation investigations for the cleanup of soil and groundwater contaminated by the long history of industrial development within the Harbor District; and hazardous material spill response. The Harbor Department has adopted a number of contingency plans, some of which are mandated by law, regarding potential spills of fuel, oil and other hazardous substances for the Port's marine terminal facilities. The Harbor Department's agreements with its tenants require the tenants to take on the responsibility for financing the cost associated with cleaning up spills of fuels, oils and other hazardous substances.

***CEQA Document Preparation Protocol.*** In January 2006, the Harbor Department completed its "CEQA Document Preparation Protocol" (the "CEQA Protocol"). The CEQA Protocol includes, among other elements, (a) the establishment of a documents preparation protocol for the project description and all key analyses and (b) the establishment of a quality assurance review team, consisting of outside experts in various specialties, that will monitor the process of preparing environmental impact reports ("EIR") and environmental impact statements ("EIS") and make technical, regulatory and other recommendations. The Harbor Department expects that the CEQA Protocol may reduce the potential for disagreement and challenges from federal, State and local agencies and environmental groups.

On May 13, 2009, the Middle Harbor Redevelopment Project Environmental Impact Report/Environmental Impact Statement ("EIR/EIS") was the first major terminal redevelopment EIR/EIS, using the CEQA Protocol, to be certified by the Board. In October 2013, an EIR/EIS with respect to development of Pier S for navigational improvements to the Back Channel and the Cerritos Channel and a shore realignment at Pier S was approved by the Board. See "PLAN OF FINANCE—Gerald Desmond Bridge Replacement Project" for a discussion of the Gerald Desmond Bridge EIR. The Pier B On-Dock Rail Support Facility EIR is currently being prepared using the CEQA Protocol.

***Air Pollution Reduction Programs.*** In 2006, the Harbor Department, together with the Port of Los Angeles, developed the CAAP with input from the EPA, the California Air Resources Board, and the South Coast Air Quality Management District. The CAAP was updated and reauthorized in 2010. The CAAP is the Harbor Department's ten-year comprehensive, detailed plan to address air pollution emissions from Port-related sources. Emission sources targeted by the CAAP include ships, trains, cargo

handling equipment, harbor craft and heavy duty trucks. Through implementation of the CAAP, since 2005, there has been an 82% reduction in diesel particulate matter, a 90% reduction in sulfur oxides and a 54% reduction in nitrogen oxides emissions from Port-related sources. The CAAP has and will require a significant investment by the Harbor Department, the Port of Los Angeles and private sector businesses and is intended to expedite the introduction of new and innovative methods of reducing emissions prior to any additional federal or State requirements being imposed on the San Pedro Bay Ports.

Pursuant to the CAAP, the Harbor Department has undertaken several programs to lower air pollution levels at the Port, including, but not limited to: (a) an incentive-based program that encourages vessels entering the San Pedro Bay Ports to lower their speeds (faster speeds produce higher emissions) (the “Green Flag Incentive Program”); (b) an incentive-based program to encourage vessel operators to deploy their lowest pollution-emitting ships to San Pedro Bay Ports (the “Green Ship Incentive Program”); (c) accelerated replacement of cargo handling equipment with equipment that meets the cleanest engine standards; (d) use of shore-side electrical power for ships calling at the Port (also known as “cold ironing”); (e) a Technology Advancement Program which seeks to accelerate the verification or commercial availability of new, clean technologies, through evaluation and demonstration in port operations; (f) replacement of the entire fleet of 16 switcher locomotives operated by harbor rail operator Pacific Harbor Line with less polluting locomotives and the purchase of six generator set locomotives which meet the cleanest engine standards; and (g) the CTP, which established progressively cleaner engine standards for trucks operating at the Port.

Green Flag Incentive Program. The Green Flag Incentive Program was approved by the Board in 2005 to boost compliance with the previous Voluntary Vessel Speed Reduction Program, which was then around 60 percent. The Green Flag Incentive Program provides financial incentives and recognition to the Port’s vessel operators who consistently participate in a voluntary speed-reduction program designed to reduce air pollution.

Under the original Green Flag Incentive Program, ocean vessels that observed a 12-knot speed limit within 20 nautical miles of the Port during an entire year of voyages to and from the Port were awarded a Green Flag environmental achievement award to recognize their contributions to improved air quality. The ocean carriers which operated the individual ships qualified for a dockage rate reduction of 15% during the following 12 months if 90% of their vessels complied with the 12-knot speed limit for the previous year. In 2009, the program was expanded to 40 nautical miles offshore. Ships observing the speed limit 40 nautical miles offshore qualify for a dockage rate reduction of 25%.

For 2014, the Green Flag Incentive Program had participation rates of 98% and 89% for 20 nautical miles and 40 nautical miles, respectively. In 2013 (the latest information available), air pollution reductions included avoided emissions of approximately 1,150 tons of smog-forming nitrogen oxides and approximately 20 tons of diesel particulate matter. In fiscal year 2013, the Harbor Department provided discounts to qualified participants in the Green Flag Incentive Program of approximately \$2.9 million. The Harbor Department estimates that it will provide approximately \$2.9 million of discounts to qualified participants in the Green Flag Incentive Program in fiscal year 2015.

Green Ship Incentive Program. The Green Ship Incentive Program is a voluntary clean-air initiative targeting the reduction of smog-causing nitrogen oxides (NOx). It rewards qualifying vessel operators for deploying today’s greenest ships to the Port and accelerating the use of tomorrow’s greenest ships. Vessels with main engines meeting 2011 Tier 2 standards established by the International Maritime Organization will be eligible for an incentive of \$2,500 per ship call. For vessels meeting the 2016 Tier 3 standards, the incentive will increase to \$6,000 per ship call. Tier 2 engines reduce NOx emissions by 15%, and Tier 3 engines reduce NOx emissions by 80%. In 2014, approximately 9% of the

vessel calls at the Port were eligible for the Green Ship Incentive Program and the Harbor Department provided approximately \$550,000 in incentive payments.

Shore-Side Electrical Power. Exhaust emissions from auxiliary engines operated by vessels while at berth represent a recognized source of air pollution at the Port. A docked cargo ship operates auxiliary engines to power onboard operations which emit several types of air contaminants. The Harbor Department has implemented shore-side electric power, rather than using internal combustion power (diesel), to power ships while at berth. When shore-side electricity is provided to the vessel, the auxiliary engines can be turned off. Shore-side electrical power significantly reduces diesel emissions, the major source of air pollution, from large ships while at berth. In November 2007, the Port's first shore-side electrical powered container berth was commissioned at the International Transportation Service terminal on Pier G. Under a lease agreement with the Harbor Department, at least 50 vessel calls per year must use shore-side electrical power. In June 2009, the world's first shore-side electrical powered tanker berth was commissioned at the BP terminal on Pier T. This project is being implemented under an agreement between the Harbor Department and BP, whereby two retrofitted ships must call at the Port at least 120 times by 2019. In addition, bulk vessels have been using shore-side electrical power at the Mitsubishi Cement terminal on Pier F since 2007. All remaining container terminal berths were equipped with shore-side electrical power by the end of 2013.

In December 2007, the California Air Resources Board approved the "Airborne Toxic Control Measure for Auxiliary Diesel Engines Operated on Ocean-Going Vessels At-Berth in a California Port" regulation, commonly referred to as the "At-Berth Regulation." The purpose of the At-Berth Regulation is to reduce emissions from diesel auxiliary engines on container ships, passenger ships, and refrigerated-cargo ships while berthing at a California Port. The At-Berth Regulation defines a California Port as any of the Ports of Los Angeles, Long Beach, Oakland, San Diego, San Francisco, and Hueneme. The At-Berth Regulation provides vessel fleet operators visiting these ports two options to reduce at-berth emissions from auxiliary engines: (1) turn off auxiliary engines and connect the vessel to some other source of power, most likely shore-side electrical power; or (2) use alternative control technique(s) that achieve equivalent emission reductions. Starting in 2014, at least 50% of a fleet's visits to the San Pedro Bay Ports complex must use one of these two options to reduce emission, and the percentage of fleet visits required to use one of these two options increases to 70% in 2017, and to 80% starting in 2020. The Harbor Department expects most vessels using Port facilities to use shore-side electrical power in order to comply with the At-Berth Regulation.

Clean Trucks Program. The CTP has successfully reduced air emissions and health risks by modernizing the Port's trucking fleet. The CTP targets emissions from heavy duty trucks that move cargo in and out of the marine terminals at the Port. The CTP instituted a series of progressive bans adopted by the San Pedro Bay Ports designed to gradually restrict older, more polluting trucks from operating at the marine terminals at the San Pedro Bay Ports until eventually all trucks operating at San Pedro Bay Port terminals would be required to meet the EPA's 2007 On-Road Heavy Duty emissions standards. In recent years, more than 16,000 drayage trucks were regularly operating at the San Pedro Bay Ports.

Beginning on October 1, 2008, the Port began a progressive ban on older, dirtier trucks. As of that date, all trucks with engine model years older than 1989 were banned from Port service. On January 1, 2010, all trucks with engine model years 1989 to 2003 were also banned from Port service, except trucks with engine model years between 1994 and 2003 that have undergone emission retrofits. Additionally, on January 1, 2012, all trucks that did not meet the EPA's 2007 On-Road Heavy Duty emissions standards were banned from Port service. Phasing out older vehicles produces clean-air benefits because the EPA is requiring manufacturers to build cleaner engines. Through these efforts, over 13,000 newer diesel and over 900 alternative fuel trucks meeting the EPA's 2007 On-Road Heavy Duty emissions standards are currently serving the Port on a regular basis. With the full implementation of the

CTP as of January 1, 2012, diesel particulate matter emissions from trucks has been reduced by an estimated 95% compared to 2005 levels.

***Water Quality Improvement.*** The Harbor Department faces water quality issues that include not only stormwater runoff from Port lands, but also the on-water activities of industrial harbors, legacy sediment contamination, and inputs from intensely developed urban watersheds upstream. Recognizing the advantages of addressing these issues on a port-wide basis, in 2009, the Harbor Department and the Port of Los Angeles worked cooperatively with regulatory agencies and the public to develop a Water Resources Action Plan (the “WRAP”). The WRAP is a joint plan for managing water and sediment quality at the San Pedro Bay Ports. The WRAP identifies the key issues in the port complex; identifies control measures to address those issues; and assembles existing, as well as proposed, water and sediment programs into those measures. The WRAP describes the implementation tools available to the San Pedro Bay Ports (lease and tariff provisions, incentives, and port-sponsored initiatives) and establishes a schedule for implementing the control measures. A key aspect of the WRAP is its dynamic nature: the WRAP is reviewed periodically to add detail and to add or modify measures where appropriate. The control measures described in the WRAP consist largely of plan formulation and the expansion and reorganization of activities that the San Pedro Bay Ports are already engaged in. Accordingly, the cost of implementing the control measures will consist predominately of staff and consultant time. Several of the control measures set forth in the WRAP will likely involve capital costs at the implementation phase. Costs of the WRAP will be paid with Harbor Department revenues, federal, state and local grant funding and other sources of funds. The Board does not expect these costs to be material to the Harbor Department.

In March 2012, the Los Angeles and Long Beach Harbors Toxic and Metals Total Maximum Daily Load (the “TMDL”) was adopted by the State of California Water Resources Control Board. The Harbor Department has begun to implement the requirements of the TMDL, mainly by implementing the programs identified in the WRAP. Additionally the Harbor Department has established a technical working group with the Port of Los Angeles, the Los Angeles Regional Water Quality Control Board and the State Water Resources Control Board, to conduct the special studies and analysis required to make sound environmental management decisions and support modifications to the TMDL, which currently is scheduled to be reconsidered in 2018. The Harbor Department expects to spend approximately \$1 million per year through 2018 to conduct the necessary studies, required monitoring and development of related implementation plans associated with the TMDL.

The City is developing a Watershed Management Program (“WMP”) in coordination with the Harbor Department to address the Harbor watershed as well as other near shore watersheds in the City. The WMP is required to comply with the City’s Municipal Stormwater National Pollutant Discharge Elimination System Permit. The WMP is intended to ensure that the Port and the City will achieve all established water quality standards.

***Port Energy Planning.*** As described above, the Harbor Department’s aggressive air-emission reduction programs have resulted in significant improvements in air quality since the Green Port Policy was adopted in 2005. As the Harbor Department moves toward a zero-emission goal, its reliance on electrical power has dramatically increased. On-terminal electricity usage is predicted to quadruple by 2030, compared with a 2005 base year. At the same time, the electrical grid which is maintained by a local utility company is aging and the region experiences power outages.

The Harbor Department is developing an energy program, known as Energy Island, that seeks to provide reliability, resiliency and economic competitiveness to its own operations and those of its tenants via distributed self-generation of base load power and adequate fueling infrastructure to support clean transportation options. Modular self-generation systems, utilizing load-controlling and energy storage strategies, are intended to reduce energy costs, enhance the electrical grid, and provide stability and

resiliency through the ability to operate in an interconnected mode or in isolation. The Harbor Department aims to provide on-site and near-site renewable power generation to the maximum extent possible.

This long term strategy is designed to assist the region in attracting new businesses, promoting job growth, advanced technologies and customer retention, and to provide reliable assets that can be used in the event of natural or man-made disasters. In addition, this program is intended to benefit regional residents and other industries by reducing the necessity of planned “brown-outs.” The Harbor Department expects to spend approximately \$2 million per year, through 2018, to evaluate the feasibility of various energy strategies, as well as to support appropriate emerging energy technologies. The Harbor Department anticipates that these costs will be partially financed with various grants.

## **CAPITAL DEVELOPMENT PROGRAM**

### **Master Plan**

On October 17, 1978 the California Coastal Commission (the “CCC”) certified the Port Master Plan as being in conformance with the policies of Chapters 8 and 3 of the California Coastal Act. The Port Master Plan has been amended on numerous occasions since 1978, most recently in 1990. All amendments to the Port Master Plan that required the approval of CCC were approved by CCC. The purpose of the Port Master Plan is to provide the Harbor Department with a planning tool to guide future Port development and to ensure that projects and developments in the Harbor District are consistent with the requirements of the California Coastal Act. The Port Master Plan establishes a flexible framework allowing for planned development of the Port and is updated periodically.

### **2015-24 Capital Plan**

In addition to the Port Master Plan, the Harbor Department maintains a 10-year capital plan which sets forth the specific projects the Harbor Department expects to develop and construct over the next ten years. The 2015-24 Capital Plan is the Harbor Department’s current 10-year capital plan. The 2015-24 Capital Plan includes, but is not limited to, the following capital projects and improvements: the Gerald Desmond Bridge Replacement Project, expansion and modernization at the shipping terminals on Piers D, E, F and G, expansion of on-dock rail facilities, construction of a new Port administration building, dredging of the Long Beach Harbor and installation of various security improvements. Currently, the 2015-24 Capital Plan has an aggregate estimated cost of approximately \$3.046 billion. The Harbor Department expects to finance approximately \$2.417 billion of the costs of the 2015-24 Capital Plan with revenues of the Harbor Department and proceeds of Senior Bonds and/or Subordinate Obligations. The Harbor Department expects the remaining approximately \$629 million of costs of the 2015-24 Capital Plan will be financed with federal and State grants and other sources of funds. See also “THE PORT OF LONG BEACH—Environmental Compliance.”

Many of the improvements to the piers set forth in the Port Master Plan and the 2015-24 Capital Plan, include, but are not limited to, longer wharves, deeper berths, larger gantry cranes and larger storage areas necessary to accommodate the docking and loading/unloading requirements of the current and future designed ships. Currently, the largest container cargo ships have the capacity to carry upwards of 18,000 TEUs. The facilities at the Port are currently being designed and constructed to accommodate the largest container cargo ships that are now in service.

Following is a brief description of some of the major projects included in the 2015-24 Capital Plan:

***Middle Harbor Redevelopment (Piers D, E and F)***. The Middle Harbor Redevelopment Project is a 10-year approximately \$1.3 billion modernization of the shipping terminals on Piers D, E and F. The project will consolidate the Pier E terminal (170 acres), the Pier F terminal (101 acres), and the Berth E24

subsidized oil area (five acres), into a single, modern, 305-acre container terminal. The project will add on-dock rail capacity, shore-side electrical power, electric rail-mounted gantry cranes, and deeper channels to accommodate the newest container ships. The project is being constructed in two phases. Phase 1 construction began in 2011 and is scheduled to be completed in late 2015. Construction of Phase 2, which is currently in design, is expected to begin in 2015 and is expected to be completed by 2019. When completed, the Middle Harbor terminal will be able to move an estimated 3 million TEU's annually, twice the amount of cargo than was moved through the old facilities. In 2012, the Harbor Department and OOCL entered into a 40-year preferential assignment agreement for the Middle Harbor container terminal. Based on the guaranteed annual minimum payments required to be made by OOCL pursuant to the terms of the agreement, the Harbor Department expects that the agreement with OOCL will generate approximately \$4.6 billion of operating revenues for the Harbor Department over the 40-year term. The facility will be operated by OOCL's subsidiary, Long Beach Container Terminal, LLC.

***Pier G Redevelopment Project.*** The Pier G Redevelopment Project is a multi-year renovation of the Pier G Container Terminal that currently consists of two phases.

Major portions of the Phase 1 Pier G Redevelopment Project were completed in 2014. The remaining portion of Phase 1, consisting of the South Rail Yard, has yet to be initiated and is expected to be completed in 2020. At the completion of Phase 1 of the Pier G Redevelopment Project, the Pier G Container Terminal will be an approximately 258-acre facility, that will include four berths, a 5,258 foot-long wharf with water depths ranging from 42 feet to 52 feet, a container storage area for approximately 18,200 on-ground containers, power outlets for 1,100 refrigerated containers, and an on-dock rail yard. The Pier G Container Terminal will have 17 gantry cranes, with capacities ranging from 30 tons to 60 tons. See "THE PORT OF LONG BEACH—Current Port Facilities—Container Terminals—Pier G." Phase 1 of the Pier G Redevelopment Project is estimated to cost approximately \$530 million, with \$470 million having been spent through December 31, 2014. Phase 1 of the Pier G Redevelopment Project is being financed with revenues of the Harbor Department.

If the Harbor Department decides to move forward with Phase 2 of the Pier G Redevelopment Project, it will consist of landfills, backland improvements and wharf improvements in the south half of the Pier G slip and certain other improvements, including electrification of a part of the Pier G Container Terminal. If Phase 2 is completed, the Pier G Container Terminal would be an approximately 280- acre facility. The Harbor Department estimates that Phase 2 of the Pier G Redevelopment Project will cost approximately \$600 million. As of the date of this Official Statement, the Harbor Department has not decided to move forward with Phase 2 of the Pier G Redevelopment Project.

An EIR for Phase 1 of the Pier G Redevelopment Project was certified by the Board in 2000. However, a new EIR for Phase 2 of the Pier G Redevelopment Project will need to be completed before the Harbor Department can begin constructing Phase 2. As of the date of this Official Statement, the Harbor Department has not initiated the process of completing an EIR for Phase 2 of the Pier G Redevelopment Project.

***Rail Program.*** A major transportation element of the 2015-24 Capital Plan is to move more cargo by rail instead of by truck. The Port has a significant railroad infrastructure improvement program that includes ten rail-related projects with an approximate cost of \$850 million. The rail-related projects are located outside the on-dock marine terminal container facilities. The Port's major rail infrastructure project is "the on-dock rail support facility" to be located at Pier B. An EIR is currently being completed for the project and is expected to be certified by mid-2016. The final phase of the Pier B on-dock rail support facility is expected to be completed by the end of 2023. The expansion entails increasing the ability to load and unload trains at the on-dock marine terminals thereby maximizing the number of containers moved directly via rail and reducing truck trips on streets and freeways within the region, including the 710 Freeway.

***Gerald Desmond Bridge Replacement Project.*** The Gerald Desmond Bridge is a vital link in the San Pedro Bay Ports' goods movements infrastructure because it connects to 710 Freeway, which is the primary access route for the San Pedro Bay Ports and carries approximately 15% of all U.S. port-related container traffic.

The Gerald Desmond Bridge Replacement Project consists of replacing the existing four-lane Gerald Desmond Bridge, which spans the Port's Main Channel, with a new six-lane bridge and higher clearance. The new bridge will provide improved traffic flow, emergency lanes on both the inner and outer shoulders in each direction to reduce traffic delays and safety hazards from accidents and vehicle breakdowns, a 200-foot vertical clearance to accommodate the world's largest vessels, a reduction in the bridge's steep grades, and a bicycle/pedestrian path with scenic overlooks. Additional improvements include reconstruction of the Terminal Island East Interchange and a new interchange with the 710 Freeway. Currently, the Gerald Desmond Bridge is only two lanes in each direction with no shoulder and, depending on tide conditions, is too low to accommodate passage of the largest ships.

The Gerald Desmond Bridge Replacement Project is budgeted to cost approximately \$1.263 billion and is a joint effort between the California Department of Transportation ("Caltrans") and the Harbor Department. The Harbor Department is currently working with Caltrans and the Federal Highway Administration to complete a periodic forecasted cost estimate review and update to the project budget, which is expected to be completed in mid-2015. The Harbor Department anticipates that funding of the project will come from numerous sources, including federal and State grants, and revenues of the Harbor Department.

As of the date of this Official Statement, the design of the Gerald Desmond Bridge Replacement Project is approximately 75-80% complete. Construction of the new bridge began in 2013 and was originally expected to be completed by the end of 2016. Due to complexities of the site and design, the Harbor Department currently estimates that the bridge will be completed by mid-2018.

Upon completion of the Gerald Desmond Bridge Replacement Project, ownership of the new bridge will be transferred to Caltrans. However, the Harbor Department has agreed to pay Caltrans all operation and maintenance costs with respect to the new bridge for a 30-year period commencing on the date ownership of the new bridge is transferred to Caltrans.

***Civic Center Plaza.*** The new Port of Long Beach Administrative Headquarters Building project is a part of the proposed City of Long Beach Civic Center. The project anticipates the construction of a building in downtown Long Beach, co-located with a new city hall, library, public park and other shared facilities. The Harbor Department's share of the shared facilities is being determined, and the Harbor Department's total project cost is expected to be approximately \$200 million. The procurement is anticipated to be under a design-build approach. Following a request for proposal and selection process, an exclusive negotiations agreement was executed on January 5, 2015 with the preferred developer, Plenary Edgemoor Civic Partners. The duration of the negotiation period is expected to be seventeen months, and the phased design-build process is expected to be completed approximately four years from the execution date of the exclusive negotiation agreement.

***Long Beach Harbor Dredging.*** The Harbor Department has identified several dredging projects that will be in development over the next few years, including, deepening of the channels and berths at Pier J, deepening of the West Basin approach and Pier T berths, re-aligning the dike at Pier S to provide material for the Middle Harbor Redevelopment fill project, and deepening of the Port's anchorages. A federal project to continue deepening the main channel at the Port and expanding the limits of the federal channels also is being reviewed. Dredging projects that are currently scheduled to move forward have an approximate cost of \$250 million.

***Security and Public Safety Program.*** Security and public safety projects include the replacement of two fire stations, construction of a joint fire and security operations center, construction of a security

support facility and the construction of two new fireboats to replace the obsolete boats in service now. These projects have an estimated cost of approximately \$200 million.

**Pier S.** Pier S is an approximately 170-acre site located on the west side of the Port directly north of Pier T. Prior to its purchase by the Harbor Department in 1994, Pier S was owned by the Union Pacific Resources Corporation (“UPRC”) and was used as an active oil and gas production field. During the 1950’s and 1960’s, a portion of Pier S was leased by UPRC to the now-defunct TLC Corporation for the shallow impoundment disposal of oil and gas drilling waste. Testing conducted in the early 1980’s indicated that TLC Corporation disposed of materials other than those permitted under the lease with UPRC. The Harbor Department has completed remediating the site, which included, among other projects, relocating certain pipelines and utilities and bringing the site to grade by filling the area with more than 5 million cubic yards of clean imported soil. The potential development of the Pier S site will be evaluated as part of the Long Term Land Use study. Currently, the Harbor Department is utilizing Pier S for temporary uses. The Harbor Department also is planning to widen Cerritos Channel as part of the Pier S wharf construction, to accommodate the next generation of large container vessels. Future landside development of the Pier S site will require the preparation of a new or supplemental EIR/EIS.

**Infrastructure Capital Improvement Programs.** The Harbor Department owns and maintains infrastructure outside of operating terminals including roadways, water distribution system, sanitary sewer system, storm drain system, electrical distribution system, wharf structures and rock dikes and other assets. To manage the infrastructure condition efficiently, the Harbor Department has developed a 10-year plan for roadway and wet utilities improvements, including water, sanitary sewer and storm drain, with an approximate cost of \$60 million. To proactively monitor and manage infrastructure conditions throughout the Port, the Harbor Department intends to update the plan periodically.

**Funding Sources of 2015-24 Capital Plan**

The Harbor Department plans to finance the 2015-24 Capital Plan with the following estimated sources of funding:

**TABLE 11**  
**Harbor Department of the City of Long Beach**  
**Estimated Funding Sources of 2015-24 Capital Plan**  
**(\$000’s)**

Funding Source	Amount
Senior Bonds/Subordinate Obligations <sup>1</sup>	\$1,320,000
Harbor Department Revenues	1,097,000
Federal and State Grants	<u>629,000</u>
<b>Total</b>	<b>\$3,046,000</b>

<sup>1</sup> Includes \$120 million in proceeds from the Series 2014C Senior Notes that have not yet been expended.

Source: Harbor Department

In the event any of the expected federal or State grants are not received by the Harbor Department, the projects to be financed with such grants may be delayed and/or reduced in scope or the Harbor Department will need to obtain alternative sources of funding (including, but not limited to, public-private partnerships). Grants requested in connection with the Gerald Desmond Bridge Replacement Project have been awarded and monies programmed. See also “CERTAIN INVESTMENT CONSIDERATIONS—Unavailability of, or Delays in, Anticipated Funding Sources.”

FINANCIAL DATA

The following tables present the Harbor Department's Statements of Revenues and Expenses and Balance Sheet for fiscal years 2010-2014.

**TABLE 12**  
**Harbor Department of the City of Long Beach**  
**Comparative Summary of Statements of Revenues and Expenses**  
**Fiscal Year Ended September 30**  
**(\$000's)**

	2010	2011	2012	2013	2014
<b>Port Operating Revenues:</b>					
Berths/Special Facilities	\$303,996	\$328,987	\$322,425	\$ 335,869	\$346,258
Rental Properties	14,279	14,138	9,577	9,374	9,360
Miscellaneous	3,365	2,265	1,885	1,001	1,262
Total Port Operating Revenues	\$321,640	\$345,390	\$333,887	\$346,244	\$356,880
<b>Port Operating Expenses:</b>					
Operating/Administrative	\$98,026	\$81,423	\$87,637	\$97,696	\$108,455
Depreciation/Amortization	86,619	85,005	88,523	90,849	117,966
Total Port Operating Expenses	\$184,645	\$166,428	\$176,160	\$188,545	\$226,421
<b>Income from Port Operations</b>	\$136,995	\$178,962	\$157,727	\$157,699	\$130,459
<b>Non-Operating Revenues (Expenses)</b>					
Clean Air Action Plan Income (Loss)	3,552	(3,573)	(3,926)	(3,420)	(2,474)
Gain/(Loss) From Harbor Oil Operations	19,034	1,525	-	-	-
Gain/(Loss) on Sale of Property	(2)	74	7	(6)	16
Income from Equity in Joint Ventures, Net	2,270	-	-	2,049	3,640
Interest Expense, Net of Capitalized	(33,051)	(20,551)	(10,341)	(65)	(1,204)
Interest Income	7,931	4,994	3,302	740	3,136
Other Income (Expense), Net	(4,753)	(54,979)	(1,904)	(182)	(298)
Total Non-Operating Income (Expense)	(5,019)	(72,510)	(12,862)	(884)	2,816
<b>Income Before Operating Transfers and Capital Grants</b>	131,976	106,452	144,865	156,815	133,275
Net Operating Transfers	(30,451)	(10,379)	(16,694)	(17,312)	(17,844)
Capital Grants <sup>1</sup>	18,663	7,444	13,627	250,543	178,295
Contributions to others	-	-	-	-	(10,203)
<b>Increase in Net Position</b>	120,188	103,517	141,798	390,046	283,523
<b>Total Net Position (beginning of fiscal year)</b>	2,427,817	2,548,005	2,651,522	2,793,319	3,178,686
Adjustment for GASB 65 Implementation	-	-	-	(4,678)	-
<b>Total Restated Net Position (beginning of fiscal year)</b>	2,427,817	2,548,005	2,651,522	2,788,640	3,178,686
<b>Total Net Position (end of fiscal year)</b>	2,548,005	2,651,522	2,793,320	3,178,686	3,462,209

<sup>1</sup> In fiscal years 2013 and 2014, the Harbor Department received \$230 million and \$126 million, respectively, of federal and state grants in connection with the Gerald Desmond Bridge Replacement Project.

Source: The Harbor Department's audited financial statements for fiscal years 2010-2014; Harbor Department

Fiscal year 2014 operating revenues were \$356,880,000, an increase of 3.1% from fiscal year 2013. Containerized cargo, the Harbor Department's highest revenue producing category, and vehicle cargo were the primary contributors, increasing by 4.2% and 6.5%, respectively in fiscal year 2014. General cargo and other revenue also increased in fiscal year 2014 by 2.5%. Conversely, petroleum and dry bulk revenue experienced decreases of 8.1% and 2.7%, respectively in fiscal year 2014. Cargo volume for fiscal year 2014 was 165,525,643 MRTs, an increase of 2% from fiscal year 2013. Fiscal year 2014 operating and administrative expenses were \$108,455,000, an increase of 11% from fiscal year 2013. Operating and administrative expenses increased in fiscal year 2014 mainly as a result of facility

maintenance (which includes maintenance to port terminals) increasing by \$4,175,000, fire and safety expenses increasing by \$2,162,000 and general and administrative expenses increasing by \$7,351,000.

**TABLE 13**  
**Harbor Department of the City of Long Beach**  
**Comparative Balance Sheet – Assets**  
**Fiscal Year Ended September 30**  
**(\$000's)**

<b>Current Assets:</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
Pooled Cash and Cash Equivalents	\$407,713	\$ 549,520	\$ 522,116	\$239,891	\$ 301,487
Trade Accounts Receivable, Net	53,096	40,620	48,834	39,458	52,765
Due from Other Governmental Agencies	12,216	7,767	66,955	129,171	63,361
Inventories of Supplies	576	502	603	520	631
Other Current Assets	23,494	6,123	3,369	1,967	1,726
Subtotal	497,094	604,532	641,877	411,007	419,970
Harbor Revenue Bond Funds & Other Funds Restricted as to Use:					
Pooled Cash and Cash Equivalents	82,516	99,058	31,066	29,902	32,902
Total Restricted Assets	82,516	99,058	31,066	29,902	32,902
<b>Noncurrent Assets:</b>					
Capital Assets:					
Land:					
Land Purchased	440,930	448,937	448,936	448,936	448,936
Constructed	418,957	418,957	455,825	454,843	456,024
Net Land	859,887	867,894	904,761	903,779	904,961
Structure/Facilities	2,051,109	2,105,748	2,240,186	2,337,756	2,953,693
Less Accumulated Depreciation	(1,103,891)	(1,184,535)	(1,269,068)	(1,352,868)	1,455,600
Net Structures and Facilities	947,218	921,213	971,118	984,888	1,498,093
Furniture/Fixtures/Equipment	33,049	36,416	39,998	44,894	83,266
Less Accumulated Depreciation	(20,708)	(24,337)	(27,865)	(31,803)	(45,036)
Net Furniture/Fixtures/Equipment	12,341	12,079	12,133	13,091	32,830
Construction in Progress	373,063	489,937	603,251	1,367,213	1,248,187
Right-of-Way	207,823	207,823	207,823	207,823	207,823
Net Capital Assets	2,400,332	2,498,946	2,699,086	3,247,794	3,897,294
Other Assets					
Long-Term Receivables	28,300	1,300	1,300	1,300	1,300
Oil Facilities	81,137	–	–	–	–
Less Accumulated Depletion (Oil Facilities)	(68,592)	–	–	–	–
Environmental Mitigation Bank	44,278	44,278	43,236	43,236	43,236
Investment in Joint Ventures	9,168	6,167	3,168	3,217	4,857
Restricted nonpooled cash and cash equivalents	324,936	170,281	113,213	17,597	155,242
Restricted nonpooled cash and cash equivalents	312	209	95	259	2,103
Restricted nonpooled investments	63,329	63,449	63,511	63,238	118,998
Other Non-Current Assets	822	3,867	7,025	6,227	5,998
Total Other Assets	483,689	289,551	231,548	135,074	331,734
Total Noncurrent assets	2,884,021	2,788,497	2,930,634	3,611,868	4,229,028
Deferred Outflows and Debt Refunding	–	–	12,922	11,404	9,593
<b>Total Assets</b>	<b>\$3,463,632</b>	<b>\$3,492,087</b>	<b>\$3,616,499</b>	<b>\$4,064,181</b>	<b>\$4,691,494</b>

Source: The Harbor Department's audited financial statements for fiscal years 2010-2014. Harbor Department

**TABLE 14**  
**Harbor Department of the City of Long Beach**  
**Comparative Balance Sheet**  
**Liabilities and Equity/Net Assets**  
**Fiscal Year Ended September 30**  
**(\$000's)**

	2010	2011	2012	2013	2014
<b>Liabilities</b>					
<b>Current Liabilities Payable from Current Assets:</b>					
Accounts Payable and Accrued Expenses	\$43,611	\$67,165	\$85,652	\$108,229	\$86,239
Commercial Paper Outstanding	-	-	-	-	-
Liability Claims	11,300	5,000	4,000	14,000	6,961
Deferred Credits and Unearned Revenue	14,981	14,691	13,821	7,143	11,668
Due to City of Long Beach	25,322	17,269	19,030	17,312	17,312
Current Portion of Environmental Remediation	12,501	-	-	-	-
<b>Total Current Liabilities Payable from Current Assets</b>	<b>107,715</b>	<b>104,126</b>	<b>122,504</b>	<b>146,684</b>	<b>122,837</b>
<b>Current Liabilities Payable from Restricted Assets:</b>					
Current Portion of Bonded Indebtedness	42,175	44,815	46,965	49,115	51,805
Accrued Interest – Bonds	14,624	13,197	12,385	11,484	14,965
<b>Total Current Liabilities Payable from Restricted Assets</b>	<b>56,799</b>	<b>58,012</b>	<b>59,350</b>	<b>60,599</b>	<b>66,770</b>
<b>Total Current Liabilities</b>	<b>164,514</b>	<b>162,138</b>	<b>181,854</b>	<b>207,283</b>	<b>189,606</b>
<b>Long-Term Obligations (Net of Current Portion):</b>					
Bond Indebtedness	768,992	726,113	678,427	591,722	896,262
Lines of Credit	-	-	-	80,000	120,000
Environmental Remediation	1,000	-	-	-	-
Oil Well Abandonment	26,700	25,000	-	-	-
<b>Total Long Term Obligations</b>	<b>790,507</b>	<b>751,113</b>	<b>678,427</b>	<b>671,722</b>	<b>1,016,262</b>
<b>Total Liabilities</b>	<b>915,627</b>	<b>840,565</b>	<b>823,180</b>	<b>885,495</b>	<b>1,229,285</b>
<b>Net Position</b>					
Invested in Capital Assets (Net of Related Debt)	1,597,683	1,916,201	2,104,915	2,848,456	2,954,102
Restricted – Nonrelated-Party Debt Service Contingency and Matching Contribution from Federally Funded Projects	147,302	116,453	95,620	-	-
Restricted – Capital Projects	209,899	44,278	43,236	43,236	180,881
Restricted – Debt Service	112,126	16,806	18,681	18,418	17,938
Unrestricted	480,996	557,785	530,866	268,576	309,288
<b>Total Net Assets</b>	<b>\$2,548,005</b>	<b>\$2,651,522</b>	<b>\$2,793,319</b>	<b>\$3,178,686</b>	<b>\$3,462,209</b>
<b>Total Liabilities and Net Assets</b>	<b>\$3,463,632</b>	<b>\$3,492,087</b>	<b>\$3,616,499</b>	<b>\$4,064,181</b>	<b>\$4,691,494</b>

Source: The Harbor Department's audited financial statements for fiscal years 2010-2014; Harbor Department

### Financial Statements

The audited financial statements of the Harbor Department for the fiscal year ended September 30, 2014 (the "2014 Audited Financial Statements") are included as Appendix A attached hereto. The 2014 Audited Financial Statements were audited by KPMG LLP, Los Angeles, California, independent certified public accountants, whose report with respect thereto also appears in Appendix A hereto. The Harbor Department has not requested, nor did the Harbor Department obtain, permission from KPMG LLP to include the 2014 Audited Financial Statements as an appendix to this Official

Statement. KPMG LLP has not been engaged to perform and has not performed, since the date of its report included in Appendix A hereto, any procedures on the financial statements addressed in that report. KPMG LLP also has not performed any procedures relating to this Official Statement.

### **Accounting and Annual Budget**

The City's and the Harbor Department's fiscal year begins on October 1 and ends on the subsequent September 30. The Harbor Department's practice of establishing separate operating accounts for each berth, special facility and leased property in the Port allows the Harbor Department to determine the relative profitability of every individual Port installation at any time. Operating records of the Harbor Department are, as provided by the Charter, audited annually by the City Auditor of the City of Long Beach as well as by an independent certified public accountant. See "—Financial Statements" above.

An annual operating budget is developed by Harbor Department staff and is reviewed and approved by the Board. In accordance with the terms of the Charter, the Harbor Department's budget is then submitted to the City Manager for inclusion in the City budget. The City Council must approve the City budget prior to the beginning of each fiscal year. A copy of the budget of the Harbor Department is available on the Internet website of the Harbor Department, [www.polb.org](http://www.polb.org). Nothing contained on that website is incorporated by reference in this Official Statement.

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

**Pension Plan.** The Harbor Department participates on a cost-sharing basis with the City in the California Public Employees' Retirement System ("CalPERS"). The City contracts with CalPERS, an agent multiple-employer public employee defined benefit pension plan. 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 and on the CalPERS website at [www.calpers.ca.gov](http://www.calpers.ca.gov). Nothing contained on that website is incorporated by reference in this Official Statement. 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 fiscal year end of September 30.

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 miscellaneous employees (most of the Harbor Department's employees are considered 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.

Contribution requirements of plan members and the City are established and may be amended by CalPERS. The miscellaneous plan's required member contribution rate was 8% of reportable compensation (for tier 1, 2 and 3 employees). However, for employees who met the definition of a "new member" (tier 4) under the California Public Employees' Pension Reform Act of 2013, the member

contribution rate was 6.5% of reportable pension compensation. Depending on the contracts with the various labor groups, at the beginning of fiscal year 2014, miscellaneous employees paid a range from (a) 2% of the 8% employee rate (with the City paying the remaining 6%), to (b) the full 8% employee rate. Effective November 16, 2013 all miscellaneous tier 1, 2 and 3 employees paid the full 8% employee rate. Additionally, the City is required to contribute at an actuarially determined rate applied to annual covered payroll. For fiscal year 2014, the employer contribution rate was 15.648% for miscellaneous employees. For fiscal year 2015, the employer contribution rate will be 16.288% for miscellaneous employees.

The Harbor Department pays its share of pension costs based on rates established by CalPERS. CalPERS does not calculate a separate pension obligation for the Harbor Department. The Harbor Department paid \$5,998,239, which was equal to its annual required contribution for its actual employees in fiscal year 2014, and expects to pay \$7,984,426 to the City in fiscal year 2015 (based on budgeted FTEs).

As of the most recent actuarial valuation date (June 30, 2013), the miscellaneous plan had an unfunded liability of \$490,713,525, with a funded ratio of 77.1% based on the market value of the assets of the plan. The funded ratio compares the actuarial value of assets (or to the actuarial accrued liabilities of the miscellaneous plan. The ratio changes every valuation year, reflecting asset performance, demographic changes, actuarial assumption/method changes, benefit structure changes or a variety of other actuarial gains and losses.

In the past, the gains and losses that occurred in the operation of the miscellaneous plan were amortized over a 30-year rolling period, which resulted in an amortization of about 6% of unamortized gains and losses each year. However, on April 17, 2013, the CalPERS Board of Administration approved a recommendation to change the CalPERS amortization and smoothing policies. Effective with the June 30, 2013 valuation, CalPERS will no longer use an actuarial value of assets and will employ an amortization and smoothing policy that will spread rate increases or decreases over a 5-year period, and will amortize all experience gains and losses over a fixed 30-year period. According to CalPERS, the change to its amortization and smoothing policies will result in an increase to the City's required contributions to the miscellaneous plan. The City's required contribution rate will increase to 18.380% in fiscal year 2016 and is estimated to increase to 26.2% by fiscal year 2021. The Harbor Department considers the estimated increases in its long term fiscal planning.

See "Note 10 – Retirement Programs" in "APPENDIX A—HARBOR DEPARTMENT OF THE CITY OF LONG BEACH AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2014 AND 2013" for additional information about the pension plan.

***Post-Retirement Health Care Benefits.*** Full-time City employees can earn 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 (a) 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, (b) retirees to purchase additional CalPERS service credit, and (c) for safety employees only, retirees to withdraw \$10,752 per year from their unused sick leave for deposit into an integral part trust account until the cash value of the retired employee's unused sick leave is exhausted. For employees remaining in the City's health and dental insurance program after retirement, 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.

At September 30, 2014, there were 588 participants in the City's Retired Employees Health Insurance Program, and the non-interest bearing cash value equivalent of the remaining unused sick leave for the current retirees totaled \$19.3 million. Total premiums and actual claims paid by the City under the

Retired Employees Health Insurance Program for fiscal year 2014 were \$7.5 million, and are included in the expenses of the Employee Benefits Internal Service Fund.

The most recent actuarial study of current and future actuarial accrued liabilities of the City's Retired Employees Health Insurance Program, dated January 30, 2015, was performed in accordance with Governmental Accounting Standards Boards Statement No. 16, "Accounting for Compensated Absences". According to the actuarial study, as of September 30, 2013, the City's Retired Employees Health Insurance Program had an actuarial accrued liability of \$123.3 million. Additionally, the actuarial study estimated that the City's Retired Employees Health Insurance Program would have an actuarial accrued liability, as of September 30, 2014, of \$133.8 million. The actuarial study takes into account an estimate of future usage, additional leave accumulation and wage increases for both current retirees and active employees, and an additional amount relating to the sick leave incentive for employees who retired during calendar year 1996. The actuarial study assumes projected investment returns of 4.3%; wage increases of 3.0% per year for miscellaneous, and insurance premium increases of 7.8% in 2015 and decreasing to 5.0% in 2021. The estimated current portion of such obligation of \$8.15 million (as of September 30, 2014) has been fully funded through burden rates charged to the various City funds, applied as a percent of current productive salaries. The City only makes payments to the Retired Employees Health Insurance Program on a pay-as-you-go basis; it does not make any payments or deposits with respect to the long-term portion of the liability.

See "Note 10 – Retirement Programs" in "APPENDIX A—HARBOR DEPARTMENT OF THE CITY OF LONG BEACH AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2014 AND 2013" for additional information about the post-retirement health care benefits provided to the employees of the City.

### **Risk Management and Insurance**

The Master Senior Resolution does not specify any minimum amount of insurance coverage. Instead, the Master Senior Resolution requires the Board to maintain insurance or qualified self-insurance on the Port as is customarily maintained with respect to works and properties of like character against accident, loss or damage. The Master Senior Resolution does not require the Board to carry insurance against losses due to flood or seismic activity. The Harbor Department presently carries an all-risk property insurance program covering physical loss or damage by fire and other risks (excluding earthquake and flood) with a loss limit of \$1.463 billion, and a deductible of \$500,000 per occurrence. Coverage for property damage caused by foreign and domestic acts of terrorism is included in the all-risk property insurance program. Builder's Risk insurance for the Gerald Desmond Bridge Replacement Project is also maintained in amounts consistent with the value of the construction contract. Excluded from the terrorism coverage provided under both programs is property damage caused directly or indirectly from nuclear detonation and reaction, nuclear radiation, radioactive contamination or chemical release or exposure of any kind. Coverage for property damage caused by foreign and domestic acts of terrorism is also subject to the federal Terrorism Risk Insurance Act, or TRIA, which backstops the amount insurance providers are required to pay in the event of foreign and domestic acts of terrorism. See also "CERTAIN INVESTMENT CONSIDERATIONS—Security at the Port."

The Harbor Department also carries a comprehensive liability insurance program that includes domestic and foreign acts of terrorism in the amount of \$150 million. This coverage is in excess of \$1,000,000 of self-insurance carried by the Harbor Department, and covers all of the Harbor Department's operations. Primary policies for liability and physical damage and water pollution are in force covering the Harbor Department's fire and work boats and contractor-type equipment.

There can be no assurance as to the ability of an insurer to fulfill its obligations under any insurance policy and no assurance can be given as to the adequacy of such insurance to fund necessary

repair or replacement of the damaged property. When renewing its insurance policies the Harbor Department makes no guarantee as to the ability to continue receiving the existing coverage or deductible amounts.

Port tenants are required to carry various types of liability insurance coverage, including bodily injury and property damage liability, for the leased premises and are required to name the City, the Board and the officers and employees of the Harbor Department as additional insured parties. Risk of loss is also transferred from the Harbor Department through the use of insurance endorsements and indemnification provisions contained in the various lease documents and contracts executed by the City.

To further mitigate the adverse effects of a business disruption, the Harbor Department has developed and implemented a business continuity plan. The plan responds to incidents that impact key facilities, personnel, systems, applications, and resources and is coordinated with key stakeholders and civil authorities.

### **Investment Policy**

The Harbor Department's cash and investments, including restricted cash and investments, are pooled with the other City funds and maintained by the City Treasurer, except for the cash and investments that are held by U.S. Bank National Association, as trustee pursuant to the Sixth Supplemental Senior Resolution. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2015 SENIOR BONDS—Funds Held by Third Parties." Interest income and gains and losses earned on pooled cash and investments are allocated monthly to the various pool participants based on their average daily cash balances. The Harbor Department is required by the Charter to participate in the City Treasurer's pool.

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

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

- (a) **Safety:** safety of principal is the foremost objective of the investment program, however risk is inherent throughout the investment process. The City's investments shall be undertaken in a manner that seeks to maximize the preservation of capital in the overall portfolio and minimize the risk related to capital losses from institutional default, broker-dealer default, or erosion of market value.
- (b) **Liquidity:** the City's investment portfolio will remain sufficiently liquid to meet all operating requirements that might be reasonably anticipated.
- (c) **Yield:** the City shall manage its funds to maximize the return on investments consistent with the two primary objectives of safety and liquidity. The investment goals are to maximize interest income through the prudent implementation of the Investment Policy and developed guidelines. The City has established three benchmark measures for the pool funds

portfolio: the three month U.S. Treasury Bill rate for the short maturity portfolios, the 1-year Constant Maturity Treasury index or equivalent index whose duration is equal to one year for the intermediate term portfolios, and the Merrill Lynch AAA U.S. Treasury/Agency 1-5 year Index for the long maturity portfolios.

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

According to the City Treasurer’s Quarterly Report for the quarter ending December 31, 2014, the City’s invested funds totaled approximately \$1.585 billion (of which approximately \$502 million consisted of Harbor Department monies). The investment portfolio includes a variety of fixed income securities that vary in maturity from one day to five years. On December 31, 2014, 80.9% of the total City Portfolio was invested in U.S. Treasury and Agency Notes, 7.6% in the State of California Local Agency Investment Pool, 10.8% in cash and cash equivalents and 0.7% in other types of securities.

A summary of the City Treasurer’s Monthly Report for the quarter ending December 31, 2014, is set forth below:

**TABLE 15  
City of Long Beach  
Invested Funds  
(Quarter Ending December 31, 2014)**

	<b>Pooled Fund</b>
Portfolio Market Value	\$1,584,991,289
Portfolio Market Yield	0.48%
Short-term Weighted Average Maturity in Days	134 days
Intermediate-term Weighted Average Maturity in Days	372 days
Long-term Weighted Average Maturity in Days	665 days

Source: City Treasurer

**CERTAIN INVESTMENT CONSIDERATIONS**

The purchase and ownership of the Series 2015 Senior Bonds involve investment risk and may not be suitable for all investors. Prospective purchasers of the Series 2015 Senior Bonds are urged to read this Official Statement, including all Appendices, in its entirety. The factors set forth below, among others, may affect the security of the Series 2015 Senior Bonds. However, the following does not purport to be an exhaustive listing of all considerations which may be relevant to investing in the Series 2015 Senior Bonds. In addition, the order in which the following information is presented is not intended to reflect the relative importance of any such considerations.

**Ability To Meet Rate Covenant**

As discussed in “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2015 SENIOR BONDS—Rate Covenant,” the Master Senior Resolution provides that the City, acting by and through the Board, prescribe, revise and collect such charges, rentals, compensation or fees required to be paid for services, franchises, leases or licenses, as permitted or required by the Charter or otherwise by law, ordinance or order, to the City for operation upon lands and waters under the control and management of the Board, which, after making allowances for contingencies and error in the estimates, produce Revenues in each fiscal year equal to 1.25 times Maximum Annual Debt Service.

In California, marine terminal services and facilities are priced through leases, and preferential, management and user agreements with water carriers and/or terminal operators. These arrangements

generally provide for economic discounts from established tariffs in exchange for term commitments and/or minimum payment guarantees. A substantial majority of the Harbor Department's maritime revenues are generated by such agreements. As payments under those agreements are usually based on current tariff rates, the Harbor Department can generally increase its revenues under those agreements either by increasing its tariff rates or through increases in shipping line volume. However, there are contractual, statutory, regulatory, practical, procedural and competitive limitations on the extent to which the Harbor Department can increase tariffs. Implementation of an increase in the schedule of rentals, rates, fees and charges for the use of the Port could have a detrimental impact on the operation of the Port by making the cost of operating at the Port unattractive to shipping lines and others in comparison to other locations, or by reducing the operating efficiency of the Port. See "THE PORT OF LONG BEACH—Property Agreements" above and "—Port Competition" below.

### **Factors Affecting Demand for Port Facilities**

The demand for Port facilities and the Revenues of the Harbor Department are significantly influenced by a variety of factors, including, among others, global and domestic economic and political conditions, governmental regulation; fuel prices, construction activity, currency values, international trade, availability and cost of labor, vessels, containers and insurance, the efficiency and adequacy of transportation and terminal infrastructure at the Port, the adequacy and location of major distribution hubs, the financial condition of maritime related industries, the proliferation of operational alliances and other structural conditions affecting maritime carriers. See "—Alliances and Consolidation of Container-Shipping Industry" below.

Recently, one of the largest factors affecting demand at the San Pedro Bay Ports has been congestion which is a result of ocean carriers divesting chassis (described below) ownership, shipping alliances and consolidation of the container ship industry, prolonged labor contract negotiation, and large volume ships straining marine terminal operating methods. The Harbor Department cannot predict whether or when the tentative agreement between ILWU and the Association will be ratified, or the extent to which any future failure to reach contractual agreements may lead to future work slowdowns or work stoppages. Typically contractual agreements between the ILWU and the Association extend for a term of 6 years.

In the fall of 2014, marine terminals in the San Pedro Bay began to experience congestion as terminals were unable to meet the surge in cargo volumes as a result of a rebounding economy and the holiday season peak. A major factor contributing to the congestion was a chassis imbalance. Chassis are the trailers towed by large trucks and specifically designed for the movement of containers by highway to and from container terminals. The historical model for cargo movement at the San Pedro Bay was for terminals to maintain a stock of shipping line owned chassis to be available for truckers to tow the containers to off-dock destinations. If a marine terminal ran low of chassis available for truckers to utilize to pick-up containers, there was no method for chassis to be shared from other marine terminals or shipping lines. The Harbor Department played a lead role in facilitating the creation of an interoperable agreement ("gray chassis pool") between the independent chassis providers. The gray chassis pool will allow chassis to be shared across marine terminals and shipping lines. The agreement took effect on March 1, 2015 and is expected to decrease chassis shortages at certain terminals and aid in the efficient movement of cargo. However, the gray chassis pool has no operating history and the Harbor Department cannot predict whether or when it will be successful. In addition to the foregoing, the Harbor Department is exploring the possibility of independent chassis operators providing a peak season relief fleet. In addition to these efforts, the Harbor Department's Middle Harbor Terminal Phase 1 is expected to come online in late-2015 and increase the operator of that terminal's ability to handle larger vessels.

Marine terminals continue to adjust to the deployment of mega vessels, defined as vessels with a TEU capacity of 10,000 or more. The Port is one of few ports nationwide that has the physical infrastructure to handle the so-called "big ships". At 76 feet, the Port has one of the deepest harbors of

any seaport in the world. Five years ago, the average size vessel calling Long Beach terminals carried 8,000 TEUs. Today, vessels carrying up 14,000 TEUs call weekly and larger vessels are expected to arrive in the coming years as Middle Harbor reaches full development.

The San Pedro Bay Ports complex is the focal point for roughly 50 weekly vessel calls from East Asian ports, more than any other port complex in North America. The frequency of these vessel calls provides the Ports with operating flexibility and capacity. The Port offers features that extend beyond the piers, docks and waterways, in that Harbor Department tenants are serviced by the Union Pacific and BNSF Railways with over 60 weekly on-dock rail departures from Long Beach linking to an extensive network of rail connections. Additionally, southern California has the largest collection of logistics facilities in the nation, with approximately 1.7 billion square feet of warehouses and distribution centers.

### **Port Competition**

The Revenues of the Harbor Department may be adversely impacted by increasing competition from other port facilities; however the Harbor Department cannot predict the scope of any such impact at this time. In addition, the imposition of fees that apply only to the Port or to a group of ports that includes the Port, may increase the cost to ocean carriers of utilizing the Port and may ultimately result in those ocean carriers using competing port facilities. The Harbor Department may reduce the tariffs or other charges applicable to its ocean carriers to moderate some or all of the potential impact, which in turn would reduce Revenues. See “—Factors Affecting Demand for Port Facilities” above.

There is significant competition for container traffic among North American ports. Success depends largely on the size of the local market and the efficiency of the port and inland transportation systems for non-local destinations. According to the American Association of Port Authorities, for the calendar year ended December 31, 2014, the top nine container ports in the nation in terms of container cargo were: (1) Port of Los Angeles (8.3 million TEUs), (2) Port of Long Beach (6.8 million TEUs), (3) Ports of New York and New Jersey (5.8 million TEUs), (4) Sea Tac Alliance (3.4 million TEUs), (5) Port of Savannah (3.3 million TEUs), (6) Port of Oakland (2.4 million TEUs), (7) Port of Norfolk (2.4 million TEUs), (8) Port of Houston (2.0 million TEUs), (9) Port of Charleston (1.8 million TEUs).

Primary competition for the Port comes from the U.S. West Coast Ports of Los Angeles, Oakland, Seattle and Tacoma and the Canadian Ports of Vancouver and Prince Rupert. All-water service from Asia to the Gulf of Mexico and East Coast ports through the Panama Canal and through the Suez Canal also compete for the same cargoes. Improvements currently underway in the Panama Canal will allow larger ships to traverse the canal and some diversion of Asian imports from West Coast ports to the U.S. East and Gulf Coast ports may increase. In addition, there may be longer-term competition from the West Coast ports of Mexico. All of these ports compete with the Port for discretionary intermodal cargo destined for locations in the Central and Eastern United States and Canada. Currently, this discretionary cargo moves eastward primarily by rail, after being off loaded at West Coast ports in the United States and Canada. Discretionary cargo is highly elastic and is controlled largely by cargo owners and/or ocean carriers who can direct and redirect cargo to any port they choose. Currently, approximately 65% of the cargo handled by the Port is discretionary cargo. Each port has various competitive advantages and disadvantages in attracting this cargo, but overall cost is the primary factor in routing decisions. The greatest risk to the Port’s market share is with the intermodal discretionary cargo segment. Reduced market share ultimately could impact revenue for the Harbor Department. See “THE PORT OF LONG BEACH – Stevedoring and Cargo Handling.”

***Southern California.*** The Port and the Port of Los Angeles compete for cargo that “naturally” moves through Southern California. Such cargo includes both local cargo (e.g., cargo consumed within the locally defined region) and cargo that is routed through Southern California for other reasons (e.g., superior inland distribution capability). The population base in Southern California has been a key driving force for the growth of container cargo moving through the San Pedro Bay Ports. The roughly 18 million people living in Southern California are a lucrative market for imported goods which cargo

owners and ocean carriers need to service directly. The development of large efficient container terminals and connections to intermodal rail links benefit the carriers and cargo owners due to the economies of scale at the San Pedro Bay Ports. Most container services calling on the West Coast include stops in Southern California and of these stops, a majority utilize the San Pedro Bay Ports as their first port of call and primary intermodal gateway. Over the past ten calendar years, the San Pedro Bay Ports have increased total container throughput from approximately 14.2 million TEUs in 2005 to approximately 15.2 million TEUs in 2014, reflecting total growth of approximately 6.8% between 2005 and 2014 (a compound average growth rate of approximately 0.7% per year). The San Pedro Bay Ports' share of total West Coast TEU throughput was approximately 53.5% in 2014.

The Port of Los Angeles is effectively the Port's only competition for the local market areas of Southern California, Arizona, New Mexico, Southern Nevada and Utah because of its proximity to the Port and shared inland infrastructure. Other Southern California ports, such as San Diego and Hueneme, account for a very small percentage of total West Coast cargo volume and are not expected to increase their market shares significantly in the foreseeable future. The Port of Los Angeles was the number one container port in the nation during calendar year 2014, moving approximately 8.3 million TEUs, as compared to the Port (the second busiest container port in the nation) which moved approximately 6.8 million TEUs. For calendar year 2014, the Port's share of total West Coast containerized cargo was approximately 24% as compared to approximately 29% for the Port of Los Angeles.

***Oakland.*** The Port of Oakland is the primary container port for the San Francisco Bay Area. Although the Port of San Francisco has cargo handling facilities, its primary focus is waterfront commercial real estate. Therefore, the Port of Oakland dominates container traffic through Northern California. The Port of Oakland handled approximately 2.3 million TEUs in calendar year 2013, accounting for approximately 10% of the West Coast container market. In calendar year 2014, the Port of Oakland handled 2.4 million TEUs, and its share of the West Coast container market was approximately 8%.

***Pacific Northwest.*** Despite the relatively small population base of western Washington, the Ports of Seattle and Tacoma have some advantages over other ports. Located on Puget Sound, the Ports of Seattle and Tacoma enjoy naturally deep harbors and are one day's sailing time closer to the ports in the Pacific Rim countries than the Port. Unlike the Port, the Ports of Seattle and Tacoma are subsidized by general property tax revenues, which allow them to price their marine terminal facilities below the Port's. The Ports of Seattle and Tacoma handled approximately 1.6 and 1.9 million TEUs, respectively in calendar year 2013, and together accounted for a total of approximately 14% of the West Coast container market. The Ports of Seattle and Tacoma handled approximately 3.4 million TEUs, in calendar year 2014, and together accounted for a total of approximately 12% of the West Coast container market.

On December 1, 2014 the ports of Tacoma and Seattle announced the formation of a Seaport Alliance to unify management at the two ports' marine cargo terminals and collaborate on business objectives, strategic maritime investments, financial returns, performance metrics, organizational structure and communications and public engagement. The Harbor Department cannot predict the impact, if any, of the Seaport Alliance on Harbor Department Revenues.

The development of additional container handling capacity at Port Metro Vancouver ("PMV"), which was formed by the merger of the Ports of Vancouver, Fraser River and North Fraser River, has added a competitive threat to the Puget Sound ports and provides an alternative gateway for some U.S. intermodal cargo. Like the Ports of Seattle and Tacoma, PMV is one day's sailing time closer to the ports in the Pacific Rim countries than the Port. In January 2010, PMV opened a third berth at Deltaport, which increased PMV's capacity by up to 600,000 TEUs and added 50 acres of container storage facilities to the existing two berth container terminal (210 acres after expansion). In addition, PMV is

planning the Terminal 2 Project at Deltaport, which will add a new, three-berth container facility with 200 acres of upland container terminal. PMV handled approximately 2.8 million TEUs in calendar year 2013, accounting for approximately 12% of the West Coast container market. PMV handled approximately 2.9 million TEUs in calendar year 2014, accounting for approximately 10.2% of the West Coast container market.

**All-Water Routes.** The use of all-water routes to the East and Gulf Coasts of the U.S. is an alternative to Asian intermodal cargo moving through United States West Coast ports. Demand for these all-water services increased substantially following the 2002 labor problems that occurred on the West Coast. The primary appeal of the all-water routes is the expected reliability of the services (e.g., the lack of perceived labor shortages or stoppages). Constraints to all-water routes include lack of channel depth at many Gulf and East Coast ports compared to West Coast ports as well as the current vessel size limitations of the Panama Canal. The latter constraint is being addressed by an expansion of the Panama Canal, the completion of which (currently expected by the end of 2015) will allow larger vessels to navigate the isthmus in order to reach Gulf and East Coast ports. However, increased Panama Canal fees may impact routing decisions in the long-term, and newly delivered container ships and those in design or on order will not fit the newly expanded Panama Canal. The competitive landscape also includes plans now in the works for many ports to increase channel depth and remove other physical obstacles which prevent the calling of “big ships,” and enhancing operational efficiency, through the purchase and use of new equipment and automation, as well as augmenting transportation infrastructure.

### **Alliances and Consolidation of Container-Shipping Industry**

Since 2007, the financial health of the container-shipping industry has been under substantial stress because of numerous factors, including, among others, the world financial crisis which began in the fall of 2008, overcapacity of available ships, decreasing freight rates and volatile fuel costs. In response to these challenges, the container-shipping industry has seen the forming of strategic alliances and the merger of certain shipping lines. In March 2014, the U.S. Federal Maritime Commission approved a Network Vessel Sharing Agreement (the “P3 Agreement”) between the world’s three largest container shipping lines, Maersk, CMA-CGM and Mediterranean Shipping Company (collectively, the “P3 Alliance”). The Chinese government did not approve the P3 Alliance, and Maersk and Mediterranean Shipping Company decided to move forward with a new alliance without CMA CGM, known as the 2M Alliance. According to Maersk, the 10-year pact is for Asia-Europe, Transatlantic and Transpacific routes, and covers 185 ships. Additionally, in April 2014, the U.S. Federal Maritime Commission approved an amendment to an existing agreement between APL, Hapag-Lloyd, Hyundai Merchant Marine, MOL, NYK, and OOCL (the “G6 Alliance”) that will allow the G6 Alliance to cooperate operationally in the trades between the Far East and the U.S. West Coast, and between Northern Europe and all U.S. ports. In April 2014, Hapag-Lloyd and Compañía Sud Americana de Vapores agreed to merge, creating the world’s fourth largest container-shipping line. In August 2014, CMA CGM, China Shipping Container Lines, and United Arab Shipping Co. joined forces to create the O3 Alliance. Finally, in December 2014, CKYHE Alliance (COSCO, “K” Line, Yang Ming, Hanjin Shipping, and Evergreen Line) gained U.S. regulatory approval to incorporate Evergreen Line into its vessel-sharing agreement operating in trans-Pacific and Atlantic trade routes. Many of the container-shipping lines that are part of the 2M, G6, and CKYHE Alliances operate at the Port. Additional alliances and mergers could occur in the future. Although, at this time, the Harbor Department cannot predict what effect the 2M Alliance, the G6 Alliance, the CKYHE Alliance, or the merger between Hapag-Lloyd and Compañía Sud Americana de Vapores will have on container traffic at the Port or the Revenues of the Harbor Department, alliances and consolidation in the container-shipping industry could impact container traffic at the Port and affect Revenues.

## **Factors Affecting 2015-24 Capital Plan**

The ability of the Harbor Department to complete the projects in the 2015-24 Capital Plan may be adversely affected by various factors including: (a) estimating errors; (b) design and engineering errors; (c) changes to the scope of the projects, including changes to federal security regulations; (d) delays in contract awards; (e) material and/or labor shortages; (f) unforeseen site conditions; (g) adverse weather conditions and other force majeure events, such as earthquakes; (h) contractor defaults; (i) labor disputes; (j) unanticipated levels of inflation; (k) environmental issues; and (l) unavailability of, or delays in, anticipated funding sources. The Board can provide no assurance that the existing projects in the 2015-24 Capital Plan will not cost more than the current budget for these projects. Any schedule delays or cost increases could result in the need to adjust the Harbor Department's 2015-2024 Capital Plan, or incur additional indebtedness.

## **Unavailability of, or Delays in, Anticipated Funding Sources**

As described herein, the Harbor Department anticipates that funding for the 2015-24 Capital Plan will be provided through proceeds of Senior Bonds and Subordinate Obligations including proceeds of the Series 2014C Senior Notes and the Subordinate TIFIA Loan (if drawn), revenues of the Harbor Department, federal and State grants and other sources. See "CAPITAL DEVELOPMENT PROGRAM" for a description of the financing plan for the 2015-24 Capital Plan. In the event that any of such sources are unavailable for any reason, including unavailability of revenues of the Harbor Department, reduction in the amount or delays in the receipt of federal and State grants available to the Harbor Department, inability to fulfill the conditions for drawing the Subordinate TIFIA Loan or any other reason, the completion of the 2015-24 Capital Plan could be substantially delayed and financing costs could be higher than projected. There can be no assurances that such circumstances will not materially adversely affect the financial condition or operations of the Port.

## **Security at the Port**

As a result of the terrorists attacks of September 11, 2001, the Maritime Transportation Security Act of 2002 ("MTSA") was signed into law on November 25, 2002 to require sectors of the maritime industry to implement measures designed to protect the ports and waterways of the U.S. from a terrorist attack. MTSA requires interagency teamwork within the Department of Homeland Security, including, the U.S. Coast Guard, the Transportation Security Administration (the "TSA") and the Bureau of Customs and Border Protection, and the Department of Transportation's Maritime Administration to develop security regulations. The security regulations focus on those sectors of maritime industry that have a higher risk of involvement in a transportation security incident, including various tank vessels, barges, large passenger vessels, cargo vessels, towing vessels, offshore oil and gas platforms, and port facilities that handle certain kinds of dangerous cargo or service the vessels listed above. Such regulations were implemented on July 1, 2003, and final rules became effective in November 2003. The regulations provide for port and vessel owners and operators to assess their vulnerabilities, and to then develop plans that may include implementing vehicle, container and baggage screening procedures, designating security patrols, establishing restricted areas, implementing personnel identification procedures, accessing control measures, and/or installing surveillance equipment. The Harbor Department and each of its applicable tenants have in place procedures for complying with MTSA.

To comply with MTSA regulations and based on the Harbor Department's own initiatives, the Harbor Department is implementing certain security measures. The Harbor Department has installed and implemented a video camera surveillance system to monitor activities throughout the Port complex. To address waterside threats, the Harbor Department has installed radar and sonar detection systems and has agreements with the Long Beach Police Department to provide 24/7 "on water" patrol capability. The Harbor Department is working with marine terminal operators and other stakeholders within and outside the Port to share video camera feeds, thereby enhancing overall regional security monitoring capabilities. The Harbor Department has installed tools to assist in emergencies, including programmable highway

signs, an AM radio station, an automated emergency notification system, and an encrypted radio system to provide secure communications with tenants and emergency services. The Harbor Department continues to support efforts by the TSA to implement a transportation workers identification card. The Harbor Department has improved and continues to enhance physical security throughout the Port complex by installing security fencing, lighting, barriers and access control systems. These improvements are being applied to all infrastructure above and below ground. Radiation portal monitors have been installed at all of the container terminals, which are managed by the U.S. Customs & Border Protection. All containers originating at foreign ports will be tested for the presence of radioactive materials when leaving the Port.

In February 2009, the Harbor Department opened the Joint Command & Control Center which serves as the Harbor Department Security Division and Port Police Division headquarters and functions as a multi-agency incident command post, housing approximately 120 personnel (which is triple the level of staffing on September 11, 2001). The Command and Control Center functions as a “maritime domain awareness center” and combines and displays all the surveillance, detection and monitoring data from throughout the Port; this data is shared and communicated with facility security personnel and law enforcement agencies that protect the harbor complex. In addition, the Harbor Department is working closely with local, regional, and state agencies to develop a geo-spatial software platform that will interconnect these agencies and provide a common operational picture of the region’s maritime domain to support daily security functions, incident response, and recovery operations. The Command and Control Center also is the home to the Maritime Coordination Center, which coordinates the response to offshore illicit activities for over 70 different maritime law enforcement entities along 320 miles of California coastline. The Harbor Department has significantly increased its budgeted security operating costs since 2002. Security Division operating expenses as well as service agreements with City of Long Beach Fire and Police Departments have increased from \$6 million in 2002 to \$36 million in 2015.

There can be no assurance that MTSA requirements will not become more strict or that additional requirements may require the Harbor Department to incur additional security-related expenses.

National and local law enforcement officials have warned that additional terrorist attacks upon key infrastructure and other targets in the United States are possible. The Port and the surrounding waterways are particularly visible infrastructure assets that could be the subject of future attempted terrorist attacks. A shutdown of the Port complex could have a significant impact on the U.S. economy. A terrorist attack on the Port or the surrounding waterways or an attack somewhere else in the country or the world could have a material adverse effect on the collection of Revenues at the Port. See “FINANCIAL DATA—Risk Management and Insurance.”

### **Environmental Compliance and Impacts**

Future environmental laws, regulations, enforcement priorities and standards and judicial decisions may impact the Harbor Department and the Port and the ability to construct and develop new revenue-generating facilities at the Port. Such impacts could be material and could result in significantly delays.

In addition to the laws and regulations enacted and adopted by governmental entities, certain individuals and organizations could seek additional legal remedies to require the Harbor Department to take further actions to mitigate health hazards or seek damages from the Harbor Department in connection with the environmental impact of its maritime activities. Any actions taken by these individuals and organizations could be costly to defend, could result in substantial damage awards against the Harbor Department or could significantly delay or limit the Harbor Department’s plans to construct and develop new revenue-generating facilities at the Port.

In May 2009, the California Climate Change Center released a final paper entitled “The Impacts of Sea-Level Rise on the California Coast” that was funded by the California Energy Commission, the

California Environmental Protection Agency, the Metropolitan Transportation Commission, the California Department of Transportation, and the California Ocean Protection Council. The paper posits that increases in sea level will be a significant impact of climate change over the next century and that future flood risk with sea-level rise could be significant at California's major ports, including the Port. While noting that, among other things, sea-level rise can reduce bridge clearance, reduce efficiency of port operations or flood transportation corridors to and from ports, the report states that impacts are highly site-specific and somewhat speculative. The Harbor Department is unable to predict whether sea-level rise or other impacts of climate change will occur while the Series 2015 Senior Bonds are outstanding, and if any such events occur, whether there will be an adverse impact, material or otherwise, on Revenues.

### **Seismic Risks**

The Port is located in an area considered to be seismically active. The two faults closest to the Port are the Palos Verdes fault and the Newport-Inglewood fault. More distant faults with a history of causing earthquakes and damage include the San Andreas and San Jacinto faults. A significant earthquake is possible during the period the Series 2015 Senior Bonds will be outstanding. Since 1975, the Harbor Department has designed wharves and other major facilities to withstand the effects of a 8.0 Richter Scale earthquake on the San Andreas fault and a 7.5 Richter Scale earthquake on either the Newport-Inglewood fault or the Palos Verdes fault.

A forecast prepared by U.S. Geological Survey, Southern California Earthquake Center, and California Geological Survey and released in April 2008 indicates that there is a 67% chance that an earthquake measuring 6.7 or larger on the Richter Scale will occur in the greater Los Angeles area, and a 97% chance that such an earthquake will occur in Southern California, by 2037. The Port could sustain extensive damage to its facilities in a major seismic event from ground motion and liquefaction of underlying soils, which damage could include slope failures along the shoreline, pavement displacement, distortions of pavement grades, breaks in utility, drainage and sewage lines, displacement or collapse of buildings, failure of bulkhead walls, and rupture of gas and fuel lines. A major seismic event in Southern California, or elsewhere in the world, also could result in the creation of a tsunami that could cause flooding and other damage to the Port. Damage to Port facilities as a result of a seismic event could materially adversely affect Revenues.

Neither the City nor the Harbor Department maintains insurance against earthquake damage because of the high costs of premiums and the low levels of coverage currently available. To date, no earthquakes have caused structural damage to Port facilities. See "FINANCIAL DATA—Risk Management and Insurance."

### **Termination or Expiration of Property Agreements**

The City, acting by and through the Board, has agreements with approximately 325 different entities (approximately over 85% of which are with private companies). Over the last five fiscal years, property agreements covering waterfront property and facilities have generated in excess of 90% of the Harbor Department's operating revenues, with the largest single customer accounting for approximately 27% of the Harbor Department's operating revenues in fiscal year 2014. Under these agreements, the City, by and through the Board, assigns or leases property and facilities to terminal operators for terms of up to 40 years. The property agreements with the Port's current top ten revenue producers have expiration dates ranging from 2019 to 2051, with nine of these agreements expiring between 2022 and 2034. The top ten revenue producers vary from year to year.

Should a significant number of the parties to the property agreements default on their obligation, terminate their relationships with the Harbor Department or fail to renew their agreements upon expiration, the amount of Revenues realized by the Harbor Department could be materially impaired and

this could have an adverse impact on the Harbor Department's ability to pay debt service on the Series 2015 Senior Bonds. See "THE PORT OF LONG BEACH—Property Agreements."

### **Impact of Labor Negotiations**

Recent protracted negotiations between the ILWU and the Association, although not involving any employees of the Harbor Department, had a compounding effect on congestion issues that had slowed down container cargo movement through San Pedro Bay Ports since September 2014 and it cannot be predicted with certainty the length of time that is necessary to eliminate the congestion. The Association and the ILWU reached a tentative agreement on February 20, 2015. Harbor Department revenues were temporarily impacted in January and February 2015 as a result of the prolonged negotiations and other congestion factors. The Harbor Department cannot predict whether or when the tentative agreement will be finalized, or the extent to which any future failure of the ILWU and the Association to reach contractual agreements may lead to future work slowdowns or work stoppages. Such negotiations, slowdowns or work stoppages could have a material adverse impact on Revenues. See "THE PORT OF LONG BEACH – Stevedoring and Cargo Handling."

### **Effect of Tenant Bankruptcy**

A bankruptcy of a tenant of the Port could result in delays and/or reductions in payments to the Harbor Department which could affect the Harbor Department's ability to pay debt service on the Series 2015 Senior Bonds.

A tenant that has executed a preferential assignment agreement, lease or other executory contract with the Board and seeks protection under the U.S. bankruptcy laws must assume or reject (a) its preferential assignment agreement or lease within 120 days after the bankruptcy filing (subject to court approval, a one-time 90-day extension is allowed, and further extensions are allowed with the consent of the Board), and (b) its other executory contracts with the Board prior to the confirmation of a plan of reorganization.

In the event of assumption and/or assignment of any agreement to a third party, the tenant would be required to cure any pre- and post-petition monetary defaults and provide adequate assurance of future performance under the applicable preferential assignment agreement, lease or other agreements.

Rejection of a preferential assignment agreement, lease or other agreement or executory contract will give rise to an unsecured claim of the Harbor Department for damages, the amount of which in the case of a preferential assignment agreement or lease is limited by the United States Bankruptcy Code generally to the amounts unpaid prior to bankruptcy plus the greater of (i) one year of rent or (ii) 15% of the total remaining lease payments, not to exceed three years. However, the amount ultimately received in the event of a rejection of a preferential assignment agreement or lease could be considerably less than the maximum amounts allowed under the United States Bankruptcy Code.

In addition, payments made by a tenant in bankruptcy within 90 days of filing a bankruptcy case could be deemed to be an "avoidable preference" under the United States Bankruptcy Code and thus subject to recapture by the debtor or its trustee in bankruptcy.

During the pendency of a bankruptcy proceeding, a debtor tenant may not, absent a court order, make any payments to the Harbor Department on account of goods and services provided prior to the bankruptcy. Thus, the Harbor Department's stream of payments from a debtor tenant would be interrupted to the extent of pre-petition goods and services, including accrued tariffs and rents.

In general, risks associated with bankruptcy include risks of substantial delay in payment or of non-payment and the risk that the Board may not be able to enforce any of its remedies under the agreements with a bankrupt tenant.

With respect to a tenant in bankruptcy proceedings in a foreign country, the Board is unable to predict what types of orders and/or relief could be issued by foreign bankruptcy tribunals, or the extent to which any such orders would be enforceable in the United States.

Should a significant number of the parties to the major revenue producing property agreements file for bankruptcy protection, Revenues received by the Harbor Department could be materially adversely impacted and this could have an adverse impact on the Harbor Department's ability to pay debt service on the Series 2015 Senior Bonds. There may be other possible effects of a bankruptcy of a tenant that could result in delays or reductions in payments on the Series 2015 Senior Bonds. Regardless of any specific adverse determinations in a tenant bankruptcy proceeding, the fact of a tenant bankruptcy proceeding could have an adverse effect on the liquidity and value of the Series 2015 Senior Bonds.

### **Effect of City Bankruptcy**

The City is able to file for bankruptcy under Chapter 9 of the Bankruptcy Code. Should the City become the debtor in a bankruptcy case, the holders of the Series 2015 Senior Bonds will not have a lien on Revenues received by the City after the commencement of the bankruptcy case unless the bankruptcy court determines that Revenues constitute "special revenues" within the meaning of the Bankruptcy Code. "Special revenues" are defined to include receipts from the ownership, operation, or disposition of projects or systems that are primarily used or intended to be used primarily to provide transportation, utility or other services, as well as other revenues or receipts derived from particular functions of the debtor. While the Board believes that Revenues should be treated as "special revenues," no assurance can be given that a bankruptcy court would not find otherwise. If Revenues are not "special revenues," there could be delays or reductions in payments on the Series 2015 Senior Bonds. Even if a court determines that Revenues are not "special revenues," the Harbor Department will be able to use Revenues to pay operation and maintenance costs of the Port, notwithstanding any provision of the Senior Resolution or any other agreement to the contrary.

There may be other possible effects of a bankruptcy of the City that could result in delays or reductions in payments on the Series 2015 Senior Bonds. The Board cannot predict what types of orders and/or relief may be granted by a bankruptcy court that could have a material adverse effect on the Harbor Department's receipt or application of Revenues. Regardless of any specific adverse determinations in a City bankruptcy proceeding, the fact of a City bankruptcy proceeding or of City financial difficulties could have an adverse effect on the liquidity and market value of the Series 2015 Senior Bonds.

### **No Reserve Fund Established for Series 2015 Senior Bonds; Reserve Funds Established for Certain Outstanding Senior Bonds Not Available for Series 2015 Senior Bonds**

Reserve funds established and maintained for the Series 1998A Senior Bonds, the Series 2010A Senior Bonds and the Series 2010B Senior Bonds, respectively, are funded with cash and investments. Each of these reserve funds only secures the applicable series of Outstanding Senior Bonds for which they were established. No debt service reserve fund will be established to secure the payment of the principal of and interest on the Series 2015 Senior Bonds.

### **Pension and Post-Retirement Benefits**

As described in "FINANCIAL DATA – Pension and Post-Retirement Health Care Benefits, eligible employees of the Harbor Department participate with the City in a pension plan administered by CalPERS. The Harbor Department anticipates that the City's required contribution rate will continue to increase in amounts that may or may not be material, depending on a variety of actuarial factors, and which the Harbor Department cannot predict with any certainty.

### **Potential Limitation of Tax Exemption of Interest on Series 2015 Senior Bonds**

From time to time, the President of the United States, the United States Congress and/or state legislatures have proposed and could propose in the future, legislation that, if enacted, could cause interest

on the Series 2015 Senior Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. Clarifications of the Internal Revenue Code of 1986, as amended, or court decisions may also cause interest on the Series 2015 Senior Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation. The introduction or enactment of any such legislative proposals or any clarification of the Internal Revenue Code of 1986, as amended, or court decisions may also affect the market price for, or marketability of, the Series 2015 Senior Bonds. Prospective purchasers of the Series 2015 Senior Bonds should consult their own tax advisors regarding any such pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion. See “TAX MATTERS—Changes in Federal and State Tax Law.”

### **Forward-Looking Statements**

This Official Statement contains statements relating to future results that are “forward-looking statements.” When used in this Official Statement, the words “plan,” “expect,” “estimate,” “budget,” “project,” “forecast,” “will likely result”, “may”, “are expected to,” “will continue,” “is anticipated,” “intend” or other similar words or expressions identify forward-looking statements. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements.

The forward-looking statements herein are based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including carriers, customers, suppliers and competitors, among others, and legislative, judicial and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the City, the Harbor Department and the Board. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement will prove to be accurate.

## **LITIGATION**

### **No Litigation Relating to the Series 2015 Senior Bonds**

There is no controversy of any nature now pending against the City or the Board or to the knowledge of officers of the City or members of the Board threatened, seeking to restrain or enjoin the sale, issuance or delivery of the Series 2015 Senior Bonds or in any way contesting or affecting the validity of the Series 2015 Senior Bonds or any proceedings of the City or the Board taken with respect to the issuance or sale thereof, or the pledge or application of the Revenues, and any other monies or securities provided for the payment of the Series 2015 Senior Bonds or the use of the Series 2015 Senior Bond proceeds.

### **Litigation Relating to the Harbor Department and the Port**

From time to time, the Harbor Department is a party to litigation and is subject to claims arising out of its normal course of business and its tenants’ operations. In actions brought against the Harbor Department’s tenants whereby the Harbor Department is also named as a party to the action, the Harbor Department usually requires the tenant to defend and indemnify the Harbor Department. Additionally, on the advice of counsel, the Harbor Department generally establishes reserves against such lawsuits and claims that are deemed to have merit. At the fiscal year ended September 30, 2014, the Harbor

Department has reserved \$7 million to cover outstanding litigation claims. At this time, the management of the Harbor Department is of the opinion that if any lawsuits and claims, pursuant to which the Harbor Department is currently a named party, are concluded adversely to the Harbor Department, they will not have material adverse effect on the Harbor Department's financial condition.

## **TAX MATTERS**

### **Federal Income Taxes**

The Internal Revenue Code of 1986, as amended (the "Code") establishes certain requirements that must be met subsequent to the issuance and delivery of the Series 2015 Senior Bonds in order that interest on the Series 2015 Senior Bonds be and remain excluded from gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Code. Noncompliance with such requirements may cause interest on the Series 2015 Senior Bonds to be included in gross income of the owners thereof retroactive to the date of issuance of the Series 2015 Senior Bonds, regardless of when such noncompliance occurs.

The opinions described under "Tax Opinions" below assume the accuracy of certain representations and compliance by the Board, the Harbor Department and the City with covenants designed to satisfy the requirements of the Code (the "Covenants"). The Tax Compliance Certificate of the City (the "Tax Certificate"), which will be delivered concurrently with the delivery of the Series 2015 Senior Bonds, will contain provisions and procedures regarding compliance with the requirements of the Code. The City, in executing the Tax Certificate, will certify to the effect that the City, acting through the Board, expects and intends to comply with the provisions and procedures contained therein. Bond Counsel has expressed no opinion regarding other federal tax consequences arising with respect to the Series 2015 Senior Bonds.

In rendering the opinions described below with respect to the Series 2015 Senior Bonds, Bond Counsel has relied upon the Covenants and has assumed the material accuracy of the representations, statements of intention and reasonable expectation, and certifications of fact contained in the Tax Certificate.

### **Tax Opinions**

In the opinion of Polsinelli LLP, Bond Counsel to the City, under existing laws, regulations, rulings and judicial decisions, interest on the Series 2015 Senior Bonds is excluded from gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Code, except for interest on any Series 2015A Senior Bond or Series 2015C Senior Bond for any period during which such Series 2015A Senior Bond or Series 2015C Senior Bond is held by a "substantial user" of the facilities financed by the Series 2015C Senior Bonds or refinanced by the Series 2015A Senior Bonds or by a "related person," as such terms are defined in Section 147(a) of the Code. Bond Counsel is further of the opinion that (a) interest on the Series 2015A Senior Bonds and Series 2015C Senior Bonds is a specific preference item for purposes of the federal alternative minimum tax imposed under the Code with respect to individuals and corporations, and (b) interest on the Series 2015B Senior Bonds and Series 2015D Senior Bonds is not a specific preference item for purposes of the federal alternative minimum tax imposed under the Code with respect to individuals and corporations, except that interest on the Series 2015B Senior Bonds and Series 2015D Senior Bonds is included in "adjusted current earnings" in computing alternative minimum taxable income for purposes of the alternative minimum tax imposed by the Code on certain corporations.

Bond Counsel is further of the opinion that under existing laws, regulations, rulings and judicial decisions, interest on the Series 2015 Senior Bonds is exempt from State of California personal income taxes.

**[Original Issue Discount]**

[The initial public offering price of certain Series 2015 Senior Bonds may be less than the stated redemption price thereof at maturity. The difference between the initial public offering price for any such Series 2015 Senior Bond and the stated redemption price at maturity is “original issue discount.” For federal income tax purposes, original issue discount on a Series 2015 Senior Bond accrues to original holders of the Series 2015 Senior Bond over the period of its maturity based on the constant yield method compounded annually as interest with the same tax exemption and alternative minimum tax status as regular interest. The accrual of original issue discount increases the holder’s tax basis in the Series 2015 Senior Bond for determining taxable gain or loss on the maturity, redemption, prior sale or other disposition of the Series 2015 Senior Bond. Purchasers of the Series 2015 Senior Bonds should consult their tax advisors for an explanation of the accrual rules for original issue discount and any other federal, state or local tax consequences of the purchase of Series 2015 Senior Bonds with original issue discount. ]

**Original Issue Premium**

Certain maturities of the Series 2015 Senior Bonds are being sold at a premium. An amount equal to the excess of the issue price of a Series 2015 Senior Bond over its stated redemption price at maturity constitutes premium on such Series 2015 Senior Bond. An initial purchaser of a Series 2015 Senior Bond must amortize any premium over such Series 2015 Senior Bond’s term using constant yield principles, based on the purchaser’s yield to maturity (or, in the case of Series 2015 Senior Bonds callable prior to their maturity, by amortizing the premium to the call date, based on the purchaser’s yield to the call date and giving effect to the call premium). As premium is amortized, the amount of the amortization offsets a corresponding amount of interest for the period and the purchaser’s basis in such Series 2015 Senior Bond is reduced by a corresponding amount resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Series 2015 Senior Bond prior to its maturity. Even though the purchaser’s basis may be reduced, no federal income tax deduction is allowed. Purchasers of the Series 2015 Senior Bonds should consult with their tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to the state and local tax consequences of owning a Series 2015 Senior Bond.

**Certain Federal Tax Consequences**

The accrual or receipt of interest on the Series 2015 Senior Bonds may otherwise affect the federal income tax liability of the owners of the Series 2015 Senior Bonds. The extent of these other tax consequences will depend upon such owner’s particular tax status and other items of income or deduction. Bond Counsel has expressed no opinion regarding any such consequences. Purchasers of the Series 2015 Senior Bonds, particularly purchasers that are corporations (including S corporations and foreign corporations operating branches in the United States), property or casualty insurance companies, banks, thrifts or other financial institutions, certain recipients of social security or railroad retirement benefits, taxpayers otherwise entitled to claim the earned income credit, taxpayers entitled to claim the refundable credit in Section 36B of the Code for coverage under a qualified health plan or taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, should consult their tax advisors as to the tax consequences of purchasing or owning the Series 2015 Senior Bonds.

**Backup Withholding**

Payments of interest on tax-exempt obligations, including the Series 2015 Senior Bonds, are generally subject to Internal Revenue Service information reporting by the payor and “backup withholding” if the recipient has not furnished the payor with a completed Form W-9, certifying the recipient’s tax identification number or basis for exemption. “Backup withholding” means that the payor will withhold tax from the interest payments at the backup withholding rate, currently 28%. If an owner purchasing any Series 2015 Senior Bond through a brokerage account has executed a Form W-9 in

connection with the account, as generally can be expected, there should be no backup withholding on the Series 2015 Senior Bond interest. In any event, backup withholding does not affect the exclusion of interest on the Series 2015 Senior Bonds from gross income for federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner's federal income tax once the required information is furnished to the Internal Revenue Service.

### **Changes in Federal and State Tax Law**

The opinions of Bond Counsel are rendered as of their date and Bond Counsel assumes no obligation to update or supplement its opinions to reflect any facts or circumstances that may come to its attention or any changes in law or the interpretation thereof that may occur after the date of its opinions.

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the federal or state level, may adversely affect the tax-exempt status of interest on the Series 2015 Senior Bonds under federal or state law or otherwise prevent beneficial owners of the Series 2015 Senior Bonds from realizing the full current benefit of the tax status of such interest. In addition, such legislation or actions (whether currently proposed, proposed in the future, or enacted) and such court decisions could affect the market price or marketability of the Series 2015 Senior Bonds, even if such changes are made after the issuance of the Series 2015 Senior Bonds.

Bond Counsel has not undertaken to advise in the future whether any events after the date of issuance of the Series 2015 Senior Bonds, including legislation, court decisions or administrative actions, whether at the federal or state level, may affect the tax-exempt status of interest on the Series 2015 Senior Bonds or the tax consequences of ownership of the Series 2015 Senior Bonds. No assurance can be given that any pending or future legislation, or clarifications or amendments to the Code, if enacted into law, will not contain provisions which could directly or indirectly reduce the benefit of the exclusion of interest on the Series 2015 Senior Bonds from gross income for federal tax purposes or any state tax benefit.

**PROSPECTIVE PURCHASERS OF THE SERIES 2015 SENIOR BONDS SHOULD CONSULT THEIR OWN TAX ADVISORS WITH RESPECT TO ANY PENDING OR PROPOSED FEDERAL OR STATE TAX LEGISLATION, REGULATIONS OR LITIGATION, AND REGARDING THE IMPACT OF ANY FUTURE LEGISLATION, REGULATIONS OR LITIGATION, AS TO WHICH BOND COUNSEL EXPRESSES NO OPINION.**

**ALL POTENTIAL PURCHASERS OF THE SERIES 2015 SENIOR BONDS SHOULD CONSULT WITH THEIR TAX ADVISORS IN ORDER TO UNDERSTAND THE IMPLICATIONS OF THE CODE.**

### **LEGAL MATTERS**

The validity of the Series 2015 Senior Bonds and certain other legal matters are subject to the approving opinion of Polsinelli LLP, Bond Counsel to the City. A complete copy of the proposed form of Bond Counsel's opinion is contained in Appendix C hereto. As Bond Counsel and Disclosure Counsel to the City, Polsinelli LLP undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Certain matters will be passed upon for the City by the City Attorney of the City of Long Beach. Polsinelli LLP also serves as Disclosure Counsel to the City. Certain legal matters will be passed upon for the Underwriters by their counsel, Sidley Austin LLP. All of the fees of Bond Counsel, Disclosure Counsel and Underwriters' Counsel with regard to the issuance of the Series 2015 Senior Bonds are contingent upon the issuance and delivery of the Series 2015 Senior Bonds.

### **RATINGS**

Fitch Ratings ("Fitch") and Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P") have assigned ratings of "[\_\_]" and "[\_\_]", respectively, to the Series

2015 Senior Bonds. Such ratings reflect only the views of such organizations and any desired explanation of the significance of such ratings should be obtained from the rating agency furnishing the same, at the following addresses: Fitch Ratings, One State Street Plaza, New York, New York 10004; and S&P, 55 Water Street, New York, New York 10041. Any explanation of the significance of such ratings may only be obtained from Fitch and S&P, respectively. The City and the Harbor Department furnished Fitch and S&P certain information and material concerning the Series 2015 Senior Bonds, the Harbor Department and the Port. Generally, rating agencies base their ratings on such information and material, and on investigations, studies and assumptions made by the rating agencies themselves. There is no assurance that a rating given will remain in effect for any given period of time or that it will not be lowered or withdrawn entirely by a rating agency, if in its judgment circumstances so warrant. Any such downward change in or withdrawal of the ratings might have an adverse effect on the market price or marketability of the Series 2015 Senior Bonds.

### **UNDERWRITING**

The Series 2015 Senior Revenue Refunding Bonds are being purchased by RBC Capital Markets, LLC; Citigroup Global Markets Inc. and Siebert Brandford Shank & Co., L.L.C. (the “Underwriters”) from the City, acting by and through the Board, at a price of \$\_\_\_\_\_ (consisting of the principal amount of the Series 2015 Senior Revenue Refunding Bonds, plus an original issue premium of \$\_\_\_\_\_, less an underwriters’ discount of \$\_\_\_\_\_), subject to the terms of a bond purchase agreement, dated \_\_\_\_\_, 2015 between RBC Capital Markets, LLC, as representative of the Underwriters, and the City, acting by and through the Board (the “Revenue Refunding Bonds Purchase Agreement”). The Series 2015 Senior Revenue Bonds are being purchased by the Underwriters from the City, acting by and through the Board, at a price of \$\_\_\_\_\_ (consisting of the principal amount of the Series 2015 Senior Revenue Bonds, plus an original issue premium of \$\_\_\_\_\_, less an underwriters’ discount of \$\_\_\_\_\_), subject to the terms of a bond purchase agreement between RBC Capital Markets, LLC, as representative of the Underwriters, and the City, acting by and through the Board (the “Revenue Bonds Purchase Agreement” and together with the Revenue Refunding Bonds Purchase Agreement, the “Bond Purchase Agreements”). The Revenue Refunding Bonds Purchase Agreement provides that the Underwriters will purchase all of the Series 2015 Senior Revenue Refunding Bonds if any are purchased, and that the obligation to make such purchase is subject to certain terms and conditions set forth in the Revenue Refunding Bonds Purchase Agreement, the approval of certain legal matters by counsel, and certain other conditions. The Revenue Bonds Purchase Agreement provides that the Underwriters will purchase all of the Series 2015 Senior Revenue Bonds if any are purchased, and that the obligation to make such purchase is subject to certain terms and conditions set forth in the Revenue Bonds Purchase Agreement, the approval of certain legal matters by counsel, and certain other conditions.

The initial public offering prices of the Series 2015 Senior Bonds set forth on the inside front cover hereof may be changed from time to time by the Underwriters. The Underwriters may offer and sell the Series 2015 Senior Bonds into unit investment trusts or money market funds at prices lower than the public offering prices stated on the cover and the inside of the cover hereof.

Citigroup Global Markets Inc. (“Citigroup”) provided the information contained in this paragraph for inclusion in this Official Statement and none of the City, the Board or the Harbor Department take any responsibility for or make any representation as to its accuracy or completeness. Citigroup, one of the underwriters of the Series 2015 Senior Bonds, has entered into a retail distribution agreement with each of TMC Bonds L.L.C. (“TMC”) and UBS Financial Services Inc. (“UBSFS”). Under these distribution agreements, Citigroup may distribute municipal securities to retail investors through the financial advisor network of UBSFS and the electronic primary offering platform of TMC. As part of this arrangement, Citigroup may compensate TMC (and TMC may compensate its electronic platform member firms) and UBSFS for their selling efforts with respect to the Series 2015 Senior Bonds. Citigroup Financial Products Inc., Citigroup’s parent company, owns a 31.35% equity interest in the parent company of TMC.

Siebert Brandford Shank & Co., L.L.C., one of the Underwriters of the Series 2015 Senior Bonds, has entered into a separate agreement with Credit Suisse Securities USA LLC for retail distribution of certain municipal securities offerings, at the original issue prices. Pursuant to said agreement, if applicable to the Series 2015 Senior Bonds, Siebert Brandford Shank & Co., L.L.C. will share a portion of its underwriting compensation with respect to the Series 2015 Senior Bonds, with Credit Suisse Securities USA LLC.

**FINANCIAL ADVISOR**

The Board has retained Public Resources Advisory Group, Los Angeles, California, as financial advisor (the “Financial Advisor”) in connection with the issuance of the Series 2015 Senior Bonds. Except with respect to certain debt service numbers supplied by the Financial Advisor and included in this Official Statement, 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 this Official Statement. Certain fees of the Financial Advisor are contingent upon the issuance and delivery of the Series 2015 Senior Bonds.

**CONTINUING DISCLOSURE**

In connection with the issuance of the Series 2015 Senior Bonds, the City, acting by and through the Board will covenant for the benefit of the owners of the Series 2015 Senior Bonds to provide annually certain financial information and operating data concerning the Harbor Department and the Port to the MSRB and notice of certain enumerated events, pursuant to the requirements of Rule 15c2-12.

The Harbor Department and the City have determined that during the past five years certain of the Harbor Department’s audited financial statements and City Comprehensive Annual Financial Reports where either not filed with the MSRB or were filed on a date later than required pursuant to the terms of existing continuing disclosure undertakings. Such filings have now been made, and the Harbor Department and the City have established additional internal controls to ensure that the Harbor Department’s Annual Report and audited financial statements are filed no later than their respective due dates, that such Annual Reports and audited financial statements are filed with respect to all of the outstanding Senior Bonds and Subordinate Obligations, as applicable.

MISCELLANEOUS

Any statements made in this Official Statement involving matters of opinion or of estimates, whether or not expressly stated, are set forth as such and not representation of fact. No representation is made that any of the opinions of estimates will be realized. See “INTRODUCTION—Forward-Looking Statements” and “CERTAIN INVESTMENT CONSIDERATIONS—Forward-Looking Statements.”

The foregoing and subsequent summaries or descriptions of provisions of the Series 2015 Senior Bonds, the Master Senior Resolution, the Eighteenth Supplemental Senior Resolution, the Nineteenth Supplemental Senior Resolution the Fiscal Agent Agreement, the Sixteenth Supplemental Senior Resolution and all references to other materials not purporting to be quoted in full are only brief outlines of some of the provisions thereof and do not purport to summarize and describe all of the provisions thereof, and reference should be made to said documents for full and complete statements of their provisions. Copies of such documents are available for review at the offices of the Harbor Department which are located at Port of Long Beach, 4801 Airport Plaza Drive, Long Beach, California 90815, Attention: Managing Director, Finance & Administration.

The execution and delivery of this Official Statement have been duly authorized by the Board.

CITY OF LONG BEACH, CALIFORNIA, acting by  
and through its Board of Harbor Commissioners

By \_\_\_\_\_  
President of the Board of Harbor Commissioners  
of the City of Long Beach, California

**APPENDIX A**

**HARBOR DEPARTMENT OF THE CITY OF LONG BEACH  
AUDITED FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2014 AND 2013**

**APPENDIX B**

**SUMMARY OF CERTAIN PROVISIONS OF THE SENIOR RESOLUTION**

**APPENDIX C**  
**FORM OF OPINION OF BOND COUNSEL**

**APPENDIX D**

**FORM OF CONTINUING DISCLOSURE CERTIFICATE**

## APPENDIX E

### AMENDMENTS TO MASTER SENIOR RESOLUTION

*Pursuant to Resolution No. HD-2762 adopted by the Board on May 5, 2014 (the “Sixteenth Supplemental Senior Resolution”), the City, acting by and through the Board, amended certain provisions of the Master Senior Resolution (the “Master Senior Resolution Amendments”). By the purchase and acceptance of the Series 2015 Senior Bonds, the Owners and Beneficial Owners of the Series 2015 Senior Bonds are deemed to have consented to the Master Senior Resolution Amendments. The Master Senior Resolution Amendments will not become effective until all of the Series 1998A Senior Bonds, the Series 2010A Senior Bonds and the Series 2010B Senior Bonds have been defeased and are no longer Outstanding. Any Owners and Beneficial Owners of Senior Bonds issued on and after May 7, 2014 (including the Series 2015 Senior Bonds) will be deemed to have consented to and will be subject to the Master Senior Resolution Amendments, but only after all of the Series 1998A Senior Bonds, the Series 2010A Senior Bonds and the Series 2010B Senior Bonds have been defeased and are no longer Outstanding.*

The Master Senior Resolution Amendments are set forth in this Appendix E. Additions to the Master Senior Resolution are shown in **bold and double underline** and deletions are shown in ~~strikethrough~~.

#### **Section 1.02 – Definitions.**

The following definitions are to be amended or added to read as follow:

- (a) The definition of “Assumed Debt Service”

“Assumed Debt Service” means, with respect to any Excluded Principal Payment, for any Fiscal Year (or other designated 12-month period) on or after the ~~Excluded Principal Payment~~ date **the Board determines to treat the principal of a Series of Bonds as Excluded Principal Payments**, the sum of the amount of principal and interest which would be payable in each such Fiscal Year (or other designated 12-month period) if that Excluded Principal Payment were amortized for a period specified by the Board (no greater than thirty (30) years from the **stated payment** date of such Excluded Principal Payment) on a substantially level debt service basis, calculated based on a fixed interest rate equal to ~~the rate at which the City, acting by and through the Board, could borrow (as of the time of calculation) for such period, as certified by a certificate of a financial advisor or investment banker delivered to the Board, who may rely conclusively on such certificate, within thirty (30) days of the date of calculation~~ **The Bond Buyer 25-Revenue Bond Index, or any successor or replacement index, for the last week of the month immediately preceding the date of calculation as published in The Bond Buyer, or if that index is no longer published, another similar index selected by the Board;** provided that with respect to any Excluded Principal Payment secured pursuant to a credit or liquidity instrument which, if drawn upon, would create a repayment obligation which has a lien on Revenues on a parity with the lien of the Bonds, Assumed Debt Service shall be the principal and interest which would be payable under the credit or liquidity instrument in the event that the credit or liquidity instrument were drawn upon to pay or purchase all of such Bonds, then Outstanding.

- (b) The definition of “Event of Default”

**“Event of Default” has the meaning set forth in Section 10.01A hereof.**

- (c) The definition of “Maximum Annual Debt Service”

“Maximum Annual Debt Service” means the greatest amount of principal and interest becoming due and payable on all Bonds in any Fiscal Year including the Fiscal Year in which the

calculation is made or any subsequent Fiscal Year; provided, however, that for the purposes of computing Maximum Annual Debt Service:

(a) Excluded Principal Payments and interest thereon shall be excluded from such calculation and Assumed Debt Service shall be included in such calculation;

(b) if the Bonds are Variable Rate Indebtedness and (i) are secured pursuant to a credit or liquidity instrument ~~which, if drawn upon, could create a repayment obligation which has a lien on Revenues subordinate to the lien of the Bonds;~~ or (ii) are not secured by any credit or liquidity instrument, the interest rate on such Bonds for periods when the actual interest rate cannot yet be determined shall be assumed to be equal to an interest rate calculated, by multiplying 1.20 times the average SIFMA Index for the six-month period ended no more than one month preceding the date of calculation interest rate on the Bonds on the date of calculation or, if such Bonds are not currently Outstanding, 1.20 times the interest rate that such Bonds would bear if they were Outstanding on such date, as certified by a certificate of a financial advisor or investment banker delivered to the Board;

~~(c) if the Bonds are Variable Rate Indebtedness and are secured pursuant to a credit or liquidity instrument which, if drawn upon, could create a repayment obligation which has a lien on Revenues on a parity with the lien of the Bonds, the interest rate on such Bonds for periods when the actual interest rate cannot yet be determined shall be assumed to be equal to the greater of the maximum rate on the credit or liquidity instrument and the maximum rate on the Bonds;~~

~~(c)(d)~~ principal and/or interest payments on Bonds shall be excluded (i) to the extent such payments are to be paid from amounts on deposit with the Treasurer, any Fiscal Agent or any other fiduciary in an escrow specifically therefor, ~~and~~ or (ii) to the extent that such interest payments are to be paid from the proceeds of Bonds held by the Treasurer, the Fiscal Agent or any other fiduciary as capitalized interest specifically to pay such interest;

~~(d)(e)~~ in determining the principal amount due in each Fiscal Year, payment shall (unless a different subsection of this definition applies for purposes of determining principal maturities or amortization) be assumed to be made in accordance with any amortization schedule established for such debt, including any Mandatory Sinking Account Payments or any scheduled redemption or payment of Bonds on the basis of Accreted Value, and for such purpose, the redemption payment or payment of Accreted Value shall be deemed a principal payment and interest that is compounded and paid as Accreted Value shall be deemed due on the scheduled redemption or payment date of such Capital Appreciation Bond; and

~~(e)(f)~~ if any interest rate swap agreement is in effect with respect to, and is payable on a parity with the Bonds to which it relates, no amounts payable under such interest rate swap agreement shall be included in the calculation of Maximum Annual Debt Service unless the sum of (i) interest payable on such Bonds; plus (ii) amounts payable under such interest rate swap agreement; less (iii) amounts receivable under such interest rate swap agreement, are expected to be greater than the interest payable on the Bonds to which it relates, then, in such instance the amount of such payments expected to be made that exceed the interest expected to be paid on the Bonds shall be included in such calculation.

(d) The definition of “Port Facilities” or “Port Facility”

**“Port Facilities” or “Port Facility” means a facility or group of facilities or category of facilities which constitute or are part of the Port (excluding privately owned or leased property, except for any portion thereof which is governmentally owned or leased and which is a source of Revenues).**

(e) The definition of “Revenue”

“Revenues” means all revenues and all money secured or collected for the benefit of and received by the Board from or arising out of the use or operation of the Port, including, without limitation, all tolls, charges, rentals, compensations or fees required to be paid for services, franchises or licenses, as permitted or required by the Charter or otherwise by law, ordinance or order, to the City for the operation of any public service utility upon lands and waters under the control and management of the Harbor Department and all investment earnings credited to the Harbor Revenue Fund and not required to be credited to a sub-fund, excepting therefrom **(i) Special Facility Revenues, and (ii) any revenues arising from any lease, contract or other agreement providing for the drilling for, developing, producing, extracting, taking or removing, storing and disposing of oil, gas or other hydrocarbon substances from the tide and submerged lands granted to the City by the State.**

(f) The definition of “SIFMA Index”

**“SIFMA Index” means the “SIFMA Municipal Swap Index” for each applicable day as announced by Municipal Market Data. If the SIFMA Index is no longer published, then “SIFMA Index” means another similar index as selected by the Board.**

(g) The definition of “Special Facilities” or “Special Facility”

**“Special Facilities” or “Special Facility” means, with respect to the Port, a facility or group of facilities or improvements or category of facilities or improvements which are designated as a Special Facility or Special Facilities pursuant to the provisions of Section 6.12 hereof.**

(h) The definition of “Special Facilities Revenue”

**“Special Facilities Revenue” means the contractual payments and all other revenues derived by or available to or receivable by the Board from a Special Facility, which are pledged to secure Special Facility Obligations.**

(i) The definition of “Special Facility Obligations”

**“Special Facility Obligations” means bonds or other debt instruments issued pursuant to a resolution, indenture or other agreement, other than this Master Resolution, to finance Special Facilities and which, except as otherwise provided in Section 6.12 hereof, are not secured by nor payable from a lien on and pledge of the Revenues but which are secured by revenues derived from Special Facilities located at the Port.**

(j) The definition of “United States Bankruptcy Code”

**“United States Bankruptcy Code” means Title 11 U.S.C., Section 101 et seq., as amended or supplemented from time to time, or any successor federal act.**

#### **Section 6.12 – Special Facilities and Special Facility Obligations.**

Section 6.12 will be added to the Master Senior Resolution.

**Section 6.12. Special Facilities and Special Facility Obligations. The City, acting by and through the Board, shall be permitted to designate new or existing Port Facilities as**

Special Facilities as permitted in this Section 6.12. The City, acting by and through the Board, may, from time to time, and subject to the terms and conditions of this Section 6.12, (a) designate a separately identifiable existing facility or improvement or planned facility or improvement as a “Special Facility,” (b) pursuant to a resolution, indenture or other agreement, other than this Master Resolution and without a pledge of any Revenues (except as otherwise provided in (d) below), incur debt primarily for the purpose of acquiring, constructing, renovating or improving or providing financing or refinancing to a third party to acquire, construct, renovate or improve, such facility or improvement, (c) provide that the contractual payments derived from or related to such Special Facility, together with other income and revenues available to the Board from such Special Facility to the extent necessary to make the payments required by clause (1) of the second succeeding paragraph, be “Special Facilities Revenue” and not included as Revenues, unless otherwise provided in any Supplemental Resolution, and (d) provide that the debt so incurred shall be a “Special Facility Obligation” and the principal of and interest thereon shall be payable solely from the Special Facilities Revenue and the proceeds of such Special Facility Obligation set aside exclusively to pay debt service on such Special Facility Obligation (except the Board may, in its sole discretion, determine to make Revenues or such other moneys not included in Revenues available (through a specific pledge or otherwise and subject to any covenants or other provisions of this Master Resolution (including, but not limited to, Sections 3.02, 6.10 and 6.11 hereof) or such other resolutions, indentures or agreements of the Board) to the payment of the principal of and interest on such Special Facility Obligation in such amounts and at such times as may be agreed to by the Board). The City, acting by and through the Board, may from time to time refinance any such Special Facility Obligations with other Special Facility Obligations.

Special Facility Obligations shall be payable as to principal, redemption premium, if any, and interest solely from (i) Special Facilities Revenue, which shall include contractual payments derived by the Board under and pursuant to a contract (which may be in the form of a lease) relating to a Special Facility by and between the City, acting by and through the Board, and another Person, either public or private, as shall undertake the operation of a Special Facility, (ii) proceeds of such Special Facility Obligations set aside exclusively to pay debt service on such Special Facility Obligations, if any, and (iii) such Revenues or other moneys not included in Revenues made available by the Board as provided in clause (d) of the previous paragraph, if any.

No Special Facility Obligations shall be issued by the City, acting by and through the Board, unless there shall have been filed with each Fiscal Agent a certificate of the President of the Board or the Executive Director stating that:

(1) The estimated Special Facilities Revenue pledged to the payment of the Special Facility Obligations, the proceeds of such Special Facility Obligations set aside exclusively to pay debt service on such Special Facility Obligations, if any, and such Revenues or other moneys made available by the Board pursuant to clause (d) of the first paragraph of this Section 6.12, if any, will be at least sufficient, to pay the principal of and interest on such Special Facility Obligations as and when the same become due and payable, all costs of operating and maintaining such Special Facility not paid for by the operator thereof or by a party other than the Board and all sinking fund, reserve or other payments required by the resolution or indenture authorizing the Special Facility Obligations as the same become due; and

(2) With respect to the designation of any separately identifiable existing Port Facilities or Port Facility as a “Special Facility” or “Special Facilities”, the estimated Revenues and Net Revenues, calculated without including the new Special

Facilities Revenue, the proceeds of any Special Facility Obligations set aside exclusively to pay debt service on such Special Facility Obligations or any Revenues or other moneys made available by the Board pursuant to clause (d) of the first paragraph of this Section 6.12, if any, and without including any operation and maintenance expenses of the Special Facility as Maintenance Costs, will be sufficient so that the Board will be in compliance with Section 6.10 hereof during each of the first five complete Fiscal Years immediately following the anticipated closing date of such transaction or financing; and

(3) No Event of Default then exists hereunder.

To the extent Special Facilities Revenue received by the Board during any Fiscal Year shall exceed the amounts required to be paid pursuant to clause (1) of the immediately preceding paragraph for such Fiscal Year, such excess Special Facilities Revenue, to the extent not otherwise encumbered or restricted, may constitute Revenues as determined by the Board.

Notwithstanding any other provision of this Section 6.12, at such time as the Special Facility Obligations issued for a Special Facility including Special Facility Obligations issued to refinance Special Facility Obligations are fully paid or otherwise discharged, all revenues of the Board from such facility shall be included as Revenues.

#### Section 8.01(A) – Amendments Permitted.

The following paragraph will be added immediately following the last paragraph of Section 8.01(A) of the Master Senior Resolution.

For the purposes of this Section 8.01(A), the purchasers of the Bonds of a Series, whether purchasing as underwriters, for resale or otherwise, upon such purchase from the City, acting by and through the Board, may consent to a modification or amendment permitted by this Section 8.01(A) in the manner provided herein and with the same effect as a consent given by the Owner of such Bonds, except that no proof of ownership shall be required; provided, that this provision of Section 8.01(A) shall be disclosed prominently in the offering document, if any, for each Series of Bonds issued pursuant to this Master Resolution, provided that, if such consent is given by a purchaser who is purchasing as an underwriter or for resale, the nature of the modification or amendment and the provisions for the purchaser consenting thereto shall be described in the offering document prepared in connection with the primary offering of the Bonds of such Series by the City, acting by and through the Board.

#### ARTICLE X-A – Defaults and Remedies

Article X-A will be added to the Master Senior Resolution.

##### ARTICLE X-A

##### DEFAULTS AND REMEDIES

Section 10.01A. Events of Default. Each of the following events shall constitute and is referred to in this Master Resolution as an “Event of Default”:

(a) a failure to pay the principal of or premium, if any, on any of the Bonds when the same shall become due and payable at maturity or upon redemption; or

(b) a failure to pay any installment of interest on any of the Bonds when such interest shall become due and payable; or

(c) a failure to pay the purchase price of any Bond when such purchase price shall be due and payable upon an optional or mandatory tender date as provided in a Supplemental Resolution; or

(d) a failure by the Board, acting on behalf of the City, to observe and perform any covenant, condition, agreement or provision (other than as specified in paragraphs (a), (b) and (c) of this Section 10.01A) that are to be observed or performed by the Board, on behalf of the City, or the Department and which are contained in this Master Resolution or a Supplemental Resolution, which failure, shall continue for a period of ninety (90) days after written notice, specifying such failure and requesting that it be remedied, shall have been given to the Board by the Owners of 25% or more of the principal amount of the Bonds then Outstanding, unless the Owners of Bonds in a principal amount not less than the principal amount of Bonds the Owners of which gave such notice, shall agree in writing to an extension of such period prior to its expiration; provided, however, that the Owners of such principal amount of Bonds shall be deemed to have agreed to an extension of such period if corrective action is initiated by the Board, on behalf of the City, within such period and is being diligently pursued until such failure is corrected; or

(e) bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings, including without limitation proceedings under Chapter 9 of the United States Bankruptcy Code, or other proceedings for relief under any federal or state bankruptcy law or similar law for the relief of debtors are instituted by or against the City or the Department and, if instituted against the City or the Department, said proceedings are consented to or are not dismissed within sixty (60) days after such institution; or

(f) the occurrence of any other Event of Default as is provided in a Supplemental Resolution.

If, on any date on which payment of principal of or interest on the Bonds is due and sufficient moneys are not on deposit with the Fiscal Agent to make such payment, the Fiscal Agent shall give telephonic notice, followed by written confirmation, of such insufficiency to the Department.

#### Section 10.02A. Remedies.

(a) Upon the occurrence and continuance of any Event of Default, the Owners of not less than 25% of the principal amount of the Bonds then Outstanding, including but not limited to a trustee or trustees therefor, shall:

(i) by mandamus, or other suit, action or proceeding at law or in equity, enforce all rights of the Owners, and require the Board, on behalf of the City, to carry out any agreements with or for the benefit of the Owners and to perform its duties under the Law or any other law to which it is subject and this Master Resolution and any applicable Supplemental Resolution;

(ii) bring suit upon the Bonds;

(iii) commence an action or suit in equity to require the Board, on behalf of the City, to account as if it were the trustee of an express trust for the Owners;

(iv) by action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of the Owners; or

(v) take such other actions as are provided for in the Supplemental Resolution.

(b) Except as otherwise provided in Section 10.10A hereof or in a Supplemental Resolution, a credit facility, a liquidity facility or such other agreement or instrument entered into by the City, acting by and through the Board, in no event, upon the occurrence and continuation of an Event of Default described in Section 10.01A hereof, shall the Owners, a credit facility provider, a liquidity facility provider or any other party have the right to accelerate the payment of principal of and interest on the Bonds Outstanding.

Section 10.03A. Restoration to Former Position. In the event that any proceeding taken by the Owners to enforce any right under this Master Resolution shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Owners, then the City, the Board and the Owners shall be restored to their former positions and rights hereunder, respectively, and all rights, remedies and powers of the Owners shall continue as though no such proceeding had been taken.

Section 10.04A. Limitation on Right To Institute Proceedings. No Owner shall have any right to institute any suit, action or proceeding in equity or at law for the execution of any trust or power hereunder, or any other remedy hereunder or on such Bonds, unless Owners of 25% or more of the principal amount of the Bonds then Outstanding shall have given written notice of an Event of Default as hereinabove provided; it being understood and intended that no one or more of the Owners shall have any right in any manner whatever by their action to affect, disturb or prejudice the security of this Master Resolution, or to enforce any right hereunder or under the Bonds, except in the manner herein provided, and that all suits, actions and proceedings at law or in equity shall be instituted, had and maintained in the manner herein provided and for the equal benefit of all Owners.

Section 10.05A. No Impairment of Right To Enforce Payment. Notwithstanding any other provision to the contrary in this Master Resolution, the right of any Owner to receive payment of the principal of and interest on such Bond or the purchase price thereof, on or after the respective due dates expressed therein and to the extent of the pledge of Revenues and other security provided for the Bonds, or to institute suit for the enforcement of any such payment on or after such respective date, shall not be impaired or affected without the consent of such Owner.

Section 10.06A. No Remedy Exclusive. No remedy herein conferred upon or reserved to the Owners is intended to be exclusive of any other remedy or remedies, and each and every such remedy shall be cumulative, and shall be in addition to every other remedy given hereunder, or now or hereafter existing at law or in equity or by statute; provided, however, that any conditions set forth herein to the taking of any remedy to enforce the provisions of this Master Resolution or the Bonds shall also be conditions to seeking any remedies under any of the foregoing pursuant to this Section 10.06A.

Section 10.07A. No Waiver of Remedies. No delay or omission of any Owner to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default, or an acquiescence therein; and every power and remedy given by this Article X-A to the Owners may be exercised from time to time and as often as may be deemed expedient.

Section 10.08A. Application of Moneys. If an Event of Default shall occur and be continuing, all amounts then held or any moneys received by any receiver or by any Owner pursuant to any right given or action taken under the provisions of this Article X-A (which shall not include moneys provided through a credit facility, which moneys shall be restricted to the specific use for which such moneys were provided), after payment of the costs and expenses of the proceedings resulting in the collection of such moneys by any receiver, shall be applied as follows: (a) first, to the payment to the persons entitled thereto of all installments of interest then due on the Bonds, with interest on overdue installments, if lawful, at the rate per annum as provided in any Supplemental Resolution, as the case may be, in the order of maturity of the installments of such interest and, if the amount available shall not be sufficient to pay in full any particular installment of interest, then to the payment ratably, according to the amounts due on such installment, and (b) second, to the payment to the persons entitled thereto of the unpaid principal amount of any of the Bonds which shall have become due with interest on such Bonds at such rate as provided in a Supplemental Resolution from the respective dates upon which they became due and, if the amount available shall not be sufficient to pay in full Bonds on any particular date determined to be the payment date, together with such interest, then to the payment ratably, according to the amount of principal and interest due on such date, in each case to the persons entitled thereto, without any discrimination or privilege.

Whenever moneys are to be applied pursuant to the provisions of this Section 10.08A, such moneys shall be applied at such times, and from time to time, as each Fiscal Agent shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever a Fiscal Agent shall apply such funds, it shall fix the date (which shall be an interest payment date unless it shall deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal and interest to be paid on such date shall cease to accrue. A Fiscal Agent shall give notice of the deposit with it of any such moneys and of the fixing of any such date by mail to all Owners and shall not be required to make payment to any Owner until such Bonds shall be presented to such Fiscal Agent for appropriate endorsement or for cancellation if fully paid.

Section 10.09A. Severability of Remedies. It is the purpose and intention of this Article X-A to provide rights and remedies to the Owners, which may be lawfully granted under the provisions of the Law and other applicable law, but should any right or remedy herein granted be held to be unlawful, the Owners shall be entitled, as above set forth, to every other right and remedy provided in this Master Resolution or by applicable law.

Section 10.10A. Additional Events of Default and Remedies. So long as any particular Series of Bonds is Outstanding, the Events of Default and remedies as set forth in this Article X-A may be supplemented with additional events of default and remedies as set forth in a Supplemental Resolution under which such Series of Bonds is issued.

## Section 10.12 – Proceedings Constitute Contract.

Section 10.12 of the Master Senior Resolution will be amended

Section 10.12. Proceedings Constitute Contract. The provisions of this Resolution shall constitute a contract between the City, acting by and through the Board, and the Bondholders of such Bonds, and the provisions hereof and thereof shall be enforceable by any Bondholder for the equal benefit and protection of all Bondholders similarly situated by mandamus, accounting,

mandatory injunction or any other suit, action or proceeding at law or in equity that is now or may hereafter be authorized under the laws of the State in any court of competent jurisdiction.

~~No remedy conferred hereby upon any Bondholder is intended to be exclusive of any other remedy, but each such remedy is cumulative and in addition to every other remedy and may be exercised without exhausting and without regard to any other remedy conferred by the Revenue Bond Law of 1941 or any other law of the State. No waiver of any default or breach of duty or contract by any Bondholder shall affect any subsequent default or breach of duty or contract or shall impair any rights or remedies on said subsequent default or breach. No delay or omission of any Bondholder to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed as a waiver of any such default or acquiescence therein. Every substantive right and every remedy conferred upon the Bondholders may be enforced and exercised as often as may be deemed expedient. In case any suit, action or proceeding to reinforce any right or exercise any remedy shall be brought or taken and the Bondholder shall prevail, said Bondholder shall be entitled to receive from the Harbor Revenue Fund reimbursement for reasonable costs, expenses, outlays and attorneys' fees and should said suit, action or proceeding be abandoned, or be determined adversely to the Bondholder then, and in every such case, the City and the Bondholder shall be restored to their former positions, rights and remedies as if such suit, action or proceeding had not been brought or taken.~~

After the issuance and delivery of the Bonds of any Series, this Resolution shall be irrevocable, but shall be subject to modification to the extent and in the manner provided in this Resolution, but to no greater extent and in no other manner.

## APPENDIX F

### BOOK-ENTRY-ONLY SYSTEM

#### Introduction

Unless otherwise noted, the information contained under the caption “—General” below has been provided by DTC. Neither the City nor the Board make any representations as to the accuracy or the completeness of such information. The Beneficial Owners of the Series 2015 Senior Bonds should confirm the following information with DTC, the Direct Participants or the Indirect Participants.

NONE OF THE CITY, THE BOARD OR THE FISCAL AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DIRECT PARTICIPANTS, TO INDIRECT PARTICIPANTS, OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (A) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT, OR ANY INDIRECT PARTICIPANT; (B) ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE OWNERS OF THE SERIES 2015 SENIOR BONDS UNDER THE SENIOR RESOLUTION OR THE FISCAL AGENT AGREEMENT, (C) THE SELECTION BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE SERIES 2015B SENIOR BONDS; (D) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OR INTEREST DUE WITH RESPECT TO THE OWNER OF THE SERIES 2015 SENIOR BONDS; (E) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNERS OF SERIES 2015 SENIOR BONDS; OR (F) ANY OTHER MATTER REGARDING DTC.

#### General

DTC will act as securities depository for the Series 2015 Senior Bonds. The Series 2015 Senior 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 Series 2015 Senior Bond certificate will be issued for each maturity of each Series of the Series 2015 Senior Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

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

are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of the Series 2015 Senior Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2015 Senior Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2015 Senior Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2015 Senior 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 Series 2015 Senior Bonds, except in the event that use of the book-entry system for the Series 2015 Senior Bonds is discontinued.

To facilitate subsequent transfers, all Series 2015 Senior Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2015 Senior Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2015 Senior Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2015 Senior 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 Series 2015 Senior Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2015 Senior Bonds, such as redemptions, tenders, defaults and proposed amendments to the Series 2015 Senior Bond documents. For example, Beneficial Owners of Series 2015 Senior Bonds may wish to ascertain that the nominee holding the Series 2015 Senior 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 the notices be provided directly to them.

While the Series 2015B Senior Bonds are in the book-entry-only system, redemption notices will be sent to DTC. If less than all of the Series 2015B Senior Bonds of a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2015 Senior 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 City 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 Series 2015 Senior Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Series 2015 Senior Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Fiscal Agent on the 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 Fiscal Agent or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Fiscal Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2015 Senior Bonds at any time by giving reasonable notice to the City or the Fiscal Agent. Under such circumstances, in the event that a successor depository is not obtained, certificates representing the Series 2015 Senior Bonds are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, certificates representing the Series 2015 Senior Bonds will be printed and delivered to DTC.

The information in this Appendix F concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but none of the City, the Board, the Harbor Department of the Underwriters take any responsibility for the accuracy thereof.

**BENEFICIAL OWNERS WILL NOT RECEIVE PHYSICAL DELIVERY OF SERIES 2015 SENIOR BONDS AND WILL NOT BE RECOGNIZED BY THE FISCAL AGENT AS OWNERS THEREOF, AND BENEFICIAL OWNERS WILL BE PERMITTED TO EXERCISE THE RIGHTS OF OWNERS ONLY INDIRECTLY THROUGH DTC AND THE DTC PARTICIPANTS.**