

In the opinion of Kutak Rock LLP, Note 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, interest on the Series 2018A Senior Notes is excluded from gross income for federal income tax purposes and is not a specific item of tax preference for purposes of the federal alternative minimum tax, except that for taxable years beginning before January 1, 2018, interest on the Series 2018A Senior Notes will be included in a corporate taxpayer's adjusted current earnings for purposes of computing its federal alternative minimum tax. Note Counsel notes that no federal alternative minimum tax applies to corporations for taxable years beginning on and after January 1, 2018. Note Counsel is further of the opinion that interest on the Series 2018A Senior Notes is exempt from present State of California personal income taxes. For a more complete description, see “TAX MATTERS” herein.



\$327,050,000
CITY OF LONG BEACH, CALIFORNIA
Harbor Revenue Refunding Short-Term Notes
Series 2018A

**Dated: Date of Delivery****Due: December 15, 2020**

The City of Long Beach, California (the “City”), acting by and through its Board of Harbor Commissioners (the “Board”), is issuing its Harbor Revenue Refunding Short-Term Notes, Series 2018A (the “Series 2018A Senior Notes”) to provide funds, along with certain other available moneys, to (a) refund and pay, on the maturity date of November 15, 2018, all of the principal and interest on the City's Harbor Revenue Short-Term Notes, Series 2014C (the “Refunded Notes”), (b) fund capitalized interest on the Series 2018A Senior Notes through approximately April 24, 2020, and (c) pay the costs of issuing the Series 2018A Senior Notes, as described herein. See “PLAN OF REFUNDING.”

The Series 2018A Senior Notes 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 2018A Senior Notes 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 2018A Senior Notes. Interest on the Series 2018A Senior Notes will be payable on June 15 and December 15 of each year, commencing on December 15, 2018. So long as the Series 2018A Senior Notes are held by DTC, the principal of and interest on the Series 2018A Senior Notes 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 2018A Senior Notes, as more fully described herein.

The Series 2018A Senior Notes are not subject to redemption prior to maturity.

The Series 2018A Senior Notes 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 solely from the Revenues and certain funds and accounts pledged under the Senior Resolution on parity with all other Senior Bonds. The Series 2018A Senior Notes 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 and accounts specifically pledged to the payment thereof. The general fund of the City is not liable for the payment of the Series 2018A Senior Notes or interest thereon, nor is the credit or the taxing power of the City pledged therefor. An Owner of the Series 2018A Senior Notes may not compel the exercise of the taxing power of the City or the forfeiture of any of its property. The Series 2018A Senior Notes will be issued on a parity with the Existing Senior Bonds, which as of September 1, 2018 were outstanding in the aggregate principal amount of \$945,790,000 (including the Refunded Notes), and any additional Senior Bonds issued in the future. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2018A SENIOR NOTES.”

On May 21, 2014, the City, acting by and through the Board, entered into a 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 will make a loan to the City, acting by and through the Board, in an amount not to exceed \$325 million (the “2014 Subordinate TIFIA Loan”). The proceeds of the 2014 Subordinate TIFIA Loan are expected to be drawn no later than one year after substantial completion of the Gerald Desmond Bridge Replacement Project (substantial completion is expected to be in January 2020), and such proceeds are expected to be available to pay a portion of the principal of the Series 2018A Senior Notes on their maturity date and/or to pay additional federally eligible costs of the Gerald Desmond Bridge Replacement Project. See “PLAN OF REFUNDING—Gerald Desmond Bridge Replacement Project.”

Pursuant to Resolution No. HD-2762 adopted by the Board on May 5, 2014, 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. By the purchase and acceptance of the Series 2018A Senior Notes, the Owners and Beneficial Owners of the Series 2018A Senior Notes are deemed to have consented to the Master Senior Resolution Amendments.

This cover page is not intended to be a summary of the terms of, or security for, the Series 2018A Senior Notes. Investors are advised to read the Official Statement in its entirety to obtain information essential to the making of an informed investment decision, giving particular attention to the matters discussed under “CERTAIN INVESTMENT CONSIDERATIONS.” Capitalized terms used on this cover page and not otherwise defined have the meanings set forth herein.

The Series 2018A Senior Notes are offered, when, as and if issued by the City, subject to the approval of validity by Kutak Rock LLP, Note 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, and by Kutak Rock LLP, as Disclosure Counsel. Certain legal matters will be passed upon for the Underwriters by their counsel, Katten Muchin Rosenman LLP. It is expected that the Series 2018A Senior Notes will be available for delivery through the facilities of DTC on or about October 2, 2018.

BofA Merrill Lynch

Stern Brothers & Co.**Stifel**

MATURITY SCHEDULE

\$327,050,000

City of Long Beach, California

Harbor Revenue Refunding Short-Term Notes

Series 2018A

Maturity Date (December 15)	Principal Amount	Interest Rate	Yield	Price	CUSIP No.¹
2020	\$327,050,000	5.000%	2.000%	106.430	542424VF0

¹ Copyright 2018, American Bankers Association. CUSIP® is a registered trademark of the American Bankers Association. The CUSIP data herein is provided by CUSIP Global Services ("CGS"), which is managed on behalf of the American Bankers Association by S&P Global Market Intelligence. The CUSIP number is not intended to create a database and does not serve in any way as a substitute for the CGS database. The CUSIP number has been assigned by an independent company not affiliated with the City, the Board or the Harbor Department and is provided solely for convenience and reference. The CUSIP number is subject to change after the issuance of the Series 2018A Senior Notes. None of the City, the Board, the Harbor Department or the Underwriters take responsibility for the accuracy of the CUSIP number.



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HARBOR DEPARTMENT OF THE CITY OF LONG BEACH
BOARD OF HARBOR COMMISSIONERS

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President

Bonnie Lowenthal
Vice President

Frank Colonna
Secretary

Lou Anne Bynum
Commissioner

Lori Ann Guzmán
Commissioner

Richard E. Jordan
Chief of Staff to Board of Harbor Commissioners

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CITY OF LONG BEACH, CALIFORNIA

CITY COUNCIL

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Mayor

Dee Andrews
Vice Mayor, Sixth District

Lena Gonzalez, *First District*
Jeannine Pearce, *Second District*
Suzie Price, *Third District*
Daryl Supernaw, *Fourth District*

Stacy Mungo, *Fifth District*
Roberto Uranga, *Seventh District*
Al Austin, *Eighth District*
Rex Richardson, *Ninth District*

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City Manager

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*Director of
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City Treasurer

J. Charles Parkin
City Attorney

Douglas Haubert
City Prosecutor

Laura L. Doud
City Auditor

Monique De La Garza
City Clerk

Charles Gale
Principal Deputy City Attorney

PROFESSIONAL SERVICES

MUNICIPAL ADVISOR
Public Resources Advisory Group
Los Angeles, California

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

***NOTE COUNSEL AND
DISCLOSURE COUNSEL***
Kutak Rock LLP

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

No dealer, broker, salesperson or other person has been authorized by the City, the Board, the Harbor Department or the Underwriters to give any information or to make any representations with respect to the offer or sale of the Series 2018A Senior Notes other than as set forth in this Official Statement and, if given or made, such other information or representation must not be relied upon as having been authorized by the City, the Board, the Harbor Department or the Underwriters. 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 2018A Senior Notes by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers of the Series 2018A Senior Notes. Statements contained in this Official Statement that involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of facts.

The information 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 Harbor Department or the Port of Long Beach since the date hereof. This Official Statement is submitted in connection with the sale of the Series 2018A Senior Notes referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

The Underwriters have provided the following sentence 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 to investors under the 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.

Certain statements included or incorporated by reference in this Official Statement constitute “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as “plan,” “expect,” “estimate,” “budget” or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. No assurance is given that actual results will meet the City’s or the Harbor Department’s forecasts in any way, regardless of the level of optimism communicated in the information. Neither the City nor the Harbor Department are obligated to issue any updates or revisions to the forward-looking statements if or when their expectations, or events, conditions or circumstances on which such statements are based occur.

In connection with the offering of the Series 2018A Senior Notes, the Underwriters may overallocate or effect transactions that stabilize or maintain the market prices of the Series 2018A Senior Notes at levels above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriters may offer and sell the Series 2018A Senior Notes to certain dealers, dealer banks and banks acting as agent at prices lower than the public offering price stated on the inside cover page of this Official Statement, and those public offering prices may be changed from time to time by the Underwriters.

The Series 2018A Senior Notes have not been registered under the Securities Act of 1933, as amended (the “Securities Act”), in reliance upon an exemption from the registration requirements contained in the Securities Act. The Series 2018A Senior Notes 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 City and the Harbor Department maintain websites, however, the information presented on such websites is not a part of this Official Statement and should not be relied on in making an investment decision with respect to the Series 2018A Senior Notes.

TABLE OF CONTENTS

	<u>Page</u>		<u>Page</u>
INTRODUCTION	1	Retirement Programs	57
General.....	1	Risk Management and Insurance	58
The City, the Harbor Department and the Board	1	Investment Policy	59
The Port of Long Beach	1	CERTAIN INVESTMENT CONSIDERATIONS.....	60
Plan of Refunding	2	Risks Related to the Disbursement of 2014 Subordinate	
The Series 2018A Senior Notes	2	TIFIA Loan and Gerald Desmond Bridge Replacement	
Security for Series 2018A Senior Notes.....	2	Project.....	60
Rate Covenant.....	3	Ability to Meet Rate Covenant.....	62
Outstanding Senior Bonds.....	3	Factors Affecting Demand for Port Facilities.....	62
2014 Subordinate TIFIA Loan and Subordinate		Port Competition.....	63
Revolving Obligations	4	Alliances and Consolidation of Container Shipping	
Capital Development Program	5	Industry.....	65
Property Agreements.....	6	Factors Affecting 2018-27 Capital Plan	66
Continuing Disclosure.....	6	Unavailability of, or Delays in, Anticipated Funding	
Amendments to Master Senior Resolution	6	Sources	66
Forward-Looking Statements.....	7	Executive Orders and Federal Laws and Regulations	
Additional Information.....	7	(Tariffs and Trade).....	67
PLAN OF REFUNDING	7	Security at the Port.....	67
Plan of Refunding	7	Cybersecurity.....	68
Estimated Sources and Uses of Funds.....	8	Environmental Compliance and Impacts.....	69
Gerald Desmond Bridge Replacement Project	9	Seismic Risks.....	70
DESCRIPTION OF THE SERIES 2018A SENIOR NOTES	10	Termination or Expiration of Property Agreements	70
General.....	10	Effect of Tenant Bankruptcy	71
No Redemption of the Series 2018A Senior Notes	11	Effect of City Bankruptcy	72
SECURITY AND SOURCES OF PAYMENT FOR THE		Impact of Labor Negotiations	72
SERIES 2018A SENIOR NOTES.....	11	Remedies Upon Default	73
Pledge of Revenues	11	Pension and Post-Retirement Benefits	73
Use of Proceeds of 2014 Subordinate TIFIA Loan and/or		No Reserve Fund Established for Series 2018A Senior	
Other Amounts to Pay Series 2018A Senior Notes	12	Notes; Reserve Funds Established for Certain Existing	
Rate Covenant.....	12	Senior Bonds Not Available for Series 2018A Senior	
Flow of Funds	13	Notes.....	73
Funds Held by Third Parties.....	13	Potential Limitation of Tax Exemption of Interest on	
Additional Senior Bonds.....	14	Series 2018A Senior Notes	73
Investments	14	Forward-Looking Statements.....	74
2014 SUBORDINATE TIFIA LOAN AGREEMENT	15	LITIGATION	74
General.....	15	No Litigation Relating to the Series 2018A Senior Notes	74
Disbursement Requirements	15	Litigation Relating to the Harbor Department and the	
Events of Default and Remedies	16	Port	74
OUTSTANDING OBLIGATIONS AND DEBT SERVICE		TAX MATTERS	75
SCHEDULE.....	21	General	75
Outstanding Senior Bonds.....	21	Special Considerations With Respect to the Series	
Senior Bonds Debt Service Requirements.....	21	2018A Senior Notes	75
Senior Debt Service Coverage	23	Backup Withholding	76
Outstanding Subordinate Obligations (2014 Subordinate		Changes in Federal and State Tax Law	76
TIFIA Loan and Subordinate Revolving Obligations)	23	Tax Treatment of Original Issue Premium.....	76
Future Financings (Additional Senior Bonds and		LEGAL MATTERS.....	76
Subordinate Obligations)	24	RATINGS.....	77
Other Obligations.....	25	UNDERWRITING	77
Harbor Department Internal Debt Management Policy	27	MUNICIPAL ADVISOR.....	78
THE PORT OF LONG BEACH	27	VERIFICATION OF MATHEMATICAL COMPUTATIONS.....	78
General.....	27	CONTINUING DISCLOSURE	78
Power and Authority of the Board.....	28	MISCELLANEOUS	78
Management and Administration	29		
Employee Relations	33		
Current Port Facilities	33		
Marine Commerce and Cargoes	37		
Property Agreements.....	41		
Port Tariffs.....	42		
Operating Performance	42		
Stevedoring and Cargo Handling	45		
Environmental Compliance.....	46		
CAPITAL DEVELOPMENT PROGRAM.....	51		
Master Plan; Long-Term Land Use Study.....	51		
2018-27 Capital Plan.....	52		
Funding Sources of 2018-27 Capital Plan	54		
FINANCIAL DATA.....	55		
Financial Statements	56		
Accounting and Annual Budget	56		
		APPENDIX A	HARBOR DEPARTMENT OF THE CITY OF
			LONG BEACH AUDITED FINANCIAL
			STATEMENTS FOR THE FISCAL YEAR ENDED
			SEPTEMBER 30, 2017
		APPENDIX B	SUMMARY OF CERTAIN PROVISIONS OF THE
			SENIOR RESOLUTION
		APPENDIX C	FORM OF OPINION OF NOTE COUNSEL
		APPENDIX D	FORM OF CONTINUING DISCLOSURE
			CERTIFICATE
		APPENDIX E	AMENDMENTS TO MASTER SENIOR
			RESOLUTION
		APPENDIX F	BOOK-ENTRY-ONLY SYSTEM

OFFICIAL STATEMENT

\$327,050,000

**CITY OF LONG BEACH, CALIFORNIA
Harbor Revenue Refunding Short-Term Notes
Series 2018A**

INTRODUCTION

This Introduction is qualified in its entirety by reference to the more detailed information included and referred to elsewhere in this Official Statement. The offering of the Series 2018A Senior Notes (as defined below) to potential investors is made only by means of this entire Official Statement. Capitalized terms used in this Official Statement and not otherwise defined will have the respective meanings assigned to them in “APPENDIX B—SUMMARY OF CERTAIN PROVISIONS OF THE SENIOR RESOLUTION—CERTAIN DEFINITIONS.”

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 \$327,050,000 aggregate principal amount of City of Long Beach, California, Harbor Revenue Refunding Short-Term Notes, Series 2018A (the “Series 2018A Senior Notes”).

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 a 76-foot deep main channel, and 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 for handling all types of cargo. According to the American Association of Port Authorities, for the calendar year ended December 31, 2017, the Port was the number two-ranked container port in the nation in terms of container cargo (the Port of Los Angeles, which is located adjacent to the Port, was the number one-ranked container port). The facilities at the Port moved more than 7.5 million Twenty-Foot Equivalent Units (“TEUs”) during the calendar year ended December 31, 2017.

According to statistics compiled by Alphaliner, during calendar year 2017, the Port was the 21st busiest container port in the world. See “THE PORT OF LONG BEACH” for additional information about the Port.

Plan of Refunding

Proceeds of the Series 2018A Senior Notes, along with certain moneys and investments to be released from the Interest Account of the Bond Service Fund, will be used to (a) refund and pay, on the maturity date of November 15, 2018, all of the principal and interest on the City’s Harbor Revenue Short-Term Notes, Series 2014C (the “Refunded Notes”), which are outstanding in the aggregate principal amount of \$325 million, (b) fund capitalized interest on the Series 2018A Senior Notes through approximately April 24, 2020, and (c) pay the costs of issuing the Series 2018A Senior Notes, all as further described herein. See “PLAN OF REFUNDING.”

The Series 2018A Senior Notes

The Series 2018A Senior Notes 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-2930, adopted by the Board on August 27, 2018 (“Resolution No. HD-2930”), Resolution No. HD-1475, adopted by the Board on November 8, 1989, as amended and supplemented (the “Master Senior Resolution”), and the Twenty-First Supplemental Senior Resolution, which, as provided for in Resolution No. HD-2930, will be adopted by the Board after the execution and delivery of the Note Purchase Agreement (as defined herein) (the “Twenty-First Supplemental Senior Resolution,” and together with the Master Senior Resolution, the “Senior Resolution”). The Twenty-First Supplemental Senior Resolution is currently scheduled to be adopted by the Board on September 24, 2018.

The Series 2018A Senior Notes will be dated their initial date of delivery, will mature on December 15, 2020, and will bear interest at the rate shown on the inside cover page hereof, calculated on the basis of a 360-day year consisting of twelve 30-day months. Interest will be payable semiannually on June 15 and December 15 of each year, commencing December 15, 2018. The Series 2018A Senior Notes will not be subject to redemption prior to maturity.

The Series 2018A Senior Notes will be issued as fully registered notes and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository for the Series 2018A Senior Notes. Upon receipt of payments of principal and interest DTC is to remit such principal and interest to the Direct Participants (as defined herein) for subsequent disbursement by the Direct Participants and the Indirect Participants (as defined herein) to the Beneficial Owners (as defined herein) of the Series 2018A Senior Notes. See “APPENDIX F—BOOK-ENTRY-ONLY SYSTEM.”

Security for Series 2018A Senior Notes

The Series 2018A Senior Notes 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 from Revenues (as defined herein) and certain funds and accounts pledged under the Senior Resolution on parity with all other Senior Bonds (as defined herein). The Series 2018A Senior Notes 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 and accounts specifically pledged to the payment thereof. The general fund of the City is not liable for the payment of the

Series 2018A Senior Notes or any interest thereon, nor is the credit or the taxing power of the City pledged therefor. An Owner of the Series 2018A Senior Notes may not compel the exercise of the taxing power of the City or the forfeiture of any of its property.

“Revenues” generally consist of 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, but exclude 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. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2018A SENIOR NOTES.”

See “—2014 Subordinate TIFIA Loan and Subordinate Revolving Obligations” below for a discussion of the 2014 Subordinate TIFIA Loan (as defined herein) and the potential use of the proceeds of such loan to pay a portion of the principal of the Series 2018A Senior Notes at maturity. See also “2014 SUBORDINATE TIFIA LOAN AGREEMENT.”

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 (as defined below) equal to 1.25 times Maximum Annual Debt Service on the Senior Bonds, 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 2018A SENIOR NOTES—Rate Covenant.” 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.

Outstanding Senior Bonds

Pursuant to the Master Senior Resolution, the City, acting by and through the Board, has previously issued and, as of September 1, 2018, there was outstanding \$945,790,000 aggregate principal amount of the Refunded Notes, the City of Long Beach, California Harbor Revenue Refunding Bonds, Series 1998A (the “Series 1998A Senior Bonds”), the City of Long Beach, California Harbor Revenue Bonds, Series 2010A (the “Series 2010A Senior Bonds”), the City of Long Beach, California Harbor Revenue Refunding Bonds, Series 2010B (the “Series 2010B Senior Bonds”), the City of Long Beach, California Harbor Revenue Refunding Bonds, Series 2014B (the “Series 2014B Senior Bonds”), 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”), the City of Long Beach, California Harbor Revenue Bonds, Series 2015C (the “Series 2015C Senior Bonds”), the City of Long Beach, California Harbor Revenue Bonds, Series 2015D (the “Series 2015D Senior Bonds”), the City of Long Beach, California Harbor Revenue Bonds, Series 2017A (the “Series 2017A Senior Bonds”), the City of Long Beach, California Harbor Revenue Bonds, Series 2017B (the “Series 2017B Senior Bonds”), and the City of Long Beach, California Harbor Revenue Bonds, Series 2017C (the “Series 2017C Senior Bonds,” and collectively with the Refunded Notes, the Series 1998A Senior Bonds, the Series 2010A Senior Bonds, the Series 2010B Senior Bonds, the Series 2014B Senior Bonds, the Series 2015A Senior Bonds, the Series 2015B Senior Bonds, the Series 2015C Senior Bonds, the Series 2015D Senior Bonds, the Series 2017A Senior Bonds and the Series 2017B Senior Bonds, the “Existing Senior Bonds”).

The Existing Senior Bonds, the Series 2018A Senior Notes and any additional Senior Bonds issued pursuant to the terms of the Master Senior Resolution are collectively referred to herein as the

“Senior Bonds.” The Senior Bonds are secured by a pledge of and lien upon and will be a charge upon and will be payable from Revenues. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2018A SENIOR NOTES” and “OUTSTANDING OBLIGATIONS AND DEBT SERVICE SCHEDULE.”

2014 Subordinate TIFIA Loan and Subordinate Revolving Obligations

The City, acting by and through the Board, entered into a loan agreement, dated as of May 21, 2014, as amended from time to time (the “2014 Subordinate TIFIA Loan Agreement”) with the U.S. Department of Transportation, acting by and through the Federal Highway Administration (the “TIFIA Lender”), pursuant to which the TIFIA Lender, subject to certain conditions, agreed to make a loan to the City, acting by and through the Board, in an amount not to exceed \$325 million (the “2014 Subordinate TIFIA Loan”), the proceeds of which, if drawn, will be used by the Harbor Department 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”). If drawn, the 2014 Subordinate TIFIA Loan will be secured by a pledge of Subordinate Revenues (consisting of Revenues minus the payment of debt service on the Senior Bonds (including the Series 2018A Senior Notes) and the required deposits to any debt service reserve fund established with respect to the Senior Bonds) on parity with the Subordinate Revolving Obligations (defined below). Pursuant to the terms of Resolution No. HD-2763 adopted by the Board on May 12, 2014 (the “Third Supplemental Subordinate Resolution”), the Board has reserved the right to (but is not obligated to) use all or a portion of the proceeds of the 2014 Subordinate TIFIA Loan to pay a portion of the principal of the Series 2018A Senior Notes on their maturity date (December 15, 2020), or any obligations it may issue to refinance the Series 2018A Senior Notes, and/or to pay additional federally eligible costs of the Gerald Desmond Bridge Replacement Project. See “PLAN OF REFUNDING—Gerald Desmond Bridge Replacement Project” and “2014 SUBORDINATE TIFIA LOAN AGREEMENT.”

In addition to the 2014 Subordinate TIFIA Loan, in April 2018, the Harbor Department submitted a letter of interest with the TIFIA Lender requesting that the TIFIA Lender make an additional loan to the Harbor Department in the amount of \$155 million to finance and/or refinance additional costs of the Gerald Desmond Bridge Replacement Project (the “Additional Subordinate TIFIA Loan”). As of the date of this Official Statement, the TIFIA Lender is in the process of reviewing the letter of interest. If after reviewing the letter of interest the TIFIA Lender invites the Harbor Department to apply for a loan and such application is approved by the TIFIA Lender, the Harbor Department anticipates that the terms of the loan agreement to be entered into with respect to the Additional Subordinate TIFIA Loan will be substantially similar to the terms of the 2014 Subordinate TIFIA Loan Agreement, including, among other things, that the Additional Subordinate TIFIA Loan will be secured by a pledge of Subordinate Revenues on parity with the 2014 Subordinate TIFIA Loan and the Subordinate Revolving Obligations.

Pursuant to Resolution No. HD-2726 adopted by the Board on July 16, 2013, as amended (the “Master Subordinate Resolution”), Resolution No. HD-2728 adopted by the Board on July 16, 2013 (the “Second Supplemental Subordinate Resolution”), Resolution No. HD-2852 adopted by the Board on June 30, 2016 (the “Fifth Supplemental Subordinate Resolution,” and together with the Second Supplemental Subordinate Resolution, the “Subordinate Revolving Obligations Supplemental Resolutions”), and the Revolving Credit Agreement, dated as of July 1, 2016 (the “Subordinate Revolving Obligations Credit Agreement”), by and between the City, acting by and through the Board, and MUFG Union Bank, N.A. (the “Subordinate Revolving Obligations Bank”), the City, acting by and through the Board, is authorized to issue and have outstanding, from time to time, up to \$200 million in aggregate principal amount of its City of Long Beach, California Subordinate Harbor Revenue Revolving Obligations Series B (Tax-Exempt) (the “Series B Subordinate Revolving Obligations”), and its City of Long Beach, California Subordinate Harbor Revenue Revolving Obligations Series C (Taxable) (the

“Series C Subordinate Revolving Obligations,” and together with the Series B Subordinate Revolving Obligations, the “Subordinate Revolving Obligations”). As of September 1, 2018, no Subordinate Revolving Obligations were outstanding. The Subordinate Revolving Obligations are secured by a pledge of Subordinate Revenues on parity with the 2014 Subordinate TIFIA Loan and, if received, the Additional Subordinate TIFIA Loan. All Subordinate Revolving Obligations issued by the City, acting by and through the Board, are purchased by the Subordinate Revolving Obligations Bank in accordance with the terms of the Subordinate Revolving Obligations Credit Agreement.

See “OUTSTANDING OBLIGATIONS AND DEBT SERVICE SCHEDULE—Outstanding Subordinate Obligations (2014 Subordinate TIFIA Loan and Subordinate Revolving Obligations).”

The 2014 Subordinate TIFIA Loan, the Subordinate Revolving Obligations and any additional obligations issued pursuant to the terms of the Master Subordinate Resolution (including the Additional Subordinate TIFIA Loan) 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 “Port 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. 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”). The Port Master Plan identifies proposed uses of land and water areas within the Harbor District and establishes a flexible framework allowing for development of the Port and is updated periodically.

The Harbor Department is currently in the process of reviewing and updating the Port Master Plan. The update process is guided by the California Coastal Act and involves evaluation of land use and water use designations, reconfiguration of planning districts, and identification of anticipated projects. In addition, the update will incorporate previously certified Port Master Plan amendments and update the overall goals and policies for long-range development. Additionally, the update to the Port Master Plan is needed to consider changes in the global shipping industry, technological advances, and important factors such as climate change and energy resources consistent with Harbor Department’s “Green Port Policy” objectives. The update also will revise the guidelines for public access to the waterfront by reviewing the vision for development of future recreation areas and facilities.

In June 2017, the Harbor Department selected Leidos, Inc. (“Leidos”) to provide consulting assistance to the Harbor Department with updating the Port Master Plan, evaluating the environmental impacts of proposed development and land uses, and seeking approval of the updated Port Master Plan by the Board and the California Coastal Commission.

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 “2018-27 Capital Plan”) includes capital projects and improvements to be undertaken at the Port between Fiscal Years 2018 and 2027. The 2018-27 Capital Plan includes the following projects: 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 and two fireboat stations, the installation of various security improvements, and various other infrastructure projects at the Port

(including street, storm drain, sewer and water systems projects). As of the date of this Official Statement, the 2018-27 Capital Plan has an aggregate estimated cost of approximately \$2.4 billion. The Harbor Department expects to finance the costs of the 2018-27 Capital Plan with the following sources: (i) \$754 million of proceeds of Senior Bonds and/or Subordinate Obligations; (ii) \$1.412 billion of revenues of the Harbor Department; and (iii) \$250 million of 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 Harbor Department expects it 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)) 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 2017, the long-term property agreements (in the form of preferential assignment agreements) with the Port’s container terminal operators contained guaranteed annual minimum payments of approximately \$278.1 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

The City, acting by and through the Board, will covenant to provide, or to cause to be provided, to the Municipal Securities Rulemaking Board (the “MSRB”) through its Electronic Municipal Market Access system (“EMMA”), for purposes of Rule 15c2-12(b)(5) (“Rule 15c2-12”) adopted by the U.S. Securities and Exchange Commission (the “SEC”) under the Securities Exchange Act of 1934, as amended, certain annual financial information and operating data relating to the Harbor Department and the Port, and, in a timely manner, notice of certain enumerated events. These covenants are made in order to assist the Underwriters (as defined herein) of the Series 2018A Senior Notes in complying with 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. By the purchase and acceptance of the Series 2018A Senior Notes, the Owners and Beneficial Owners of the Series 2018A Senior Notes are deemed to have consented to the Master Senior Resolution Amendments. The Underwriters of the Series 2018A Senior Notes will not be providing any consents on behalf of the Owners and Beneficial Owners of the Series 2018A Senior Notes. 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 are no longer Outstanding.

Any Owners and Beneficial Owners of Senior Bonds issued on and after May 7, 2014 (including the Series 2018A Senior Notes) 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 are no longer Outstanding.

Forward-Looking Statements

This Official Statement, including the appendices hereto, contains statements relating to future results that are “forward-looking statements.” When used in this Official Statement, the words “estimate,” “anticipate,” “forecast,” “project,” “intend,” “propose,” “plan,” “expect” and similar 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. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material.

Additional Information

Brief descriptions of the Series 2018A Senior Notes, the Senior Resolution, the Fiscal Agent Agreement, the 2014 Subordinate TIFIA Loan 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 Board, the Harbor Department or the Port 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 the purchasers or Owners of any of the Series 2018A Senior Notes. The City, the Harbor Department and the Port 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 2018A Senior Notes.

PLAN OF REFUNDING

Plan of Refunding

Proceeds from the sale of the Series 2018A Senior Notes, together with certain moneys and investments to be released from the Interest Account of the Bond Service Fund, will be used to (a) refund and pay, on the maturity date of November 15, 2018, all of the principal and interest on the Refunded Notes, (b) fund capitalized interest on the Series 2018A Senior Notes through approximately April 24, 2020, and (c) pay the costs of issuing the Series 2018A Senior Notes, all as further described herein

The Refunded Notes include the following Harbor Revenue Short-Term Notes, Series 2014C:

Maturity Date (November 15)	Principal	Interest Rate	CUSIP Numbers¹
2018	\$ 16,325,000	3.000%	542424TN6
2018	28,025,000	4.000	542424TP1
2018	<u>280,650,000</u>	5.000	542424TQ9
	<u>\$325,000,000</u>		

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

A portion of the proceeds of the Series 2018A Senior Notes, together with certain moneys and investments (the “2014C Securities”) to be released from the Interest Account of the Bond Service Fund, will be deposited with U.S. Bank National Association, as escrow agent (the “Escrow Agent”) and held in an escrow fund (the “Escrow Fund”) to be created pursuant to the terms of an escrow agreement, among the City, acting by and through the Board, U.S. Bank National Association, as fiscal agent, and the Escrow Agent. The moneys to be deposited into the Escrow Fund will be invested in noncallable direct obligations of the United States of America (together with the 2014C Securities, the “Escrow Securities”) or held uninvested in cash. The Escrow Securities and the earnings thereon and the uninvested cash to be deposited to the Escrow Fund will be used on November 15, 2018 to pay the principal of and interest on the Refunded Notes.

Grant Thornton LLP, independent certified public accountants, will verify that the Escrow Securities and the earnings thereon and the uninvested cash to be deposited to the Escrow Fund will be sufficient to pay all principal of and interest due on the Refunded Notes on November 15, 2018. See “VERIFICATION OF MATHEMATICAL COMPUTATIONS.”

Estimated Sources and Uses of Funds

The following table sets forth the estimated sources and uses of funds with respect to the Series 2018A Senior Notes.

Sources

Principal Amount of Series 2018A Senior Notes	\$327,050,000.00
Original Issue Premium	21,029,315.00
Release of Moneys and Investments from Interest Account	<u>9,339,059.06</u>
Total Sources	<u>\$357,418,374.06</u>

Uses

Deposit to Escrow Fund	\$332,011,105.94
Capitalized Interest on Series 2018A Senior Notes ¹	24,856,409.26
Costs of Issuance ²	<u>550,858.86</u>
Total Uses	<u>\$357,418,374.06</u>

¹ Represents interest accruing on the Series 2018A Senior Notes through approximately April 24, 2020.

² Includes underwriters’ discount, legal costs and expenses and other costs of issuance.

Gerald Desmond Bridge Replacement Project

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. 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 is a vital link in the goods movement infrastructure for the Port and the neighboring Port of Los Angeles (together, the "San Pedro Bay Ports") 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 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 205-foot vertical clearance to accommodate taller 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.

As of the date of this Official Statement, the Gerald Desmond Bridge Replacement Project is budgeted to cost approximately \$1.492 billion and is a joint effort between the California Department of Transportation ("Caltrans") and the Harbor Department. The Harbor Department, the TIFIA Lender, Caltrans and the Federal Highway Administration are in the process of undertaking a comprehensive review of the cost of the Gerald Desmond Bridge Replacement Project. This review could result in an increase or decrease to the budget for the Gerald Desmond Bridge Replacement Project.

Funding for the Gerald Desmond Bridge Replacement Project is expected to come from numerous sources, including federal and State grants (\$877 million), proceeds of the Refunded Notes and the 2014 Subordinate TIFIA Loan (\$325 million), revenues of the Harbor Department (\$273 million), and a grant from the Los Angeles County Metropolitan Transportation Authority ("LACMTA") (\$17 million). Additionally, in April 2018, the Harbor Department submitted a letter of interest to the TIFIA Lender requesting the TIFIA Lender make the Additional Subordinate TIFIA Loan to the Harbor Department in the amount of \$155 million, the proceeds of which would be used to finance and/or refinance certain costs of the Gerald Desmond Bridge Replacement Project. As of the date of this Official Statement, the TIFIA Lender is in the process of reviewing the letter of interest. The Harbor Department will not draw the proceeds of the 2014 Subordinate TIFIA Loan until the bridge has been opened to vehicular traffic. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2018A SENIOR NOTES" and "2014 SUBORDINATE TIFIA LOAN AGREEMENT" for a discussion of the Harbor Department's expectation to use proceeds of the 2014 Subordinate TIFIA Loan to pay a portion of the principal of the Series 2018A Senior Notes on their maturity date and the Harbor Department's alternative plans for paying the Series 2018A Senior Notes at maturity if the 2014 Subordinate TIFIA Loan has not been drawn by the time the Series 2018A Senior Notes mature.

The City, acting by and through the Board, entered into (a) a contract with Parsons Brinkerhoff Inc. to provide program management and construction management services, and (b) a lump-sum design-build contract with Shimmick Construction Company, Inc./FCC Construcción S.A./Impregilo S.p.A., a joint venture (each a "Design Builder" and collectively, the "Design Builders"), with respect to the Gerald Desmond Bridge Replacement Project. As of May 1, 2018, the design of the Gerald Desmond Bridge Replacement Project was approximately 99% complete and construction of the Gerald Desmond Bridge Replacement Project was approximately 75% 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, in 2014, the Harbor Department revised the schedule for the Gerald Desmond Bridge Replacement Project, which included changing the date of substantial completion of the bridge (i.e. when the bridge is open to all traffic) to June 2018. However, as of May 2018, the latest schedule provided by

the contractors of the bridge showed a date of substantial completion of January 2020. The Harbor Department and the contractors are currently working together to mitigate any additional schedule delays. As of the date of this Official Statement, the Harbor Department cannot predict if substantial completion of the bridge will occur as forecast by the contractor or if additional delays will occur. See “CERTAIN INVESTMENT CONSIDERATIONS—Factors Affecting 2018-27 Capital Plan” and “—Risks Related to the Disbursement of 2014 Subordinate TIFIA Loan and Gerald Desmond Bridge Replacement Project—Market Access Required if 2014 Subordinate TIFIA Loan Proceeds are not Disbursed.” Following completion of the new bridge, the old bridge will be demolished and removed.

Upon completion of the new Gerald Desmond Bridge, ownership of the 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 bridge is transferred to Caltrans.

DESCRIPTION OF THE SERIES 2018A SENIOR NOTES

General

The Series 2018A Senior Notes 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 rate per annum set forth on the inside cover page of this Official Statement, payable semiannually on June 15 and December 15 of each year commencing December 15, 2018 (each an “Interest Payment Date”). Each Series 2018A Senior Note 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 2018A Senior Note 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 2018A Senior Note will bear interest from such succeeding Interest Payment Date, or unless such date of authentication is prior to December 1, 2018, in which event such Series 2018A Senior Note will bear interest from their date of delivery. If interest on the Series 2018A Senior Notes is in default, Series 2018A Senior Notes issued in exchange for Series 2018A Senior Notes surrendered for transfer or exchange will bear interest from the Interest Payment Date to which interest has been paid in full on the Series 2018A Senior Notes surrendered. The Series 2018A Senior Notes will mature on December 15, 2020. The principal of and interest on the Series 2018A Senior Notes will be payable in lawful money of the United States of America.

The Series 2018A Senior Notes will be issued in denominations of \$5,000 and integral multiples thereof. The Series 2018A Senior Notes will be issued 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 2018A Senior Notes. Individual purchases may be made in book-entry form only. Purchasers will not receive certificates representing their interest in the Series 2018A Senior Notes purchased. So long as Cede & Co., as nominee of DTC, is the registered owner of the Series 2018A Senior Notes, references herein to the Owners or registered owners will mean Cede & Co. and will not mean the Beneficial Owners of the Series 2018A Senior Notes.

So long as Cede & Co. is the registered owner of the Series 2018A Senior Notes, principal of and interest on the Series 2018A Senior Notes 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 2018A Senior Notes.

No Redemption of the Series 2018A Senior Notes

The Series 2018A Senior Notes will not be subject to redemption prior to their stated maturity date.

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2018A SENIOR NOTES

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. See also “APPENDIX E—AMENDMENTS TO MASTER SENIOR RESOLUTION.”

Pledge of Revenues

The Series 2018A Senior Notes 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 solely from the Revenues and certain funds and accounts 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 2018A Senior Notes 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 and accounts which are pledged to the payment of the Series 2018A Senior Notes and interest thereon. The general fund of the City is not liable for the payment of any Series 2018A Senior Notes or interest thereon, nor is the credit or taxing power of the City pledged for the payment of any Series 2018A Senior Notes or interest thereon. An Owner of any Series 2018A Senior Note may not compel the exercise of the taxing power by the City or the forfeiture of any of its property.

Use of Proceeds of 2014 Subordinate TIFIA Loan and/or Other Amounts to Pay Series 2018A Senior Notes

Pursuant to the terms of Resolution No. HD-2767 (the “Seventeenth Supplemental Senior Resolution”) adopted by the Board on June 9, 2014, the Board reserved the right to (but is not obligated to) use all or a portion of the proceeds it expects to receive from the 2014 Subordinate TIFIA Loan to pay a portion of the principal of the Series 2018A Senior Notes on their maturity date. See “2014 SUBORDINATE TIFIA LOAN AGREEMENT” and “CERTAIN INVESTMENT CONSIDERATIONS—Risks Related to the Disbursement of 2014 Subordinate TIFIA Loan and Gerald Desmond Bridge Replacement Project.” However, in the event proceeds of the 2014 Subordinate TIFIA Loan have not been received by the Harbor Department by the maturity date of the Series 2018A Senior Notes, the City, acting by and through the Board, expects that it will issue short-term Senior Bonds and/or Subordinate Obligations to refinance the principal of the Series 2018A Senior Notes. See “2014 SUBORDINATE TIFIA LOAN AGREEMENT” and “CERTAIN INVESTMENT CONSIDERATIONS—Risks Related to the Disbursement of 2014 Subordinate TIFIA Loan and Gerald Desmond Bridge Replacement Project—Market Access Required if 2014 Subordinate TIFIA Loan Proceeds are not Disbursed.”

Rate Covenant

The Master Senior Resolution provides that the City, acting by and through the Board, shall 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 on the Senior Bonds 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) the interest on and principal of all outstanding Subordinate Obligations (including the Subordinate Revolving Obligations and the 2014 Subordinate TIFIA Loan

(provided the Harbor Department decides to drawdown the loan)), and any payments required to be made into any reserve fund established with respect to the Subordinate Obligations;

(d) all Maintenance Costs; and

(e) all payments required to meet any other obligations of the City, such as the payment of 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.

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 2018A Senior Notes, the Treasurer will enter into a trustee services agreement with U.S. Bank National Association to establish and maintain the Series 2018A Capitalized Interest Fund, the Series 2018A Costs of Issuance Fund and the Series 2018A Rebate Fund. All such funds will be held in trust, disposed of and invested in accordance with instructions given by the Treasurer. None of such funds are pledged under the Senior Resolution to secure the Series 2018A Senior Notes.

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 2018A Senior Notes).

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 Existing Senior Bonds and the Series 2018A Senior Notes 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 issued or 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 Board will provide the additional bonds certificate described in clause (b)(ii)(A) above with respect to the issuance of the Series 2018A Senior Notes. 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.

2014 SUBORDINATE TIFIA LOAN AGREEMENT

General

Pursuant to the 2014 Subordinate TIFIA Loan Agreement, the TIFIA Lender has agreed to extend the 2014 Subordinate TIFIA Loan to the City, acting by and through the Board, in an amount not to exceed \$325 million. The proceeds of the 2014 Subordinate TIFIA Loan will be applied to the payment, reimbursement or refinancing of certain costs of the Gerald Desmond Bridge Replacement Project that are eligible to be financed with proceeds of the 2014 Subordinate TIFIA Loan pursuant to federal law; provided, however, total disbursement under the 2014 Subordinate TIFIA Loan cannot exceed 33% of all eligible costs of the Gerald Desmond Bridge Replacement Project and total federal assistance (including any grants received from the U.S. Department of Transportation) provided to the Gerald Desmond Bridge Replacement Project cannot exceed 80% of all eligible costs of the Gerald Desmond Bridge Replacement Project. Eligible costs of the Gerald Desmond Bridge Replacement Project include costs of design and construction, capitalized interest and certain other financing costs. The 2014 Subordinate TIFIA Loan will bear interest at a fixed interest rate of 3.42% and will mature no later than 35 years following substantial completion of the Gerald Desmond Bridge Replacement Project (currently estimated to be by January 2020).

Disbursement Requirements

The City, acting by and through the Board, expects to draw on the TIFIA Loan by December 15, 2020, to pay a portion of the principal of the Series 2018A Senior Notes. Requests to disburse the 2014 Subordinate TIFIA Loan have to be submitted by the City, acting by and through the Board, to the TIFIA Lender in the form of a requisition attached to the 2014 Subordinate TIFIA Loan Agreement, which form requires the City, acting by and through the Board, to make certain representations. Disbursement of the TIFIA Loan is subject to certain conditions precedent, including, among others, the following:

- (a) certain conditions precedent that were satisfied in connection with the execution and delivery of the 2014 Subordinate TIFIA Loan Agreement must continue to remain in place, including, among others, the 2014 Subordinate TIFIA Loan needs to be rated at least "A-" by two rating agencies;
- (b) substantial completion of the Gerald Desmond Bridge Replacement Project must have occurred;
- (c) an updated financial plan, acceptable to the TIFIA Lender, must be provided, which shall demonstrate that projected Revenues and Subordinate Revenues will be sufficient to satisfy the rate coverage ratios set forth in the 2014 Subordinate TIFIA Loan Agreement;
- (d) all applicable insurance policies with respect to the Port must be in full force and effect;
- (e) if the Gerald Desmond Bridge Replacement Project has not yet been transferred to Caltrans, all applicable permits and governmental approvals necessary to operate and maintain the new bridge must be in full force and effect;
- (f) no event of default under the 2014 Subordinate TIFIA Loan Agreement, the Master Subordinate Resolution or the Third Supplemental Subordinate Resolution shall have occurred and be continuing;

(g) all of the representations and warranties of the City, acting by and through the Board, set forth in the 2014 Subordinate TIFIA Loan Agreement shall be true and correct in all material respects as of the date of disbursement; and

(h) no material adverse change in (i) the business, operations, properties or condition (financial or otherwise) of (A) the Port, or (B) if the Gerald Desmond Bridge Replacement Project has not yet been transferred to Caltrans, the new bridge, (ii) the legality, validity or enforceability of any material provision of any the 2014 Subordinate TIFIA Loan Agreement, the Master Subordinate Resolution or the Third Supplemental Subordinate Resolution, (iii) the ability of the City, acting by and through the Board, to perform or comply with any of its material obligations under any of the 2014 Subordinate TIFIA Loan Agreement, the Master Subordinate Resolution or the Third Supplemental Subordinate Resolution, (iv) the validity, perfection or priority of the senior Revenue lien or the subordinate Revenue lien or (v) the TIFIA Lender's rights or remedies available under any of the 2014 Subordinate TIFIA Loan Agreement, the Master Subordinate Resolution or the Third Supplemental Subordinate Resolution, shall have occurred and be continuing since the date the Harbor Department first submitted its application to the TIFIA Lender for the 2014 Subordinate TIFIA Loan.

Events of Default and Remedies

Events of Default. The following events constitute events of default under the 2014 Subordinate TIFIA Loan Agreement:

(a) ***Payment Default.*** The City, acting by and through the Board, fails to pay any of the principal amount of or interest on the promissory note issued by the City, acting by and through the Board, to evidence its obligations under the 2014 Subordinate TIFIA Loan Agreement (the "2014 Subordinate TIFIA Note") or the 2014 Subordinate TIFIA Loan, when and as the payment thereof is required under the 2014 Subordinate TIFIA Loan Agreement or the 2014 Subordinate TIFIA Note or on the final maturity date of the 2014 Subordinate TIFIA Loan (each such failure, a "2014 Subordinate TIFIA Loan Payment Default");

(b) ***Covenant Default.*** The City, acting by and through the Board, fails to observe or perform any covenant, agreement or obligation of the City, acting by and through the Board, under the 2014 Subordinate TIFIA Loan Agreement, the 2014 Subordinate TIFIA Note or the Master Subordinate Resolution or the Third Supplemental Subordinate Resolution (other than in the case of any 2014 Subordinate TIFIA Loan Payment Default or any 2014 Subordinate TIFIA Loan Development Default (as described below)), and such failure is not cured within thirty days after receipt by the City, acting by and through the Board, from the TIFIA Lender of written notice thereof; provided, however, that if such failure is capable of cure but cannot reasonably be cured within such thirty day period, then no event of default under the 2014 Subordinate TIFIA Loan Agreement will be deemed to have occurred or be continuing under this clause (b) if and so long as within such thirty day period the City, acting by and through the Board, commences actions reasonably designed to cure such failure and diligently pursues such actions until such failure is cured; provided, however, that such failure is cured within 180 days of the first occurrence of such failure;

(c) ***Development Default.*** The City, acting by and through the Board, fails to (i) diligently prosecute the work related to the Gerald Desmond Bridge Replacement Project or (ii) complete the Gerald Desmond Bridge Replacement Project in accordance with the financial plan (collectively, a "2014 Subordinate TIFIA Loan Development Default").

(d) Misrepresentation Default. Any of the representations, warranties or certifications of the City, acting by and through the Board, made in or delivered pursuant to the 2014 Subordinate TIFIA Loan Agreement (or in any certificates delivered by the City, acting by and through the Board, in connection with the 2014 Subordinate TIFIA Loan Agreement) prove to have been false or misleading in any material respect when made;

(e) Cross Default; Cross Acceleration.

(i) The occurrence of any event of default under the Master Subordinate Resolution (other than as provided in sub clause (ii) below) which is not waived pursuant to the terms thereof, or any event of default or termination under the Third Supplemental Subordinate Resolution (which is not waived pursuant to the terms thereof);

(ii) The City, acting by and through the Board (A) defaults on the payment of the principal of or interest on any Senior Bonds or Subordinate Obligations (other than a 2014 Subordinate TIFIA Loan Payment Default) (whether by scheduled maturity, required redemption, required prepayment or acceleration or otherwise), beyond the period of grace, if any, provided in the senior debt documents or subordinate debt documents (as the case may be) under which such Senior Bonds or Subordinate Obligations, respectively, were created or incurred; or (B) default in the observance or performance of any agreement or condition relating to any Senior Bonds or Subordinate Obligations (other than the 2014 Subordinate TIFIA Loan obligations) or contained in any senior debt document or subordinate debt document (other than the 2014 Subordinate TIFIA Loan Agreement, the Master Subordinate Resolution or the Third Supplemental Subordinate Resolution) (as the case may be) evidencing, securing or relating thereto, or any other default, event of default or similar event occurs or condition exists, the effect of which default, event of default or similar event or condition is to cause (determined without regard to whether any notice is required) any such Senior Bonds or Subordinate Obligations to become immediately due and payable in full as the result of the acceleration, mandatory redemption, mandatory tender or mandatory prepayment of such Senior Bonds or Subordinate Obligations (whether or not any such Senior Bonds or Subordinate Obligations are in fact accelerated or subject to mandatory tender for purchase or mandatory redemption or mandatory prepayment);

(iii) The occurrence of any event of default under the Master Senior Resolution (other than as provided in sub-clause (ii) above), which is not waived pursuant to the terms thereof;

(iv) (A) The City, acting by and through the Board, fails to pay principal of, or interest on, any other material indebtedness as and when such amounts become due and payable, (B) any acceleration occurs of the maturity of any other material indebtedness, or (C) any such other material indebtedness is not paid in full upon the final maturity thereof; or

(v) The City, acting by and through the Board, defaults in the timely performance of any covenant, agreement or obligation under any other document related to the 2014 Subordinate TIFIA Loan Agreement, and the City, acting by and through the Board, has failed to cure such default or to obtain an effective written waiver prior to the expiration of the applicable grace period specified in such document, or to obtain an effective revocation of such termination (as the case may be); provided, however, that no event of default will be deemed to have occurred or be continuing under this clause if, in

the case of any termination of a construction contract related to the Gerald Desmond Bridge Replacement Project, the City, acting by and through the Board, replaces such contract with a replacement agreement (1) entered into with another counterparty that (I) is of similar or greater creditworthiness and experience as the counterparty being replaced (or otherwise reasonably acceptable to the TIFIA Lender) and (II) is not, at the time of such replacement, suspended or debarred or subject to a proceeding to suspend or debar from bidding, proposing or contracting with any federal or state department or agency, (2) that is on substantially the same terms and conditions as the contract being replaced (or otherwise reasonably acceptable to the TIFIA Lender) and (3) that is effective as of the date of termination of the contract being replaced;

(f) Judgments. The existence of one or more final, non-appealable judgments, attachments or levies against the City, acting by and through the Board, for the payment of money payable out of Revenues or Subordinate Revenues, the operation or result of which, individually or in the aggregate, equals or exceeds \$20,000,000, and such judgment, attachment or levy remains unpaid or the lien created thereby remains unsatisfied, undischarged or unbonded (by property other than any of the Revenues or Subordinate Revenues) for a period of ninety days;

(g) Occurrence of a Bankruptcy Related Event. A Bankruptcy Related Event (as defined in the 2014 Subordinate TIFIA Loan Agreement) occurs with respect to (A) the City, acting by and through the Board, or the Harbor Department (to the extent applicable) or (B) any party to the construction contracts related to the Gerald Desmond Bridge Replacement Project, provided, that, (1) a Bankruptcy Related Event in connection with one Design Builder will not constitute an event of default if at the time of such occurrence, the City, acting by and through the Board, has provided evidence satisfactory to the TIFIA Lender demonstrating that the other Design Builders have sufficient financial resources and operating expertise to complete the Gerald Desmond Bridge Replacement Project in accordance with the construction schedule, and (2) after substantial completion of the Gerald Desmond Bridge Replacement Project has occurred, the occurrence of a Bankruptcy Related Event in connection with any Design Builder will not constitute an event of default if at the time of such occurrence, (I) no error in the work or nonconforming work exists with respect to the Gerald Desmond Bridge Replacement Project, and no warranty work or claims against the warranty with respect to the Gerald Desmond Bridge Replacement Project exist or remain outstanding, or (II) the City, acting by and through the Board, provides evidence satisfactory to the TIFIA Lender showing that (x) the City, acting by and through the Board, has sufficient moneys to correct any error in the work or nonconforming work, or to carry out any warranty work, and (y) it has a plan to carry out the works referred to in clause (x) hereof;

(h) Project Abandonment. The City, acting by and through the Board, abandons (A) prior to the transfer to Caltrans, the Gerald Desmond Bridge Replacement Project or (B) at any time, the Port;

(i) Cessation of Operations. Operation of the Port ceases for a continuous period of not less than 180 days unless such cessation of operations occurs by reason of an uncontrollable force (e.g., weather, earthquake, terrorist act, etc.) and the City, acting by and through the Board, has in force an insurance policy or policies under which the City, acting by and through the Board, is entitled to recover substantially all debt service on the Senior Bonds and the Subordinate Obligations (including the 2014 Subordinate TIFIA Loan) and any costs and expenses of the City, acting by and through the Board, during such cessation of operations;

(j) TIFIA Loan Documents.

(A) Any provision of the 2014 Subordinate TIFIA Loan Agreement, the 2014 Subordinate TIFIA Note, the Master Subordinate Resolution or the Third Supplemental Subordinate Resolution related to (1) the payment of principal of or interest on the 2014 Subordinate TIFIA Loan and the 2014 Subordinate TIFIA Note or (2) the validity or enforceability of the pledge of, and lien on, the Subordinate Revenues, at any time and for any reason, ceases to be valid and binding on the City, acting by and through the Board, as a result of any legislative or administrative action by a governmental authority with competent jurisdiction, or shall be declared, in a final non-appealable judgment by any court of competent jurisdiction, to be null and void, invalid or unenforceable;

(B) the validity or enforceability of any material provision of the 2014 Subordinate TIFIA Loan Agreement, the 2014 Subordinate TIFIA Note, the Master Subordinate Resolution or the Third Supplemental Subordinate Resolution related to (1) payment of principal of or interest on the 2014 Subordinate TIFIA Loan and the 2014 Subordinate TIFIA Note, or (2) the validity or enforceability of the pledge of and lien on the Subordinate Revenues is publicly contested, repudiated or denied by the City, acting by and through the Board; or

(C) any other material provision of the 2014 Subordinate TIFIA Loan Agreement, the 2014 Subordinate TIFIA Note, the Master Subordinate Resolution or the Third Supplemental Subordinate Resolution, other than a provision described in sub clause (A) above, at any time and for any reason, ceases to be valid and binding on the City, acting by and through the Board, as a result of any legislative or administrative action by a governmental authority with competent jurisdiction or shall be declared in a final non-appealable judgment by any court with competent jurisdiction to be null and void, invalid, or unenforceable, or the validity or enforceability thereof shall be publicly contested by the City, acting by and through the Board;

(k) Ratings. To the extent the Subordinate Revolving Obligations remain outstanding, for so long as three rating agencies are then rating any Senior Bonds, any two of such rating agencies either (i) withdraw or suspend the long-term unenhanced underlying rating of any Senior Bonds for credit related reasons, or (ii) reduce the long-term underlying rating of any Senior Bonds below “A3” (or its equivalent) from Moody’s, “A-” (or its equivalent) from Fitch or “A-” (or its equivalent) from S&P; provided, however, that if only two rating agencies are then rating any Senior Bonds, then the action of one rating agency as contemplated under this clause (j); or

(l) Liens. At any time or for any reason (except as expressly permitted to be released by the terms of such governing document), any lien created by the 2014 Subordinate TIFIA Loan Agreement, the Master Subordinate Resolution or the Third Supplemental Subordinate Resolution in favor of, or for the benefit of, the TIFIA Lender does not constitute a valid lien.

Remedies. Upon the occurrence of a Bankruptcy Related Event with respect to the City, acting by and through the Board, or the Harbor Department (i) all obligations of the TIFIA Lender under the 2014 Subordinate TIFIA Loan Agreement with respect to the disbursement of any undisbursed amounts of the 2014 Subordinate TIFIA Loan will automatically be deemed terminated, and (ii) the unpaid principal amount of the 2014 Subordinate TIFIA Loan, together with all interest accrued thereon and all fees, costs, expenses, indemnities and other amounts payable under the 2014 Subordinate TIFIA Loan

Agreement or the 2014 Subordinate TIFIA Note, will automatically become immediately due and payable, without presentment, demand, notice, declaration, protest or other requirements of any kind, provided that, with respect to sub clause (ii), the TIFIA Lender will not declare the unpaid principal amount of the 2014 Subordinate TIFIA Loan to be immediately due and payable until seven days after the occurrence of such event of default.

Except as otherwise described in the previous paragraph, upon the occurrence of any other event of default, the TIFIA Lender, by written notice to the City, acting by and through the Board, may (i) suspend or terminate all of its obligations under the 2014 Subordinate TIFIA Loan Agreement with respect to the disbursement of any undisbursed amounts of the 2014 Subordinate TIFIA Loan and (ii) declare the unpaid principal amount of the 2014 Subordinate TIFIA Loan to be, and the same shall thereupon forthwith become, immediately due and payable, together with the interest accrued thereon and all fees, costs, expenses, indemnities and other amounts payable under the 2014 Subordinate TIFIA Loan Agreement and the 2014 Subordinate TIFIA Note, all without presentment, demand, notice, protest or other requirements of any kind, provided, that, with respect to sub clause (ii), the TIFIA Lender shall not declare the unpaid principal amount of the 2014 Subordinate TIFIA Loan to be immediately due and payable until (A) in the case of any event of default specified in clauses (a) (Payment Default), (e)(ii) (Cross Default; Cross Acceleration), (f) (Judgments) and (j)(A) and (B) (TIFIA Loan Documents) above under "Events of Default", seven days after the occurrence of thereof, and (B) in the case of any event of default not specified in immediately preceding sub clause (A), ninety days after the occurrence thereof. Notwithstanding the foregoing, if any other holder or credit enhancer of any Senior Bonds or Subordinate Obligations or any counterparty under any hedging transaction related thereto causes any Senior Bonds or Subordinate Obligations or any other obligations of the City, acting by and through the Board, to become immediately due and payable, the TIFIA Lender may immediately, without notice, avail itself of the remedies set forth in clause (ii) of the previous paragraph or clause (ii) of this paragraph and/or declare or cause to be declared the unpaid principal amount of the 2014 Subordinate TIFIA Note, all interest accrued and unpaid thereon and all other amounts owing or payable hereunder to be immediately due and payable.

Upon the occurrence of a Development Default, the TIFIA Lender may (i) suspend the disbursement of the 2014 Subordinate TIFIA Loan proceeds under the 2014 Subordinate TIFIA Loan Agreement and (ii) pursue such other remedies as provided in the 2014 Subordinate TIFIA Loan Agreement. If so requested in connection with a Development Default, the City, acting by and through the Board, shall immediately repay any unexpended 2014 Subordinate TIFIA Loan proceeds previously disbursed to the City, acting by and through the Board.

Whenever any event of default under the 2014 Subordinate TIFIA Loan Agreement has occurred and is continuing, in addition to the remedies otherwise described above, the TIFIA Lender will be entitled and empowered to institute any actions or proceedings at law or in equity for the collection of any sums due and unpaid under the 2014 Subordinate TIFIA Loan Agreement or the 2014 Subordinate TIFIA Note, and may prosecute any such judgment or final decree against the City, acting by and through the Board, including confession of judgment by the City, acting by and through the Board, against the City, acting by and through the Board, and collect in the manner provided by law out of the property of the City, acting by and through the Board, the moneys adjudged or decreed to be payable, and the TIFIA Lender may take such other actions at law or in equity as may appear necessary or desirable to collect all amounts payable by the City, acting by and through the Board, under the 2014 Subordinate TIFIA Loan Agreement or the 2014 Subordinate TIFIA Note then due and thereafter to become due, or to enforce performance and observance of any obligation, agreement or covenant of the City, acting by and through the Board, under the 2014 Subordinate TIFIA Loan Agreement or the 2014 Subordinate TIFIA Note.

Whenever any event of default under the 2014 Subordinate TIFIA Loan Agreement has occurred and is continuing, the TIFIA Lender may suspend or debar the City, acting by and through the Board,

from further participation in any government program administered by the TIFIA Lender and to notify other departments and agencies of such default.

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 Existing Senior Bonds, which as of September 1, 2018, were outstanding in the aggregate principal amount of \$945,790,000. The following table sets forth the Existing Senior Bonds which have been issued and were outstanding as of September 1, 2018.

TABLE 1
Harbor Department of the City of Long Beach
Existing Senior Bonds
(as of September 1, 2018)

Existing Senior Bonds	Original Principal Amount	Principal Amount Outstanding	Final Maturity Date
Series 1998A	\$ 206,330,000	\$ 16,600,000	5/15/2019
Series 2010A	200,835,000	111,185,000	5/15/2025
Series 2010B	158,085,000	124,855,000	5/15/2027
Series 2014B	20,570,000	11,700,000	5/15/2027
Series 2014C	325,000,000 ¹	325,000,000	11/15/2018
Series 2015A	44,845,000	33,115,000	5/15/2023
Series 2015B	20,130,000	20,130,000	5/15/2025
Series 2015C	66,085,000	66,085,000	5/15/2032
Series 2015D	66,865,000	66,865,000	5/15/2042
Series 2017A	101,610,000	101,610,000	5/15/2040
Series 2017B	25,985,000	25,985,000	5/15/2043
Series 2017C	42,660,000	42,660,000	5/15/2047
Total	\$1,279,000,000	\$945,790,000	

¹ See “PLAN OF REFUNDING” above for a discussion of the refunding and payment of the Refunded Notes.

Source: Harbor Department.

Senior Bonds Debt Service Requirements

The following table sets forth the debt service requirements of the Existing Senior Bonds (after giving effect to the refunding and payment of the Refunded Notes) and the Series 2018A Senior Notes. See “—Future Financings (Additional Senior Bonds and Subordinate Obligations)” below for a discuss of the Board’s plans to issue additional Senior Bonds.

TABLE 2
Harbor Department of the City of Long Beach
Senior Bonds Debt Service Requirements¹

Bond Year Ending May 15	Total Debt Service Requirements for Existing Prior Senior Bonds²	Principal Requirements for Series 2018A Senior Notes³	Interest Requirements for Series 2018A Senior Notes⁴	Total Senior Bonds Debt Service
2019	\$ 69,202,025	—	\$ 3,315,924	\$ 72,517,949
2020	65,947,500	—	16,352,500	82,300,000
2021	65,917,850	\$327,050,000	16,352,500	409,320,350
2022	65,917,350	—	—	65,917,350
2023	65,109,100	—	—	65,109,100
2024	65,113,600	—	—	65,113,600
2025	65,065,500	—	—	65,065,500
2026	46,613,000	—	—	46,613,000
2027	41,439,750	—	—	41,439,750
2028	25,381,500	—	—	25,381,500
2029	26,584,250	—	—	26,584,250
2030	25,386,750	—	—	25,386,750
2031	25,379,500	—	—	25,379,500
2032	25,379,250	—	—	25,379,250
2033	21,879,000	—	—	21,879,000
2034	21,877,000	—	—	21,877,000
2035	21,880,250	—	—	21,880,250
2036	21,882,000	—	—	21,882,000
2037	21,885,750	—	—	21,885,750
2038	21,879,750	—	—	21,879,750
2039	21,882,750	—	—	21,882,750
2040	21,882,500	—	—	21,882,500
2041	20,522,250	—	—	20,522,250
2042	20,523,000	—	—	20,523,000
2043	11,863,000	—	—	11,863,000
2044	11,863,250	—	—	11,863,250
2045	11,860,250	—	—	11,860,250
2046	11,863,000	—	—	11,863,000
2047	11,865,000	—	—	11,865,000
Total	<u>\$953,845,675</u>	<u>\$327,050,000</u>	<u>\$36,020,924</u>	<u>\$1,316,916,599</u>

¹ Numbers may not sum due to rounding.

² Total debt service after giving effect to the refunding and payment of the Refunded Notes.

³ A portion of the principal of the Series 2018A Senior Notes is expected to be paid from proceeds of the draw on the 2014 Subordinate TIFIA Loan.

⁴ Through approximately April 24, 2020, interest on the Series 2018A Senior Notes will be paid with proceeds of the Series 2018A Senior Notes.

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 2013 through 2017 is presented below.

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

Fiscal Year	Revenues ¹	Maintenance Costs ²	Net Revenues ³	Senior Debt Service ⁴	Senior Debt Service Coverage	
					Gross ⁵	Net ⁶
2013	\$346,984	\$ 97,696	\$249,288	\$79,991	4.3x	3.1x
2014	360,016	108,455	251,561	79,738	4.5	3.2
2015	359,486	133,771	225,715	78,363	4.6	2.9
2016	365,298	143,873	221,425	73,026	5.0	3.0
2017	382,716	142,641	240,076	72,076	5.3	3.3

¹ Calculated in accordance with the provisions of the Master Senior Resolution. Includes Total Port Operating Revenue and Interest Income as shown in "Table 12, Harbor Department of the City of Long Beach, Comparative Summary of Statements of Revenues and Expenses" set forth below.

² 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.

³ Revenues less Maintenance Costs.

⁴ Includes debt service on all Senior Bonds, except for the Refunded Notes. Interest on the Refunded Notes was paid with capitalized interest.

⁵ Revenues divided by Senior Debt Service.

⁶ 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 2013-2017.

Outstanding Subordinate Obligations (2014 Subordinate TIFIA Loan and Subordinate Revolving Obligations)

2014 Subordinate TIFIA Loan. The City, acting by and through the Board, entered into the 2014 Subordinate TIFIA Loan Agreement with the TIFIA Lender, pursuant to which the TIFIA Lender, subject to certain conditions, agreed to make the 2014 Subordinate TIFIA Loan to the City, acting by and through the Board, in an amount not to exceed \$325 million. The proceeds of the 2014 Subordinate TIFIA Loan, if drawn, will be used by the Harbor Department to finance and refinance the costs of the Gerald Desmond Bridge Replacement Project. See "PLAN OF REFUNDING—Gerald Desmond Bridge Replacement Project." The 2014 Subordinate TIFIA Loan, if and when made, will be secured by a pledge of Subordinate Revenues on parity with the Subordinate Revolving Obligations. The proceeds of the 2014 Subordinate TIFIA Loan are expected to be drawn, if ever, no later than one year after substantial completion of the Gerald Desmond Bridge (i.e. when the bridge is open to all traffic). Pursuant to the terms of Third Supplemental Subordinate Resolution, the Board has reserved the right (but is not obligated to) use all or a portion of the proceeds of the 2014 Subordinate TIFIA Loan to pay a portion of the principal of the Series 2018A Senior Notes on their maturity date (December 15, 2020), or any obligations that may be issued to refinance the Series 2018A Senior Notes, and/or to pay additional federally eligible costs of the Gerald Desmond Bridge Replacement Project. The final maturity date of

the 2014 Subordinate TIFIA Loan will be approximately 35 years after the date the proceeds are first drawn. Pursuant to the provisions of the 2014 Subordinate TIFIA Loan Agreement, the TIFIA Lender has the right to accelerate the payment of the principal of and interest on the 2014 Subordinate TIFIA Loan upon the occurrence of certain events of default set forth in the 2014 Subordinate TIFIA Loan Agreement. See “CERTAIN INVESTMENT CONSIDERATIONS—Remedies Upon Default.”

Subordinate Revolving Obligations. Pursuant to the Master Subordinate Resolution, the Subordinate Revolving Obligations Supplemental Resolutions and the Subordinate Revolving Obligations Credit Agreement, the City, acting by and through the Board, is authorized to issue and have outstanding, from time to time, up to \$200 million in aggregate principal amount of its Subordinate Revolving Obligations. As of September 1, 2018, there were no 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 2018A Senior Notes) 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 Bank (MUFG Union Bank, N.A.) in accordance with the terms of the Subordinate Revolving Obligations Credit Agreement. Pursuant to the terms of the Subordinate Revolving Obligations Credit Agreement, the Subordinate Revolving Obligations bear interest at floating rates set forth in the Subordinate Revolving Obligations Credit Agreement. Except as otherwise provided in the Subordinate Revolving Obligations Credit Agreement, the principal of all Subordinate Revolving Obligations outstanding is due and payable on July 11, 2019. However, subject to the terms of the Subordinate Revolving Obligations Credit Agreement, on July 11, 2019, the City, acting by and through the Board, can convert any outstanding Subordinate Revolving Obligations to a term loan that will be payable over a three year period after the July 11, 2019 maturity date. Pursuant to the provisions of the Subordinate Revolving Obligations Credit Agreement, the Subordinate Revolving Obligations Bank has the right to accelerate the payment of the principal of and interest on the Subordinate Revolving Obligations upon the occurrence of certain events of default set forth in the Subordinate Revolving Obligations Credit Agreement. See “CERTAIN INVESTMENT CONSIDERATIONS—Remedies Upon Default.”

Future Financings (Additional Senior Bonds and Subordinate Obligations)

See “CAPITAL DEVELOPMENT PROGRAM—Funding Sources of 2018-27 Capital Plan” for a discussion of the Harbor Department’s plans to issue additional Senior Bonds and/or Subordinate Obligations in the future to finance a portion of the costs of the 2018-27 Capital Plan.

In addition to the 2014 Subordinate TIFIA Loan, in April 2018, the Harbor Department submitted a letter of interest with the TIFIA Lender requesting that the TIFIA Lender make the Additional Subordinate TIFIA Loan to the Harbor Department in the amount of \$155 million to finance and/or refinance additional costs of the Gerald Desmond Bridge Replacement Project. As of the date of this Official Statement, the TIFIA Lender is in the process of reviewing the letter of interest. If after reviewing the letter of interest the TIFIA Lender invites the Harbor Department to apply for a loan and such application is approved by the TIFIA Lender, the Harbor Department anticipates that the terms of the loan agreement to be entered into with respect to the Additional Subordinate TIFIA Loan will be substantially similar to the terms of the 2014 Subordinate TIFIA Loan Agreement, including, among other things, that the Additional Subordinate TIFIA Loan will be secured by a pledge of Subordinate Revenues on parity with the 2014 Subordinate TIFIA Loan and the Subordinate Revolving Obligations.

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 San Pedro Bay Ports with the Railroads’ (as defined in the following paragraph) transcontinental mainlines originating near downtown Los Angeles (the “Alameda Corridor”). See “THE PORT OF LONG BEACH—Current Port Facilities—General.” 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, 2018, ACTA had outstanding approximately \$2.1 billion aggregate principal and initial amount of 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 Shortfall Advances. 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 payments (the “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, 2018 outstanding amount of the ACTA Obligations, the Harbor Department and the Port of Los Angeles are potentially liable for a maximum of approximately \$1.5 billion (the Harbor Department and the Port of Los Angeles each being liable for approximately \$750 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. Since the 2012 payment, the Harbor Department and the Port of Los Angeles have not been required to pay Shortfall Advances and do not expect to pay Shortfall Advances through 2026.

In May 2016, ACTA issued its Tax-Exempt Subordinate Lien Revenue Refunding Bonds, Series 2016A, and Tax-Exempt Second Subordinate Lien Revenue Refunding Bonds, Series 2016B Bonds (collectively, the “Series 2016 ACTA Bonds”), the proceeds of which were used to, among other things, refund a portion of ACTA’s outstanding Tax-Exempt Subordinate Lien Revenue Bonds, Series 2004A

Bonds. The issuance of the Series 2016 ACTA Bonds included extending the payment of principal that was scheduled to mature in Fiscal Years 2017 through 2026, and thereby the projected Shortfall Advances that the Harbor Department and the Port of Los Angeles were expected to make in those years were eliminated. Although this restructuring increased the overall amount of the debt service on the outstanding ACTA bonds, it generated significant relief from projected Shortfall Advances for the Harbor Department and the Port of Los Angeles through Fiscal Year 2026. The Harbor Department expects that it (and the Port of Los Angeles) may be required to make one or more additional Shortfall Advances between 2026 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 its Taxable Senior Lien Revenue Refunding Bonds, Series 2012 (the "Series 2012 ACTA Bonds"), the Harbor Department 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 of up to \$3.6 million (the "Surety Obligation Payments") to pay 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 are not sufficient to make the debt service payments on the Series 2012 ACTA Bonds. The Harbor Department's (and the Port of Los Angeles') obligation under the Series 2012 Surety Agreement will decrease as deposits, if any, are made to the debt service reserve fund established for the Series 2012 ACTA Bonds. Since the execution of the Series 2012 ACTA Surety Agreement, ACTA has made cash deposits of approximately \$5.3 million to the debt service reserve fund for the Series 2012 ACTA Bonds, thereby reducing the Surety Obligation Payments to a maximum of approximately \$800,000 for each of the Harbor Department and the Port of Los Angeles. The Harbor Department's (and the Port of Los Angeles's) 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 for the Series 2012 ACTA Bonds. According to ACTA, deposits are scheduled to be made to the debt service reserve fund for the Series 2012 ACTA Bonds each October 1 in an amount of approximately \$1 million, so that the debt service reserve fund for the Series 2012 ACTA Bonds will be fully funded 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 (including the Series 2018A Senior Notes) 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.

Transfers to City. Pursuant to Chapter XII, Section 1209(c)(4) of the Charter, at the beginning of each Fiscal Year, by a two-thirds vote of the members of the City Council of the City (the "City Council") may 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 \$18 million (5% of the Harbor Department's Fiscal Year 2016 gross operating revenue) from the Harbor Revenue Fund to the City's Tideland's Operating Fund for the Fiscal Year ended September 30, 2017. The Harbor Department expects to transfer approximately \$19.1 million (5% of the Harbor Department's Fiscal Year 2017 gross operating revenue) from the Harbor Revenue Fund to the City's Tideland's Operating Fund during Fiscal Year 2018. The Board expects that for the foreseeable future transfers will 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.

Harbor Department Internal Debt Management Policy

As part of its Debt Management Policy (which was approved via ordinance in 2011 by the Board), the Harbor Department is required to (a) maintain a minimum debt service coverage ratio ([operating revenue plus interest income minus operating expenses before depreciation and amortization] divided by [annual debt service on all of the Harbor Department's debt]) of 2.0, and (b) maintain a minimum unrestricted cash balance of 600 days of prior Fiscal Year operating expenses (before depreciation and amortization). This policy is an internal guide for the Harbor Department and if not maintained will not be an event of default under the Senior Resolution. Although the Board currently intends to maintain these requirements in the Debt Management Policy, the Board could take future actions that reduce or eliminate these requirements.

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, 2017. The facilities at the Port moved approximately 7.5 million TEUs for the year ended December 31, 2017. According to statistics compiled by Alphaliner, during calendar year 2017, the Port was the 21st busiest container port in the world. 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 the City of Los Angeles 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. 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 1920's.

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 (686 acres of water and 454 acres of land) located on the west side of the Harbor District. The City owns 1,084 acres of the Naval Complex and leases the remaining 56 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 56 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, 2017, the total investment in land, structures and facilities at the Port was approximately \$6.4 billion, including the value of work in progress and rights of way, but before accumulated 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)) 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 of the City or the City Council, 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 2018A Senior Notes.

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:

Tracy J. Egoscue–President. Ms. Egoscue was appointed to the Board in 2014 and her six-year term ends on June 30, 2020. She was elected President of the Board by the other members of the Board in July 2018. Ms. Egoscue is owner and founder of the City-based environmental law firm, Egoscue Law Group. Before founding Egoscue Law Group, Ms. Egoscue served as counsel for the environmental practice group of the international law firm of Paul Hastings LLP. Prior to that, Ms. Egoscue served as Executive Officer of the State of California Regional Water Quality Control Board-Los Angeles Region and as Executive Director of the Santa Monica Baykeeper. Ms. Egoscue has also served as a Deputy Attorney General for the California Department of Justice. She currently serves on the Board of Directors of the California League of Conservation Voters, the Bay Foundation and Mujeres de la Tierra. Ms. Egoscue received a bachelor's degree from the University of California, Santa Barbara, and a juris doctorate from George Washington University in Washington, D.C.

Bonnie Lowenthal–Vice President. Ms. Lowenthal was appointed to the Board in July 2017 and her six-year term ends on June 30, 2023. She was elected Vice President of the Board by the other members of the Board in July 2018. She is a former California Assemblywoman, Long Beach City Councilwoman and Vice Mayor, and Long Beach Unified School District Board member. In 1994, Ms. Lowenthal was elected to the first of two terms on the Long Beach school board. She then won the First District City Council seat in a 2001 special election and was elected to full terms in 2002 and 2006 before being elected to the Assembly in 2008. While a City Council member, Ms. Lowenthal was selected as Vice Mayor in 2006. As a Councilwoman, she also served on the board for the LACMTA. She also has served as a licensed family counselor, mental health consultant and educator. Ms. Lowenthal's pre-political work is rooted in the local Cambodian community, beginning as Director of Planning for the United Cambodian Community in 1989. She earned a Bachelor's Degree in Sociology from the University of Wisconsin and a Master's Degree in Community and Clinical Psychology from California State University, Long Beach.

Frank Colonna–Secretary. Mr. Colonna was appointed to the Board in July 2017 and his six-year term ends on June 30, 2023. He was elected Secretary of the Board by the other members of the Board in July 2018. He has been a real estate professional and business owner in Long Beach for more than 30 years. Mr. Colonna recently served on the City’s Economic Development Commission, from 2015 to 2017. He was elected as Long Beach Councilmember for the Third District in 1998 and reelected in 2002, serving as Vice Mayor from 2002 to 2004. Before entering public service, Mr. Colonna began his own successful real estate business and served eight years as the President of the Belmont Shore Business Association. He also has served in leadership roles with the San Gabriel and Lower Los Angeles Rivers and Mountains Conservancy, the Governing Board of ACTA, and the Gateway Cities Council of Governments. Mr. Colonna graduated from California State University, Long Beach, with a Bachelor of Science degree, and received his master’s degree in Environmental Health from California State University, Northridge. After graduation, he joined the military where he honorably served as 1st Lieutenant in the California Army National Guard.

Lou Anne Bynum–Commissioner. Ms. Bynum was appointed to the Board in 2014 to fill a vacant seat and was reappointed to the Board in 2015. Her six-year term ends on June 30, 2021. Ms. Bynum recently retired from a 20-year career at Long Beach City College (“LBCC”), where she served as Executive Vice President of College Advancement and Economic Development since 2012. Under her leadership, LBCC brought in and administered more than \$125 million in grants and contracts leading to a number of awards for the quality and success of the programs. Ms. Bynum has served in volunteer leadership roles for local, regional and national organizations and currently serves as an executive committee member of the Los Angeles Area Chamber of Commerce Board and is a current appointee by the U.S. Secretary of Commerce to the National Advisory Council on Innovation and Leadership. Ms. Bynum received a bachelor’s degree in History from California State University, Long Beach and a master’s Degree in Applied Linguistics/Teaching English to Speakers of Other Languages from the University of California, Los Angeles.

Lori Ann Guzmán–Commissioner. Ms. Guzmán was appointed to the Board in 2013 and her six-year term will end on June 30, 2019. 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 and then as Chief Financial Officer. Prior to her roles at the City, Ms. Guzmán worked for the New York State Division of the Budget and the New York City Administration for Children’s Services, overseeing budgets of over two billion dollars. A Long Beach resident, she has served on the Long Beach Transit Board and is a 2000 graduate of Leadership Long Beach. Ms. Guzmán received a bachelor’s degree from Barnard College at Columbia University and a master’s degree in Public Administration from Columbia University School of International and Public Affairs.

The Staff. The Charter provides that the Board appoint and employ an Executive Director, who acts as the chief executive of the Harbor Department and who exercises the management of all affairs of the Harbor Department. The management and administration of the Harbor Department is divided into four bureaus (the Finance and Administration Bureau, the Commercial Operations Bureau, the Planning and Environmental Affairs Bureau and the Engineering Services Bureau) reporting to the Executive Director. The Finance and Administration Bureau consists of four divisions: the Finance Division, the Information Management Division, the Real Estate Division and the Risk Management Division. The Commercial Operations Bureau consists of three divisions: the Business Development Division, the Security Division and the Tenant Services and Operations Division. The Planning and Environmental Affairs Bureau consists of three divisions: the Environmental Planning Division, the Master Planning Division and the Transportation Planning Division. The Engineering Services Bureau consists of six divisions within two groups (the Design and Maintenance Group and the Program Delivery Group): the Design and Maintenance Group consists of the Design Division and the Maintenance Division, and the Program Delivery Group consists of the Program

Management Division, the Construction Management Division, the Project Controls Division and the Surveys Division. In addition to the four bureaus discussed above, the Deputy Executive Directors and the Capital Programs Executive report directly to the Executive Director. The Communications Division, the Government Relations Division and the Human Resources Division also report directly to the Executive Director. The executive management of the Harbor Department includes the following individuals:

Mario Cordero—Executive Director. Mr. Cordero was appointed Executive Director of the Harbor Department effective May 2017. Prior to assuming the position of Executive Director of the Harbor Department, he served as chairman of the Federal Maritime Commission; being appointed by President Obama in 2011. Between 2003 and 2011, Mr. Cordero served as a Commissioner on the Board. During his tenure as a Commissioner, he played key roles in developing the Green Port Policy and expanding the Port's community outreach program. Mr. Cordero holds a law degree from the University of Santa Clara and a bachelor's degree in Political Science from California State University at Long Beach. He has practiced law for more than thirty years, and taught Political Science at Long Beach City College.

Richard D. Cameron—Deputy Executive Director, Planning and Environmental Affairs. Mr. Cameron was appointed as the Deputy Executive Director, Planning and Environmental Affairs Bureau of the Harbor Department in August 2018. Prior to this recent appointment, he served as the Managing Director, Planning and Environmental Affairs Bureau of the Harbor Department since January 2014. He oversees the Planning and Environmental Affairs 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 he managed environmental programs for the Port of Los Angeles and served as a consultant for various clients. Mr. Cameron has a bachelor's degree in urban and regional planning from California State Polytechnic University, Pomona.

Dr. Noel Hacegaba—Deputy Executive Director, Administration and Operations. Dr. Hacegaba was appointed Deputy Executive Director, Administration and Operations in August 2018. Prior to this recent appointment, he served as Managing Director, Commercial Operations, and Chief Commercial Officer of the Harbor Department since October 2014. He leads a team of over 100 employees in the Harbor Department's operations, business development, customer service and security and is responsible for the development and implementation of the Harbor Department's commercial strategy. Before his appointment as Managing Director, Commercial Operations, and Chief Commercial Officer, Dr. Hacegaba served as Acting Deputy Executive and Chief Operating Officer and was responsible for managing the daily business activities of the Harbor Department. Dr. Hacegaba's 20 years of public and private sector experience, spanning a variety of industries, includes working for the nation's second-largest environmental services company, serving as chief of staff for an elected official, a business executive for an international trading company, a research analyst for a policy research group and as a management consultant. He is a graduate of the University of Southern California, with degrees in economics (bachelors and masters), business administration (bachelors) and urban planning (masters). He also holds a doctorate in public administration from the University of La Verne. He also has received the professional designations of Certified Port Executive and Port Professional Manager and serves on boards and committees of various industry-related organizations, including Marine Exchange of Southern California, Harbor Association of Industry and Commerce and the American Association of Port Authorities.

Sean A. Gamette,—Managing Director, Engineering Services. Mr. Gamette was appointed Managing Director, Engineering Services of the Harbor Department in February 2017. He

previously served as the Senior Director of the Program Delivery Group, and Chief Harbor Engineer. Mr. Gamette joined the Harbor Department in 2003 in the Program Management Division where he worked on several projects, including the conversion of the former Long Beach Naval Complex to the Pier T Container Terminal. Prior to joining the Harbor Department, he worked on Port projects as a contractor with the firms Pacific Edge Engineering, and McLaren/Hart Environmental Engineering. He is a California Registered Professional Civil Engineer and holds a Bachelor of Science Degree in Civil Engineering from California Polytechnic State University in San Luis Obispo.

Sam Joumblat—Managing Director, Finance and Administration. Mr. Joumblat was appointed Managing Director, Finance and Administration in August 2017, when he rejoined the Harbor Department after being away for three and a half years. Prior to rejoining the Harbor Department, Mr. Joumblat managed the financial and human resources areas for approximately a year and a half at Port Solutions Holdings, a private equity-owned transportation company. Prior to working for Port Solutions Holdings, he spent approximately two years with Metrolink, as the Chief Financial Officer and Treasurer. He also served as interim Chief Executive Officer of Metrolink for a period of four months. Prior to going to work at Metrolink, Mr. Joumblat was the Chief Financial Officer of the Harbor Department for eight years, and prior to that, he was the Deputy City Auditor with the City for three years. Mr. Joumblat holds a master's degree in business administration, a master's of science degree in mechanical engineering and a master's of science degree in industrial engineering, all from the University of Southern California. He also holds a bachelor's of science degree in mechanical engineering. Mr. Joumblat is a Certified Public Accountant, licensed to practice in the State of California.

Duane Kenagy—Capital Programs Executive. Mr. Kenagy joined the Harbor Department in 2014 as the Capital Programs Executive to oversee all elements of the Harbor Department's Capital Development Program. Since then, he has additionally served temporarily as both the Interim Executive Director, and the Interim Deputy Executive Director, while the Board sought permanent candidates for these positions. He has more than 35 years of engineering and design project management experience in the United States and internationally, most recently with Moffatt & Nichol, an engineering consulting firm. Mr. Kenagy joined Moffatt & Nichol in 1994 and during his tenure served in various roles, both domestically and internationally. His experience working with goods movement, alternative project delivery and transportation-related commercial investments closely aligns with his role at the Harbor Department.

Don Kwok, Acting Director of Finance. Mr. Kwok was appointed on October 2017 as the Acting Director of the Finance Division in the Finance and Administration Bureau of the Harbor Department. He leads and oversees all financial operations of the Harbor Department, including general accounting, financial planning and analyses, budget development, contract compliance, and the Harbor Department's financial audits and issuance of the Comprehensive Annual Financial Report. Mr. Kwok joined the Harbor Department as the Assistant Director of Finance in September 2016. Prior to joining the Harbor Department, he was a Complex Controller for 8 years with the International Paper Company responsible for multiple manufacturing facilities in Southern California. Before that, Mr. Kwok was a Finance Manager with the Johnson & Johnson Company in its largest business segment, the Medical Devices and Diagnostics sector. He has a Bachelor of Science Degree in Accounting from the University of Southern California. He is a member of the Government Finance Officers Association.

Employee Relations

As of July 1, 2018, the Harbor Department employed approximately 521 people. With the exception of management and unclassified positions, all employees are hired through the City Civil Service system and are represented by the International Association of Machinists and Aerospace Workers (“IAM”), the Long Beach Association of Engineering Employees (“LBAEE”), the Association of Long Beach Employees (“ALBE”), the Long Beach Supervisors Employee Association (“LBSEA”), or the Long Beach Management Association (“LBMA”) under the terms of separate Memoranda of Understanding. The Memorandum of Understanding with the IAM became effective October 1, 2016 and will expire on September 30, 2019. The Memorandum of Understanding with the LBAEE became effective October 1, 2015 and will expire on September 30, 2019. The Memorandum of Understanding with the ALBE was imposed for one year effective October 1, 2017, which expiration date can be extended. The City expects negotiations with the ALBE will begin in the fall of 2018. The Memorandum of Understanding with the LBSEA became effective July 15, 2016 and will expire on September 30, 2019. The Memorandum of Understanding with the LBMA became effective retroactive to October 1, 2015 and will expire on September 30, 2019. 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 new Memoranda 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 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 74 gantry cranes, all of which are post-panamax cranes, and all of which are owned by various tenants of the Port. Five container terminals are served by on-dock rail yards. Additional cargo handling facilities include three transit sheds and one warehouse. 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” for information on the expansion of the Port.

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 55 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.

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 710 (the “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, 2017, containerized cargo accounted for approximately 76% of the Harbor Department’s total operating revenue, primarily through the collection of wharfage. See “—Property Agreements” and “—Port Tariffs.” See “CAPITAL DEVELOPMENT PROGRAM—2018-27 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”), and Matson Navigation Co., currently operates the container terminal on Pier A (the “Pier A Container Terminal”). The Pier A Container Terminal is an approximately 193-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 railyard capable of handling two double-stack trains simultaneously. Ten gantry cranes with capacities ranging from 40 tons to 60 tons facilitate cargo movement. The facilities at the Pier A Container Terminal can handle ships carrying up to 9,500 TEUs. See “—Operating Performance—Leading Revenue Producers—Restructuring of Preferential Assignment Agreements for Pier A and T Container Terminals.”

Pier C. SSAT operates a 68-acre container terminal at Pier C (the “Pier C Container Terminal”), 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 272 refrigerated containers. Three 40-ton to 60-ton capacity gantry cranes facilitate cargo movement. The facilities at the Pier C Container Terminal can handle ships carrying up to 4,500 TEUs.

Middle Harbor Terminal. The container terminals on Piers D, E and F (collectively, the “Middle Harbor Terminal”) are currently being consolidated into one 311-acre container terminal as part of the “Middle Harbor Terminal Redevelopment Project.” Phases 1 and 2 of the Middle Harbor Terminal Redevelopment Project were completed and became operational in 2015 and 2017, respectively. Phases 1 and 2 of the Middle Harbor Terminal Redevelopment Project are capable of handling ships carrying approximately 22,000 TEUs. Phase 3 is underway and is scheduled to be completed in late-2020. Once the overall Middle Harbor Terminal Redevelopment Project is fully complete, the facility will include a new 4,200-foot long concrete wharf with three deepwater berths that will support 14 modern gantry

cranes that will be able to handle ships carrying up to 24,000 TEUs and able to move up to an estimated 3.3 million TEUs annually. See “CAPITAL DEVELOPMENT PROGRAM—2018-27 Capital Plan—Middle Harbor Terminal Redevelopment Project (Piers D, E and F).”

In 2012, the Harbor Department and Orient Overseas Container Line LLC (“OOCL”) entered into a 40-year preferential assignment agreement for the Middle Harbor Terminal. Based on the guaranteed annual minimum payments required to be made by OOCL pursuant to the terms of the preferential assignment agreement, the Harbor Department expects the agreement will generate a minimum of approximately \$4.6 billion of operating revenue for the Harbor Department over the 40-year term. The facility is currently operated by OOCL’s subsidiary and sublessee, LBCT LLC (“LBCT”). In 2017, China Overseas Shipping Company (“COSCO”) agreed to purchase the parent company of OOCL. However, in order to receive U.S. government approval for the purchase, COSCO has agreed to divest its ownership in LBCT. Any purchaser of COSCO’s interest in LBCT, would be required to assume all of the obligations (including guaranteed annual minimum payments) of OOCL under the preferential assignment agreement for the Middle Harbor Terminal. The party that agrees to assume OOCL’s obligations, including any guarantor, under the preferential assignment agreement would be subject to the approval of the Board. While the sale of LBCT is pending, ownership is expected to be transferred to a trust, whose principal trustee must be a U.S. citizen. As of the date of this Official Statement, the Harbor Department does not know who will purchase COSCO’s interest in LBCT or what affect such a purchase may have on operations at the Middle Harbor Terminal.

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 258-acre facility that includes five berths, a 6,379 foot-long wharf with water depths ranging from 42 feet to 52 feet, a storage area for approximately 12,800 on-ground containers, power outlets for 1,100 refrigerated containers and an on-dock railyard. The Pier G Container Terminal has 15 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 14,000 TEUs.

Pier J. Pacific Maritime Services LLC (a joint venture between SSAT, CMA CGM and COSCO) 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 railyard. The Pier J Container Terminal has 17 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 18,000 TEUs.

Pier T. Total Terminals International, LLC (a joint venture between Terminal Investment Limited SARL (a subsidiary of Mediterranean Shipping Company) and Hyundai Merchant Marine), 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 railyard. 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 18,000 TEUs. See “—Operating Performance—Leading Revenue Producers—Restructuring of Preferential Assignment Agreements for Pier A and T Container Terminals.”

Dry Bulk. For the 12 months ending September 30, 2017, dry bulk accounted for approximately 9% 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 6.9 million and 5.8 million metric tons of dry bulk products were exported through the dry bulk terminals on Piers G and F in each of the Fiscal Years 2017 and 2016, respectively. These products include petroleum coke, calcined petroleum coke, coal and sulfur.

The Pier G bulkloader consists of two conveyor system shiploaders operated by Metropolitan Stevedore Company. Dry bulk products are stored temporarily in seven specifically-designed sheds that have a total capacity of 586,000 tons and are moved automatically to dockside, where ships are loaded at 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 entire facility is automated and is 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, and bottom dumpers on two different track systems also operate at high capacity.

The Pier F bulkloader 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 at 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 a 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 MCC Terminal, Inc., this facility can handle 800 tons per hour and, instead of a silo system, utilizes a warehouse (with a capacity of 52,000 tons) 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, 2017, general cargo accounted for approximately 5% 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 196,000 vehicles were shipped through this terminal during Fiscal Year 2017 as compared to approximately 199,000 vehicles during Fiscal Year 2016. 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. Crescent Terminals, Inc. ("Crescent Terminals") operates Berths 206 and 207. Mercedes received approximately 66,000 vehicles in Fiscal Year 2017 and approximately 72,000 vehicles in Fiscal Year 2016 through these facilities.

Forest Products. Weyerhaeuser Company, a subtenant of Fremont Forest Group Corporation, located at Pier T, transports framing lumber by barge from Coos Bay, Oregon, and Longview and Aberdeen, Washington. At this facility, approximately 188 million board feet of lumber are handled annually.

Metals. SA Recycling, LLC operates a recycled steel and iron ore facility on Pier T that 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 the capacity to handle 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 an 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, 2017, petroleum/liquid bulk accounted for approximately 5% of the Harbor Department's total operating revenue, primarily through the collection of wharfage per barrel. The following is a summary of the major petroleum/liquid bulk facilities at the Port.

Petroleum Bulk. The Port maintains five bulk oil terminals; two are leased to Tesoro Refining and Marketing Company ("Tesoro") (on Pier B); one is leased to Carson Cogeneration Company, a Tesoro subsidiary (on Pier T); one is leased to Petro Diamond Terminal Co. ("Petro Diamond") (on Pier B); and one is leased to Chemoil Marine Terminal ("Chemoil") (on Pier F). Each terminal is connected directly 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 during Fiscal Year 2017 was approximately 32.6 million metric tons as compared to approximately 31.2 million metric tons during Fiscal Year 2016.

Liquid Bulk (Chemical and Oils). Liquid bulk is handled by Vopak North America at Pier S, Berth S101. Large heavy duty pumps handle a variety of bulk liquids such as chemicals. Additional tank storage capacity is nearby at locations linked by direct pipeline to the berth facilities.

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."

Tonnage. The Harbor Department tracks the volume of marine commerce by Metric Revenue Tons ("MRTs"). Marine commerce passing through the Port by MRTs and TEUs during the last five Fiscal Years is summarized in the following table:

TABLE 4
Harbor Department of the City of Long Beach
Revenue Tonnage and TEU Summary
(Fiscal Year Ended September 30)

	2013	2014	2015	2016	2017
Inbound/Outbound Cargo in Revenue Tonnage (MRTs)¹					
<i>Inbound Cargo</i>					
Foreign	101,026,699	104,245,298	98,464,085	93,927,997	99,467,872
Coastwise/InterCoastal	18,476,723	17,998,456	26,060,757	29,008,568	30,977,282
Total Inbound Cargo	119,503,422	122,243,754	124,524,842	122,936,565	130,445,154
<i>Outbound Cargo</i>					
Foreign	36,768,609	37,066,641	33,592,125	32,737,305	32,922,688
Coastwise/InterCoastal	5,141,434	5,348,303	4,843,410	3,995,516	3,257,747
Bunkers	843,291	866,945	1,313,215	1,652,476	1,474,261
Total Outbound Cargo	42,753,334	43,281,889	39,748,750	38,385,297	37,654,696
<i>Total Cargo in Revenue Tonnage</i>	162,256,756	165,525,643	164,273,592	161,321,863	168,099,850
Container Count in TEUs²	6,647,975	6,817,591	7,087,700	6,946,257	7,231,758

¹ A Metric Revenue Ton is equal to either 1,000 kilograms or one cubic meter.

² A TEU represents a twenty-foot equivalent unit.

Source: Harbor Department

Cargo volumes as measured by MRTs and by TEUs increased by approximately 4.2% and 4.1%, respectively, in Fiscal Year 2017 as compared to Fiscal Year 2016. These increases were primarily a result of higher cargo volumes resulting from the opening of Pier E of the Middle Harbor Terminal. Also, see “FINANCIAL DATA” for a discussion of the Harbor Department’s Fiscal Year 2017 financial results.

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The following table sets forth the number of TEUs handled by the Port in the first eleven months (October through August) of Fiscal Years 2017 and 2018.

TABLE 5
Harbor Department of the City of Long Beach
TEUs Handled by Port
(First Eleven Months of Fiscal Years 2017 and 2018)

Month	First Eleven Months Fiscal Year 2017¹	First Eleven Months Fiscal Year 2018²	Percentage Change
October	581,808	669,218	15.0%
November	534,308	612,659	14.7
December	548,929	696,918	27.0
January	582,689	657,830	12.9
February	498,311	661,790	32.8
March	505,382	575,258	13.8
April	558,014	618,438	10.8
May	648,287	687,427	6.0
June	658,727	752,188	14.2
July	720,312	688,457	(4.4)
August	692,375	679,543	(1.9)
Total	6,529,142	7,299,726	11.8

¹ October 2016 through August 2017.

² October 2017 through August 2018.

Source: Harbor Department

TEUs handled at the Port increased 11.8% during the first eleven months of Fiscal Year 2018 as compared to Fiscal Year 2017. The main contributing factors to such increases were (i) the normalization of cargo passing through the Port following Hanjin’s bankruptcy filing in August 2016 that resulted in a slowdown of cargo passing through the Pier T Container Terminal (see “—Operating Performance—Leading Revenue Producers—Hanjin Bankruptcy”), and (ii) the opening of Pier E of the Middle Harbor Terminal. See “CERTAIN INVESTMENT CONSIDERATIONS—Alliances and Consolidation of Container Shipping Industry.”

Cargo Summary. For the year ended September 30, 2017, 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.

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The following is a breakdown of cargo handled at the Port during the past two Fiscal Years in tonnage and operating revenues:

TABLE 6
Harbor Department of the City of Long Beach
Cargo Summary
(Fiscal Years Ended September 30, 2016 and 2017)

Type of Cargo	2016				2017			
	Metric Revenue Tons (000's)	Percent of Total Tons	Operating Revenue (000's) ¹	Percent of Operating Revenue ¹	Metric Revenue Tons (000's)	Percent of Total Tons	Operating Revenue (000's) ¹	Percent of Operating Revenue ¹
Containerized	123,014	76%	\$274,732	76%	127,037	76%	\$291,421	76%
Petroleum/Liquid Bulk	31,174	19	17,177	5	32,628	19	18,126	5
Dry Bulk	6,028	4	29,389	8	7,170	4	34,719	9
General Cargo	1,106	1	26,873	7	1,265	1	20,221	5
Total Cargo	161,322	100%	\$348,171	96%	168,100	100%	\$364,486	95%
Other Operating Revenues			\$12,531	4%			\$16,525	4%
Total			\$360,660	100% ²			\$381,010	100% ²

¹ Operating Revenue includes operating revenues from wharfage, dockage, storage/demurrage, rentals, bunkers, special facilities rentals, utilities and other. See "TABLE 8—Harbor Department of the City of Long Beach; Sources of Operating Revenues."

² Numbers may not sum due to rounding.

Source: Harbor Department

Trading Countries. The top five trading countries with the Harbor Department for the past five Fiscal Years, ranked based upon Fiscal Year 2017 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 2017 Results)
(Metric Tons)

Countries	2013	2014	2015	2016	2017
Inbound					
China	14,860,528	15,693,666	15,741,891	14,025,907	14,550,772
Saudi Arabia	238,081	689,147	1,232,156	2,439,698	2,910,743
Panama	2,181,606	2,844,573	2,639,291	2,554,182	2,204,626
Ecuador	2,238,208	1,274,199	2,826,985	1,951,651	1,820,279
South Korea	1,203,568	1,639,582	1,684,992	1,641,842	1,646,986
Outbound					
China	8,986,568	9,957,376	6,959,538	7,190,713	6,078,161
Japan	4,305,008	4,082,910	3,414,694	2,805,124	2,926,459
Taiwan	1,778,155	1,921,029	1,358,072	1,257,552	1,168,901
South Korea	955,389	931,765	1,144,523	995,048	1,164,972
Indonesia	620,569	636,142	674,926	638,699	799,529

Source: Harbor Department

In addition to the trading countries listed above, the other major inbound trading countries include Mexico, Vietnam, Kuwait, Japan and Iraq, and the other major outbound trading countries/regions include Australia, Hong Kong, Vietnam, Mexico and India.

Supply Chain Optimization Initiative. The Harbor Department is actively evaluating the movement of goods through the Port, including ways to increase reliability, reduce costs, increase efficiencies, enhance the timely exchange of information, establish meaningful performance metrics and strengthen relationships with all supply chain stakeholders. The San Pedro Bay Ports have conducted over 60 working group sessions and are actively developing specific efficiency improvement initiatives related to chassis utilization, data transparency, and intermodal rail optimization.

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). These agreements include preferential assignments, leases, revocable permits and area assignments. 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 top ten revenue producers have expiration dates ranging from 2022 to 2051, with nine of these agreements (including most of the agreements for the major container terminals) expiring between 2022 and 2034.

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. For Fiscal Year 2017, the preferential assignment agreements with the Port’s major container terminal operators contained guaranteed annual minimum payments of approximately \$278.1 million. The preferential assignment agreements require that the compensation payable to the Harbor Department be renegotiated at various intervals ranging from two to 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. 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 tenant’s 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, or if work stoppages or strikes prevent operation of the property or facilities, 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, 2017, revenues from non-waterfront properties and miscellaneous sources have accounted for approximately 3.4% 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 permittees or lessees are responsible for collecting tariff charges and for remitting to the Harbor Department, all or any portion of such tariff charges required to be paid 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)

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017¹</u>
Operating Revenues					
Berths & Special Facilities					
Wharfage	\$296,623	\$307,561	\$312,074	\$322,522	\$342,022
Dockage	12,055	10,877	10,773	8,089	7,134
Bunkers	1,375	703	1,048	1,412	1,269
Special Facilities Rentals	12,426	13,758	16,247	15,612	13,289
Crane Rentals ²	12,789	12,789	2,372	—	—
Other	601	570	620	536	771
<i>Total Berths & Special Facilities</i>	<u>\$335,869</u>	<u>\$346,258</u>	<u>\$343,134</u>	<u>\$348,171</u>	<u>\$364,486</u>
Rental Properties	\$ 9,374	\$ 9,360	\$ 9,881	\$ 9,958	\$13,732
Utilities/Miscellaneous	1,001	1,262	2,435	2,531	2,793
Total Operating Revenues	<u><u>\$346,244</u></u>	<u><u>\$356,880</u></u>	<u><u>\$355,450</u></u>	<u><u>\$360,660</u></u>	<u><u>\$381,010</u></u>

¹ See "FINANCIAL DATA" for a discussion of the Harbor Department's Fiscal Year 2017 financial results.

² The Harbor Department sold all of the cranes that it previously owned and leased to certain of the tenants at the Port. As a result of such sale, the Harbor Department no longer collects any crane rentals.

Source: Harbor Department

Wharfage is the Harbor Department's primary source of operating revenue, generating approximately 90% of the Harbor Department's operating revenues. The following table compares revenues generated from wharfage charges 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)

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Total Metric Revenue Tons (000's)	162,257	165,526	164,274	161,322	168,100
Wharfage Revenue (000's)	\$296,623	\$307,561	\$312,074	\$322,522	\$342,022
Average Wharfage Revenues Per Ton	\$1.83	\$1.86	\$1.90	\$2.00	\$2.03

Source: Harbor Department

Leading Revenue Producers.

General. The following companies represent the Harbor Department's twenty largest customers in terms of revenues, listed alphabetically. These customers accounted for approximately 96% of the Harbor Department's operating revenue in Fiscal Year 2017. The largest single customer accounted for approximately 22% of the Harbor Department's operating revenues in Fiscal Year 2017

TABLE 10
Harbor Department of the City of Long Beach
Leading Revenue Producers
Fiscal Year 2017

Carson Cogeneration Company	Oxbow Energy Solutions, LLC
CEMEX Construction Materials Pacific, LLC	Pacific Maritime Services (Pacific Container Terminal)
Chemoil Corporation	S7 Sea Launch Limited (Formerly Energia Logistics Ltd.)
Crescent Terminals, Inc.	SA Recycling, LLC
CSA Equipment	SSA Terminals, LLC
International Transportation Service, Inc.	SSA Terminals (Pier A), LLC
Jacobsen Pilot Service, Inc.	Tesoro Refining & Marketing
Koch Carbon, LLC	Tesoro Logistics LP
Metropolitan Stevedore Company	Total Terminals International, LLC ²
OOCL, LLC – LBCT LLC ¹	Toyota Motor Sales USA, Inc.

¹ See “THE PORT OF LONG BEACH—Current Port Facilities—Container Terminals—Middle Harbor Terminal” for a discussion of COSCO’s purchase of OOCL’s parent company and its obligation to divest its interest in LBCT.

² See “Hanjin Bankruptcy” below for a discussion of the Hanjin bankruptcy and the sale of its interest in Total Terminals to a subsidiary of Mediterranean Shipping Company and Hyundai Merchant Marine.

Source: Harbor Department

Hanjin Bankruptcy. On August 31, 2016, Hanjin filed for bankruptcy protection in the United States and various other courts around the world, including South Korea. Prior to its bankruptcy filing, Hanjin owned 54% of Total Terminals, which operates the Pier T Container Terminal. In connection with its bankruptcy proceedings, Hanjin sold its interest in Total Terminals to a subsidiary of Mediterranean Shipping Company (Terminal Investment Limited SARL) and Hyundai Merchant Marine. After the sale, Mediterranean’s subsidiary Terminal Investment Limited SARL, now owns 80% of Total Terminals, and Hyundai Merchant Marine owns 20%. As a direct result of the Hanjin bankruptcy proceedings, between September 1, 2016 and January 1, 2017, cargo throughput at the Pier T Container Terminal decreased by 36.9%, and cargo throughput at the entire Port decreased by 7.7%. However, during the bankruptcy proceedings of Hanjin, operating revenues of the Harbor Department only decreased by 0.17% as compared to the same period in Fiscal Year 2016 and Total Terminals made all guaranteed annual minimum payments under its preferential assignment agreement with the Harbor Department.

Restructuring of Preferential Assignment Agreements for Pier A and T Container Terminals. In past years, some of the same shipping lines called at both the Pier A Container Terminal and the Pier T Container Terminal. As a result of the use of larger container ships in the maritime industry, some of these shipping lines shifted cargo from the Pier A Container Terminal to the larger terminal facilities at the Pier T Container Terminal. This shift in cargo volume led the Harbor Department and the operators of the Pier A and Pier T Container Terminals to restructure certain financial terms of the Pier A and Pier T Container Terminal Preferential Assignment Agreements. These restructurings resulted in Mediterranean Shipping Company relinquishing its interest in the Pier A Container Terminal and transferring its operations to the Pier T Container Terminal in late 2016. Additionally, in 2017, SM Line, Hapag-Lloyd, and Hamburg Süd began operating at the Pier A Container Terminal. The number of TEUs handled at the Pier A Container Terminal decreased in 2017 as a result of Mediterranean Shipping moving its operations to the Pier T Container Terminal, but the number of TEUs to be handled at the Pier A Container Terminal in 2018 are expected to increase as compared to 2017 as a result of the new shipping lines providing a full year of service at the Pier A Container Terminal. The Harbor Department expects that the number of TEUs to be handled at the Pier A Container Terminal in 2018 will be higher

than the number handled in the year Mediterranean Shipping moved its operations to the Pier T Container Terminal (2016) but not as high as the number of TEUs handled in 2014 and 2015 at the Pier A Container Terminal.

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 ocean carriers, marine terminal operators and stevedore companies on the Pacific Coast. The major providers of stevedoring and terminal services include Cooper/T. Smith Stevedoring, Metropolitan Stevedore Company (doing business as Metro Ports), Stevedoring Services of America, and Ports America Inc., along with ocean carrier-owned terminal operating companies such as OOCL, LLC - LBCT and Total Terminals International, LLC.

The current contract between the Association and the ILWU was entered into on May 21, 2015 and was ratified by the ILWU membership on May 22, 2015, retroactive to July 1, 2014. The current contract originally had an expiration date of June 30, 2019, but a three-year extension was negotiated by the Association and the ILWU and ratified by the ILWU membership on August 7, 2017. The current contract now has an expiration date of July 1, 2022.

The previous contract between the Association and ILWU expired on June 30, 2014. The Association and the ILWU began negotiating a new contract in May 2014, but did not agree on a new contract until February 2015. The protracted negotiations had a compounding effect on congestion issues that slowed container cargo movements through the Port between September 2014 and February 2015. The Harbor Department’s revenues and container volumes at the Port were temporarily impacted during Fiscal Year 2015 as a result of the slowdown and other congestion factors, but full-Fiscal Year revenues were not materially affected and container volumes recovered and were slightly higher than the prior Fiscal Year (4%).

In December 2012, a strike by the members of the Office Clerical Unit (“OCU”) of the ILWU resulted in an eight-day closure affecting only three container terminals in the San Pedro Bay that used OCU workers. The members of the OCU are employed by some of the shipping lines and terminal operators that operate at the San Pedro Bay Ports. The OCU and the shipping lines and terminal operators, subsequently agreed to new contracts and the closed terminals were reopened. There was no financial impact to the Harbor Department as a result of the OCU strike.

Prior to the OCU related 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 ILWU workers, 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, there has generally been a history of excellent working relationships between the ILWU and the employers represented by the Association. Prolonged work slowdowns or stoppages, particularly if combined with excessive congestion, could adversely affect revenues of the Harbor Department. The employees of the Harbor Department do not work for the tenants of the Port or the stevedoring companies.

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 of 1972, 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 also is 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 California Air Resources Board (“CARB”) 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. See “Air Pollution Reduction Programs (Clean Air Action Plan)” below. 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.

The Harbor Department’s agreements with its tenants require the tenants to take the responsibility for financing the cost associated with cleaning up spills of fuels, oils and other hazardous substances.

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 surveys 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 Process.

General. As the "Lead Agency" under CEQA, the Harbor Department completes CEQA determinations and documentation for all CEQA-regulated projects within the Harbor District. The Harbor Department's CEQA process 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's CEQA process helps reduce the potential for disagreement and challenges from federal, State and local agencies and environmental groups.

Current CEQA Projects. The Harbor Department and the U.S. Army Corps of Engineers are preparing a Port of Long Beach Deep Draft Navigation Feasibility Study and joint EIR/EIS. The study will analyze if there is a federal interest in deepening channels at the Port. The Harbor Department has prepared a Notice of Preparation under CEQA and has solicited input from agencies, organizations and interested parties on the scope of environmental issues to be addressed in the EIR for this project. A Draft EIR is currently being prepared and is expected to be released in late 2019.

The Harbor Department is currently in the process of updating the Port Master Plan which includes a corresponding programmatic EIR ("PEIR"). The project description for the PEIR is currently being developed. It is anticipated that Notice of Preparation for the PEIR will be released in late summer/early fall of 2018. The final PEIR is expected to be completed in late 2019.

Past CEQA Projects. On May 13, 2009, the Middle Harbor Terminal Redevelopment Project EIR/EIS was certified by the Board. On August 9, 2010, the Board certified the Final EIR for the Gerald Desmond Bridge Replacement Project (the "Gerald Desmond Bridge EIR"), and on September 23, 2010, Caltrans issued a Finding of No Significant Impacts with respect to the Gerald Desmond Bridge Replacement Project (the "Gerald Desmond Bridge FONSI"). Subsequent to August 9, 2010, the Board approved certain addenda to the Gerald Desmond Bridge EIR, which were reviewed by Caltrans and, in each case, Caltrans determined that the Gerald Desmond Bridge FONSI remained valid. 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.

On December 15, 2016, the Harbor Department released a Draft EIR and an Application Summary Report for the Pier B On-Dock Rail Support Facility Project for public review. The proposed project would provide for additional railcar storage and staging capacity, including additional rail tracks for locomotive fueling, railcar repair and to accommodate assembly of cargo trains up to 10,000 feet long. The public comment period for the Draft EIR closed on March 13, 2017. The Board certified the final EIR for the Pier B On-Dock Rail Support Facility Project on January 22, 2018.

Air Pollution Reduction Programs (Clean Air Action Plan). In 2006, the Harbor Department, together with the Port of Los Angeles, developed the San Pedro Bay Ports Clean Air Action Plan (the "CAAP") with input from the EPA, CARB, and the South Coast Air Quality Management District ("SCAQMD"). The CAAP was updated and reauthorized in 2010 and again in 2017. The CAAP is the Harbor Department's long-term comprehensive plan to address air pollution emissions from Port-related sources. The CAAP addresses every category of Port-related emission sources (ships, trucks, trains,

cargo handling equipment and harbor craft), and outlines specific, detailed strategies to reduce emissions from each category. Through implementation of the CAAP, since 2005, there has been an 84% reduction in diesel particulate matter, a 97% reduction in sulfur oxides and a 56% reduction in nitrogen oxides emissions from Port-related sources. The 2017 update to the CAAP includes several updates, including goals of achieving zero emission cargo handling equipment by 2030 and zero emission drayage truck fleets by 2035. The CAAP has and will require a significant investment by the Harbor Department, the Port of Los Angeles and private sector businesses and will expedite the introduction of new and innovative methods of reducing emissions prior to any federal or State requirements being imposed on the San Pedro Bay Ports. See “2016 AQMP Indirect Source Rule” below.

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 produces near-zero or zero emissions; (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 Pacific Harbor Line with less polluting locomotives and the purchase of six generator set locomotives which meet the cleanest engine standards; and (g) the Clean Trucks Program, which requires progressively cleaner engine standards for trucks operating at the Port with a goal of having a zero emission drayage truck fleet by 2035 (see “Clean Trucks Program” below for additional information).

Green Flag Incentive Program. The Green Flag Incentive Program was approved by the Board in 2005 to boost compliance with the voluntary vessel speed reduction program, which was then around 60%. 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 who 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 calendar year 2017, the Green Flag Incentive Program had participation rates of 97% and 91% for 20 nautical miles and 40 nautical miles, respectively. In 2016 (the latest information available), air pollution reductions included avoided emissions of approximately 1,224 tons of smog-forming nitrogen oxides, approximately 25 tons of diesel particulate matter and approximately 53,135 tons of carbon dioxide, a greenhouse gas pollutant. In calendar year 2017, the Harbor Department provided discounts to qualified participants in the Green Flag Incentive Program of approximately \$2.6 million. The Harbor Department estimates that it will provide approximately \$2.6 million of discounts to qualified participants in the Green Flag Incentive Program in calendar year 2018.

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 calendar year 2017, approximately 30.2% of the vessel calls at the Port were eligible for the Green Ship Incentive Program and the Harbor Department provided approximately \$1,202,500 in incentive payments.

Shore-Side Electrical Power. Exhaust emissions from auxiliary engines operated by vessels while at berth represent a significant source of air pollution at the Port. A docked cargo ship operates auxiliary engines to power onboard operations which emits several types of air contaminants. The Harbor Department has installed shore-side electric power at all of the container terminals at the Port, so that vessels can plug-in and use 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 will significantly reduce 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. In June 2009, the world's first shore-side electrical powered tanker berth was commissioned at the BP terminal on Pier T. 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 Fiscal Year 2016. The Harbor Department incurred approximately \$136.3 million of costs in connection with equipping facilities at the Port with shore-side electrical power.

In December 2007, the CARB 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 Port were required to use one of these two options to reduce emissions. The percentage of fleet visits required to use one of these two options increased to 70% in 2017, and will increase 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.

CARB is currently considering updates to the At-Berth Regulation, which may include phased-in requirements for use of shorepower or alternatives for auto carriers, bulk and general cargo vessels, and tankers. The timing of final adoption of the amendments to the regulation is anticipated in 2019.

Clean Trucks Program. Another program the Harbor Department has undertaken in an effort to lower air pollution levels at the Port is the Clean Trucks Program (the "CTP"). 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. The CTP targets emissions from heavy duty trucks that move cargo in and out of the marine terminals at the Port. The CTP successfully reduced air emissions and health risks by modernizing the Port's trucking fleet. As a result of continued modernization of the truck fleet, currently about half have been upgraded to meet the even cleaner EPA 2010 on-road heavy duty

emissions standards. In the CAAP, the Harbor Department set goals to advancing the CTP to phase out older trucks and transition to near-zero emissions in the near-term and zero-emission trucks by 2035. The Harbor Department has no remaining financial obligations under the CTP.

2016 AQMP Indirect Source Rule. In 2017, SCAQMD approved its 2016 Air Quality Management Plan (the “2016 AQMP”). The 2016 AQMP contains an “Indirect Source Rule” or “backstop rule” (also known as MOB-01) that would require the San Pedro Bay Ports to develop a strategy to reduce air emissions at the respective ports to levels still to be developed in accordance with the 2016 AQMP. The emission reduction levels could be more strict than what is already set forth in the CAAP. In March 2017, CARB adopted the 2016 AQMP as part of its amendments to the State Implementation Plan pursuant to the Clean Air Act. The amended State Implementation Plan has been submitted to the EPA for review and approval, which review and approval could take up to 18 months. In May 2018, the SCAQMD’s Board decided to postpone any action on development of an Indirect Source Rule for the San Pedro Bay Ports, to allow time for 2017 updates to the CAAP to be implemented. However, SCAQMD has proposed to enter into a Memorandum of Understanding with the San Pedro Bay Ports related to implementation of the 2017 updates to the CAAP and may choose to proceed with development of an Indirect Source Rule at a later date if it determines that adequate progress has not been made related to emission reductions for the region.

The Harbor Department does not believe SCAQMD or CARB have the authority to impose rules or regulations on the San Pedro Bay Ports that would require the Ports to regulate emissions from shipping companies, terminal operators, the railroads or the trucking companies because (i) the San Pedro Bay Ports are not regulators and do not have regulatory authority, and (ii) those industries are regulated under international treaties and federal and state laws and thus enjoy various levels of preemption. As of the date of this Official Statement, the Harbor Department cannot predict what final rules and regulations may result from the 2016 AQMP and the State Implementation Plan, the results of any legal challenges to such rules and regulations, or the costs of such rules and regulations, if enforceable against the San Pedro Bay Ports and their respective tenants

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 revisited 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 is scheduled to be reconsidered in 2019. The Harbor Department expects to spend approximately \$1 million in 2018 to conduct studies, required monitoring and development of related implementation plans associated with the TMDL.

Additionally, the City developed 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 currently developing an energy program that seeks to provide energy reliability, resiliency and economic competitiveness to its own operations and those of its tenants.

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. The Harbor Department expects to spend approximately \$3 million in each of 2018 and 2019, 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; Long-Term Land Use Study

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. 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 identifies proposed uses of land and water areas within the Harbor District and establishes a flexible framework allowing for development of the Port and is updated periodically.

The Harbor Department is currently in the process of reviewing and updating the Port Master Plan. The update process is guided by the California Coastal Act and involves evaluation of land use and water use designations, reconfiguration of planning districts, and identification of anticipated projects. In addition, the update will incorporate previously certified Port Master Plan amendments and update the overall goals and policies for long-range development. Additionally, the update to the Port Master Plan is needed to consider changes in the global shipping industry, technological advances, and important factors

such as climate change and energy resources consistent with Harbor Department's "Green Port Policy" objectives. The update also will revise the guidelines for public access to the waterfront by reviewing the vision for development of future recreation areas and facilities. The Harbor Department expects that the update to the Port Master Plan will be certificated by CCC by the end of 2019.

In June 2017, the Harbor Department selected Leidos to provide assistance with updating the Port Master Plan, evaluating the environmental impacts of proposed development and land uses and Port Master Plan approval by the Board and the CCC.

2018-27 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 2018-27 Capital Plan is the Harbor Department's current 10-year capital plan. The 2018-27 Capital Plan includes, but is not limited to, the following capital projects and improvements: 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 and two fireboat stations, the installation of various security improvements, and various other infrastructure projects at the Port (including street, storm drain, sewer and water systems projects). As of the date of this Official Statement, the 2018-27 Capital Plan has an aggregate estimated cost of approximately \$2.4 billion. The Harbor Department expects to finance the costs of the 2018-27 Capital Plan with the following sources: (i) \$754 million of proceeds of Senior Bonds and/or Subordinate Obligations; (ii) \$1.412 billion of revenues of the Harbor Department; and (iii) \$250 million of federal and State grants and other sources of funds. See "—Funding Sources of 2018-27 Capital Plan." See also "THE PORT OF LONG BEACH—Environmental Compliance."

Many of the improvements to the marine terminals set forth in the Port Master Plan and the 2018-27 Capital Plan, include, but are not limited to, longer wharves, deeper berths and larger storage areas necessary to accommodate the docking and loading/unloading requirements of the current and future container cargo ships. Currently, the largest container cargo ships have the capacity to carry upwards of 21,000 TEUs.

Following is a brief description of some of the major projects included in the 2018-27 Capital Plan:

Middle Harbor Terminal Redevelopment Project (Piers D, E and F). The Middle Harbor Terminal Redevelopment Project is a 10-year approximately \$1.49 billion modernization of the container terminals on Piers D, E and F. The project will consolidate the Pier E terminal (176 acres), the Pier F terminal (101 acres), and the Berth E24 subsided oil area (five acres), into a single, modern, 311-acre container terminal. The project will add on-dock rail capacity, shore-side electrical power, battery charging stations for electric yard equipment, electric rail-mounted gantry cranes, and deeper channels to accommodate the newest container ships. The project is being constructed in three phases. Phases 1 and 2 were completed in 2015 and 2017, respectively, and are currently in operation. Construction of Phase 3 is underway and is scheduled to be completed in late-2020. When completed, the Middle Harbor Terminal is expected to be able to move up to an estimated 3.3 million TEU's annually, twice the amount of cargo that was moved through the old facilities. See "THE PORT OF LONG BEACH—Current Port Facilities—Container Terminals—Middle Harbor Terminal" for information about the preferential assignment agreement the Harbor Department entered into with OOCL for the Middle Harbor Terminal.

Pier G Terminal Redevelopment Project. The Pier G Terminal Redevelopment Project is mostly complete. The project consisted of a multi-year renovation of the Pier G Container Terminal that

upgraded rail, wharf, gate, container yard, maintenance and administration facilities. Portions of the Pier G on-dock rail yard were built over 40 years ago. The “Double Track Access” from Pier G to Pier J is the next project in the Pier G Terminal Redevelopment Project. This project will add a second lead track serving both the Pier G Terminal and the Pier J Terminal, together with construction of additional storage tracks to replace those taken out of service to construct the second lead track. The California Transportation Commission selected this project for \$14 million in National Highway Freight Program federal funds authorized by block grant to California. Construction is scheduled begin in December 2019 following federal environmental and right of way certifications.

Rail Program. A major transportation element of the 2018-27 Capital Plan is to move more cargo by rail. The Port has a significant railroad infrastructure improvement program that includes four rail-related projects with an approximate cost of over \$1 billion. These rail-related projects are located adjacent to, but outside of, the marine terminal lease boundaries. The location and design of these rail-related projects are intended to support a significant increase in the amount of cargo moved by on-dock rail. The largest project within the Rail Program is the Pier B On-Dock Rail Support Facility. The Pier B On-Dock Rail Support Facility, which is currently underway, is expected to be a 14 year program. Right-of-way acquisition, utility relocations, street re-alignment and traffic improvements are significant work elements that will be undertaken prior to a phased railyard expansion. The expansion will increase on-dock rail activity at the container terminals by providing a staging yard for on-dock rail operations. This staging yard will (1) allow longer, 10,000-ft trains to be operated consistently from each container terminal without congesting main line operations; (2) improve utilization at each on-dock railyard by shifting train arrival and departure activities, locomotive fueling, and potentially railcar maintenance work to the Pier B yard; (3) act as a central classification yard where the railroads could assemble railcars from different container terminals into a single train; (4) provide space where each on-dock terminal could stage railcars until the on-dock terminal is ready to load and unload them; and (5) convert certain truck trips to rail trips between the Port and shippers in California, Arizona and Nevada. This project would increase the rail modal share of cargo activity in the harbor, with a corresponding reduction in modal share moving to and from the Port by truck.

Gerald Desmond Bridge Replacement Project. See “PLAN OF REFUNDING—Gerald Desmond Bridge Replacement Project” for a description of the Gerald Desmond Bridge Replacement Project.

Civic Center Plaza (Port Headquarters Building). The new Port of Long Beach Administrative Headquarters Building project is a part of the City of Long Beach Civic Center project. The project includes the construction of a new headquarters building for the Harbor Department in downtown Long Beach, co-located with a new city hall, a library, a public park and other shared facilities. The Harbor Department’s total project cost, including certain costs associated with facilities that will be shared with the City, the purchase of the land upon which the Port Headquarters Building is being constructed and non-construction cost, is budgeted at approximately \$235 million. Procurement of the Port Headquarters Building will be under a modified design-build-finance-operate-maintain approach. The Port Headquarters Building and the City of Long Beach Civic Center are being developed by Plenary Properties Long Beach LLC (“Plenary”). The project agreement with Plenary (the “Project Agreement”) was approved by the Board on December 17, 2015, and closing of the transaction occurred in April 2016. Construction started in August 2016 and is expected to be completed in mid-2019. Plenary, through a loan provided by Sumitomo Mitsui Banking Corporation, is providing the financing for the costs of construction of the Port Headquarters Building. Pursuant to the terms of the Project Agreement, upon completion of the Port Headquarters Building, the Harbor Department has agreed to make a completion payment in the amount of \$210.6 million to Plenary, which will generally equal the amount necessary for Plenary to pay off the construction loan from Sumitomo Mitsui Banking Corporation.

Fire Safety Projects. The fire safety projects include the construction of two new fireboat stations. The two proposed fireboat stations would replace one older station and one temporary facility. The cost of the new fireboat stations is estimated to be approximately \$100 million. Construction of one new fireboat station is expected to be complete by August 2020 and the second station is expected to be completed by December 2021.

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, bike and pedestrian paths and wet utilities improvements, including water, sanitary sewer and storm drain, with an approximate cost of \$216 million. To proactively monitor and manage infrastructure conditions throughout the Port, the Harbor Department intends to update the plan periodically.

Funding Sources of 2018-27 Capital Plan

The Harbor Department plans to finance the 2018-27 Capital Plan with the following sources of funding:

TABLE 11
Harbor Department of the City of Long Beach
Funding Sources of 2018-27 Capital Plan
(\$000's)

Funding Source	Amount
Senior Bonds/Subordinate Obligations ¹	\$ 754,000
Harbor Department Revenues	1,412,000
Federal and State Grants	250,000
Total	<u>\$2,416,000</u>

¹ Includes (i) \$7 million of proceeds of the Refunded Notes, (ii) \$102 million of proceeds of the previously issued Series 2017A Senior Bonds, Series 2017B Senior Bonds and Series 2017C Senior Bonds, and (iii) \$645 million of proceeds of Senior Bonds and Subordinate Obligations to be issued in the future.

Source: Harbor Department.

In the event any of the expected federal or State grants are not received by the Harbor Department, the Harbor Department will need to obtain alternative sources of funding. See also “CERTAIN INVESTMENT CONSIDERATIONS—Unavailability of, or Delays in, Anticipated Funding Sources.”

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FINANCIAL DATA

The following table presents the Harbor Department's Statements of Revenues, Expenses and Changes in Net Position for Fiscal Years 2013-2017.

TABLE 12
Harbor Department of the City of Long Beach
Comparative Summary of Statements of Revenues, Expenses and Changes of Net Position
Fiscal Years Ended September 30, 2013-2017
(\$000's)

	2013	2014	2015	2016	2017
Port Operating Revenues:					
Berths and Special Facilities	\$335,869	\$346,258	\$343,134	\$348,171	\$364,486
Rental Properties	9,374	9,360	9,881	9,958	13,732
Miscellaneous	1,001	1,262	2,435	2,531	2,792
Total Port Operating Revenues	\$346,244	\$356,880	\$355,450	\$360,660	\$381,010
Port Operating Expenses:					
Operating/Administrative	\$ 97,696	\$108,455	\$133,771	\$143,873	\$142,641
Depreciation/Amortization	90,849	117,966	137,709	146,721	148,445
Total Port Operating Expenses	\$188,545	\$226,421	\$271,480	\$290,594	\$291,086
Income from Port Operations	\$157,699	\$130,459	\$83,970	\$70,066	\$89,924
Non-Operating Revenues (Expense):					
Clean Air Action Plan Income (Expense)	\$(3,420)	\$(2,474)	\$ (3,488)	\$(4,656)	\$(1,127)
Gain/(Loss) on Sale of Assets	(6)	16	35,979	48	42
Income from Equity in Joint Ventures, Net	2,049	3,640	2,811	2,544	2,162
Interest Expense, Net of Interest Capitalized	(65)	(1,205)	(878)	(13,244)	(5,883)
Interest Income	740	3,136	4,036	4,637	1,706
Other Income (Expense), Net	(182)	(298)	5,048	139	5,662
Total Non-Operating Revenues (Expenses)	\$(884)	\$2,816	\$43,508	\$(10,532)	\$2,562
Income Before Transfers and Capital Grants	\$156,815	\$133,275	\$127,478	\$59,533	\$92,486
Net Operating Transfers	\$(17,312)	\$(17,844)	\$(17,772)	\$(18,693)	\$(19,448)
Capital Grants	250,543 ¹	178,295 ¹	121,008 ¹	128,282 ¹	73,072 ¹
Contributions to/from Others	—	(10,203)	—	4,008	—
Change in Net Position	\$ 390,046	\$283,523	\$230,713	\$173,130	\$146,110
Total Net Position (beginning of fiscal year)	\$2,793,319	\$3,178,686	\$3,462,209	\$3,609,819	\$3,780,027
Adjustment for GASB 65 Implementation ²	(4,678)	—	—	—	—
Adjustment for GASB 68 Implementation ²	—	—	(83,104)	—	—
Adjustment for GASB 75 Implementation ²	—	—	—	(2,922)	—
Total Adjusted Net Position (beginning of fiscal year)	\$2,788,640	\$3,178,686	\$3,379,105	\$3,606,897	\$3,780,027
Total Net Position (end of fiscal year)	\$3,178,686	\$3,462,209	\$3,609,818	\$3,780,027	\$3,926,137

¹ In Fiscal Years 2013, 2014, 2015, 2016 and 2017, the Harbor Department received \$230 million, \$126 million, \$97 million, \$96 million and \$66 million, respectively, of federal and state grants in connection with the Gerald Desmond Bridge Replacement Project.

² Certain Governmental Accounting Board Standards Board statements, affecting accounting and financial reporting requirements, were implemented thereby affecting the manner in which the Harbor Department reports its financial information.

Source: The Harbor Department's audited financial statements for Fiscal Years 2013-2017.

Fiscal Year 2017 Results. Fiscal Year 2017 operating revenues were \$381.0 million, an increase of 5.6% from Fiscal Year 2016. The revenue categories of containerized cargo and dry bulk (the Harbor Department's highest revenue producing cargo categories) increased 6.1% and 18.1%, respectively, in Fiscal Year 2017. The revenue category of petroleum/liquid bulk increased 5.5% in Fiscal Year 2017 and the revenue category of general cargo decreased 24.8% in Fiscal Year 2017. Cargo volume for Fiscal Year 2017 was 168,099,850 MRTs, an increase of 4.2% from Fiscal Year 2016. Fiscal Year 2017 operating and administrative expenses were \$142.6 million, a decrease of 0.9% from Fiscal Year 2016.

First Nine Months of Fiscal Year 2018 Results. Operating revenues through the first nine months of Fiscal Year 2018 were \$305.2 million, an increase of 11.2% from the same period in Fiscal Year 2017. Containerized cargo revenue increased 14.4% during the first nine months of Fiscal Year 2018 due to (i) the normalization of cargo passing through the Port following Hanjin's bankruptcy filing in August 2016 that resulted in a slowdown of cargo passing through the Pier T Container Terminal, and (ii) the opening of Pier E of the Middle Harbor Terminal. Cargo volume for the first nine months of Fiscal Year 2018 was 134.7 MRTs, an increase of 11.7% from the same period in Fiscal Year 2017. Operating and administrative expenses in the first nine months of Fiscal Year 2018 were \$92.4 million, an increase of 3.8% compared to the same period in Fiscal Year 2017. Operating revenues of \$305.2 million for the first nine months of Fiscal Year 2018 were 9.1% more than budgeted operating revenues of \$279.8. As of June 30, 2018, 90.7% of Fiscal Year 2018 projected guaranteed annual minimums had been earned.

Financial Statements

The audited financial statements of the Harbor Department for the Fiscal Year ended September 30, 2017 (the "2017 Audited Financial Statements") are included as Appendix A attached hereto. The 2017 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 2017 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. All accounting functions for the Harbor Department are computerized. 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. All 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.

Retirement Programs

Pension Plan.

General. Salaries and benefits costs of the Harbor Department include funding of retirement benefits for employees of the Harbor Department who, as City employees, participate in the California Public Employees Retirement System (“CalPERS”). Retirement payments paid from Harbor Department revenues were \$6.0 million in Fiscal Year 2014, \$6.7 million in Fiscal Year 2015, \$8.1 million in Fiscal Year 2016 and \$9.1 million in Fiscal Year 2017. The Harbor Department estimates that the required contribution for Fiscal Year 2018 will be approximately \$11.7 million. Payments to CalPERS constitute Maintenance Costs of the Harbor Department.

For a variety of reasons, including investment losses, the City has experienced significant unfunded liabilities, and retirement costs payable with respect to all City employees, including employees of the Harbor Department, have increased in recent years. The Harbor Department is allocated approximately 19.2% of the City’s total CalPERS liability. As of June 30, 2016, the City’s “Miscellaneous Plan” with CalPERS (in which the Harbor Department employees participate) had an unfunded liability (with respect to all participating City employees, including employees assigned to the General Fund, the Harbor Department, and other enterprise funds) of approximately \$675.9 million (market value basis), which resulted in a funding ratio of 74.13% (market value basis).

In December 2016, the CalPERS Board lowered the actuarial assumption relating to the investment rate of return to be phased in over three years: for the fiscal year ending June 30, 2018 the rate will be 7.375%; for the fiscal year ending June 30, 2019 the rate will be 7.25%; and for the fiscal year ending June 30, 2020 the rate will be 7.00%. This is projected to result in increases in the City’s (and the Harbor Department’s) required contributions to CalPERS, and such increases could be significant. See “Note 15 – Retirement Program” in “APPENDIX A—HARBOR DEPARTMENT OF THE CITY OF LONG BEACH AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017” for additional information about the pension plan.

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

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

employers will took effect for the fiscal year beginning mid-2014. The audited financial statements of the Harbor Department for Fiscal Year 2017 reflect implementation of the new GASB requirements, and resulted in the recognition of a net pension liability of the Harbor Department of approximately \$129.9 million. See “Note 15 – Retirement Program” in “APPENDIX A—HARBOR DEPARTMENT OF THE CITY OF LONG BEACH AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017” for a discussion of the impact of GASB 68.

Other Post-Employment Benefits. In addition to required contributions for retirement benefits for employees, the City pays certain post-employment health care and other non-pension benefits (“OPEB”) for such employees. The City’s OPEB expenses (for all employees of the City, including employees of the Harbor Department) were approximately \$4.2 million in Fiscal Year 2017, and are expected to increase in the future. See “Note 15 – Retirement Program” in “APPENDIX A—HARBOR DEPARTMENT OF THE CITY OF LONG BEACH AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017” 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 to, loss of or damage to the Port. The Master Senior Resolution does not require the Board to carry insurance against losses due to 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 \$1.427 billion, and a deductible of \$500,000 per occurrence. Coverage for property damage caused by foreign and domestic acts of terrorism also is included in the all-risk property insurance program. Excluded from the terrorism coverage, among other things, is property damage caused by acts of terrorism arising 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, which limits 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 excess liability insurance program in the amount of \$150 million, in excess of \$1 million of self-insurance carried by the Harbor Department, covering all of the Harbor Department’s operations, including acts of sabotage and domestic and foreign acts of terrorism. Primary policies for liability and physical damage are in force covering the Harbor Department’s fire and work boats and contractor type equipment. The Harbor Department has elected to self-insure the first \$1 million of its auto liability exposure.

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 commercial general liability insurance coverage, auto liability insurance coverage, workers compensation and insurance coverage as required by the Federal U.S. Long Shore and Harbor Workers Act. Pollution liability insurance coverage also is required where warranted by exposure. Liability insurance requirements include 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 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.

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 2018A SENIOR NOTES—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 Deputy City Attorney, the Assistant City Auditor, 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 BofA Merrill Lynch 1-5 year U.S. Treasury and Agency 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 Monthly Report for the quarter ending June 30, 2018, the City's invested funds totaled approximately \$1.7 billion (of which approximately \$464.8 million consisted of Harbor Department moneys). The City's investment portfolio includes a variety of fixed income securities that vary in maturity from one day to five years. As of June 30, 2018, the City's investment portfolio consisted of U.S. Treasury Notes (44.55%), U.S. Agency Notes (37.87%), the State of California Local Agency Investment Pool (10.65%), and certain other types of securities (6.93%).

A summary of the City Treasurer's Monthly Report for the quarter ending June 30, 2018, is set forth below:

TABLE 13
City of Long Beach
Invested Funds
(Quarter Ending June 30, 2018)

	<u>Pooled Fund</u>
Invested Market Balance	\$1,690,127,716
Portfolio Market Yield	1.3254%
Short-term Weighted Average Maturity	0.27 years
Intermediate-term Weighted Average Maturity	0.84 years
Long-term Weighted Average Maturity	2.61 years

Source: The City

CERTAIN INVESTMENT CONSIDERATIONS

The purchase and ownership of the Series 2018A Senior Notes involve investment risk and may not be suitable for all investors. Prospective purchasers of the Series 2018A Senior Notes 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 2018A Senior Notes. However, the following does not purport to be an exhaustive listing of all considerations which may be relevant to investing in the Series 2018A Senior Notes. In addition, the order in which the following information is presented is not intended to reflect the relative importance of any such considerations.

Risks Related to the Disbursement of 2014 Subordinate TIFIA Loan and Gerald Desmond Bridge Replacement Project

Disbursement of 2014 Subordinate TIFIA Loan. It is expected that a portion of the principal of the Series 2018A Senior Notes will be paid at maturity from the proceeds of a disbursement of the 2014 Subordinate TIFIA Loan. The proceeds of the 2014 Subordinate TIFIA Loan are expected to be drawn no later than one year after substantial completion of the Gerald Desmond Bridge Replacement Project,

which is currently projected to be by January 2020. Disbursement of the 2014 Subordinate TIFIA Loan is subject to several conditions precedent as described in more detail under “2014 SUBORDINATE TIFIA LOAN AGREEMENT—Disbursement Requirements” above. In the event the conditions to disbursement of the 2014 Subordinate TIFIA Loan cannot be satisfied on or before the maturity date of the Series 2018A Senior Notes, the Harbor Department will be required to use an alternate method of repaying the Series 2018A Senior Notes, including the issuance of additional Senior Bonds and/or Subordinate Obligations. See “Market Access Required if 2014 Subordinate TIFIA Loan Proceeds are not Disbursed” below.

Completion of the Gerald Desmond Bridge Replacement Project. As described above under “Disbursement of 2014 Subordinate TIFIA Loan,” substantial completion of the Gerald Desmond Bridge Replacement Project must occur prior to the TIFIA Lender disbursing proceeds under the 2014 Subordinate TIFIA Loan. Under the 2014 Subordinate TIFIA Loan Agreement, substantial completion of the Gerald Desmond Bridge Replacement Project is generally defined as the opening of the new bridge to vehicular traffic.

Completion of the construction of the Gerald Desmond Bridge Replacement Project within budget and on schedule may be adversely affected by various factors including: (a) estimating errors; (b) design and engineering errors; (c) material and/or labor shortages; (d) unforeseen site conditions; (e) adverse weather conditions and other force majeure events, including, earthquakes (see “—Seismic Risks” below), tornados, hurricanes or other natural disasters, epidemics, blockades, rebellions, war, riots, acts of sabotage, terrorism or civil commotion, and spills of hazardous materials, among other events; (f) defaults of the one or more of the Design Builders and litigation involving one or more of the Design Builders; (g) labor disputes; (h) environmental issues; (i) unavailability of other funding sources; (j) changes in law; and (k) delays in obtaining or renewing required permits and revocation of permits and other approvals. No assurance can be made that the Gerald Desmond Bridge Replacement Project will not cost more than the current budget. Any delays in completing the Gerald Desmond Bridge Replacement Project could result in the proceeds of the 2014 Subordinate TIFIA Loan not being available to pay the principal of the Series 2018A Senior Notes at maturity.

As described herein, the Harbor Department anticipates that funding for the Gerald Desmond Bridge Replacement Project will come from numerous sources, including, federal and State grants (\$877 million), the proceeds of the Refunded Notes and the 2014 Subordinate TIFIA Loan (\$325 million), revenues of the Harbor Department (\$273 million), and a grant from LACMTA (\$17.3 million). Additionally, in April 2018, the Harbor Department submitted a letter of interest to the TIFIA Lender requesting the TIFIA Lender make the Additional Subordinate TIFIA Loan to the Harbor Department in the amount of \$155 million. In the event that payment of the federal, State and LACMTA grants are delayed or if such grants are reduced and the Harbor Department is not able to replace such grants with funds of the Harbor Department or proceeds of additional Senior Bonds and/or Subordinate Obligations, the completion of the Gerald Desmond Bridge Replacement Project could be substantially delayed.

Market Access Required if 2014 Subordinate TIFIA Loan Proceeds are not Disbursed. In the event the conditions to disbursement of the 2014 Subordinate TIFIA Loan cannot be satisfied on or before the maturity date of the Series 2018A Senior Notes, the Harbor Department will be required to use an alternate method of repaying the Series 2018A Senior Notes, which could include issuing additional Senior Bonds or additional Subordinate Obligations. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2018A SENIOR NOTES—Additional Senior Bonds.” No assurances can be given that the City, acting by and through the Board, will be able to access the capital markets in the event proceeds are not disbursed under the 2014 Subordinate TIFIA Loan.

Damage or Destruction of New Bridge Prior to Transfer to Caltrans. As described under “2014 SUBORDINATE TIFIA LOAN AGREEMENT—Disbursement Requirements”, one of the conditions precedent to the disbursement of the 2014 Subordinate TIFIA Loan is that no material adverse change has occurred to the new bridge prior to its transfer to Caltrans. In the event the Gerald Desmond Bridge Replacement Project has been substantially completed, but the City, acting by and through the Board, has not yet transferred the new bridge to Caltrans and the new bridge is damaged either through a natural event (e.g., earthquake) or other event (e.g., terrorist act), the TIFIA Lender may refuse to disburse the proceeds of the 2014 Subordinate TIFIA Loan. See “—Security at the Port” and “—Seismic Risks” below.

Ability to Meet Rate Covenant

As discussed in “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2018A SENIOR NOTES—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 on the Senior Bonds.

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, domestic and local economic and political conditions, governmental regulation (including tariffs and trade restrictions), 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.

The global, domestic and local economies play a very important role in the Port’s container volumes and resulting revenues. In 2008 and 2009, the global economic recession resulted in a significant drop in global trade. This was exemplified by an approximately 8.5% decrease in the Port’s contained volume in Fiscal Year 2008 as compared to Fiscal Year 2007 and an additional decrease of 21.6% in Fiscal Year 2009 as compared to Fiscal Year 2008. Future adverse economic conditions or

actions that could negatively affect the economy (i.e., tariffs) could have an adverse effect the Revenues of the Harbor Department.

In the past, most recently being in late 2014 and early 2015, another factor affecting demand at the Port (and the Port of Los Angeles) has been congestion which has been caused by, among other things, ocean carriers divesting chassis ownership, shipping alliances and consolidation of the container ship industry, prolonged labor contract negotiation, and large volume ships straining marine terminal operating methods. Between October 2014 and March 2015, cargo throughput at the San Pedro Bay Ports decreased by 1.8% as compared to the period between October 2013 and March 2014. The Harbor Department cannot predict if congestion again will result in decreased demand of the Port's facilities.

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 at the Port carried 8,000 TEUs. Today, vessels carrying up 13,000 TEUs call regularly 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 20 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 Port 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, 2017, the top nine container ports in the nation in terms of container cargo were: (1) Port of Los Angeles (9.3 million TEUs), (2) Port of Long Beach (7.5 million TEUs), (3) Ports of New York and New Jersey (6.7 million TEUs), (4) Port of Savannah (4.0 million TEUs); (5) The Northwest Seaport Alliance (Ports of Seattle and Tacoma) (3.7 million TEUs), (6) Port of Norfolk (2.8 million TEUs), (7) Port of Houston (2.5 million TEUs), (8) Port of Oakland (2.4 million TEUs), and (9) Port of Charleston (2.2 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 U.S. Gulf Coast and East Coast ports through the Panama Canal and through the Suez Canal also compete for the same cargoes. Improvements completed in 2016 to 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 24 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, total container throughput at the San Pedro Bay Ports increase slightly from approximately 14.3 million TEUs in 2008 to approximately 16.9 million TEUs in 2017. Over the last five years, as the economy recovered from the recession, total container throughput at the San Pedro Bay Ports increased by 16.5% from approximately 14.5 million TEUs in 2013 to approximately 16.9 million TEUs in 2017. The San Pedro Bay Ports' share of total West Coast TEU throughput was approximately 61.8% in 2017.

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 2017, moving approximately 9.3 million TEUs, as compared to the Port (the second busiest container port in the nation) which moved approximately 7.5 million TEUs. For calendar year 2017, the Port's share of total West Coast containerized cargo was approximately 27.6% as compared to approximately 34.2% 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 2.4 million TEUs in calendar year 2016, accounting for approximately 9.3% of the West Coast container market. In calendar year 2017, the Port of Oakland handled approximately 2.4 million TEUs, and its share of the West Coast container market was approximately 8.8%.

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 3.6 million TEUs in calendar year 2016, and together accounted for a total of approximately 14.3% of the West Coast container market. The Ports of Seattle and Tacoma handled approximately 3.7 million TEUs, in calendar year 2017, and together accounted for a total of approximately 13.4% of the West Coast container market.

On December 1, 2014 the Ports of Tacoma and Seattle announced the formation of The Northwest 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 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 Robert Banks Terminal 2 Project at Deltaport, which will add a new, three-berth container facility with 200 acres of upland container terminal. PMV handled approximately 2.9 million TEUs in calendar year 2016, accounting for approximately 11.6% of the West Coast container market. PMV handled approximately 3.2 million TEUs in calendar year 2017, accounting for approximately 11.9% 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). Historically, constraints to all-water routes included lack of channel depth at many Gulf and East Coast ports compared to West Coast ports, longer shipping times, and vessel size limitations of the Panama Canal. The latter constraint was by an expansion of the Panama Canal, the completion of which occurred in 2016 and 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

As illustrated by the bankruptcy of Hanjin in 2016, 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 occurred between 2008 and 2009, 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. As of the date of this Official Statement, there are three main shipping alliances, 2M+H, THE Alliance and OCEAN Alliance. In 2014, Maersk and Mediterranean Shipping Company established the "2M Alliance," which according to Maersk, is a 10-year pact for Asia-Europe, trans-Atlantic and trans-Pacific routes. In 2017, Hyundai Merchant Marine Shipping became a partner in 2M through a strategic cooperation agreement, and the name of the alliance changed to 2M+H. "THE Alliance," established in

2017, consists of NYK Line, MOL, “K” Line, Yang Ming, and Hapag-Lloyd. In April 2018, NYK Line, MOL and “K” Line became one company, the Ocean Network Express (ONE). According to THE Alliance, the pact will be for five years and will include Asia-Europe, Asia-Mediterranean, trans-Pacific to United States West Coast and East Coast ports, trans-Atlantic and Asia-Middle East routes. “OCEAN Alliance,” established in 2017 consists of CMA CGM, Evergreen, OOCL and COSCO. According to OCEAN Alliance, the pact will be for ten years and will include Asia-Europe, Asia-Mediterranean, trans-Pacific to United States West Coast and East Coast ports, trans-Atlantic, Asia-Red Sea and Asia-Middle East routes. According to IHS Markit/PIERS, these three alliances shipped over 85% of all imports from Asia to the United States during calendar year 2017. Many of the container-shipping lines that are part of 2M+H, THE Alliance and OCEAN Alliance operate at the Port.

In addition to the alliances described above, numerous shipping lines have merged in the past five years. In 2017, COSCO agreed to purchase the parent company of OOCL. However, in order to receive U.S. government approval for the purchase, COSCO has agreed to divest its ownership in LBCT, the operator of the Middle Harbor Terminal. Any purchaser of COSCO’s interest in LBCT would be required to assume all of the obligations (including guaranteed annual minimum payments) of OOCL under the 40-year preferential assignment agreement for the Middle Harbor Terminal. While the sale of LBCT is pending, ownership is expected to be transferred to a trust, whose principal trustee must be a U.S. citizen. As of the date of this Official Statement, the Harbor Department does not know who will purchase COSCO’s interest in LBCT. See “THE PORT OF LONG BEACH—Current Port Facilities—Container Terminals—Middle Harbor Terminal.”

Additional alliances and mergers could occur in the future. Although, at this time, the Harbor Department cannot predict what effect 2M+H, THE Alliance and OCEAN Alliance and the pending sale of LBCT, 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 2018-27 Capital Plan

The ability of the Harbor Department to complete the projects in the 2018-27 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 Harbor Department can provide no assurance that the existing projects in the 2018-27 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 incur additional indebtedness.

Unavailability of, or Delays in, Anticipated Funding Sources

As described herein, the Harbor Department anticipates that funding for the 2018-27 Capital Plan will be provided through proceeds of Senior Bonds and Subordinate Obligations, 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 2018-27 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 or any other reason, the completion of the 2018-27 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.

Executive Orders and Federal Laws and Regulations (Tariffs and Trade)

Since taking office in January 2017, the Trump Administration has issued several executive orders and proclamations, and has indicated its intent to initiate additional executive orders, legislation and/or regulations affecting Federal policy in areas such as tariffs and trade.

In January 2018, President Trump announced that new tariffs would be applied to solar panels and washing machines. In March 2018, President Trump imposed tariffs on imported steel and aluminum. In June 2018, President Trump announced tariffs on \$50 billion of imports from China on various goods, and stated that the U.S. is looking at imposing tariffs on an additional \$400 billion of Chinese imports. As of the date of this Official Statement, certain of these announced tariffs have been imposed and the Trump administration continues to review the imposition of the additional announced tariffs. In response to the tariffs imposed by the U.S., numerous countries around the world (including China) have imposed tariffs on U.S. produced goods. While tariffs imposed by the U.S., China and other nations may, in general have a financial impact upon the Harbor Department and/or the tenants of the Port, as of the date of this Official Statement, insufficient information is available to estimate the magnitude, if any, of such potential impacts.

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 \$15.6 million in 2008 to \$30.0 million in 2018.

In 2016 and 2017, the Harbor Department took delivery of two new state-of-the-art fireboats that will, among other things, enable it to respond more effectively to fires on mega-cargo ships. In addition, these fireboats are equipped with chemical, biological, radiological, and nuclear detection capabilities and have an air tight citadel and equipment that enables them to respond to hazardous incidents.

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.”

Cybersecurity

Computer networks and data transmission and collection are vital to the efficient operations of the Port. The Harbor Department and the tenants at the Port collect and store sensitive data, including intellectual property, proprietary business information, information regarding customers, suppliers and business partners, and personally identifiable information of customers and employees. The secure processing, maintenance and transmission of this information is critical to industry operations.

The Harbor Department approaches cybersecurity through a multi-threaded approach to ensure a layered defense. The Cybersecurity Framework (“CSF”) utilized by the Harbor Department aligns with industry standards and regulations (focusing on National Institute of Standards and Technology Special Publication 800-53). This standard recommends security controls for federal information systems and organizations while documenting security controls for all federal information systems with the exception for those designed for national security. This framework allows continual assessments and improvement of the Port’s cybersecurity program.

The Harbor Department routinely utilizes respected and objective third-party consultants to perform risk assessments of its cybersecurity programs. The CSF is used to assess the people, process and technology components. Additionally, the Harbor Department regularly consults with the United States Coast Guard, the Federal Bureau of Investigation, and the Center for Internet Security to benchmark its practices and stay abreast of emerging threats.

Despite security measures, information technology and infrastructure may be vulnerable to attacks by hackers or breached due to employee error, malfeasance or other disruptions. Any such breach could compromise networks and the information stored there could be disrupted, accessed, publicly disclosed, lost or stolen. Any such disruption, access, disclosure or other loss of information could result in disruptions in the efficiency of commerce, legal claims or proceedings, liability under laws that protect the privacy of personal information, regulatory penalties, operations and the services provided, and cause a loss of confidence in the commercial operations of industries including the operations at the Port, which could ultimately adversely affect Harbor Department revenues.

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. See “THE PORT OF LONG BEACH—Environmental Compliance.”

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.

In 2016, the Harbor Department finalized the “Port of Long Beach Coastal Resiliency Plan”, which aims to improve the resiliency of Port operations and infrastructure by proactively identifying areas and assets which will be vulnerable to anticipated changes in climate (including sea level rise) and providing cost-effective adaptation strategies to address those vulnerabilities.

The Harbor Department is unable to predict whether sea-level rise or other impacts of climate change will occur while the Series 2018A Senior Notes 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 2018A Senior Notes will be outstanding. Since 1975, the Harbor Department has designed wharves and other major facilities to withstand the effects of an 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.

In March 2015, the Uniform California Earthquake Rupture Forecast (the “2015 Earthquake Forecast”) was issued by the Working Group on California Earthquake Probabilities. Organizations sponsoring the Working Group on California Earthquake Probabilities include the U.S. Geological Survey, the California Geological Survey, the Southern California Earthquake Center and the California Earthquake Authority. According to the 2015 Earthquake Forecast, the probability of a magnitude 6.7 or larger earthquake over the next 30 years (from 2014) striking the greater Los Angeles area is 60%. From the Uniform California Earthquake Rupture Forecast published in April 2008 (the “2008 Earthquake Forecast”), the estimated rate of earthquakes around magnitude 6.7 or larger decreased by about 30%. However, the estimate for the likelihood that California will experience a magnitude 8.0 or larger earthquake in the next 30 years (from 2014) increased from about 4.7% in the 2008 Earthquake Forecast to about 7.0% in the 2015 Earthquake Forecast. The 2015 Earthquake Forecast considered more than 250,000 different fault-based earthquakes, including multifault ruptures, whereas the 2008 Earthquake Forecast considered approximately 10,000 different fault-based earthquakes.

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, damage to streets, bridges and rail facilities, 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. Additionally, damage to Long Beach/Los Angeles area infrastructure outside of the Port, such as bridges, streets and freeways, public transportation and rail lines could materially adversely affect access to and from the Port, which in turn 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 95% of the Harbor Department’s operating revenues, with the largest single customer accounting for approximately 22% of the Harbor Department’s operating revenues in Fiscal Year 2017. 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 2022 to 2051, with nine of these agreements (including most of the agreements for the major container terminals) expiring between 2022 and 2034.

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 2018A Senior Notes. See "THE PORT OF LONG BEACH—Property Agreements."

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 Senior Bonds (including the Series 2018A Senior Notes) and Subordinate Obligations.

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 2018A Senior Notes. There may be other possible effects of a bankruptcy of a tenant that could result in delays or reductions in payments on the Series 2018A Senior Notes. 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 2018A Senior Notes.

With respect to the Hanjin bankruptcy filing in August 2016, amounts due under the preferential assignment agreement with Total Terminals were paid to the Harbor Department on time and in the full amount.

Effect of City Bankruptcy

The City is able to file for bankruptcy under Chapter 9 of the United States Bankruptcy Code. Should the City become the debtor in a bankruptcy case, the holders of the Series 2018A Senior Notes 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 United States 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 2018A Senior Notes. 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 2018A Senior Notes. 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 2018A Senior Notes.

Impact of Labor Negotiations

Protracted negotiations in 2014 and 2015 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 from September 2014 through February 2015. The Association and the ILWU reached a tentative agreement on February 20, 2015 which was approved by ILWU delegates on May 22, 2015. Harbor Department revenues were temporarily impacted in January and February 2015 as a result of the protracted negotiations and other congestion factors. The Harbor Department cannot predict with any certainty 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. However, with the ILWU and the Association agreeing to an extension of the contract through July 1, 2022, while the Series 2018A Senior Notes are outstanding the chances of labor unrest have diminished. See “THE PORT OF LONG BEACH—Stevedoring and Cargo Handling.”

Remedies Upon Default

If an event of default occurs under the Senior Resolution, the bondholders are not permitted to accelerate the payment of the principal of and interest on the Senior Bonds (including the Series 2018A Senior Notes), and, therefore, the bondholders may be required to make a separate claim for each semiannual payment not paid. However, as discussed above under “OUTSTANDING OBLIGATIONS AND DEBT SERVICE SCHEDULE—Outstanding Subordinate Obligations (2014 Subordinate TIFIA Loan and Subordinate Revolving Obligations), the 2014 Subordinate TIFIA Loan Agreement and the Subordinate Revolving Obligations Credit Agreement permit the TIFIA Lender and the Subordinate Revolving Obligations Bank, respectively, to accelerate payments due the TIFIA Lender and the Subordinate Revolving Obligations Bank upon the occurrence of certain events of default set forth in each of the 2014 Subordinate TIFIA Loan Agreement and the Subordinate Revolving Obligations Credit Agreement.

Pension and Post-Retirement Benefits

As described in “FINANCIAL DATA—Retirement Programs,” 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 (and the Harbor Department’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.

No Reserve Fund Established for Series 2018A Senior Notes; Reserve Funds Established for Certain Existing Senior Bonds Not Available for Series 2018A Senior Notes

No debt service reserve fund will be established to secure the payment of the principal of and interest on the Series 2018A Senior Notes.

At the time of issuance of the Series 1998A Senior Bonds, the Series 2010A Senior Bonds and the Series 2010B Senior Bonds, the Board established separate reserve funds for each series of those Senior Bonds. Each of these reserve funds only secures the Senior Bonds for which they were established. The Series 2018A Senior Notes will not be secured by the reserve funds established and maintained for these Senior Bonds. The 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.

Potential Limitation of Tax Exemption of Interest on Series 2018A Senior Notes

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 2018A Senior Notes 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 2018A Senior Notes 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 2018A Senior Notes. Prospective purchasers of the Series 2018A Senior Notes should consult their own tax advisors regarding any such pending or proposed federal or state tax legislation, regulations or litigation, as to which Note 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 2018A Senior Notes

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 2018A Senior Notes or in any way contesting or affecting the validity of the Series 2018A Senior Notes 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 2018A Senior Notes or the use of the Series 2018A Senior Note proceeds.

Litigation Relating to the Harbor Department and the Port

General. 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. The Harbor Department has reserved \$5.0 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.

Fireboat Litigation. On October 27, 2017, the City, acting by and through the Board, filed a complaint in the Superior Court of California, County of Los Angeles, against Foss Maritime Company (“Foss”), for, among other things, breach of contract in connection with the late construction and delivery of two new fireboats to be used at the Port. The Harbor Department is seeking liquidated damages of

approximately \$10.2 million. On July 26, 2018, Foss filed an amended cross-complaint against the Harbor Department seeking at least \$43.1 million of damages relating to the two fireboats and lost business opportunities. As of the date of this Official Statement, the Harbor Department cannot predict the ultimate outcome of this litigation.

TAX MATTERS

General

In the opinion of Kutak Rock LLP, Note Counsel to the City, under existing laws, regulations, rulings and judicial decisions, interest on the Series 2018A Senior Notes is excluded from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax. The opinions described in the preceding sentence assume the accuracy of certain representations and compliance by the City, acting by and through the Board, with covenants designed to satisfy the requirements of the Internal Revenue Code of 1986, as amended (the “Code”), that must be met subsequent to the issuance of the Series 2018A Senior Notes. Failure to comply with such requirements could cause interest on the Series 2018A Senior Notes to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2018A Senior Notes. The City, acting by and through the Board, will covenant to comply with such requirements. Note Counsel has expressed no opinion regarding other federal tax consequences arising with respect to the Series 2018A Senior Notes.

Notwithstanding Note Counsel’s opinion that interest on the Series 2018A Senior Notes is not a specific preference item for purposes of the federal alternative minimum tax, for taxable years beginning before January 1, 2018, such interest will be included in adjusted current earnings of certain corporations, and such corporations are required to include in the calculation of federal alternative minimum taxable income 75% of the excess of such corporations’ adjusted current earnings over their federal alternative minimum taxable income (determined without regard to such adjustment and prior to reduction for certain net operating losses). Note Counsel notes that no federal alternative minimum tax applies to corporations for taxable years beginning on and after January 1, 2018.

Note Counsel is further of the opinion that interest on the Series 2018A Senior Notes is exempt from present State personal income taxes.

Special Considerations With Respect to the Series 2018A Senior Notes

The accrual or receipt of interest on the Series 2018A Senior Notes may otherwise affect the federal income tax liability of the owners of the Series 2018A Senior Notes. The extent of these other tax consequences will depend upon such owners’ particular tax status and other items of income or deduction. Note Counsel has expressed no opinion regarding any such consequences. Purchasers of the Series 2018A Senior Notes, 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 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 2018A Senior Notes.

Backup Withholding

As a result of the enactment of the Tax Increase Prevention and Reconciliation Act of 2005, interest on tax-exempt obligations such as the Series 2018A Senior Notes is subject to information reporting in a manner similar to interest paid on taxable obligations. Backup withholding may be imposed on payments made to any bondholder who fails to provide certain required information including an accurate taxpayer identification number to any person required to collect such information pursuant to Section 6049 of the Code. The reporting requirement does not in and of itself affect or alter the excludability of interest on the Series 2018A Senior Notes from gross income for federal income tax purposes or any other federal tax consequence of purchasing, holding or selling tax-exempt obligations.

Changes in Federal and State Tax Law

From time to time, there are legislative proposals in the Congress and in the various state legislatures that, if enacted, could alter or amend federal and state tax matters referred to under this heading “TAX MATTERS” or adversely affect the market value of the Series 2018A Senior Notes. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the Series 2018A Senior Notes. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Series 2018A Senior Notes or the market value thereof would be impacted thereby. Purchasers of the Series 2018A Senior Notes should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Note Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Series 2018A Senior Notes, and Note Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

Tax Treatment of Original Issue Premium

The Series 2018A Senior Notes are being sold at a premium. An amount equal to the excess of the issue price of a Series 2018A Note over its stated redemption price at maturity constitutes premium on such Series 2018A Note. A purchaser of a Series 2018A Note must amortize any premium over such Series 2018A Note’s term using constant yield principles, based on the purchaser’s yield to maturity (or, in the case of Series 2018A Notes 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 2018A Note 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 2018A Note prior to its maturity. Even though the purchaser’s basis may be reduced, no federal income tax deduction is allowed. Purchasers of the Series 2018A Notes 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 2018A Note.

LEGAL MATTERS

The validity of the Series 2018A Senior Notes and certain other legal matters are subject to the approving opinion of Kutak Rock LLP, Note Counsel to the City. A complete copy of the proposed form of Note Counsel’s opinion is contained in Appendix C hereto. As Note Counsel, Kutak Rock 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. Certain legal matters in connection with the Official Statement will be passed upon by Kutak Rock LLP, Disclosure Counsel. Certain legal matters will be passed upon for the Underwriters by their counsel, Katten Muchin Rosenman LLP. All of the fees of Note Counsel, Disclosure Counsel and Underwriters' Counsel with regard to the issuance of the Series 2018A Senior Notes are contingent upon the issuance and delivery of the Series 2018A Senior Notes.

RATINGS

Fitch Ratings ("Fitch") and Moody's Investors Service Inc. ("Moody's") have assigned long-term ratings of "AA" (stable outlook), and "Aa2" (stable outlook), respectively, to the Series 2018A Senior Notes. Fitch also has assigned a short-term rating of "F1+" to the Series 2018A Senior Notes. 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 Moody's, 7 World Trade Center, 250 Greenwich Street, New York, New York 10007. Any explanation of the significance of such ratings may only be obtained from Fitch and Moody's, respectively. The City and the Harbor Department furnished Fitch and Moody's certain information and material concerning the Series 2018A Senior Notes, 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 2018A Senior Notes.

UNDERWRITING

The Series 2018A Senior Notes are being purchased by Merrill Lynch, Pierce, Fenner & Smith Incorporated, Stern Brothers & Co. and Stifel, Nicolaus & Company, Incorporated (the "Underwriters") from the City, acting by and through the Board, at a price of \$347,864,501.04 (consisting of the principal amount of the Series 2018A Senior Notes, plus an original issue premium of \$21,029,315.00, less an Underwriters' discount of \$214,813.96), subject to the terms of a note purchase agreement, dated September 19, 2018 (the "Note Purchase Agreement"), between Merrill Lynch, Pierce, Fenner & Smith Incorporated, as representative of the Underwriters, and the City, acting by and through the Board.

The Note Purchase Agreement provides that the Underwriters will purchase all of the Series 2018A Senior Notes if any are purchased, and that the obligation to make such purchase is subject to certain terms and conditions set forth in the Note Purchase Agreement, the approval of certain legal matters by counsel, and certain other conditions. The initial public offering prices of the Series 2018A Senior Notes set forth on the inside front cover page hereof may be changed from time to time by the Underwriters. The Underwriters may offer and sell the Series 2018A Senior Notes into unit investment trusts or money market funds at prices lower than the public offering prices stated on the inside front cover page hereof.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Certain of the Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various investment banking services for the City, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the City.

MUNICIPAL ADVISOR

The Board has retained Public Resources Advisory Group, Los Angeles, California, as municipal advisor (the “Municipal Advisor”) in connection with the issuance of the Series 2018A Senior Notes. Except with respect to certain debt service numbers supplied by the Municipal Advisor and included in this Official Statement, the Municipal 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 Municipal Advisor are contingent upon the issuance and delivery of the Series 2018A Senior Notes.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

Grant Thornton LLP, independent certified public accountants, will verify from the information provided to them the mathematical accuracy of the computations contained in the provided schedules to determine that the Escrow Securities and the earnings thereon and the uninvested cash to be held in the Escrow Fund, will be sufficient to pay all principal of and interest due on the Refunded Notes on November 15, 2018.

CONTINUING DISCLOSURE

At the time of issuance of the Series 2018A Senior Notes, the City, acting by and through the Board, will execute a Continuing Disclosure Certificate (the “Continuing Disclosure Certificate”), which will provide for disclosure obligations on the part of the Harbor Department. Under the Continuing Disclosure Certificate, the City, acting by and through the Board, will covenant for the benefit of Owners and Beneficial Owners of the Series 2018A Senior Notes to provide certain financial information and operating data relating to the Board, the Harbor Department and the Port by April 30 of each year (the “Annual Reports”), and to provide notices of the occurrence of certain enumerated events (the “Listed Events”). The Annual Reports and the notices of Listed Events will be filed with the MSRB through its EMMA System. Currently the Harbor Department’s Annual Report is filed as part of the City’s required continuing disclosure filings. See “APPENDIX D—FORM OF CONTINUING DISCLOSURE CERTIFICATE.” These covenants will be made in order to assist the Underwriters in complying with Rule 15c2-12.

The City has not failed in the previous five years to comply in all material respects with any previous undertakings with regard to the Rule to provide annual reports or notices of enumerated events.

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 2018A Senior Notes, the Master Senior Resolution, the Twenty-First Supplemental Senior Resolution, the Fiscal Agent Agreement, the 2014 Subordinate TIFIA Loan 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, and Acting Director of Finance.

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

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

By /s/ Tracy J. Egoscue
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 YEAR ENDED SEPTEMBER 30, 2017**

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The Harbor Department, an Enterprise Fund of the City of Long Beach, California

Annual Financial Report

(With Independent Auditors' Report Thereon)

For the fiscal year ended September 30, 2017



Port of
LONG BEACH
The Green Port

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Table of Contents

	Page(s)
Independent Auditors' Report	1–2
Management's Discussion and Analysis	3–11
Financial Statements:	
Statement of Net Position	12–13
Statement of Revenue, Expenses, and Changes in Net Position	14
Statement of Cash Flows	15–16
Notes to Financial Statements	17–48
Required Supplementary Information	49



KPMG LLP
Suite 1500
550 South Hope Street
Los Angeles, CA 90071-2629

Independent Auditors' Report

To the Honorable Members of the Board of Harbor Commissioners
The Harbor Department of the City of Long Beach
Long Beach, California:

Report on the Financial Statements

We have audited the accompanying financial statements of the Harbor Department of the City of Long Beach (the Department), an enterprise fund of the City of Long Beach, California, as of and for the year ended September 30, 2017, and the related notes to the financial statements, as described in the accompanying table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Harbor Department of the City of Long Beach, California as of September 30, 2017, and the changes in its financial position and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.



Other Matters

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 3–11 and the OPEB liability and related ratios on page 49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2018 on our consideration of the Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Department's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department's internal control over financial reporting and compliance.

KPMG LLP

Los Angeles, California
March 26, 2018

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Management's Discussion and Analysis

September 30, 2017

The following discussion and analysis of the financial performance of the Harbor Department of the City of Long Beach, California (the Department) provides an overview of the financial activities for the fiscal year ended September 30, 2017. We encourage readers to consider the information presented here in conjunction with the additional information contained in the Department's financial statements and related notes and our letter of transmittal that precedes this section.

Using this Financial Report

This annual financial report consists of the Department's financial statements and the required supplementary information, and reflects the self-supporting activities of the Department that are funded primarily through leasing property, tariffs, and other charges to its tenants.

The Department's financial report consists of this management's discussion and analysis (MD&A) and the following financial statements:

- *The statement of net position* – Reports all of the Department's assets, deferred outflows, liabilities, and deferred inflows using the accrual basis of accounting, as well as an indication about which assets can be used for general purposes, and which assets are restricted as a result of bond covenants and other requirements
- *The statement of revenue, expenses, and changes in net position* – Reports the results of all revenue and expenses of the Department's operation for the fiscal periods presented
- *The statement of cash flows* – Reports the inflows and outflows of cash and cash equivalents resulting from operating, noncapital financing, capital and related financing, and investing activities; a reconciliation is also provided to assist in understanding the difference between operating income and cash flows from operating activities
- *Notes to the basic financial statements* – Report information that supplements and clarifies significant elements of the financial statements; such information is essential to a full understanding of the Department's financial activities 11

Overview of the Department's Financial Statements

The Department is an enterprise fund, and is a fiscally independent component unit of the City of Long Beach, California (the City). The Department's financial statements are prepared on an accrual basis in accordance with generally accepted accounting principles supported by the Governmental Accounting Standards Board.

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Management's Discussion and Analysis

September 30, 2017

Analysis of Net Position

The following condensed financial information provides an overview of the Department's financial position as of September 30, 2017 and 2016:

Condensed Schedule of Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position

September 30, 2017 and 2016

(Amounts expressed in thousands)

	<u>2017</u>	<u>2016</u>
Assets:		
Capital assets, net	\$ 4,551,990	4,365,376
Current and other assets	<u>802,925</u>	<u>671,277</u>
Total assets	5,354,915	5,036,653
Deferred outflows of resources	<u>42,089</u>	<u>41,884</u>
Total assets and deferred outflows	<u>\$ 5,397,004</u>	<u>5,078,537</u>
Liabilities:		
Current liabilities	\$ 166,005	171,932
Long-term obligations, net of current portion	<u>1,291,776</u>	<u>1,114,917</u>
Total liabilities	1,457,781	1,286,849
Deferred inflows of resources	<u>13,086</u>	<u>11,661</u>
Total liabilities and deferred inflows	<u>\$ 1,470,867</u>	<u>1,298,510</u>
Net position:		
Net investment in capital assets	\$ 3,491,506	3,442,251
Restricted:		
Capital projects	39,351	75,610
Debt service	12,092	13,961
Unrestricted	<u>383,188</u>	<u>248,205</u>
Total net position	<u>\$ 3,926,137</u>	<u>3,780,027</u>

The changes in net position over time may serve as a useful indicator of the Department's financial activities and position. As of September 30, 2017, \$3.5 billion, or 88.9%, of the Department's total net position represents its net investment in capital assets. This component consists of capital assets, net of accumulated depreciation, reduced by the outstanding borrowings attributable to those assets that have been expended at September 30, 2017. These capital assets are used to facilitate the operations of the Port of Long Beach (the Port) and its tenants.

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Management's Discussion and Analysis

September 30, 2017

The restricted portion of the Department's net position of \$51.4 million, or 1.3%, is comprised of \$39.4 million in environmental mitigation credits for use on landfill capital projects and \$12.1 million of a debt service reserve fund required by the bonds' indenture. The remaining balance of \$383.2 million, or 9.8%, reflects unrestricted resources that may be used for ongoing and future operations of the Department.

Current and other assets increased by \$131.6 million, or 19.6%, from \$671.3 million in the prior fiscal year to \$802.9 million in fiscal year 2017. This increase was a result of the 2017 revenue bonds issuance discussed further in (note 12).

Capital assets, net of depreciation increased by \$186.6 million, or 4.3%, from the prior fiscal year mostly on capital expenditures of projects such as the Gerald Desmond Bridge, Middle Harbor, and the Port's new headquarter. Refer to (page 10) and on (note 17) for additional discussion related to capital assets.

Long-term liabilities, net of current portion increased by \$176.9 million due to the 2017 revenue bonds issuance with premiums of \$200.5 million partially offset by a \$25.0 million payoff on the line of credit. Refer to (page 10) and on (note 11 and 12) for additional discussion related to long-term liabilities and debt service.

Analysis of Changes in Net Position

The following condensed financial information provides an overview of the changes of the Department's net position during fiscal years 2017 and 2016:

Condensed Schedule of Revenue, Expenses, and Changes in Net Position

Years ended September 30, 2017 and 2016

(Amounts expressed in thousands)

	<u>2017</u>	<u>2016</u>
Operating revenues	\$ 381,010	360,660
Operating expenses:		
Facility and infrastructure	42,632	36,274
Fire and Safety	42,205	40,379
General and administrative	<u>57,804</u>	<u>67,220</u>
Total operating expenses	142,641	143,873
Depreciation and amortization	<u>148,445</u>	<u>146,721</u>
Operating income	<u>89,924</u>	<u>70,066</u>

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Management's Discussion and Analysis

September 30, 2017

Condensed Schedule of Revenue, Expenses, and Changes in Net Position

Years ended September 30, 2017 and 2016

(Amounts expressed in thousands)

	<u>2017</u>	<u>2016</u>
Nonoperating revenue (expenses):		
Interest income, net of interest expense	\$ (2,015)	(6,063)
Gain on sale of capital assets, net	42	48
Clean Air Action Plan (CAAP), net	(1,127)	(4,656)
Other income (loss), net	5,662	138
Net nonoperating revenues (expenses)	<u>2,562</u>	<u>(10,533)</u>
Income before capital grants and transfer	92,486	59,533
Transfer to the City	(19,448)	(18,693)
Contribution from the City – Land for new Port headquarters	—	4,008
Capital grants	<u>73,072</u>	<u>128,282</u>
Change in net position	146,110	173,130
Total net position – beginning of year, as restated	<u>3,780,027</u>	<u>3,606,897</u>
Total net position – end of year	<u>\$ 3,926,137</u>	<u>3,780,027</u>

Operating Revenues

Operating revenues for fiscal year 2017 were \$381.0 million, an increase of \$20.4 million, or 5.6%, from the prior fiscal year, primarily due to a \$16.7 million, or 6.1%, increase in the container terminal revenue where approximately 76.5% of total operating revenue is generated. The increase was primarily due to placing in service about 94 acres in additional rental property at Pier E due to the completion of the second phase of the Middle Harbor development project.

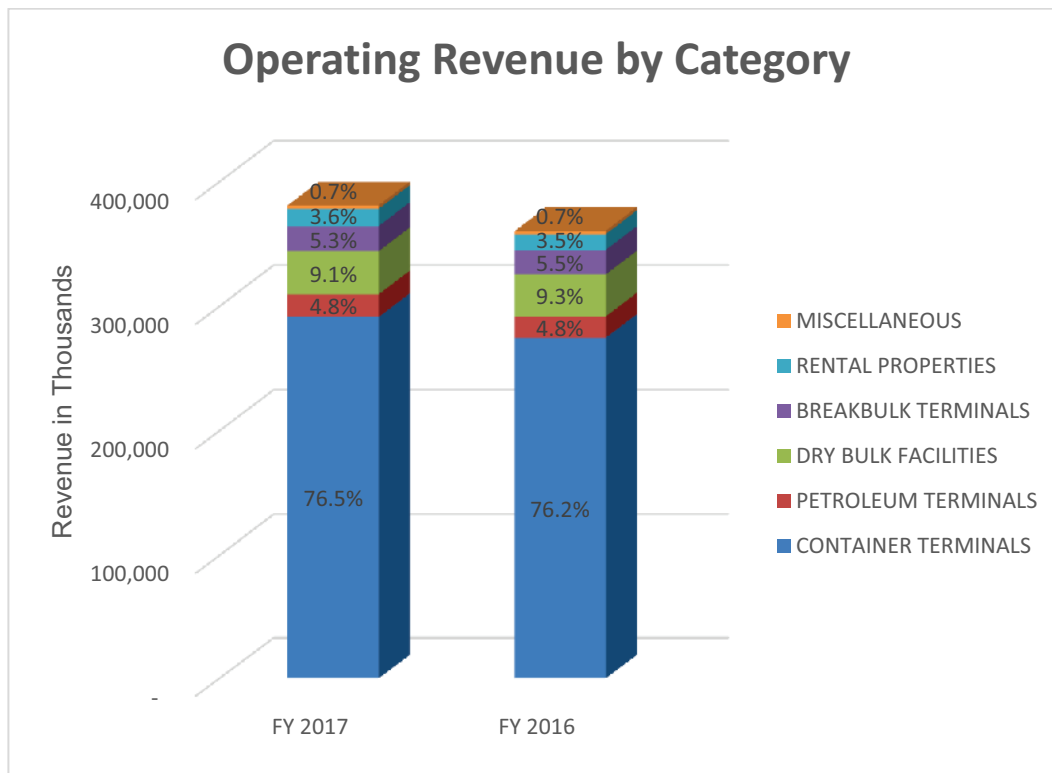
Noncontainerized revenue in the categories of liquid bulk, dry bulk, and breakbulk cargos also increased by \$2.5 million, or 3.5%, driven by healthy market demands.

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Management's Discussion and Analysis

September 30, 2017

The chart below depicts the revenue categories as a percentage of total operating revenues:



Cargo Volumes

The Port is one of the top two largest ports in North America by container volume and services many of the major ocean carriers shipping goods inbound and outbound throughout the United States. Some of these major carriers are COSCO Shipping, OOCL, K Line, Mediterranean Shipping, Hyundai Merchant Marine, Matson and SM lines.

Cargo volumes, measured in Metric Revenue Tons (MRTs), increased by 4.2% to 168.1 million MRTs versus 161.3 million MRTs in the prior fiscal year. All cargo categories posted increases compared to the prior fiscal year with the exception of vehicles. Containerized cargo increased 3.3% to 127.1 million MRTs, dry bulk increased 18.9% to 7.1 million MRTs, break-bulk and steel increased 31.6% to 0.7 million MRTs, liquid bulk increased 4.7% to 32.6 million MRTs, and lumber increased 8.7% to 0.3 million MRTs. Vehicles decreased 1.6% to 0.3 million MRTs. The Port continues its realignment of cargo terminals in advance of an anticipated growth in trade volumes. Its terminals and installations continue to provide one of the best alternatives for shipping lines to move cargo into and out of the continental United States.

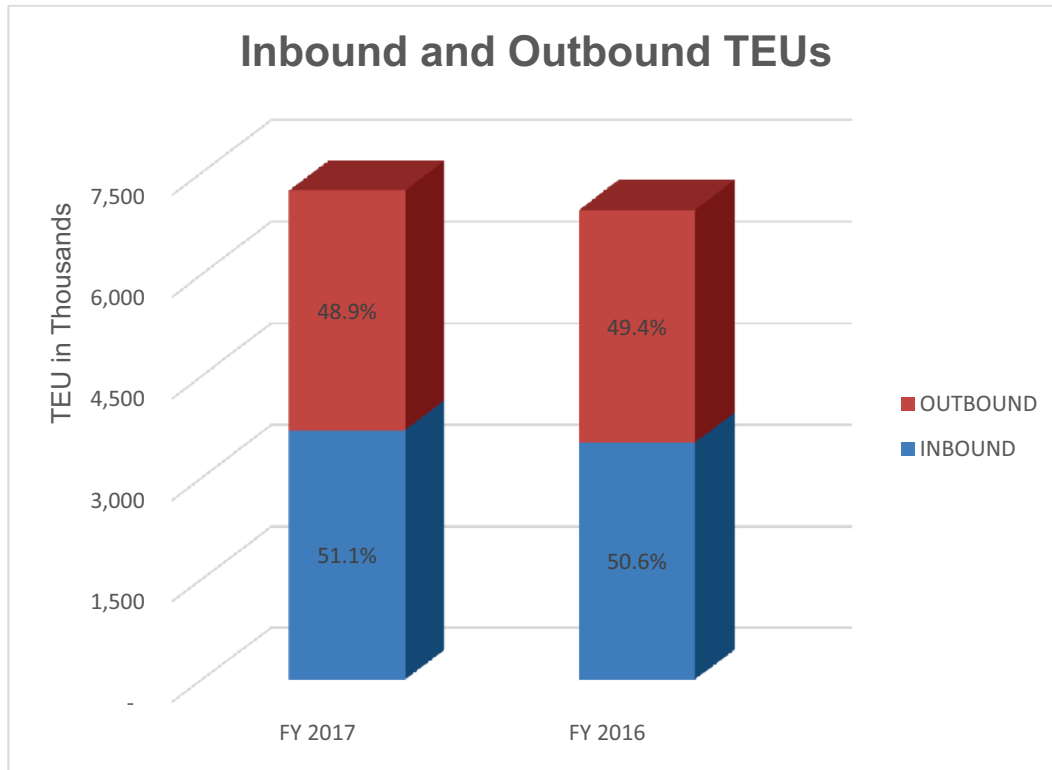
Container count, measured in Twenty-Foot Equivalent Units (TEUs) as a standard measurement used in the maritime industry for measuring containers of varying lengths, increased 4.1% to 7.2 million TEUs versus 6.9 million TEUs in the prior fiscal year.

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Management's Discussion and Analysis

September 30, 2017

The chart below depicts the components of inbound and outbound TEUs as a percentage of total volume:



Change in Net Position

Net income for fiscal year 2017 was \$146.1 million, a decrease of \$27.0 million, or 15.6%, versus the prior fiscal year. This was primarily the result of \$55.2 million lower grant revenue recognition, partially offset by a \$20.4 million increase in operating revenue. The following section provides a further discussion of the operations.

Operating Expense and Other Income and Expense

Fiscal year 2017 operating expenses (excluding depreciation and amortization) totaled \$142.6 million, or \$1.2 million lower than the prior fiscal year. The facility and infrastructure expense of \$42.6 million was \$6.4 million higher than the prior fiscal year primarily due to capital expenditures that were written off to expense based on project cancellation or revaluation. The fire and safety expense of \$42.2 million had an increase of \$1.8 million over prior the fiscal year, a result of the renegotiated costs increase for services provided by the City of Long Beach Fire and Police Departments. The general and administrative expense was \$57.8 million, a decrease of \$9.4 million mostly due to a lower expense allocation of the retirement program for pension plan, and other postretirement employee benefits totaling \$6.9 million as compared to the prior fiscal year. Additionally, a payment of \$2.2 million was not requested from the City for the new Enterprise Resource Planning (ERP) system in fiscal year 2017, which had occurred in the prior fiscal year. The Port's total ERP cost share portion is approximately \$6.7 million and the Port had made two consecutive payments of \$2.2 million each in fiscal years 2015 and 2016. The final payment is to be made in fiscal year 2018.

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Management's Discussion and Analysis

September 30, 2017

Depreciation expense is affected by fixed assets being placed into service or being retired in accordance with their useful lives. Depreciation expense for fiscal year 2017 was \$148.4 million, and \$1.7 million higher than the prior fiscal year, a result of placing in service various assets from the Port's multibillion capital improvement program that will continue over the next decade.

Net interest expense was a decrease of \$4.1 million, primarily due to the offset of the interest amount being applied to capital projects (capitalized interest) was higher for fiscal year 2017 versus the prior fiscal year. Interest expenses, before allocated capitalized interest, for fiscal years 2017 and 2016 were \$26.4 million and \$24.7 million, respectively, increased by \$1.7 million; allocated capitalized interest amounts for fiscal years 2017 and 2016 were \$20.6 million and \$11.5 million, respectively, increased by \$9.1 million. Interest income was \$3.3 million less than the prior fiscal year, a result of lower short-term market rates.

The CAAP, started in 2006, continues to support the Port's efforts to improve air quality. With this initiative, the Clean Trucks Program (CTP) was launched in fiscal year 2008 to reduce truck-related emissions throughout the Port complex. The CTP replaced or retrofitted many drayage trucks by requiring all trucks entering the port to comply with 2007 EPA emission standards. To help ease this financial burden on the local truck industry, the Port developed a lease subsidy program subsidizing the costs of the truck owners in upgrading their old trucks with new "clean diesel" and "liquefied natural gas" trucks. Overall, the CAAP expenses decreased by \$3.5 million when compared to the prior fiscal year, basically due to a few remaining lease closeouts of the CTP lease subsidy in midyear of 2017.

Net other income increased by \$5.5 million due to a tenant cost share contribution towards leasehold improvement of \$3.5 million, and a reduction in other miscellaneous expenses of \$2.0 million versus the prior fiscal year.

Transfers to the City totaled \$19.5 million in fiscal year 2017, an increase of \$0.75 million versus the prior fiscal year. The Department accrued \$19.1 million for the operating transfer to the City Tidelands Operating Fund with payment to occur in fiscal year 2018. Another transfer of \$0.4 million was for the Colorado Lagoon Restoration Project and the Port's mitigation grant program for tree planting.

In fiscal year 2016, the Department acquired land with a cost of \$8.0 million from the City for the Port's new headquarters. The land was valued by the City at \$12.0 million, which resulted in a net contribution from the City in the amount of \$4.0 million during fiscal year 2016. There was no similar contribution in fiscal year 2017.

Grant revenue totaled \$73.1 million, a decrease of \$55.2 million in fiscal year 2017 in comparison to the prior fiscal year. This decrease was primarily due to a lower recognition of grant revenue on the Gerald Desmond Bridge project as a result of construction delays in fiscal year 2017. Other smaller grants, such as for Port security related projects and maintenance dredging (Harbor Maintenance Tax) varies year over year.

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Management's Discussion and Analysis

September 30, 2017

Capital Assets and Debt Administration

Capital Assets

The Department's capital assets, net of accumulated depreciation as of September 30, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Nondepreciable capital assets:		
Land	\$ 1,215,767	951,918
Construction in progress	1,348,274	1,484,889
Rights-of-way	<u>207,032</u>	<u>207,032</u>
Total nondepreciable capital assets	<u>2,771,073</u>	<u>2,643,839</u>
Depreciable capital assets (net):		
Structures and facilities	1,690,303	1,656,860
Furniture, fixtures, and equipment	<u>90,614</u>	<u>64,677</u>
Total depreciable capital assets (net)	<u>1,780,917</u>	<u>1,721,537</u>
Total capital assets, net	<u>\$ 4,551,990</u>	<u>4,365,376</u>

The capital asset accounts, net of accumulated depreciation totaled \$4.6 billion, a net increase of \$186.6 million from the prior fiscal year. The increase in capital spending during fiscal year 2017 comprised largely the following: Middle Harbor terminal development for \$53.6 million; Gerald Desmond Bridge replacement project for \$138.8 million; New Port Headquarters building for \$60.5 million and partially offset by various write-offs to expense due to project cancellation or revaluation. The amount of capital assets transferred out of construction in progress and into service totaled approximately \$470.0 million for the year ended September 30, 2017. Among the major projects throughout the Port, a substantial portion, approximately \$250.0 million, of the assets placed into service was attributed to the constructed land for the Middle Harbor development project.

Debt Administration

The following table summarizes the Department's debt as of September 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Short-term notes (principal and net premiums)	\$ 343,404	355,522
Lines of credit	—	25,000
Bond debt (principal and net premiums)	<u>737,536</u>	<u>588,392</u>
Total	<u>\$ 1,080,940</u>	<u>968,914</u>

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Management's Discussion and Analysis

September 30, 2017

The Department's total debt increased by \$112.0 million, or 11.6%. The increase was due to the issuance of 2017 revenue bonds for \$200.5 million with premiums, partially offset by the payment on the line of credit of \$25.0 million and the principal payment on debt of \$44.9 million.

The underlying ratings assigned to the Department's bond issues are as follows: Standard & Poor's AA, stable outlook; Moody's Investors Services Aa2, stable outlook; and Fitch Ratings AA, stable outlook.

The debt service coverage ratio for fiscal year 2017 was 2.73. The minimum rate required by the Department's various bond indenture documents is 1.25.

Factors that May Affect the Department

The availability of alternate ports and competition affects the use of the Department's facilities and, therefore, the operating revenues of the Department. There is significant competition for container trade among North American ports. The Department cannot predict the impact of this competition. Ports in the U.S. West Coast, Canada, and Mexico compete for discretionary intermodal cargo headed from the Asia to midwestern and eastern United States, which is more heavily populated. This discretionary cargo moves eastward primarily by rail. Discretionary cargo makes up more than half of the container cargo arriving at the Port.

The Port is subject to legal and regulatory requirements relating to air emissions that may be generated by ships, trains, trucks, and other operational activities within the Port. Paying for mandated air pollution reduction, infrastructure, and other measures has become a significant portion of the Department's capital and operating budgets. Such expenditures are necessary even if the Department does not undertake any new revenue generating capital improvements, and the Department cannot provide assurances that the actual cost of the required measures will not exceed the amounts forecasted. In fiscal year 2019, the Department will implement GASB Statement No. 83, *Certain Asset Retirement Obligations*. The Department is evaluating the impact of this standard, however, the standard may require that some of these activities are reported on the financial statements.

The Department is continuing to evaluate the impact of recent tax reform. The most likely impacts would be the elimination of advance refunding option for tax exempt financing and the taxability of moving expenses and other fringe benefit. Until the Department has completed further evaluation, a determination of the impact to the financial statements cannot be made.

Notes to Financial Statements

The notes to the Department's financial statements can be found on pages 17-48 of this report. These notes provide additional information that is essential to a full understanding of the financial statements.

Requests for Information

This financial report is designed to provide a general overview of the Department's finances for people or entities interested in the financial aspects of the Department. Questions concerning any of the information provided in this report should be addressed to the Director of Finance, 4801 Airport Plaza Drive, Long Beach, CA 90815. This report and other financial reports can be viewed on the Port's Web site at www.polb.com under the Finance menu. On the home page, select Finance; there are links to reports by title and reporting date.

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Statement of Net Position

September 30, 2017

(Dollars in thousands)

Assets and Deferred Outflows

Current assets:

Pooled cash and cash equivalents (note 2)	\$ 408,288
Trade accounts receivable, net of allowance (note 3)	67,074
Due from other governmental agencies (note 3)	54,105
Other current assets	<u>4,150</u>

Subtotal 533,617

Harbor Revenue Bond Funds and other funds restricted as to use:

Pooled cash and cash equivalents (note 2)	29,466
Restricted pooled cash and cash equivalents (note 2)	24,172
Restricted nonpooled cash and cash equivalents (note 2)	<u>103,205</u>

Total current assets 690,460

Noncurrent assets:

Capital assets (note 4):

Land	1,215,767
Construction in progress	1,348,274
Right-of-way (note 6)	207,032
Structures and facilities	3,460,396
Furniture, fixtures, and equipment	166,102
Less accumulated depreciation	<u>(1,845,581)</u>

Net capital assets 4,551,990

Other assets:

Long-term receivables (note 3)	1,300
Environmental mitigation credits (note 7)	39,351
Investment in joint venture (note 8)	5,374
Restricted nonpooled investments (note 2)	58,371
Other noncurrent assets (note 10)	<u>8,069</u>

Total other assets 112,465

Total noncurrent assets 4,664,455

Total assets 5,354,915

Deferred outflows (note 18) 42,089

Total assets and deferred outflows \$ 5,397,004

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Statement of Net Position

September 30, 2017

(Dollars in thousands)

Liabilities and Deferred Inflows

Current liabilities payable from current assets:

Accounts payable and accrued expenses	\$ 65,706
Compensated absences	3,532
Due to the City of Long Beach (note 9)	19,267
Liability claims (note 10)	5,000
Security deposits and unearned revenue	7,935

Total current liabilities payable from current assets	<u>101,440</u>
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Current liabilities payable from restricted assets:

Accrued interest – bonds	17,375
Current portion of bonds indebtedness (note 12)	47,190

Total current liabilities payable from restricted assets	<u>64,565</u>
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Total current liabilities	<u>166,005</u>
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Long-term obligations net of current portion:

Bonded indebtedness (note 12)	690,346
Series 2014C Senior notes (note 13)	343,404
Compensated absences	8,800
Net OPEB liability (note 15)	3,250
Net pension liability (note 15)	129,893
Unearned revenue	2,751
Environmental remediation liability (note 16)	3,800
Other long-term liability (note 17)	109,532

Total noncurrent liabilities	<u>1,291,776</u>
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Total liabilities	<u>1,457,781</u>
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Deferred inflows (note 18)	<u>13,086</u>
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Total liabilities and deferred inflows	<u>1,470,867</u>
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Net position:

Net investment in capital assets	3,491,506
Restricted – capital projects	39,351
Restricted – debt service	12,092
Unrestricted	383,188

Total net position	<u>\$ 3,926,137</u>
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See accompanying notes to financial statements.

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Statement of Revenues, Expenses, and Changes in Net Position

Year ended September 30, 2017

(Dollars in thousands)

Port operating revenues:	
Berths and special facilities	\$ 364,486
Rental properties	13,732
Miscellaneous	2,792
Total port operating revenues	<u>381,010</u>
Port operating expenses:	
Facility maintenance	14,384
Infrastructure maintenance	15,986
Fire and safety	42,205
Other indirect operating	12,262
General and administrative	57,804
Total operating expenses before depreciation	<u>142,641</u>
Depreciation	<u>148,445</u>
Total operating expenses	<u>291,086</u>
Income from operations	<u>89,924</u>
Nonoperating revenues, net:	
Investment income, net	1,706
Equity in income from joint venture	2,162
Interest expense	(5,883)
Gain on disposition of capital assets	42
Clean Air Action Program, net	(1,127)
Other income	5,662
Total nonoperating revenues, net	<u>2,562</u>
Income before transfers and capital grants	92,486
Transfers (note 9)	(19,448)
Capital grants and contributions	<u>73,072</u>
Increase in net position	146,110
Total net position – beginning of year	<u>3,780,027</u>
Total net position – end of year	<u>\$ 3,926,137</u>

See accompanying notes to financial statements.

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Statement of Cash Flows

Year ended September 30, 2017

(Dollars in thousands)

Cash flows from operating activities:	
Cash received from customers	\$ 364,427
Cash paid to employees	(57,992)
Cash paid to suppliers	(85,332)
Other income	6,566
Clean Air Action Plan (net)	(2,582)
Net cash provided by operating activities	<u>225,087</u>
Cash flows from noncapital/financing activities:	
Transfers to City Tidelands Fund	(18,431)
Net cash used for noncapital financing activities	<u>(18,431)</u>
Cash flows from capital and related financing activities:	
Grants provided	85,257
Interest paid	(43,525)
Principal payments made on bonds payable	(44,905)
Payments on lines of credit	(25,000)
Proceeds from issuance of bonds	200,731
Debt issuance costs	(624)
Payments for capital acquisitions – employees	(8,019)
Payments for capital acquisitions – vendors	(244,453)
Prepaid dredging costs	416
Proceeds from sales of capital assets	42
Net cash used for capital and related financing activities	<u>(80,080)</u>
Cash flows from investing activities:	
Interest received	1,706
Proceeds from non-pooled investments	15,566
Return on investment in joint venture	2,000
Net cash provided by investing activities	<u>19,272</u>
Net increase in cash and cash equivalents	145,848
Cash and cash equivalents, beginning of year	<u>419,283</u>
Cash and cash equivalents, end of the year	<u><u>\$ 565,131</u></u>
Reconciliation of cash and cash equivalents:	
Unrestricted pooled cash and cash equivalents	\$ 408,288
Restricted pooled cash and cash equivalents	53,638
Bond reserve held by the City Treasurer	103,205
	<u><u>\$ 565,131</u></u>

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Statement of Cash Flows

Year ended September 30, 2017

(Dollars in thousands)

Reconciliation of income from operations to net cash provided by operating activities:

Income from operations	\$ 89,924
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Adjustments to reconcile income from operations to net cash provided by operating activities:

Depreciation and amortization	148,445
Other Income, net	3,984
Increase in accounts receivable	(16,467)
Increase in inventory	(51)
Decrease in accounts payable	(4,177)
Increase in accrued liabilities	3,800
Decrease in accrued claims and judgments	(3,600)
Decrease in unearned revenues	(115)
Decrease in due to other funds	(1,893)
Increase in pension liability and related deferred inflows	8,171
Decrease in net pension liability and related deferred outflows	(997)
Increase in net OPEB liability and related deferred outflows	146
Decrease in compensated absences	(2,083)

Total adjustments	<u>135,163</u>
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Net cash provided by operating activities	<u>\$ 225,087</u>
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Supplemental schedule of noncash capital and financing activities:

Accrued capital assets costs	\$ 52,638
Accumulated costs of the Port's new headquarters building	60,465
Accrued capitalized interest	20,554
Amortization of bond premium	18,799
Amortization of deferred outflows on debt refunding	792
Amortization of deferred inflows on debt refunding	(1,024)
Accrued transfers to the City's tidelands fund	19,100

See accompanying notes to financial statements

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Notes to Financial Statements

September 30, 2017

(1) Summary of Significant Accounting Policies

(a) The Reporting Entity

Article XII of the City Charter of the City of Long Beach, California (the City) created the Harbor Department of the City of Long Beach (the Department) to promote and develop the Port of Long Beach (the Port). The Department's operations are included in the City's reporting entity as an enterprise fund; its activities are conducted in the Tidelands Trust area of the City and are subject to coastal area laws of the State of California and to the terms of the trust agreement between the City and the State of California. The financial statements present only the financial activities of the Department and are not intended to present the financial position and results of operations of the City.

The Harbor Facilities Corporation (the Corporation), a nonprofit public benefit corporation, was created in November 1971 under the laws of the State of California. The Corporation was established as a financing mechanism for construction of harbor improvements. It was authorized to issue bonds, debentures, notes, and other forms of debt. The Corporation has been inactive since 1995. If the Corporation had any transactions with financial implications, they would be included in the Department's financial statements.

The Department, together with the Harbor Department of the City of Los Angeles, formed a joint venture to finance the construction of the Intermodal Container Transfer Facility (ICTF). The ICTF venture has been recorded as an investment under the equity method of accounting in the accompanying financial statements.

In 1989, the cities of Los Angeles and Long Beach entered into a Joint Exercise of Powers Agreement to create the Alameda Corridor Transportation Authority (ACTA). This agreement was amended and restated in 1996. The purpose of ACTA was to acquire, construct, finance, and operate the Alameda Corridor. The Alameda Corridor consists of a 20-mile-long rail cargo expressway connecting the ports in San Pedro Bay to the transcontinental rail yards near downtown Los Angeles, and it began operating in April 2004. ACTA prepares its own financial statements and its transactions are not included as part of the Department's financial statements due to the separate legal status.

(b) Basis of Accounting and Measurement Focus

Disbursement of funds derived from the Department's operations is restricted to Harbor Trust Agreement purposes. The costs of providing port services are recovered entirely through leases, tariffs, and other charges assessed to the Department's tenants. Consistent with U.S. generally accepted accounting principles for enterprise funds, the accounting policies of the Department conform to the accrual basis of accounting. The measurement focus of the accompanying financial statements is on the determination of changes in net position.

Operating revenue and expenses are generated and incurred through cargo activities performed by port tenants; operating expenses include maintenance of facilities and infrastructure, security, and payments to other city departments for services provided to the Port. Administration and depreciation expenses are also considered operating expenses. Other revenue and expenses not included in the above categories are reported as nonoperating income. The Department applies all applicable Governmental Accounting Standards Board (GASB) pronouncements and interpretations.

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Notes to Financial Statements

September 30, 2017

(c) City of Long Beach Investment Pool

In order to maximize investment return and in accordance with City Charter requirements, the Department pools its available cash with other city funds into the City of Long Beach Investment Pool (the Pool). The Pool is an internal investment pool that is used as a demand deposit account by participating units. Investment decisions are made by the City Treasurer and approved by a general investment committee, whose membership includes a member of the Department's management. Interest income and realized and unrealized gains and losses arising from the Pool are apportioned to each participating unit based on their average daily cash balances compared to aggregate pooled cash and investments.

The Department's share of the Pool is stated at fair value.

For a complete description of the Pool and its underlying investments, refer to the City's separately issued financial statements.

(d) Cash Equivalents

The Department classifies its investment in the Pool as cash and cash equivalents, regardless of the underlying maturity of the Pool's investments as the pool operates as a demand account for the Department.

The Department classifies all other investments with maturities of three months or less at the time of purchase as cash equivalents.

(e) Investments

Investments are reflected at fair value using quoted market prices in active and inactive markets. Realized and unrealized gains and losses are included in the accompanying statement of revenue, expenses, and changes in net position as investment income, net.

(f) Fair Value Measurements

Fair value is defined as the exchange price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction.

The Department categorizes investments reported at fair value within the fair value hierarchy established by generally accepted accounting principles.

The hierarchy is based on the valuation inputs used to measure the fair value of the asset, as follows:

- (i) Level 1: Quoted prices for identical investments in active markets*
- (ii) Level 2: Observable inputs other than quoted market prices*
- (iii) Level 3: Unobservable inputs*

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Notes to Financial Statements

September 30, 2017

(g) Inventories

Inventories of supplies are valued at the lower of average cost or market. Inventory is recorded when purchased and expensed at the time the inventory is consumed.

(h) Capital Assets

An asset is classified as a capital asset if it is a nonconsumable, tangible item, valued at a single amount greater than \$10 thousand, and with a useful life of more than one year. Capital assets are valued at historical costs. The historical cost of acquiring an asset includes the cost necessarily incurred to bring it to the condition and location necessary for its intended use. If an asset requires a period of time in which to carry out the activities necessary to bring it to that condition and location, the interest cost incurred during that period as a result of expenditures is a part of the historical cost of acquiring the asset.

Identifiable intangible assets are recognized as such if they are separable or when they arise from contractual or other legal right, regardless of whether those rights are transferable or separable from the entity, or from other rights and obligations.

Depreciation is determined using the straight-line method with no allowance for salvage values. The estimated economic lives used to determine annual rates of depreciation are subject to periodic review and revision, if appropriate, to assure that the cost of the respective assets will be written off over their economic lives. Estimated useful lives used in the computation of depreciation of capital assets are as follows:

Structures and facilities:	
Bridges and overpasses	75 years
Wharves and bulkheads	40 years
Transit sheds and buildings	5–20 years
State highway connections	15 years
Others	5–50 years
Furniture, fixtures, and equipment	5–15 years

Capitalized interest, which represents the cost of borrowed funds used for the construction of capital assets, is included as part of the cost of capital assets and as a reduction of interest expense.

(i) Investment in Joint Venture

The investment in the Intermodal Container Transfer Facility Joint Powers Authority (ICTF) is accounted for using the equity method. The amount realized by the Department is proportional to the reported value and is based on the Department's share of ICTF. The reported profit is proportional to the size of the equity investment.

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Notes to Financial Statements

September 30, 2017

(j) *Compensated Absences*

The Department records all accrued employee benefits, including accumulated sick leave and vacation, as a liability in the period when the benefits are earned. Accrued employee benefits are classified into current and noncurrent liability for financial statement presentation. The current liability is calculated based on a five years average of vacation taken or used annually.

(k) *Transfers to the City Tidelands Operating Fund*

City Charter Chapter XII, Section 1209 (c) (4), as amended, provides for the transfer of a maximum of 5% of Harbor Department operating revenue. The City Charter provides that the City Council, by a 2/3 vote expressed by resolution, may request the transfer to meet the lawful obligations of the Tidelands Operations Fund. The provision requires a majority vote of the Board of Harbor Commissioners, expressed by Resolution, to enact the transfer, determining that the funds will not be needed for Harbor Department operations.

(l) *Net Position*

The Department has adopted a policy of generally utilizing restricted funds, prior to unrestricted funds, when an expense is incurred for purposes for which both are available.

The Department's net position is classified into the following categories:

Net investment in capital assets – Capital assets net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets and unexpended bond proceeds and economic losses of refunding of debt

Restricted – Net position subject to externally imposed conditions or constraints that can be fulfilled by the actions of the Department or by the passage of time; the restrictions are externally imposed by creditors, grantors, contributors, laws, or regulations of other governments, or by law through constitutional provisions or enabling legislation

Unrestricted – All other categories of net position; additionally, unrestricted net position may be designated for use by management of the Department. These requirements limit the area of operations for which expenditures of net position may be made and require that unrestricted net position be designated to support future operations in these areas.

(m) *Revenue Recognition*

The Department recognizes revenue on an accrual basis when earned. Rents, tariffs, or other miscellaneous receipts that are received in advance of earnings are unearned revenue until earned.

Grant revenue is recognized in the fiscal year in which all eligibility requirements are met. Proceeds from federal or state grants are considered as nonoperating revenue, recognized as such when reimbursable and grant-eligible expenses are incurred, and are identified as capital grants in the statement of revenue, expenses, and changes in net position. Operating revenue or capital grant funds that have been received but not earned are identified as unearned revenue in the statement of net position.

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Notes to Financial Statements

September 30, 2017

(n) Allowance for Doubtful Accounts

The allowance for doubtful accounts (allowance) is estimated at a level to absorb expected accounts receivable losses. The allowance is established to reflect the amount of the Department's receivables that management estimates will be uncollectible.

The allowance is set at the greater of (1) one half of one percent (0.5%) of actual annual operating revenues or (2) the sum of 75% of aged receivable amounts over 120 days delinquent, plus 50% of amounts over 90 days delinquent, plus 25% of amounts over 60 days delinquent, plus 10% of amounts over 30 days delinquent.

In addition, management reviews the adequacy of the allowance on a monthly basis by reviewing the aging report and assesses whether any further adjustment is necessary. To determine uncollectible amounts, the Department's Finance Division reviews all delinquent accounts in August of each year. Amounts deemed uncollectible are written off.

(o) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the financial statements and reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

(p) Recent Accounting Pronouncements

(i) Effective in the Current Year

GASB Statement No. 82, *Pension Issues*: Issued in March 2016, effective for periods beginning after June 15, 2017. The objective of this statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*, and Amendments to Certain Provisions of GASB Statements 67 and 68. Specifically, this statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy plan member contribution requirements. This statement did not have a material impact on the Department.

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Notes to Financial Statements

September 30, 2017

(ii) *Effective in Future Years*

GASB Statement No. 83, *Certain Asset Retirement Obligations*: Issued in November 2016, effective for periods beginning after June 15, 2018. The objective of this statement is to address accounting and financial reporting for certain assets retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of tangible capital assets. This statement establishes criteria for (1) determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources, (2) requires that recognition occur when the liability is both incurred and reasonably estimable, and (3) requires the measurement of an ARO to be based on the best estimate of the current value of outlays expected to be incurred. The Department is evaluating the impact of this statement on its financial statements.

GASB Statement No. 87, *Leases*, issued in June 2017: Effective for periods beginning after December 15, 2019. The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases. The statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases. The Department is evaluating the impact of this statement on its financial statements.

(q) *Reclassifications*

Certain reclassifications have been made to the 2016 financial data to conform to the 2017 presentation.

(2) **Cash, Cash Equivalents, and Other Investments**

The Department's cash and cash equivalents and investments as of September 30, 2017 is classified in the accompanying statement of net position as follows (in thousands):

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Equity in the City's investment pool	\$ 408,288	53,638	461,926
Other cash equivalents	—	103,205	103,205
Investments held by fiscal agent	—	58,371	58,371
Total cash, cash equivalents, and investments	<u>\$ 408,288</u>	<u>215,214</u>	<u>623,502</u>

The Department's investment policy allows funds to be invested with the City. The City's investment policy limits the permitted investments in the investment pool to the following: obligations of the U.S. government, federal agencies, local agency bonds, medium-term corporate notes, certificates of deposit; bankers' acceptances, commercial paper, LAIF, repurchase agreements, reverse repurchase agreements, securities lending, asset-backed securities, mortgage-backed securities, and money market mutual funds.

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Notes to Financial Statements

September 30, 2017

As of September 30, 2017 and 2016, the City's investment pool has a weighted average maturity of less than two years and is not rated. The Department's investment in the pool is not categorized. At September 30, 2017, the Department had \$462.0 million equity in the pool, representing approximately 24.8% of the pool.

The Department also held reserves with a fiscal agent for the 2010A, 2010B, 2015C, 2015D, and the 2014C notes. At September 30, 2017, the Department's amounts held by fiscal agents totaled \$58.4 million and were invested in U.S. Treasury notes that are rated AAA and have a weighted average maturity of 1.4 years. These investments are reported at fair value using observable inputs; however, \$23.2 million are traded in nonactive markets and are accordingly categorized as Level 2 in the fair value hierarchy. The remaining \$35.2 million are traded in active markets and therefore categorized as Level 1 in the fair value hierarchy.

(3) Accounts Receivable and Other Receivables

Accounts receivable as of September 30, 2017, included the following (expressed in thousands):

Trade accounts receivable	\$	68,979
Less allowance for doubtful accounts		<u>(1,905)</u>
Accounts receivable, net	\$	<u><u>67,074</u></u>

Other receivables as of September 30, 2017 included the following (expressed in thousands):

Due from other governmental agencies:		
Current:		
Federal and state grants	\$	54,105
Long term:		
Tidelands – Beaches and Waterways		<u>1,300</u>
Total due from other governmental agencies	\$	<u><u>55,405</u></u>

The due from other governmental agencies is related to the grant programs from various governmental agencies, which include, but are not limited to: The Federal Highway Bridge Program; the Trade Corridor Improvement Program; and the Port Security Grant Program. Funds from these grant programs are available to the Department on a reimbursement basis. Most of these programs require a matching contribution from the Department.

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Notes to Financial Statements

September 30, 2017

(4) Capital Assets

Capital assets' schedule as of September 30, 2017 is as follows: (expressed in thousands):

Description	Balance, October 1, 2016	Additions	Adjustments/ disposals	Placed in service	Balance, September 30 2017
Nondepreciable capital assets:					
Purchased land	\$ 462,009	—	—	99	462,108
Constructed land	489,909	—	—	263,750	753,659
Construction in progress	1,484,888	339,739	(6,079)	(470,274)	1,348,274
Right of way (note 5)	207,032	—	—	—	207,032
Subtotal	2,643,838	339,739	(6,079)	(206,425)	2,771,073
Depreciable capital assets:					
Structures and facilities	3,288,418	—	(196)	172,174	3,460,396
Furniture, fixtures, and equipment	130,575	1,595	(319)	34,251	166,102
Subtotal	3,418,993	1,595	(515)	206,425	3,626,498
Total capital assets	6,062,831	341,334	(6,594)	—	6,397,571
Less accumulated depreciation:					
Structures and facilities	1,631,501	138,592	—	—	1,770,093
Furniture, fixtures, and equipment	65,954	9,853	(319)	—	75,488
Total accumulated depreciation	1,697,455	148,445	(319)	—	1,845,581
Net capital assets	\$ 4,365,376	192,889	(6,275)	—	4,551,990

(5) Operating Property Leases to Tenants

The major portion of the Department's property is leased to others. Such property includes marine terminal facilities, special-purpose facilities, office and commercial space, and land.

Some marine terminal facilities are leased under agreements that provide the tenants with preferential but not exclusive use of the facilities. Some leases provide for rentals based on gross revenues or, in the case of marine terminal facilities, on annual usage of the facilities. The leases and the preferential assignments generally provide for minimum rentals.

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Notes to Financial Statements

September 30, 2017

Property under lease at September 30, 2017 consisted of the following (expressed in thousands):

Land	\$	741,243
Structures and facilities:		
Docks and wharves		683,711
Warehouses and sheds		24,345
Cranes and shiploaders		70,683
Buildings and other facilities		818,961
Infrastructure		<u>1,560,233</u>
Historical cost of leased property		3,899,176
Less accumulated depreciation		<u>(1,643,710)</u>
Carrying value of leased property	\$	<u><u>2,255,466</u></u>

The future minimum rental income under noncancelable operating leases having an initial term in excess of one year is as follows (expressed in thousands):

2018	\$	333,318
2019		333,406
2020		334,951
2021		356,541
2022		327,222
2023–2027		1,341,490
2028–2032		480,717
2033–2037		424,199
2038 and thereafter		<u>1,158,300</u>
Total	\$	<u><u>5,090,144</u></u>

(6) Right-of-Way Purchase

Alameda Corridor Transportation Authority (ACTA)

In December 1994, the Department and the Harbor Department of the City of Los Angeles (collectively, the Ports) executed the purchase of the rights of way needed for the development of the Alameda Corridor Project (the Project), which is a comprehensive transportation corridor between the Ports and the central Los Angeles area. The Ports purchased these rights, sharing the cost on a 50/50 basis, from the three railroad companies then serving the Ports: Union Pacific Railroad Company (Union Pacific), Southern Pacific Railroad Company (Southern Pacific), and Atchison, Topeka and Santa Fe Railroad companies (Atchison, Topeka and Santa Fe). After the purchase, Atchison, Topeka and Santa Fe merged with Burlington Northern becoming Burlington Northern Santa Fe; Union Pacific merged with Southern Pacific.

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Notes to Financial Statements

September 30, 2017

The total purchase involved the right-of-way property from the three former railroad companies and a drill track from Southern Pacific to provide an additional right of way to access local businesses along the Project. Construction of the Project began in 1997 and was completed in April 2002. Funding for the Project came from federal, state, and local sources, and from issuance of debt. By the end of fiscal 2003, the Department had paid a total of \$207.0 million for its share related to this right-of-way purchase.

In the future, when ACTA is able and entitled to distribute income or make equity distributions, the Ports shall share such income and equity distributions equally. Refer to (note 10) for additional discussion related to the guarantee the Department has made related to the ACTA.

(7) Environmental Mitigation Credits

The Bolsa Chica Mitigation Agreement of 1996 established a "Project for Wetland Acquisition and Restoration at the Bolsa Chica Lowlands in Orange County, California, for the purpose, among others, of Compensating for Marine Habitat Losses Incurred by the Port Development Landfills within the Harbor Districts of the cities of Los Angeles and Long Beach, California."

In exchange for contributions that the Ports made to restore Bolsa Chica Lowlands, the Bolsa Chica Mitigation Agreement granted the Ports mitigation credits that the Ports may use when they undertake landfill as part of port developments. The agreement established a ratio between the number of mitigation credits to be used and the number of acres to be developed based on whether development occurred within the inner or outer harbors. The agreement established that Bolsa Chica mitigation credits could be used by the Ports at one credit for each acre of outer harbor landfill and in accordance with Section 15(a), that "...inner harbor landfills shall be debited from this account at half the rate of outer harbor landfills...." Section 15(a) of the Bolsa Chica Mitigation Agreement also provided that the inner and outer harbor boundaries could be adjusted based on biological surveys.

The Department contributed a total of \$50.8 million to federal and state regulatory agencies, \$39.4 million in fiscal year 1997 and \$11.4 million in fiscal 2006, to secure environmental mitigation credits that would allow the Department to complete land fill projects within its harbor. The cost incurred in the acquisition of the environmental credits has been classified as a noncurrent asset. The balance of environmental mitigation credits will be adjusted in the future as landfill credits are used for the Port's development.

As of September 30, 2017, the Department has utilized a total of \$11.4 million of environmental credits for completed landfill as part of capital projects within the port boundaries to date, of which \$1.8 million was incurred in fiscal year 2017. No other environmental credit has been acquired. The existing \$39.4 million or 238 credits will be partially used in completing the Middle Harbor project that is currently underway and estimated to be completed in fiscal year 2020; and other remaining credits will be used in future projects.

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Notes to Financial Statements

September 30, 2017

(8) Investment in Joint Venture

Intermodal Container Transfer Facility (ICTF)

The Department and the Port of Los Angeles (POLA) entered into a joint powers agreement to form the Intermodal Container Transfer Facility Joint Powers Authority (ICTF) for the purpose of financing and constructing a facility to transfer cargo containers between trucks and railroad cars. The facility, which began operations in December 1986, was developed and operated by Southern Pacific Transportation Company (SPTC) under a long-term lease agreement. SPTC was subsequently merged and continues to operate as Union Pacific Corporation. The Department appoints two members of the ICTF's five-member governing board and accounts for its investment using the equity method. The Department and POLA share income and equity distributions equally.

The ICTF's operations are financed from lease revenue from ICTF activities. The Department's share of the ICTF's net position at September 30, 2017 totaled \$5.4 million. Separate ICTF financial statements for the year ended June 30, 2017 are available on their Web site at http://ictf-jpa.org/document_library.php.

(9) Transfers to the City Tidelands Operating Fund

City Charter Chapter XII, Section 1209 (c)(4), as amended, provides for the transfer of a maximum of 5% of Harbor Department's operating revenue. The City Charter provides that the City Council, by a two-third vote expressed by Resolution, may request the transfer to meet the lawful obligations of the Tidelands Operations Fund. The provision requires a majority vote of the Board of Harbor Commissioners, expressed by Resolution, to enact the transfer, determining that the funds will not be needed for Harbor Department's operations. During fiscal year 2017, the Department accrued \$19.1 million as operating transfers due to the City Tidelands Fund, to be paid in fiscal year 2018.

(10) Commitments and Contingencies

The Department is subject to claims and lawsuits arising from the normal course of business. The City Attorney's office evaluates these claims on a regular basis. Department management may make a provision for probable losses if deemed appropriate on advice of legal counsel. To the extent that such provision for damages is considered necessary, appropriate amounts are reflected in the accompanying financial statements. Based upon information obtained from the City Attorney with respect to remaining cases, it is the opinion of management that the estimated liability for unreserved claims and suits will not have a material impact on the financial statements of the Department.

Claims expenditures and liabilities are reported when it is probable that a loss has been incurred and the amount of that loss, including those incurred but not reported, can be reasonably estimated. Based on an opinion from legal counsel, the Department reserved a litigation claim liability of \$5.0 million for fiscal year 2017, all of which is related to construction claims.

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Notes to Financial Statements

September 30, 2017

Contract commitments and purchase orders, mostly related to capital projects, for which materials or services were not received at September 30, 2017, aggregated \$74.5 million.

(a) Risk Management

The Department currently carries an all-risk property insurance program covering loss or damage by fire and other risks (excluding earthquake and flood) with a loss limit of \$1.4 billion in aggregate. The coverage also includes terrorism exposure.

(i) Construction related

The Department also carries two insurance programs known as "Builder's Risk," which cover property under construction in the Port. One policy, specific to the construction of the Gerald Desmond Bridge replacement, has an overall policy limit of \$781.1 million that includes an earthquake limit of \$65.0 million. The second policy is a master builder's risk insurance program that covers all other active Department's construction projects currently underway. The coverage limit for each construction project in this program is equivalent to the contract's contract price. Exclusive of earthquake coverage, the maximum per project coverage is \$125.0 million without expressed underwriter approval, but can be increased as needed with underwriter approval.

(ii) General Liability

To address third-party liability exposure, an excess liability insurance program is carried by the Department with total limits of \$150.0 million in excess of a \$1.0 million self-insured retention. The excess liability insurance program covers the Department's operations and includes acts of terrorism within the \$150.0 million limit. In addition, the Department carries specialized insurance policies providing coverage for damage to owned vessels, damage to other vessels, and pollution liability.

The amount of settlements reached by the Department did not exceed the amount of insurance coverage in any of the past three fiscal years.

The following is a summary of insurance coverage for the Department (in thousands):

Insurance coverage for fire and other risks	\$	1,426,842
Builder's risk for Gerald Desmond Bridge project		781,122
Builder's risk for other projects		125,000
Comprehensive general liability		150,000
Self-insured retention		1,000

The Port has a provision that requires tenants, contractors, and vendors to carry various types and levels of insurance, including general liability insurance on leased premises. The insurance must include coverage for bodily injury and property damage liabilities, and name of the City, its Board of Harbor Commissioners, and the Department's officers and employees as additional insured. This provision helps the Port in mitigating its insurance liabilities.

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Notes to Financial Statements

September 30, 2017

(iii) *Workers Compensation*

The Department participates in the City's self-insured workers' compensation program. During fiscal years 2017, it made payments to the City's Insurance Fund totaling \$1.6 million, for permanent and temporary Department employees. Amounts in the City's Insurance Fund are accumulated to meet losses as they arise.

(b) *Potential Obligations Related to the ACTA*

The Alameda Corridor Use and Operating Agreement was executed by the Department, the Harbor Department of the City of Los Angeles (Port of Los Angeles), ACTA, and the Burlington Northern Santa Fe and Union Pacific Railroads (the Railroads) in 1998. This agreement provides for a payment of funds, known as a "Shortfall Advance," to be made, under certain circumstances, to ACTA by the Department and the POLA. Revenue generated by use fees and container charges, paid by the Railroads, will be used to pay debt service on ACTA financing, to establish and maintain bond repayment and reserve funds, to establish and replenish a reserve account, and to pay ACTA's reasonable expenses relating to administration of the rail corridor.

To the extent that the revenue from use fees and container charges is not sufficient to meet ACTA's obligations, the Department and the POLA have agreed to advance the funds necessary to make up the difference. This obligation began after completion of the corridor project and is limited to a total of 40% of the total annual debt service, with the Department and the POLA each responsible for one-half or 20% of the total amount due in such calendar year.

Prior to April 1 of each year, ACTA is required to provide a Notice of Estimated Shortfall Advances and Reserve Account Funding (the Notice); estimates included in the Notice are dependent upon the accuracy of the assumptions used in their formulation. It is anticipated that there will be differences between estimates and actual results; the differences may be material.

In 2011 and 2012, the Department funded Shortfall Advances of \$2.95 million each year. The balance reimbursable by ACTA of \$5.9 million, recorded under "other noncurrent assets", for the previously paid Shortfall Advances remained unchanged as of September 30, 2017. Shortfall Advances made by the Department and the POLA are reimbursable, with interest, upon ACTA's ability to pay, which is undefined in the near term.

On May 24, 2016, ACTA issued the Series 2016 Bonds and restructured a portion of its debt. This potentially helped reduced the frequency and amount of future Shortfall Advances. The most recent notice date, March 24, 2017, indicates that there is no projected shortfall for ACTA's fiscal year ending June 30, 2018.

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Notes to Financial Statements

September 30, 2017

(c) Gerald Desmond Bridge Replacement Project

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. 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 new bridge is being built with a cable-stayed design under a design-build contract and will feature three lanes in each direction for 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. Construction of the new bridge began in 2013 and is expected to be completed by the end of 2019.

The bridge budget is \$1.492 billion and is a joint effort between Caltrans and the Department. The Department anticipates that funding of the project will come from various sources including federal, state, and local grants. Commitments from these funding sources total \$894.0 million and are available as reimbursement for expenditures on the bridge project; and local matching and Port's contribution of \$598.0 million. As these expenditures are incurred, amounts eligible for reimbursement from the funding sources are recognized as capital grant revenues in the accompanying statement of revenues, expenses, and change in net position. As of September 30, 2017, the Department has incurred approximately \$1.012 billion in costs to construct the replacement bridge with an increase of \$131.3 million during the year ended September 30, 2017. Of this total amount, approximately \$561.8 million has been recognized as capital grant revenue from inception, with \$52.7 million reported as part of due from other governmental agencies on the statement of net position as of September 30, 2017.

Upon completion of the Gerald Desmond Bridge Replacement Project, the agreement with Caltrans provides for transfer of ownership of the new bridge to Caltrans assuming all conditions of the agreement are met, as a component of the State highway system. The transfer will result in a loss from contributed asset and a reduction of the Department's capital asset. Additionally, the Department has agreed to pay Caltrans operating 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.

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Notes to Financial Statements

September 30, 2017

(11) Long Term Liabilities

Schedule of Changes in Long-Term Liabilities (In thousands)

Description	Balance October 1, 2016	Additions	Reductions	Balance September 30, 2017	Due in one year
Revenue bonds	\$ 542,630	170,255	44,905	667,980	47,190
Premium	45,762	30,195	6,401	69,556	—
Total revenue bonds	588,392	200,450	51,306	737,536	47,190
2014C Note	325,000	—	—	325,000	—
Premium	30,522	—	12,118	18,404	—
Total notes payable	355,522	—	12,118	343,404	—
Line of credit	25,000	—	25,000	—	—
Compensated absences	12,914	6,919	7,501	12,332	3,532
Net pension liability	124,170	5,723	—	129,893	—
Net OPEB liability	3,103	147	—	3,250	—
Unearned revenues	3,685	—	934	2,751	—
Environmental remediation liability	—	3,800	—	3,800	—
Other long term obligation (Port Headquarters Construction Costs)	49,067	60,465	—	109,532	—
Total long term liability	\$ 1,161,853	277,504	96,859	1,342,498	50,722

(12) Bonds and Other Indebtedness

Bond premiums and discounts of long-term debt issues are amortized over the life of the related debt. The Harbor department's bonded indebtedness issues and transactions are as follows (in thousands):

Description	Date of issue	Interest rate	Fiscal term and maturity year	Original principal	Ending balance October 1, 2016	Additions	Payments	Ending balance September 30, 2017	Principal due within one year
Revenue bonds:									
1998	2/1/1998	6%	2018-19	\$ 206,330	47,030	—	14,770	32,260	15,660
2010A	3/31/2010	3%-5%	2018-25	200,835	136,715	—	12,470	124,245	13,060
2010B	4/29/2010	4%-5%	2018-27	158,085	127,660	—	130	127,530	2,675
2014A	4/24/2014	4%-5%	2016-17	38,465	12,730	—	12,730	—	—
2014B	4/24/2014	3%-5%	2018-27	20,570	20,570	—	3,390	17,180	5,480
2015A	4/16/2015	4%-5%	2018-23	44,845	44,845	—	1,415	43,430	10,315
2015B	4/16/2015	5%	2018-25	20,130	20,130	—	—	20,130	—
2015C	7/15/2015	5%	2018-32	66,085	66,085	—	—	66,085	—
2015D	7/15/2015	5%	2018-42	66,865	66,865	—	—	66,865	—
2017A	6/28/2017	5%	2018-40	101,610	—	101,610	—	101,610	—

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Notes to Financial Statements

September 30, 2017

Description	Date of issue	Interest rate	Fiscal term and maturity year	Original principal	Ending balance October 1, 2016	Additions	Payments	Ending balance September 30, 2017	Principal due within one year
2017B	6/28/2017	5%	2018-43	\$ 25,985	—	25,985	—	25,985	—
2017C	6/28/2017	5%	2018-47	42,660	—	42,660	—	42,660	—
Subtotal bonds				992,465	542,630	170,255	44,905	667,980	47,190
2014C Note	6/12/2017	3%-5%	2019	325,000	325,000	—	—	325,000	—
Line of credit	7/1/2013		2017	25,000	25,000	—	25,000	—	—
Total indebtedness				\$ 1,342,465	892,630	170,255	69,905	992,980	47,190
Unamortized bond premium					106,760	—	18,798	87,962	—
Net total indebtedness					\$ 999,390	170,255	88,703	1,080,942	47,190

Annual Debt Service Requirements to Maturity – All Bonded Debt

Scheduled annual principal bond maturities and interest are summarized as follows (in thousands):

	Principal	Interest	Total
Fiscal year(s) ending September 30:			
2018	\$ 47,190	32,378	79,568
2019	45,965	31,059	77,024
2020	37,300	28,647	65,947
2021	39,110	26,808	65,918
2022	41,065	24,852	65,917
Thereafter	457,350	229,511	686,861
	\$ 667,980	373,255	1,041,235

Details of each outstanding debt issue are as follows:

(a) 1998 Harbor Revenue Refunding Bonds

The City of Long Beach Harbor Revenue Refunding Bonds Series 1998A (the 1998 Bonds) are secured by the Department's gross revenue. The 1998 Bonds, dated February 1, 1998, amounting to \$206.3 million were issued to refund all of the City's Harbor Revenue Bonds Series 1989A (the 1989 Bonds). The 1989 Bonds were defeased and the liability for those bonds was removed from the Department's statement of net position.

Serial bonds aggregating to \$32.0 million are outstanding and will mature on May 15 of each year from 2018 to 2019 in amounts ranging from \$15.6 million to \$16.6 million, with interest payable semiannually on May 15 and November 15 at a coupon rate of 6.0%. The 1998 Bonds are not subject to optional or mandatory redemption before their respective maturity dates.

The bond resolution requires the Department to maintain sufficient funds in order to meet current and maximum annual debt service payments. As of September 30, 2017, the Department has allocated \$6.6 million and \$17.6 million to a debt service account and reserve account, respectively.

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Notes to Financial Statements

September 30, 2017

The refunding of the 1989 Bonds resulted in a difference between the reacquisition price and net carrying amount on the old debt of \$8.6 million. The difference between the reacquisition price and net carrying amount is amortized using the straight-line method over the life of the new bonds and is reported in the accompanying statements of net position as component of deferred outflow of resources. As of September 30, 2017, \$0.6 million remained as a deferred outflow to be amortized.

(b) 2010A Harbor Revenue Bonds

The City of Long Beach Harbor Revenue Bonds Series 2010A (the 2010A Bonds) are secured by the Department's gross revenue. The 2010A Bonds, dated March 31, 2010, amounting to \$200.8 million were issued to finance certain capital improvements at the Port, to fund a reserve fund for the 2010A Bonds, and to pay the costs of issuing the 2010A Bonds.

Serial bonds aggregating to \$124.2 million will mature on May 15 of each year from 2018 to 2025 in amounts ranging from \$13.1 million to \$18.3 million with interest payable semiannually on May 15 and November 15 at coupon rates ranging from 3.0% to 5.0%.

The 2010A Bonds maturing on or before May 15, 2020 are not subject to redemption prior to maturity. The 2010A Bonds maturing on or after May 15, 2021 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, 2020, at a redemption price equal to 100% of the principal amount of the 2010A Bonds to be redeemed, plus accrued interest thereon to the date fixed for redemption, without premium.

The bond resolution requires the Department to maintain sufficient funds in order to meet current and maximum annual debt service requirements. As of September 30, 2017, \$7.4 million and \$19.5 million were allocated to the debt service account and reserve account, respectively.

(c) 2010B Harbor Revenue Refunding Bonds

The City of Long Beach Harbor Revenue Refunding Bonds Series 2010B (the 2010B Bonds) are secured by the Department's gross revenue. The 2010B Bonds, dated April 29, 2010, amounting to \$158.1 million were issued to refund \$63.1 million aggregate principal amount of the City's Harbor Revenue Bonds Series 2002B, \$12.1 million aggregate principal amount of the City's Harbor Revenue Refunding Bonds Series 2004A, and \$78.4 million aggregate principal amount of the City's Harbor Revenue Refunding Bonds Series 2005A to fund a reserve fund for the 2010B Bonds and to pay the costs of issuing the 2010B Bonds.

The difference between the reacquisition price and net carrying amount is amortized using the straight-line method over the life of the new bonds and is reported in the accompanying statement of net position as of September 30, 2017. The remaining balance of \$3.2 million is to be amortized in the statement of net position as a component of deferred outflow of resources.

Serial bonds aggregating to \$127.5 million will mature on May 15 of each year from 2018 to 2027 in amounts ranging from \$2.6 million to \$24.0 million, with interest payable semiannually on May 15 and November 15 at coupon rates ranging from 4.0% to 5.0%.

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Notes to Financial Statements

September 30, 2017

The 2010B Bonds maturing on or before May 15, 2020 are not subject to redemption prior to maturity. The 2010B Bonds maturing on or after May 15, 2021 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, 2020, at a redemption price equal to 100% of the principal amount of the 2010B Bonds to be redeemed, plus accrued interest thereon to the date fixed for redemption, without premium.

The bond resolution requires the Department to maintain sufficient funds in order to meet current and maximum annual debt service requirements. As of September 30, 2017, \$3.4 million and \$16 million were allocated to debt service account and reserve account, respectively.

(d) 2014A Harbor Revenue Refunding Bonds

The City of Long Beach Harbor Revenue Senior Bonds Series 2014A (the 2014A Bonds) are secured by the Department's gross revenue. The 2014A Bonds, dated April 24, 2014, amounting to \$38.5 million were issued in conjunction with the 2014B Senior Bonds described below to (a)(i) refund all of the City of Long Beach, California, Harbor Revenue Bonds Series 2002B, which were outstanding in the aggregate principal amount of \$43.4 million, (a)(ii) the City of Long Beach, California, Harbor Revenue Refunding Bonds Series 2004A, which were outstanding in the aggregate principal amount of \$13.1 million, and (a) (iii) the City of Long Beach, California, Harbor Revenue Refunding Bonds Series 2004B, which were outstanding in the aggregate principal amount of \$32.0 million (collectively, the Refunded Bonds), and (b) pay the costs of issuing the 2014A Bonds.

The 2014A Bonds matured and were fully paid on May 15, 2017.

(e) 2014B Harbor Revenue Refunding Bonds

The City of Long Beach Harbor Revenue Senior Bonds Series 2014B (the 2014B Bonds) are secured by the Department's gross revenue. The 2014B Bonds, dated April 24, 2014, amounting to \$20.6 million were issued in conjunction with the 2014A Bonds described above to refund all of (a)(i) the City of Long Beach, California, Harbor Revenue Bonds, Series 2002B, which were outstanding in the aggregate principal amount of \$43.4 million, (a) (ii) the City of Long Beach, California, Harbor Revenue Refunding Bond, Series 2004A, which were outstanding in the aggregate principal amount of \$13.1 million, and (a)(iii) the City of Long Beach, California, Harbor Revenue Refunding Bonds Series 2004B, which were outstanding in the aggregate principal amount of \$32.0 million (collectively, the Refunded Bonds), and (b) pay the costs of issuing the 2014 Bonds.

Serial bonds aggregating to \$17.2 million will mature on May 15 of each year from 2018 to 2027 in amounts ranging from \$0.9 million to \$7.7 million, with interest payable semiannually on May 15 and November 15 at coupon rates ranging from 3.0% to 5.0%. The difference between reacquisition price and net carrying amount is amortized using the straight-line method over the life of the new bonds and is reported in the statements of net position as of September 30, 2017; \$0.5 million remained as a deferred inflow to be amortized in the statements of net position as a component of deferred inflows.

The 2014B Bonds maturing on or before May 15, 2024 are not subject to redemption prior to maturity. The 2014B Bonds maturing on or after May 15, 2025 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, 2024, at a redemption price equal to 100% of the principal amount of the 2014B Bonds to be redeemed, plus accrued interest thereon to the date fixed for redemptions, without premium.

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Notes to Financial Statements

September 30, 2017

The bond resolution requires maintaining sufficient fund to meet current and maximum annual debt service requirement. As of September 30, 2017, \$2.4 million was allocated to a debt service account.

(f) 2015A Harbor Revenue Refunding Bonds

The City of Long Beach Harbor Revenue Senior Bonds Series 2015A (the 2015A Bonds) are secured by the Department's gross revenue. The 2015A Bonds, dated April 16, 2015, amounting to \$44.8 million were issued in conjunction with the 2015B Bonds described below and other available moneys to (a) current refund and/or defeased all or a portion of the Series 2005 Senior Bonds, and (b) pay the costs of issuing the 2015A Bonds. This refunding was undertaken to reduce total debt service payments over the next 10 years by \$36.2 million with an economic gain of \$12.1 million.

Serial bonds aggregating to \$43.4 million will mature on May 15 of each year from 2018 to 2023 in amounts ranging from \$4.8 million to \$14.4 million, with interest payable semiannually on May 15 and November 15 at coupon rates ranging from 4.0% to 5.0%.

The difference between reacquisition price and net carrying amount is amortized using the straight-line method over the life of the new bonds, reported as a deferred inflow of \$1.3 million in the statement of net position as of September 30, 2017. The 2015A Bonds are not redeemable prior to maturity.

The bond resolution requires maintaining sufficient funds to meet current and maximum annual debt service requirements. As of September 30, 2017, \$4.6 million was allocated to a debt service account.

(g) 2015B Harbor Revenue Refunding Bonds

The City of Long Beach Harbor Revenue Senior Bonds Series 2015B (the 2015B Bonds) are secured by the Department's gross revenue. The 2015B Bonds, dated April 16, 2015, amounting to \$20.1 million, were issued in conjunction with the 2015A Bonds described above and other available money to (a) current refund and/or defeased all or a portion of the Series 2005 Senior Bonds, and (b) pay the costs of issuing the 2015 Bonds. Even though this refunding resulted in an increase of \$0.8 million in the total of debt service payments over the next 10 years, it resulted in an economic gain of \$1.7 million.

Serial bonds aggregating to \$20.1 million will mature on May 15 of each year from 2023 to 2025 in amounts ranging from \$3.3 million to \$9.8 million, with interest payable semiannually on May 15 and November 15 at a coupon rate of 5.0%.

The difference between reacquisition price and net carrying amount is amortized using the straight-line method over the life of the new bonds and is reported in the accompanying statement of net position as of September 30, 2017; \$0.1 million remained as a deferred inflow to be amortized in the statement of net position as a component of deferred inflows.

The 2015B Bonds are not subject to redemption prior to maturity.

The bond resolution requires the Department to maintain sufficient funds in order to meet current debt service requirement. As of September 30, 2017, \$0.4 million was allocated to a debt service account.

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Notes to Financial Statements

September 30, 2017

(h) 2015C Harbor Revenue Bonds

The City of Long Beach Harbor Revenue Senior Bonds Series 2015C (the 2015C Bonds) are secured by the Department's gross revenue. The 2015C Bonds, dated July 15, 2015, amounting to \$66.1 million were issued in conjunction with the 2015D Bonds (the Series 2015 Senior Revenue Bonds) described above to (a) pay and/or reimburse the Harbor Department for capital expenditures incurred or to be incurred by the Harbor Department at the Port of Long Beach, including, but not limited to, the Series 2015 Projects, and/or repaying all or a portion of the outstanding Series A Subordinate Obligations and Series B Subordinate Obligations and (b) paying the financing costs and the costs of issuing the Series 2015 Senior Revenue Bond.

Serial bonds aggregating to \$66.1 million will mature on May 15 of each year from 2026 to 2032 in amounts ranging from \$6.9 million to \$16.8 million, with interest payable semiannually on May 15 and November 15 at a coupon rate of 5.0%.

The Series 2015 Senior Revenue Bonds are subject to redemption prior to maturity, at the option of the Board, as a whole or in part on any date, or after May 15, 2025, 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.

The bond resolution requires the Department to maintain sufficient funds in order to meet current debt service requirement. As of September 30, 2017, \$1.3 million was allocated to a debt service account.

(i) 2015D Harbor Revenue Bonds

The City of Long Beach Harbor Revenue Senior Bonds Series 2015D (the 2015D Bonds) are secured by the Department's gross revenue. The 2015D Bonds, dated July 15, 2015, amounting to \$66.8 million were issued in conjunction with the 2015C Bonds (the Series 2015 Senior Revenue Bonds) described above to (a) pay and/or reimburse the Harbor Department for capital expenditures incurred or to be incurred by the Harbor Department, including, but not limited to, the Series 2015 Projects, and/or repaying all or a portion of the outstanding Series A Subordinate Obligations and Series B Subordinate Obligations and (b) paying the financing costs and the costs of issuing the Series 2015 Senior Revenue Bond.

Serial bonds aggregating to \$66.9 million will mature on May 15 of each year from 2033 to 2042 in amounts ranging from \$5.3 million to \$8.2 million, with interest payable semiannually on May 15 and November 15 at a coupon rate of 5.0%.

The Series 2015 Senior Revenue Bonds are subject to redemption prior to maturity, at the option of the Board, as a whole or in part on any date, or after May 15, 2025, 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.

The bond resolution requires the Department to maintain sufficient funds in order to meet current debt service requirement. As of September 30, 2016, \$1.3 million was allocated to a debt service account.

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Notes to Financial Statements

September 30, 2017

(j) 2017A Harbor Revenue Refunding Bonds

The City of Long Beach Harbor Revenue Senior Bonds Series 2017A (the 2017A Bonds) are secured by the Department's gross revenue. The 2017A Bonds, dated June 28, 2017, amounting to \$101.6 million were issued in conjunction with the 2017B and 2017C Bonds (the Series 2017 Senior Revenue Bonds) described above to (a) pay and/or reimburse the Harbor Department for capital expenditures incurred or to be incurred by the Harbor Department, including, but not limited to, the Series 2017 Projects, and (b) pay the financing costs and the costs of issuing the Series 2017 Senior Revenue Bond.

Serial bonds aggregating to \$101.6 million will mature on May 15 of each year from 2026 to 2040 in amounts ranging from \$4.7 million to \$9.3 million, with interest payable semiannually on May 15 and November 15 at a coupon rate of 5.0%.

The Series 2017 Senior Revenue Bonds maturing on or before May 15, 2027 are not subject to redemption prior to maturity. The Series 2017 Senior Revenue Bonds maturing on or after May 15, 2028 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, 2027, at a redemption price equal to 100% of the principal amount of the Series 2017 Senior Revenue Bonds to be redeemed, plus accrued interest thereon to the date fixed for redemption, without premium.

The bond resolution requires the Department to maintain sufficient funds in order to meet current debt service requirement. As of September 30, 2017, \$1.3 million was allocated to a debt service account.

(k) 2017B Harbor Revenue Bonds

The City of Long Beach Harbor Revenue Senior Bonds Series 2017B (the 2017B Green Bonds) are secured by the Department's gross revenue. The 2017B Bonds, dated June 28, 2017, amounting to \$26.0 million were issued in conjunction with the 2017A and 2017C Bonds (the Series 2017 Senior Revenue Bonds) described above to (a) pay and/or reimburse the Harbor Department for capital expenditures incurred or to be incurred by the Harbor Department, including, but not limited to, the Series 2017B Green Projects, and (b) pay the financing costs and the costs of issuing the Series 2017 Senior Revenue Bond.

Serial bonds aggregating to \$26.0 million will mature on May 15 of each year from 2041 to 2043 in amounts ranging from \$8.4 million to \$8.9 million with interest payable semiannually on May 15 and November 15 at a coupon rate of 5.0%.

The Series 2017 Senior Revenue Bonds maturing on or before May 15, 2027 are not subject to redemption prior to maturity. The Series 2017 Senior Revenue Bonds maturing on or after May 15, 2028 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, 2027, at a redemption price equal to 100% of the principal amount of the Series 2017 Senior Revenue Bonds to be redeemed, plus accrued interest thereon to the date fixed for redemption, without premium.

The bond resolution requires the Department to maintain sufficient funds in order to meet current debt service requirement. As of September 30, 2017, \$0.3 million was allocated to a debt service account.

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Notes to Financial Statements

September 30, 2017

(I) 2017C Harbor Revenue Refunding Bonds

The City of Long Beach Harbor Revenue Senior Bonds Series 2017C (the 2017C Bonds) are secured by the Department's gross revenue. The 2017C Bonds, dated June 28, 2017, amounting to \$42.7 million were issued in conjunction with the 2017A and 2017B Bonds (the Series 2017 Senior Revenue Bonds) described above to (a) pay and/or reimburse the Harbor Department for capital expenditures incurred or to be incurred by the Harbor Department, including, but not limited to, Series 2017 Projects, (b) repay all of the outstanding Series B Subordinate Revolving Obligations, and (c) pay the financing costs and the costs of issuing the Series 2017 Senior Revenue Bond.

Serial bonds aggregating to \$42.7 million will mature on May 15 of each year from 2043 to 2047 in amounts ranging from \$0.6 million to \$11.3 million, with interest payable semiannually on May 15 and November 15 at a coupon rate of 5.0%.

The Series 2017 Senior Revenue Bonds maturing on or before May 15, 2027 are not subject to redemption prior to maturity. The Series 2017 Senior Revenue Bonds maturing on or after May 15, 2028 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, 2027, at a redemption price equal to 100% of the principal amount of the Series 2017 Senior Revenue Bonds to be redeemed, plus accrued interest thereon to the date fixed for redemption, without premium.

The bond resolution requires the Department to maintain sufficient funds in order to meet current debt service requirement. As of September 30, 2017, \$0.5 million was allocated to a debt service account.

(13) 2014C Harbor Revenue Notes and Transportation Infrastructure Finance and Innovation Act (TIFIA) Loan commitment

The City of Long Beach Harbor Revenue Notes Series 2014C Senior Notes (the 2014C Notes) are secured by the Department's gross revenue. The 2014C Notes were issued on June 12, 2014 for \$325.0 million plus a premium of \$53.4 million, less an underwriter's discount of \$659.0 thousand. The 2014C Notes were issued to finance a portion of the costs of constructing a replacement bridge for the existing Gerald Desmond Bridge, including capitalized interest associated with the 2014C Notes themselves. The notes were also used to refund a portion of the Subordinate Harbor Revolving Obligations (Series A and Series B) and to pay for the costs of issuance. The 2014C Notes were issued to achieve interest savings during a favorable market for short-term effective-interest rate while deferring the need to draw on the TIFIA loan. It is anticipated that the proceeds from the TIFIA loan, when it is drawn, will be used to repay the 2014C Notes.

The 2014C Notes are outstanding as of September 30, 2017, and will mature on November 15, 2018 with interest payable semiannually of May 15 and November 15 at coupon rates ranging from 3.0% to 5.0%. The Series 2014C will not be subject to redemption prior to maturity.

The original issue premium is being amortized over the loan term using the effective-interest method. Unamortized premium totaled \$18.4 million for the year ended September 30, 2017.

As of September 30, 2017, the balance of the debt service account \$24.0 million is restricted to meet debt service requirements in conformity with the note resolution.

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Notes to Financial Statements

September 30, 2017

Scheduled annual principal note maturities and interest are summarized as follows (in thousands):

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal year ending September 30:			
2018	\$ —	15,643	15,643
2019	<u>325,000</u>	<u>7,822</u>	<u>332,822</u>
	<u>\$ 325,000</u>	<u>23,465</u>	<u>348,465</u>

TIFIA Loan Commitment

In May 2014, the Harbor Department entered into a loan agreement (the TIFIA Loan) with the United States Department of Transportation (USDOT) under the TIFIA. Under the TIFIA Loan, the USDOT will allow the Department to borrow up to \$325.0 million, provided the amount so borrowed will be used to finance and refinance the costs related to the replacement of the Gerald Desmond Bridge, including, but not limited to, the repayment of the 2014C Notes. The loan is secured by a subordinate lien on the Department's gross revenue. The loan is expected to be drawn no later than one year after substantial completion of the replacement bridge currently expected in December 2019. As such, there is no outstanding liability for the TIFIA Loan as of September 30, 2017. Once drawn upon, the TIFIA Loan will be repaid over a period not to exceed 35 years at an interest rate of 3.42%.

(14) Lines of Credit

On June 30, 2016, the Board of Harbor Commissioners approved a three-year revolving credit agreement in connection with a tax-exempt and taxable revolving line of credit to be provided by MUFG Union Bank, N.A. in an aggregate principal amount not to exceed \$200.0 million outstanding at any one time. The tax-exempt and taxable interest rates to be paid by the Department for borrowings under the revolving lines of credit with Union Bank will be based on a percentage of the one-month London Interbank Offered Rate (LIBOR). The purpose of this line of credit is to provide more flexibility to access unrestricted funds when the Department has a need.

As of September 30, 2017, the Department has no outstanding balance under this revolving line of credit with Union Bank.

(15) Retirement Program

(a) Pension Plan

(i) Plan Description – California Public Employees' Retirement System (CalPERS)

The City contributes to the CalPERS agent multiple-employer defined-benefit pension plan. The City is considered the employer and the Department is a department of the City. The Department's employees are enrolled in the City Miscellaneous Plan. CalPERS provides retirement benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the plan are established by the State's statute and the City's resolution. All City departments are considered collectively to be a single employer, and the Department's pension elements are determined as the Department's percentage of the City as a single employer.

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Notes to Financial Statements

September 30, 2017

CalPERS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees or beneficiaries. Benefits are based on years of credited service equal to one year of full-time employment, age at retirement and final compensation. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. The cost of living adjustments for the plan is applied as specified by the Public Employees' Retirement Law.

The Miscellaneous Plan's provisions and benefits in effect at September 30, 2017, are summarized in the following table

Hire date	Miscellaneous		
	Tier 1 Prior to October 1, 2006	Tier 2 On or after October 1 2006 and prior to January 1 2013	Tier 3 On or after January 1 2013
Benefit formula	2.7% at 55	2.5% at 55	2.0% at 62
Benefit vesting schedule		5 years of service	
Benefit payments		Monthly for life	
Retirement age	50–55	50–55	52–62
Required contribution rates			
Employee	8.0%	8.0%	6.5%
Employer	20.586 %	20.586 %	20.586 %
Percentage of eligible compensation			
Monthly benefits	2.0% to 2.7%	2.0% to 2.5%	1.0% to 2.0%

Contributions – California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

(ii) Allocation Methodology

The City used a calculated percentage based on the Department's share of the pensionable compensation to the City's total pensionable compensation amounts for each plan, to provide the Department's net pension liability and related GASB 68 accounting elements. The Department's proportionate share totaled 19.2% as of September 30, 2017.

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Notes to Financial Statements

September 30, 2017

(iii) *Pension Liability, Pension Expense, and Deferred Outflows and Deferred Inflows Related to Pensions*

The City's net pension liability for the Miscellaneous Plan is measured as the total pension liability, less the plan's fiduciary net position. Net pension liability is measured as of June 30, 2017 (measurement date), using the actuarial valuation report as of June 30, 2016, rolled forward using standard update procedures. The Department's share of the net pension liability for the Miscellaneous Plan was \$124.2 million at the beginning of the measurement period and \$129.9 million at June 30, 2017. For the measurement period ending June 30, 2017 (the measurement date) the Department incurred pension expense of \$20.8 million.

As of September 30, 2017, the Department had deferred outflows and deferred inflows related to pensions as follows (in thousands):

Deferred outflows of resources:

Pension contributions after measurement date	\$	6,958
Difference between actual and expected CalPERS investment returns		11,554
CalPERS change in assumptions		17,811
CalPERS change in proportion		<u>1,203</u>
Total deferred outflows of resources	\$	<u><u>37,526</u></u>

Deferred inflows of resources:

CalPERS difference between actual and expected experience	\$	8,666
CalPERS change in proportion		<u>1,766</u>
Total deferred inflows of resources	\$	<u><u>10,432</u></u>

Exclusive of deferred outflows related to payments after the measurement date, which will be recognized in pension expense in the following year, the net amount of deferred outflows (inflows) of resources related to pensions that will be recognized in pension expense during the next four years is as follows (in thousands):

Measurement period ending June 30	Total
2018	\$ 10,626
2019	10,058
2020	2,225
2021	<u>(2,772)</u>
Total	\$ <u><u>20,137</u></u>

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Notes to Financial Statements

September 30, 2017

(iv) Actuarial Methods and Assumptions Used to Determine Total Pension Liability

A summary of principal assumptions and methods used to determine the net pension liability is as follows:

	<u>Miscellaneous</u>
Valuation date	June 30, 2016
Measurement date	June 30, 2017
Actuarial cost method	Entry Age Normal
Actuarial assumptions:	
Discount rate	7.15%
Inflation	2.75
Payroll growth	3.00
Projected salary increase	Varies by entry age and service
Investment rate of return	7.50* ¹
Mortality	See note* ²

*¹ Net of Pension Plan Investment and Administrative Expenses; includes inflation.

*² The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, refer to the 2014 experience study report.

All other actuarial assumptions used in the June 30, 2017 Actuarial Valuation Report were based on the results of an actuarial experience study for the period from 1997 to 2011. Further details of the experience study can be found on the CalPERS website.

Discount Rate – The discount rate used to measure the total pension liability was 7.15%. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 7.15% is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called *GASB Crossover Testing Report* that can be obtained from the CalPERS website under the GASB Statement No. 68 section.

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Notes to Financial Statements

September 30, 2017

The table on the following page reflects the long-term expected real rate of return by asset class for the Miscellaneous Plan. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

Asset class	New strategic allocation	Real return years 1–10 ^a	Real return years 11+ ^b
Global equity	47.00%	4.90%	5.38%
Global fixed income	19.0	0.80	2.27
Inflation sensitive	6.0	0.60	1.39
Private equity	12.0	6.60	6.63
Real estate	11.0	2.80	5.21
Infrastructure and forestland	3.0	3.90	5.36
Liquidity	2.0	(2.20)	(1.05)

^a An expected inflation of 2.5% used for this period

^b An expected inflation of 3.0% used for this period

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following table presents the net pension liability of the City's Miscellaneous plan as of the measurement date, calculated using the discount rate of 7.15%, compared to a discount rate that is 1.0% age point lower (6.15%) or 1.0% age point higher (8.15%). Amounts shown below are for the City's Miscellaneous plan in thousands:

Sensitivity to Net Pension Liability	
Net pension liability	Total
1.0% Decrease (6.15%)	\$ 196,401
Current discount rate (7.15%)	129,893
1.0% Increase (8.15%)	74,979

(b) *Postretirement Healthcare Benefits (OPEB)*

(i) *Plan Description*

The Department participates in the City of Long Beach Retiree Health Care plan (the Plan), a single-employer plan administered by the City of Long Beach. The Plan covers all eligible full-time employees of the City. City Council has the authority to establish and amend the benefit terms currently permitted by Ordinance No. C-7556.

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Notes to Financial Statements

September 30, 2017

(ii) *Benefits Provided*

The Plan provides health, dental and long-term care insurance for retirees and their dependents as long as (a) that employee participated in a City provided insurance program of that type (PPO or HMO) during the year immediately preceding retirement, (b) has not attained the eligibility age for Medicare payments, and (c) has attained the minimum retirement age for the employee's retirement plan. Benefits are administered through a third-party provider, and the full cost of the benefits is covered by the Plan.

(iii) *Total OPEB Liability*

At September 30, 2017, the Department reported a total OPEB liability of \$3.2 million for its proportionate share of the total OPEB liability. The total OPEB liability was measured as of September 30, 2016 and the total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation as of September 30, 2016. The Department's proportion of the total OPEB liability was based on the Department's share of sick leave balances. At June 30, 2016, the Department's proportion was 6.5%.

For the year ended September 30, 2017, the Department recognized OPEB expense of \$146 thousand. At September 30, 2017, the Department reported \$52 thousand of deferred outflows of resources related to OPEB from contributions made subsequent to the measurement date, \$635 thousand in deferred outflows of resources related to actuarial changes in assumptions, and \$510 thousand deferred inflow of resources related to actuarial determined difference between expected and actual experience.

Amounts reported as deferred outflows and deferred outflows related to OPEB from the Department's contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended September 30, 2018. Amounts related to both the deferred outflow of resources and deferred inflow of resources will be amortized over the next 7.3 years. Amounts reported as deferred outflows and deferred inflows related to OPEB will be recognized in OPEB expense over the next five years as follows (in thousands):

<u>Year ending September 30</u>	<u>Amount to be recognized</u>
2018	\$ 17.0
2019	17.0
2020	17.0
2021	17.0
2022	17.0
2023–2027	39.0

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Notes to Financial Statements

September 30, 2017

(iv) Actuarial Assumptions

The total OPEB liability in the September 30, 2016 actuarial valuation was determined using the following actuarial assumptions.

Valuation date	September 30, 2016
Measurement date	September 30, 2016
Actuarial cost method	Entry age
Actuarial assumptions:	
Inflation	2.75%
Discount rate	3.75% Based on Fidelity Municipal Bond GO AA 20-year Bond Index
Payroll increases	3.00% Aggregate
Mortality	Merit CalPERS 1997-2011 Experience
Withdrawal	CalPERS 1997-2011 Experience Study
Disability	CalPERS 1997-2011 Experience Study
Healthcare trend	ultimate rate of 4.00% for 2076 and beyond

(v) Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the Department, as well as what the Department's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.1%) or 1-percentage-point higher (4.1%) than the current discount rate (in thousands):

	1 Percent Decrease (2.1%)	Discount rate (3.1%)	1 Percent Increase (4.1%)
Total OPEB liability	\$ 3,586	3,249	2,943

(vi) Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the Department, as well as what the Department's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or higher than the current healthcare cost trend rates:

	1 Percent Decrease (6.5%)	Healthcare Cost Trend Rate (7.5%)	1 Percent Increase (8.5%)
Total OPEB liability	\$ 2,870	3,249	3,695

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Notes to Financial Statements

September 30, 2017

(c) Termination Benefits

As of September 30, 2017, the City has recorded a liability in the Employee Benefits Internal Service Fund of \$135.2 million based on an actuarial study of current and future retiree accumulated sick leave in accordance with GASB Statement No. 16, *Accounting for Compensated Absences* (GASB 16). The liability takes into account an estimate of future usage, additional leave accumulation and wage increases for both current retirees and active employees. An additional amount relating to negotiated public safety health benefit supplements for employees who retired during calendar year 2009 is described as follows:

The actuarial study assumes an investment return of 3.8% and wage increases of 3.0% per year for safety employees. The \$135.2 million long-term portion of the liability is being funded over time through burden rates, applied as a percentage of current productive salaries, and charged to the various City funds.

For the year ended September 30, 2017, the Department has recorded noncurrent liabilities totaling \$8.8 million which represents the Departments share of these liabilities.

(d) Deferred Compensation Plan

The City offers its employees the option to participate in a deferred compensation plan created in accordance with Internal Revenue Code Section 457 allowing them to defer or postpone receipt of income. Amounts deferred may not be paid to the employee during employment with the City except for a catastrophic circumstance creating an undue financial hardship for the employee. Further information regarding the City's deferred compensation plan may be found in the City's Comprehensive Annual Financial Report for the years ended September 30, 2017.

(e) Compensated Absences

The Department records all accrued employee benefits, including accumulated vacation, as a liability in the period when the benefits are earned. Accrued employee benefits are classified into current and noncurrent liability for financial statement presentation. The current liability in the amount of \$3.5 million as of September 30, 2017, is calculated based on a five years average of vacation taken or used annually. The remaining amount of the liability is recorded as non-current.

(16) Environmental Remediation Obligation

On July 2017, as a result of a hazardous building materials survey of a warehouse, the Department identified the presence of environmentally sensitive materials requiring abatement activities. The estimates abatement cost stands at \$3.8 million and a remediation liability for this amount has been recognized in the fiscal year 2017. This warehouse has a net carrying value of zero and there is no reasonable expectation of any recovery associated with these remediation efforts.

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Notes to Financial Statements

September 30, 2017

(17) Port Headquarter Building and Civic Center Project

In January 2016, the Board of Harbor Commissioners (BHC) authorized the Department to enter into a project agreement with the City of Long Beach and Plenary Edgemoor Civic Partners LLC (PECP) for the Port Headquarter Building, Shared Facilities (Council/Board Chambers, central utility plant, and new underground parking), Shared Rooms and Shared Civic Plaza of the City of Long Beach Civic Center Project. The Board also approved a Memorandum of Understanding (MOU) between the Port and the City to provide for mutual performance obligations and internal cost allocations to ensure accurate project cost accounting for construction costs, ongoing costs, utility costs and lifecycle replacement costs. After reviewing a number of alternative financing structures, the Port adopted a modified Design-Build-Finance-Operate-Maintain structure. PECP will finance the Port project during construction. The Port total approved project budget is \$235.0 million, comprising PECP project completion payment of \$212.6 million, project support cost of \$14.4 million and the land purchase of \$8.0 million.

On April 20, 2016, at Financial Close, the Project Agreement was executed with a fixed price Project Completion Payment of \$212.6 million and a schedule Port occupancy date of June 30, 2019. PECP will provide the Port a limited amount of Operation and Maintenance Services and Life-Cycle Replacement Costs over the 40 year post-occupancy period.

The Port acquired the land upon which Port's headquarter is located with a purchase price of \$8.0 million in early 2016. The land had a book value of \$12.0 million at the date of purchase, accordingly a contribution for \$4.0 million was recorded for the year ended September 30, 2016. The shared facilities will be owned by the City and Port under a form of joint ownership in accordance with their respective allocation and subject to easements or other right of access of each other.

The Project Company, PECP, reported 52% of project completion for Port Headquarter project at September 30, 2017. For this modified Design-Build-Finance-Operate-Maintain financing model, the Port recorded \$109.5 million for the 52% of Project Completion Payment as construction in progress and long term liability for Port Headquarter project. At completion, the Port plans to issue bonds to finance this project.

(18) Deferred Outflows/Inflows of Resources

The deferrals of accounting gains and losses are related to cumulative bond refunding activity from current year and prior year bonds. The deferred outflows and deferred inflows of resources related to net pension liability are certain changes in total pension liability and fiduciary net position of the pension plan that are to be recognized in future pension expense.

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Notes to Financial Statements

September 30, 2017

The schedule of deferrals as of September 30, 2017 is as follows (expressed in thousands):

Deferred outflows of resources:

Loss on debt refunding	\$	3,876
Pension related deferred outflows:		
Pension contributions after measurement date		6,958
Difference between actual and expected CalPERS investment returns		11,554
Change in assumptions		17,811
Change in the Department's proportion of pension obligation		1,203
OPEB related deferred outflows:		
OPEB contributions after measurement date		52
Change in assumptions		635
Total deferred outflows of resources	\$	<u>42,089</u>

Deferred inflows of resources:

Gain on debt refunding	\$	1,998
Pension related deferred inflows:		
Change in the Department's proportion of pension obligation		1,766
Difference between actual and expected experience		8,666
OPEB related deferred inflows:		
Difference between actual and expected experience		510
Change in the Department's proportion of OPEB obligation		146
Total deferred inflows of resources	\$	<u>13,086</u>

REQUIRED SUPPLEMENTARY INFORMATION

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

OPEB Liability and Related Ratios¹

(As of September 30, dollars in thousands)

Last 10 Years ^{1, 2}

	2017	2016
Department's percentage of total city OPEB liability	6.5%	6.9%
Department's total OPEB liability – ending	\$ 3,250	3,103
Department covered-employee payroll	48,381	47,203
Total department OPEB liability as a percentage of covered payroll	6.7%	6.6%

Notes to schedule:

¹ No assets are accumulated in a trust to pay related benefits

² Fiscal year 2016 was the first year of implementation of GASB Statement No. 75.

See accompanying independent auditors' report.





Port of
LONG BEACH
The Green Port

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APPENDIX B

SUMMARY OF CERTAIN PROVISIONS OF THE SENIOR RESOLUTION

The following is a brief summary of certain provisions of the Master Senior Resolution and the Twenty-First Supplemental Resolution not previously discussed in this Official Statement. Such summary is not intended to be definitive, and reference is made to the Master Senior Resolution and the Twenty-First Supplemental Resolution in their entirety for the complete terms thereof. Capitalized terms used in this summary which are not otherwise defined in this Official Statement have the meanings ascribed to such terms in the Master Senior Resolution or the Twenty-First Supplemental Resolution.

CERTAIN DEFINITIONS

“*Accreted Value*” means, with respect to any Senior Capital Appreciation Bond, the principal amount thereof plus the interest accrued thereon from its date, compounded at the approximate interest rate thereof on each date specified therein. The Accreted Value at any date to which reference is made will be the amount set forth in the Accreted Value Table as of such date, if such date is a compounding date, and if not, as of the immediately preceding compounding date.

“*Accreted Value Table*” means the table denominated as such which appears as an exhibit to, and to which reference is made in, a Supplemental Senior Resolution for any Series of Senior Capital Appreciation Bonds issued pursuant to any such Supplemental Senior Resolution.

“*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 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 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; 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 within the lien of the Senior Bonds, Assumed Debt Service will be the principal and interest which would be payable under the credit or liquidity instrument in the event that the credit or liquidity instrument was drawn upon to pay or purchase all of such Senior Bonds then Outstanding.

“*Board*” means the Board of Harbor Commissioners of the City.

“*Bond Service Fund*” means the Harbor Bond Service Fund established by the Treasurer and maintained pursuant to the Senior Resolution.

“*Business Day*” means, except as otherwise provided in a Supplemental Senior Resolution, any day other than (a) a Saturday, Sunday, or a day on which banking institutions in the State or the State of New York are authorized or obligated by law or executive order to be closed; and (b) for purposes of payments and other actions relating to credit or liquidity enhanced Senior Bonds, a day upon which commercial banks in the city in which is located the office of the credit or liquidity enhancer at which demands for payment under the credit document with respect to the credit or liquidity enhancement are to be presented are authorized to be closed.

“*Charter*” means the Charter of the City, as amended from time to time.

“*City*” means the City of Long Beach, California.

“*Closing Date*” means October 2, 2018.

“*Code*” means the Internal Revenue Code of 1986, as amended, including regulations, rulings and judicial decisions promulgated thereunder.

“*Excluded Principal Payments*” means each payment of principal of Senior Bonds which the Board determines (in the Supplemental Senior Resolution or other document delivered on a date not later than the date of issuance of such Senior Bonds) will be paid with moneys which are not Revenues but from future debt obligations of the City, acting by and through the Board, and any Fiscal Agent may rely conclusively on such determination of the Board. No such determination will affect the security for such Senior Bonds or the obligation of the City, acting by and through the Board, to pay such payments from Revenues or from any reserve fund established under any Supplemental Senior Resolution.

“*Fiscal Agent*” means with respect to the Series 2018A Senior Notes, U.S. Bank National Association, or its successor thereto. With respect to any other Series of Senior Bonds, “*Fiscal Agent*” means the fiscal agent or paying agent appointed pursuant to the Supplemental Senior Resolution authorizing the issuance of such Series of Senior Bonds.

“*Fiscal Agent Agreement*” means the Fiscal Agent Agreement, to be dated the Closing Date, by and between the City, acting by and through the Board, and the Fiscal Agent, executed and delivered in with respect to the Series 2018A Senior Notes.

“*Fiscal Year*” means the period beginning on October 1 of each year and ending on the next succeeding September 30, or any other 12-month period hereafter selected as the official fiscal year of the Harbor Department.

“*Fitch*” means Fitch Ratings, a corporation organized and existing under the laws of the State of Delaware, its successors and its assigns, and, if such corporation for any reason no longer performs the functions of a securities rating agency, “*Fitch*” will be deemed to refer to any nationally recognized rating agency designated by the Board.

“*Harbor Department*” means the Harbor Department of the City.

“*Harbor Revenue Fund*” means the Harbor Revenue Fund established by the Charter.

“*Interest Account*” means the Interest Account of the Bond Service Fund established and maintained pursuant to the Master Senior Resolution.

“*Interest Payment Date*” means, with respect to the Series 2018A Senior Notes, each June 15 and December 15, commencing December 15, 2018, the dates upon which interest on the Series 2018A Senior Notes becomes due and payable.

“*Investment Securities*” means, unless otherwise provided in a Supplemental Senior Resolution, any securities in which the City may legally invest, from time to time, funds subject to its control, including, without limitation, (i) shares in money market mutual funds which qualify as investments pursuant to Sections 53601 and 53635 of the Government Code of the State; (ii) shares in money market mutual funds the assets of which would otherwise qualify as investments pursuant to Sections 53601 and

53635 of the Government Code of the State except that such money market mutual funds include in their assets (a) registered warrants, treasury notes or bonds of any state within the United States and/or (b) bonds, notes, warrants or other evidence of indebtedness of any county, city, city and county or other public agency of any state within the United States; (iii) an investment agreement of any maturity with a financial institution or insurance company or insurance holding company which has, at the date of execution thereof, an outstanding issue of unsecured, uninsured and unguaranteed obligations, rated in either of the two highest long-term Rating Categories by Moody's or Standard & Poor's, or in the case of an insurance company has a claims paying ability rated in either of the two highest rating categories by Moody's or Standard & Poor's, or an investment agreement of any maturity with a Person that is a subsidiary of such a financial institution or such an insurance company or such an insurance holding company, provided that such Person's obligations under such investment agreement are absolutely and unconditionally guaranteed by such financial institution or such insurance company or such insurance holding company; (iv) the City's investment pool maintained by the Treasurer in accordance with the City's adopted investment policy; and (v) any other investments permitted under the City's adopted investment policy.

"*Law*" means (a) the Charter, as the same may be amended and modified, and (b) Division I of Chapter 3.52 of Title 3 of the City of Long Beach Municipal Code, as the same may be amended and modified.

"*Maintenance Costs*" means all reasonable expenses of management and other expenses necessary to operate, maintain and preserve the Port in good repair and working order, excluding depreciation.

"*Mandatory Sinking Account Payment*" means, with respect to Senior Term Bonds, the amount required by a Supplemental Resolution to be deposited by the Treasurer in the Principal Account for the payment of the principal of such Senior Term Bonds.

"*Master Senior Resolution*" means Resolution No. HD-1475, adopted by the Board on November 8, 1989, as amended and supplemented.

"*Maximum Annual Debt Service*" means the greatest amount of principal and interest becoming due and payable on all Senior 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 will be excluded from such calculation and Assumed Debt Service will be included in such calculation:

(b) if the Senior 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 Senior Bonds or (ii) are not secured by any credit or liquidity instrument, the interest rate on such Senior Bonds for periods when the actual interest rate cannot yet be determined will be assumed to be equal to an interest rate calculated by multiplying 1.20 times the interest rate on the Senior Bonds on the date of calculation or, if such Senior Bonds are not currently Outstanding, 1.20 times the interest rate that such Senior 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 Senior 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 Senior Bonds, the interest rate on such Senior Bonds for periods when the actual interest rate cannot yet be determined will be assumed to be equal to the greater of the maximum rate on the credit or liquidity instrument and the maximum rate on the Senior Bonds;

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

(e) in determining the principal amount due in each Fiscal Year, payment will (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 Senior Bonds on the basis of Accreted Value, and for such purpose, the redemption payment or payment of Accreted Value will be deemed a principal payment and interest that is compounded and paid as Accreted Value will be deemed due on the scheduled redemption or payment date of such Senior Capital Appreciation Bond: and

(f) if any interest rate swap agreement is in effect with respect to, and is payable on a parity with the Senior Bonds to which it relates, no amounts payable under such interest rate swap agreement will be included in the calculation of Maximum Annual Debt Service unless the sum of (i) interest payable on such Senior 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 Senior 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 Senior Bonds will be included in such calculation.

“*Moody’s*” means Moody’s Investors Service, Inc., its successors and its assigns, and, if such corporation for any reason no longer performs the functions of a securities rating agency, “*Moody’s*” will be deemed to refer to any nationally recognized rating agency designated by the Board.

“*Net Revenues*” means, for any period, the Revenues for such period less Maintenance Costs for such period.

“*Outstanding*” means, when used as of any particular time with reference to Senior Bonds (subject to the provisions of the Master Senior Resolution) all Senior Bonds theretofore, or thereupon being, executed and delivered by the City, acting by and through the Board, and authenticated by the Fiscal Agent for that Series under the Master Senior Resolution except (a) Senior Bonds theretofore cancelled by the Fiscal Agent or surrendered to the Fiscal Agent for cancellation; (b) Senior Bonds with respect to which all liability of the Board has been discharged in accordance with the provisions of the Master Senior Resolution; and (c) Senior Bonds for the transfer or exchange of or in lieu of or in substitution for which other Senior Bonds has been executed and delivered by the City, acting by and through the Board, and authenticated by the Fiscal Agent for that Series pursuant to the Master Senior Resolution.

“*Owner*” or “*Bondholder*” means the person in whose name a Senior Bond is registered.

“*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, work, 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 systems later constructed or acquired.

“Principal Account” means the Principal Account of the Bond Service Fund established and maintained pursuant to the Master Senior Resolution.

“Rating Agency” means Fitch or Moody’s or Standard & Poor’s, or any other nationally recognized rating agency of municipal obligations.

“Rating Category” means (a) with respect to any long-term rating category, all ratings designated by a particular letter or combination of letters, without regard to any numerical modifier, plus or minus sign or other modifier; and (b) with respect to any short-term or commercial paper rating category, all ratings designated by a particular letter or combination of letters and taking into account any numerical modifier, but not any plus or minus sign or other modifier.

“Record Date” means for a June 15 Interest Payment Date the preceding June 1 and for a December 15 Interest Payment Date the preceding December 1.

“Redemption Fund” means the Redemption Fund established and maintained by the Master Senior Resolution with respect to the Senior Bonds.

“Redemption Price” means, with respect to any Senior Bond (or portion thereof) the principal amount of such Senior Bond (or portion) plus the applicable premium, if any, payable upon redemption thereof pursuant to the provisions of such Senior Bond, the Master Senior Resolution and the applicable Supplemental Senior Resolution.

“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 and 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.

“Senior Bond Obligation” means, as of any given date of calculation, (a) with respect to any Outstanding Senior Current Interest Bond, the principal amount of such Senior Bond, and (b) with respect to any Outstanding Senior Capital Appreciation Bond, the Accreted Value thereof as of the date next preceding such date of calculation on which interest on such Senior Capital Appreciation Bond was compounded (unless such date of calculation is a date on which such interest is compounded in which case as of such date).

“Senior Bonds” means any debt obligation of the City, acting by and through the Board, issued as a taxable or tax-exempt obligation under and in accordance with the provisions of the Master Senior Resolution, including, but not limited to, bonds, notes, bond anticipation notes, commercial paper notes, revolving lines of credit, and other instruments creating an indebtedness of the City, acting by and

through the Board, obligations incurred pursuant to an any interest rate swap agreement entered into in connection with Senior Bonds, and obligations incurred through lease or installment purchase agreements or other agreements or certificates of participation therein and repayment obligations owed to a provider of a credit or liquidity instrument. Senior Bonds includes the Series 2018A Senior Notes.

“Senior Capital Appreciation Bonds” means Senior Bonds on which interest is compounded and paid at maturity or on prior redemption.

“Senior Current Interest Bonds” means Senior Bonds which pay interest at least semiannually to the Owners thereof excluding the first payment of interest thereon.

“Senior Resolution” means the Master Senior Resolution as amended, modified or supplemented by each Supplemental Senior Resolution, including without limitation, the Twenty-First Supplemental Senior Resolution.

“Senior Term Bond” means Senior Bonds payable at or before their specified maturity date or dates from Mandatory Sinking Account Payments established for that purpose and calculated to retire such Senior Bonds on or before their specified maturity date or dates.

“Series” means, whenever used with respect to Senior Bonds, all of the Senior Bonds designated as being of the same series pursuant to a Supplemental Senior Resolution, executed, delivered and authenticated in a simultaneous transaction, regardless of variations in maturity, interest rate, redemption and other provisions, and any Senior Bonds thereafter executed, delivered and authenticated upon transfer or exchange or in lieu of or in substitution for (but not to refund) such Senior Bonds as provided in the Master Senior Resolution.

“Series 2018A Notes” means the “City of Long Beach, California Harbor Revenue Refunding Short-Term Notes, Series 2018A.”

“Series 2018A Capitalized Interest Fund” means the “City of Long Beach, California Harbor Revenue Refunding Short-Term Notes, Series 2018A Capitalized Interest Fund” established and maintained pursuant to the Twenty-First Supplemental Senior Resolution.

“Series 2018A Costs of Issuance Fund” means the “City of Long Beach, California Harbor Revenue Refunding Short-Term Notes, Series 2018A Costs of Issuance Fund” established and maintained pursuant to the Twenty-First Supplemental Senior Resolution.

“Series 2018A Rebate Fund” means the “City of Long Beach, California Harbor Revenue Refunding Short-Term Notes, Series 2018A Rebate Fund” established and maintained pursuant to the Twenty-First Supplemental Senior Resolution.

“Standard & Poor’s” or *“S&P”* means S&P Global Ratings, a division of Standard & Poor’s Financial Services LLC, its successors and its assigns, and, if such entity for any reason no longer performs the functions of a securities rating agency, “Standard & Poor’s” and “S&P” will be deemed to refer to any nationally recognized rating agency designated by the Board.

“State” means the State of California.

“Supplemental Senior Resolution” means any resolution duly executed and delivered, supplementing, modifying or amending the Senior Resolution.

“*Tax Certificate*” means the Tax Compliance Certificate, to be dated the Closing Date, by the City, acting by and through the Board, with respect to the Series 2018A Senior Notes.

“*Treasurer*” means the City Treasurer of the City of Long Beach.

“*Twenty-First Supplemental Senior Resolution*” means the Supplemental Senior Resolution to be adopted by the Board on September 24, 2018 in connection with the issuance of the Series 2018A Senior Notes.

“*Underwriters*” means, collectively, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Stern Brothers & Co. and Stifel, Nicolaus & Company, Incorporated.

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

“*Variable Rate Indebtedness*” means (a) any indebtedness the interest rate on which is not fixed at the time of incurrence of such indebtedness, and has not at some subsequent date been fixed, at a single numerical rate for the entire term of the indebtedness, and (b) commercial paper notes issued pursuant to any program whereby maturing commercial paper notes are or may be paid with the proceeds of new commercial paper notes.

MASTER SENIOR RESOLUTION

Authorization of Senior Bonds

The Master Senior Resolution authorizes the issuance of Senior Bonds, subject to any limitations contained in the Law or imposed by the City or the Board, in an unlimited principal amount and will be issued in Series pursuant to Supplemental Senior Resolutions adopted under the terms and conditions of the Master Senior Resolution. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2018A SENIOR NOTES—Additional Senior Bonds” in the forepart of this Official Statement.

Equality of Security

The Master Senior Resolution constitutes a contract between the City, acting by and through the Board, and the Owners from time to time of the Senior Bonds. The covenants and agreements set forth in the Master Senior Resolution to be performed by or on behalf of the City or the Fiscal Agent will be for the equal and proportionate benefit, security and protection of all Owners of the Senior Bonds, without preference, priority or distinction as to security or otherwise of any Senior Bond over any other Senior Bond by reason of the Series, time of issue, sale or negotiation thereof or for any cause whatsoever, except as expressly provided therein or in the Master Senior Resolution. Nothing in the Master Senior Resolution prevents additional security being provided to particular Series of Senior Bonds under any Supplemental Senior Resolution.

Establishment of Funds and Accounts

The Harbor Revenue Fund was created pursuant to the Law. The Bond Service Fund was established as a sub-fund within the Harbor Revenue Fund pursuant to a resolution adopted by the Board and is continued by the Master Senior Resolution. The Master Senior Resolution creates a Principal Account and an Interest Account within the Bond Service Fund. The Master Senior Resolution also creates a Redemption Fund.

Application of Funds and Accounts

Flow of Funds. The Law and the Master Senior Resolution require that all Revenues be deposited with the Treasurer and placed in the Harbor Revenue Fund when received. As soon as practicable in each calendar month, the Treasurer will transfer to the Bond Service Fund, amounts sufficient to satisfy the funding requirements of such funds and accounts. See “—Funds and Accounts; Bond Service Fund” below. After making such transfers, the Treasurer will transfer monthly to any reserve fund established under a Supplemental Senior Resolution for a Series of Senior Bonds, upon the occurrence of any deficiency therein, 1/12th of the aggregate amount of each unreplenished prior withdrawal from such reserve fund and the full amount of any deficiency due to any required valuation of the investments in such reserve fund until the balance in that reserve fund is at least equal to the reserve requirement for that Series of Senior Bonds. Any Revenues remaining in the Harbor Revenue Fund after making the foregoing transfers will be used first to pay Maintenance Costs and thereafter may be used for any lawful purpose.

Funds and Accounts; Bond Service Fund. So long as any Senior Bonds are Outstanding, the Treasurer is required by the Senior Resolution to transfer Revenues from the Harbor Revenue Fund to the Interest Account of the Bond Service Fund as soon as practicable in each month an amount equal to (a) at least one-sixth of the aggregate half-yearly amount of interest becoming due and payable on Outstanding Senior Current Interest Bonds (except for Senior Bonds constituting Variable Rate Indebtedness) during the next ensuing six months (excluding any interest for which there is moneys deposited in the Interest Account from the proceeds of any Series of Senior Bonds or other source and reserved as capitalized interest to pay such interest during said next ensuing six months), until the requisite half-yearly amount of interest on all such Outstanding Senior Current Interest Bonds (except for Senior Bonds constituting Variable Rate Indebtedness) is on deposit in such account; provided that from the date of delivery of a Series of Senior Current Interest Bonds until the first interest payment date for such Series the amounts so paid with respect to such Series will be sufficient on a monthly pro rata basis to pay the aggregate amount of interest becoming due and payable on said interest payment date for such Series and (b) 110% of the aggregate amount of interest, estimated by the Treasurer in his or her reasonable judgment, to accrue during that month on all Outstanding Senior Bonds that are Variable Rate Indebtedness; provided, however, that the amount of such deposit into the Interest Account for any month may be reduced by the amount by which the deposit in the prior month for interest estimated to accrue on Outstanding Senior Bonds that are Variable Rate Indebtedness exceeded the actual amount of interest accrued during that month on said Outstanding Senior Bonds that are Variable Rate Indebtedness and further provided that the amount of such deposit into the Interest Account for any month will be increased by the amount by which the deposit in the prior month for interest estimated to accrue on Outstanding Senior Bonds that are Variable Rate Indebtedness was less than the actual amount of interest accrued that month on said Outstanding Senior Bonds that are Variable Rate Indebtedness. No deposit need be made into the Interest Account if the amount contained therein is at least equal to the interest to become due and payable on the interest payment dates falling within the next six months upon all the Senior Bonds issued and then Outstanding (but excluding any moneys on deposit in the Interest Account from the proceeds of any Series of Senior Bonds or other source and reserved as capitalized interest to pay interest on any future interest payment dates following such interest payment dates).

Amounts in the Interest Account will be used and withdrawn by the Treasurer solely for the purpose of paying interest on the Senior Bonds as it will become due and payable (including accrued interest on any Senior Bonds purchased or redeemed prior to maturity) and making payments to providers of credit and liquidity enhancement for any Senior Bonds with respect to reimbursement to such providers of interest payments on any Senior Bonds made by such providers.

So long as Senior Bonds are Outstanding, the Treasurer is required by the Senior Resolution to transfer Revenues from the Harbor Revenue Fund to the Principal Account of the Bond Service Fund as soon as practicable in each month an amount equal to at least (a) one-sixth of the aggregate semiannual amount of Senior Bond Obligation becoming due and payable on the Outstanding Senior Bonds of all Series having semiannual maturity dates or semiannual Mandatory Sinking Account Payments due within the next six months, plus (b) one-twelfth of the aggregate yearly amount of Senior Bond Obligation becoming due and payable on the Outstanding Senior Bonds for all Series having annual maturity dates or annual Mandatory Sinking Account Payments due within the next 12 months; provided that if the Board determines by resolution that any principal payments on the Senior Bonds of any Series will be refunded on or prior to their respective due dates or paid or prepaid from amounts on deposit in a reserve fund established and maintained for Senior Bonds of that Series, no amounts need be set aside towards such principal to be so refunded or paid. If during the 12-month period (or six-month period with respect to Senior Bonds having semiannual Mandatory Sinking Account Payments) immediately preceding a Mandatory Sinking Account Payment date, the Treasurer has purchased Senior Term Bonds of the Series and maturity subject to such Mandatory Sinking Account Payment with moneys in the Principal Account, or, during such period and prior to giving notice of redemption, the City has deposited Senior Term Bonds of such Series and maturity with the Fiscal Agent for cancellation, or Senior Term Bonds of such Series and maturity were at any time purchased or redeemed by the Treasurer or the Fiscal Agent from a redemption fund established and maintained with respect to such Series and allocable to said Mandatory Sinking Account Payment, such Senior Term Bonds so purchased or deposited or redeemed will be applied, to the extent of the full principal amount thereof, to reduce amounts required to be deposited in the Principal Account. All Senior Term Bonds purchased from the Principal Account or deposited by the City with the Fiscal Agent for such Series shall be allocated first to the next succeeding Mandatory Sinking Account Payment for such Series and maturity of Senior Term Bonds, then as a credit against such future Mandatory Sinking Account Payments for such Series and maturity of Senior Term Bonds as may be specified by the Board. All Senior Term Bonds redeemed by the Treasurer or the Fiscal Agent from amounts in a redemption fund established and maintained with respect to such Series will be credited to such future Mandatory Sinking Account Payments for such Series and maturity of Senior Term Bonds as may be specified by the Board.

No deposit need be made into the Principal Account so long as there is in such fund, moneys sufficient to pay the Senior Bond Obligation of all Senior Bonds issued and then Outstanding and maturing by their terms or subject to mandatory redemption within the next 12 months.

All amounts in the Principal Account will be used and withdrawn by the Treasurer solely for the purposes of paying the Senior Bond Obligation of the Senior Bonds when due and payable at maturity or upon redemption and making payments to providers of credit and liquidity enhancement for any Senior Bonds with respect to reimbursement to such providers of payments of Senior Bonds made by such providers.

Redemption Fund. All moneys deposited with the Treasurer for the purpose of optionally redeeming Senior Bonds will, unless otherwise directed by the Board, be deposited in the Redemption Fund. All amounts deposited in the Redemption Fund will be used and withdrawn by the Treasurer solely for the purpose of redeeming Senior Bonds of any Series, in the manner, at the times and upon the terms and conditions specified in the Supplemental Senior Resolution pursuant to which the series of Senior Bonds was created; provided that, at any time prior to the Fiscal Agent for such Series giving notice of redemption, the Treasurer shall, upon receipt of a request of the Board, apply such amounts to the purchase of Senior Bonds at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding, in the case of Senior Current Interest Bonds, accrued interest, which is payable from the Interest Account) as is directed by the Board, except that the purchase price (exclusive of such accrued interest) may not exceed the Redemption Price or Accreted Value then applicable to such

Senior Bonds. All Senior Term Bonds purchase or redeemed from the Redemption Fund will be allocated to Mandatory Sinking Account Payments applicable to such Series and maturity of Senior Term Bonds as may be specified in a request of the Board.

Investment of Moneys in Funds and Accounts

All moneys in any of the funds and accounts held by the Treasurer (including those established pursuant to any Supplemental Senior Resolution, including the Twenty-First Supplemental Senior Resolution) will be invested 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.

Unless otherwise provided in a Supplemental Senior Resolution, all interest profits and other income received from the investment of moneys in any fund or account, other than any rebate fund established pursuant to any Supplemental Senior Resolution, will be credited to the Harbor Revenue Fund.

The City, acting by and through the Board, may enter into an interest rate swap agreement corresponding to the interest rate or rates payable on a Series of Senior Bonds or any portion thereof and the amounts received by the Board on behalf of the City, if any, pursuant to such interest rate swap agreement may be applied to the deposits required under the Master Senior Resolution; in which case, the entity with which the Board on behalf of the City may contract for an interest rate swap is limited to entities the debt securities of which are rated in one of the two highest short-term or long-term debt rating categories by Moody's and S&P. If the Board so designates, amounts payable under the interest rate swap agreement will be secured by Revenues and other assets pledged under the Master Senior Resolution to the Senior Bonds on a parity basis therewith and, in such event, the Treasurer will deposit in the Interest Account, at the times and in the manner provided in the Master Senior Resolution, the amounts to be paid under such interest rate swap agreement, as if such amounts were additional interest due on the Senior Bonds to which such interest rate swap agreement relates, and the Treasurer will pay to the other party to the interest rate swap agreement, to the extent required thereunder, amounts deposited in the Interest Account for the payment of interest on the Senior Bonds with respect to which such agreement was entered into.

Covenants

In addition to the Rate Covenant set forth in the Official Statement under the caption "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2018A SENIOR NOTES—Rate Covenant" certain other covenants (some of which are summarized below) are set forth in the Senior Resolution.

Punctual Payment. The City, acting through the Board, will punctually pay or cause to be paid the principal or redemption price and interest to become due in respect of all Senior Bonds, in strict conformity with the terms of such Senior Bonds, the Master Senior Resolution and any Supplemental Senior Resolution, according to the true intent and meaning thereof, and will punctually pay or cause to be paid all transfers to the Bond Service Fund, but in each case, only out of Revenues as provided in the Master Senior Resolution or such other moneys, assets or security which will be provided for or pledged to the payment of any Series of Senior Bonds as provided in the Supplemental Senior Resolution pursuant to which such Series is issued.

Waiver of Laws. The Board, on behalf of the City, will not at any time insist upon or plead in any manner whatsoever, or claim or take the benefit or advantage of, any stay or extension law now or at any time hereafter in force that may affect the covenants and agreements contained in the Senior

Resolution or in any Senior Bonds, and all benefit or advantage of any such law or laws is expressly waived by the Board, on behalf of the City, to the extent permitted by law.

Further Assurances. The Board, on behalf of the City, will make, execute and deliver any and all such instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the Master Senior Resolution and any Supplemental Senior Resolution and for the better assuring and confirming unto the Owners of the Senior Bonds of the rights and benefits provided in the Master Senior Resolution and any Supplemental Senior Resolution.

Against Encumbrances; Discharge Claim; Assessments. No pledge, lien or charge upon any of the Revenues having priority over or parity with the lien of the Senior Bonds is permitted to be created. Except with respect to the issuance of Additional Senior Bonds, no pledge, lien or charge upon any of the Revenues on a parity with the lien of the Senior Bonds will be created. The Board, on behalf of the City, will pay or cause to be paid from the Harbor Revenue Fund and discharge all lawful claims for labor, materials and supplies furnished for or in connection with the Port which, if unpaid, may become a lien or charge upon the Revenues prior or superior to the lien of the Senior Bonds and impair the security of the Senior Bonds. The Board, on behalf of the City, will pay or cause to be paid from the Harbor Revenue Fund all taxes and assessments or other governmental charges lawfully levied or assessed against the City and the Harbor Department upon or in respect of the Port or upon any part thereof or upon any of the Revenues therefrom.

Accounting Records and Financial Statements. The City, acting through the Board, will at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with generally accepted accounting principles, in which complete and accurate entries will be made of all transactions relating to the Revenues. Such books of record and account will be available for inspection at reasonable hours and under reasonable circumstances by the Fiscal Agent or by the holders of not less than 10% of the Outstanding Senior Bonds or their representatives authorized in writing.

The Board, on behalf of the City, will furnish to the Fiscal Agent, within 210 days after the end of each Fiscal Year, the financial statements of the Harbor Department for such Fiscal Year, together with the report and opinion of an independent certified public accountant stating that the financial statements have been prepared in accordance with generally accepted accounting principles or if the financial statements have not been prepared in accordance with generally accepted accounting principles, stating the exceptions thereto and that such accountant's examination of the financial statements was performed in accordance with generally accepted auditing standards. The Board will furnish a copy of the financial statements to the Fiscal Agent. The Fiscal Agent will furnish a copy of the financial statements upon request to any Bondholder.

Operate Port in Efficient and Economical Manner. The Board, on behalf of the City, will operate the Port in an efficient and economical manner and operate, maintain and preserve the Port in good repair and working order.

No Sale; Eminent Domain. Except as otherwise provided in the Senior Resolution, the Port will not be mortgaged or otherwise encumbered, sold, leased or pledged, or any charge placed on the Port, or disposed of as a whole or substantially as a whole unless such sale or other disposition can be so arranged so as to provide for a continuance of payments into the Harbor Revenue Fund sufficient in amount to permit payment therefrom of the principal of and interest on and premium, if any, due upon the call and redemption thereof, of the Senior Bonds, payment of which is required to be made out of the Revenues of the Port, and also to provide for such payments into the funds as are required under the terms of the Senior Resolution.

Any amounts received as awards as a result of the taking of all or any substantial part of the Port by the lawful exercise of eminent domain or from any sale of all or any substantial part of the Port to a government threatening to exercise the power of eminent domain, if and to the extent that such right can be exercised against such property of the City, will either be used for the acquisition and/or construction of improvements and extensions of the Port or will be placed in the appropriate funds and will be used to pay or call and redeem Senior Bonds in the manner provided in the Master Senior Resolution or any Supplemental Senior Resolution.

Insurance. At all times there will be maintained with responsible insurers or through a program of self-insurance, all such insurance on the Port as is customarily maintained with respect to works and properties of like character against accident to, loss of or damage to such works or properties. If any useful part of the Port is damaged or destroyed, unless the Board determines that restoration would be uneconomical, such part will be restored to use, to the extent it can be so restored, using insurance proceeds and any other moneys available therefor. The money collected from insurance against accident to or destruction of the Port will be used for repairing or rebuilding the damaged or destroyed Port, and to the extent not so applied, will be applied at the option of the Board, to acquire and/or construct improvements and extensions of the Port or to pay or call or redeem Senior Bonds.

Amendments to Senior Resolution

The Senior Resolution and the rights and obligations of the City, the Owners of the Senior Bonds and the Fiscal Agent may be modified or amended from time to time and at any time by a Supplemental Senior Resolution adopted by the Board with the written consent of the Owners of a majority in aggregate amount of Senior Bond Obligation of the Senior Bonds (or, if such Supplemental Senior Resolution is only applicable to a Series of Senior Bonds, the Senior Bonds of that Series) then Outstanding; provided that if such modification or amendment will, by its terms, not take effect so long as any Senior Bonds of any particular maturity remain Outstanding, the consent of the Owners of such Senior Bonds will not be required and such Senior Bonds will not be deemed to be Outstanding for the purpose of any calculation of Senior Bonds; provided further, that if at such time the payment of all the principal of and interest on all Outstanding Senior Bonds of a Series is guaranteed by providers of credit or liquidity enhancement (or both), which will be financial institutions or associations having unsecured debt obligations rated, or incurring or securing other debt obligations rated on the basis of such credit or liquidity enhancement, in one of the two highest rating categories of Moody's or S&P, the consent of the providers of the credit or liquidity enhancement of the Senior Bonds of that Series may be substituted for the required consent of bondholders for such Series.

No such modification or amendment will (a) extend the fixed maturity of any Senior Bond, or reduce the amount of Senior Bond Obligation thereof, or extend the time of payment or reduce the amount of any Mandatory Sinking Account Payment provided for the payment of any Senior Bond, or reduce the rate of interest thereon, or extend the time of payment of interest thereon, or reduce any premium payable upon the redemption thereof, without the consent of the Owner of each Senior Bond so affected, (b) reduce the percentage of Senior Bond Obligation the consent of the Owners of which is required to effect any such modification or amendment, or permit the creation of any lien on the Revenues and other assets pledged under the Senior Resolution prior to or on a parity with the lien created by the Senior Resolution, or deprive the Owners of the Senior Bonds of the lien created by the Senior Resolution on such Revenues and other assets (in each case, except as expressly provided in the Master Senior Resolution), without the consent of the Owners of all of the Senior Bonds then Outstanding, or (c) modify any rights or duties of the Fiscal Agent without its consent.

The Senior Resolution and the rights and obligations of the City, of the Fiscal Agent and of the Owners of the Senior Bonds may also be modified or amended from time to time and at any time by a

Supplemental Senior Resolution, which the Board may adopt without the consent of any Bondholders but only to the extent permitted by law and only for any one or more of the following purposes: (a) to add to the covenants and agreements of the City in the Senior Resolution thereafter to be observed, to pledge or assign additional security for the Senior Bonds (or any portion thereof), or to surrender any right or power reserved to or conferred upon the City; (b) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision, contained in the Senior Resolution, or in regard to matters or questions arising under the Senior Resolution, as the Board may deem necessary or desirable, and which will not materially and adversely affect the interests of the Owners of the Senior Bonds; (c) to modify, amend or supplement the Senior Resolution to permit the qualification thereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute, and which will not materially and adversely affect the interests of the Owners of the Senior Bonds; (d) to provide for the issuance of a Series of Senior Bonds with such interest rate, payment maturity and other terms as the Board may deem desirable, subject to the provisions of the Master Senior Resolution; (e) to provide for the issuance of Senior Bonds in book-entry form or bearer form, provided that no such provision will materially and adversely affect the interests of the Owners of the Senior Bonds; (f) to make modifications or adjustments necessary, appropriate or desirable to accommodate credit or liquidity enhancements including letters of credit and insurance policies delivered with respect to any reserve fund, and which will not materially and adversely affect the interests of the Owners of the Senior Bonds; (g) to qualify the Senior Bonds or a Series of Senior Bonds for a rating or ratings from a Rating Agency; (h) to accommodate the technical, operational and structural features of Senior Bonds which are issued or are proposed to be issued, including, but not limited to, changes needed to accommodate commercial paper, auction bonds, swaps, variable rate or adjustable rate bonds, discounted or compound interest bonds or other forms of indebtedness which the City, acting by and through the Board, from time to time deems appropriate to incur, and which will not materially and adversely affect the interests of the Owners of the Senior Bonds; (i) if the City, acting by and through the Board, has covenanted in a Supplemental Senior Resolution to maintain the exclusion of interest on a Series of Senior Bonds from gross income for purposes of federal income taxation, to make such provisions as are necessary or appropriate to ensure such exclusion; and (j) for any other purpose that does not materially and adversely affect the interests of the Owners of the Senior Bonds.

Defeasance

Except as may be provided in any Supplemental Senior Resolution creating a Series of Senior Bonds, Senior Bonds of any Series may be paid by the City in any of the following ways:

- (a) by paying or causing to be paid the Senior Bond Obligations of and interest on all Senior Bonds Outstanding of the Series, as and when the same become due and payable;
- (b) by depositing with the Treasurer, the Fiscal Agent, an escrow agent or other fiduciary, in trust, at or before maturity, money or securities in the necessary amount to pay or redeem all Senior Bonds Outstanding of the Series; or
- (c) by delivering to the Fiscal Agent, for cancellation by it, all Senior Bonds then Outstanding of the Series.

Upon the deposit with the Treasurer, the Fiscal Agent, an escrow agent or other fiduciary, in trust, at or before maturity, of money or securities in the necessary amount to pay or redeem any Outstanding Senior Bond (whether upon or prior to its maturity or the redemption date of such Senior Bond), then all liability of the City, acting by and through the Board, in respect of such Senior Bond will cease, terminate and be completely discharged, provided that the Owner thereof will thereafter be entitled to the payment

of the principal of and premium, if any, and interest on the Senior Bonds, and the City will remain liable for such payment, but only out of such money or securities deposited as aforesaid for their payment.

The money or securities referenced above must be one or more of the following:

(a) lawful money of the United States of America in an amount equal to the Senior Bond Obligation of such Senior Bonds and all unpaid interest thereon to maturity or redemption, as the case may be; or

(b) direct obligations of the United States of America or bonds or other obligations for which the faith and credit of the United States of America are pledged for the payment of principal and interest, the principal of and interest on which when due will, in the opinion of an independent certified public accountant delivered to the Fiscal Agent (upon which opinion the Fiscal Agent may conclusively rely), provide money sufficient to pay the Senior Bond Obligation or redemption price and all unpaid interest to maturity, or to the redemption date, as the case may be, on the Senior Bonds to be paid or redeemed.

Proceedings Constitute Contract

The provisions of the Senior Resolution will constitute a contract between the City, acting by and through the Board, and the Bondholders of such Senior Bonds, and the provisions thereof will 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.

TWENTY-FIRST SUPPLEMENTAL SENIOR RESOLUTION

Fiscal Agent

U.S. Bank National Association has been appointed as Fiscal Agent to act as the agent of the Board for the Series 2018A Senior Notes. The Fiscal Agent has agreed to perform such duties and only such duties as are specifically set forth in the Twenty-First Supplemental Senior Resolution, the Master Senior Resolution and the Fiscal Agent Agreement. The Fiscal Agent has agreed to exercise and use the same degree of care and skill as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs.

The Board may remove the Fiscal Agent at any time with or without cause and will remove the Fiscal Agent if at any time the Fiscal Agent ceases to be financially eligible, or becomes incapable of acting, or is adjudged a bankrupt or insolvent, or a receiver of the Fiscal Agent or its property is appointed, or any public officer takes control or charge of the Fiscal Agent or of its property or affairs for the purpose of rehabilitation, conservation or liquidation.

The Fiscal Agent may at any time resign by giving written notice of such resignation to the City and the Board and by giving the Bondholders notice of such resignation by mail at the addresses shown on the registration books maintained by the Fiscal Agent. Upon receiving such notice of resignation, the Board will promptly appoint a successor Fiscal Agent by an instrument in writing.

Any removal or resignation of the Fiscal Agent and appointment of a successor Fiscal Agent will become effective upon acceptance of appointment by the successor Fiscal Agent. If no successor Fiscal Agent will have been appointed and have accepted appointment within forty-five (45) days of giving

notice of removal or notice of resignation as aforesaid, the resigning Fiscal Agent may petition any court of competent jurisdiction for the appointment of a successor Fiscal Agent, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Fiscal Agent.

Series 2018A Costs of Issuance Fund

Pursuant to the Twenty-First Supplemental Senior Resolution, the Treasurer is required to establish and maintain a fund separate from any other fund established and maintained thereunder or under the Senior Resolution designated as the “City of Long Beach, California Harbor Revenue Refunding Short-Term Notes, Series 2018A Costs of Issuance Fund.” Amounts in the Series 2018A Costs of Issuance Fund will be disbursed from time to time, upon requisition of the Board, to pay the costs of issuance of the Series 2018A Senior Notes. Amounts in the Series 2018A Costs of Issuance Fund will be invested and reinvested in Investment Securities and the earnings upon such accounts will be credited to such fund.

Series 2018A Capitalized Interest Fund

Pursuant to the Twenty-First Supplemental Senior Resolution, the Treasurer is required to establish and maintain a fund separate from any other fund established and maintained thereunder or under the Senior Resolution designated as the “City of Long Beach, California Harbor Revenue Refunding Short-Term Notes, Series 2018A Capitalized Interest Fund.” Amounts in the Series 2018A Capitalized Interest Fund will be disbursed on each Interest Payment Date through and including June 15, 2020 to pay interest on the Series 2018A Senior Notes. Amounts in the Series 2018A Capitalized Interest Fund will be invested and reinvested in Investment Securities and the earnings upon such accounts will be credited to such fund.

Series 2018A Rebate Fund

Pursuant to the Twenty-First Supplemental Senior Resolution, the Treasurer is required to establish and maintain a fund separate from any other fund established and maintained thereunder or under the Senior Resolution designated as the “City of Long Beach, California Harbor Revenue Refunding Short-Term Notes, Series 2018A Rebate Fund.” Moneys will be deposited in and transferred to the Series 2018A Rebate Fund and applied therefrom in accordance with the terms and conditions of the Tax Certificate delivered in connection with issuance of the Series 2018A Senior Notes.

Tax Covenants

The Board has undertaken not to take any action, or fail to take any action, if any such action or failure to take action would adversely affect the exclusion from gross income of the interest on the Series 2018A Senior Notes under Section 103 of the Code. The Board will not directly or indirectly use or permit the use of any proceeds of the Series 2018A Senior Notes or any other funds of the Board, or take or omit to take any action that would cause the Series 2018A Senior Notes to be “arbitrage bonds” within the meaning of Section 148(a) of the Code. The Board has also made certain other tax covenants. The Board has agreed that there will be paid from time to time all amounts required to be rebated to the federal government of the United States of America pursuant to the Code.

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APPENDIX C

FORM OF OPINION OF NOTE COUNSEL

[Closing Date]

City of Long Beach
Long Beach, California

Board of Harbor Commissioners
of the City of Long Beach
Long Beach, California

\$327,050,000
City of Long Beach, California
Harbor Revenue Refunding Short-Term Notes
Series 2018A

Ladies and Gentlemen:

We have acted as Note Counsel to the City of Long Beach, California (the “City”), in connection with the issuance and sale by the City, acting by and through its Board of Harbor Commissioners (the “Board”), of \$327,050,000 aggregate principal amount of the City of Long Beach, California Harbor Revenue Refunding Short-Term Notes, Series 2018A (the “Series 2018A Senior Notes”). The Series 2018A Senior Notes are being issued pursuant to the provisions of Article XII of the Charter of the City (the “Charter”), Chapter 3.52, Division I of the Long Beach Municipal Code (the “Municipal Code”), certain provisions of the Revenue Bond Law of 1941 and Section 54300, et seq., of the Government Code of the State of California (collectively, the “Bond Law”), and Resolution No. HD-1475, adopted by the Board on November 8, 1989, as amended (the “Master Senior Resolution”), as supplemented by Resolution No. HD-_____ adopted by the Board on September 24, 2018 (the “Twenty-First Supplemental Senior Resolution,” and together with the Master Senior Resolution, the “Senior Resolution”). Issuance of the Series 2018A Senior Notes has been authorized by Resolution No. HD-2930 (“Resolution No. HD-2930”), adopted by the Board on August 27, 2018, and by Resolution No. RES-18-0132 (the “City Resolution”) adopted by the City Council of the City on September 4, 2018. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Senior Resolution.

In connection with the issuance of the Series 2018A Senior Notes, we have examined: (a) copies of the Charter, the Municipal Code and the Bond Law; (b) certified copies of the Senior Resolution, Resolution No. HD-2930 and the City Resolution; (c) an executed copy of the Fiscal Agent Agreement, dated the date hereof, by and between the City, acting by and through the Board, and U.S. Bank National Association, as fiscal agent; (d) an executed copy of the Escrow Agreement, dated the date hereof, by and among the City, acting by and through the Board, U.S. Bank National Association, as fiscal agent, and U.S. Bank National Association, as escrow agent, (e) certifications of the City, the Board, the Harbor Department of the City and others; (f) an executed copy of the Tax Compliance Certificate, dated the date hereof, relating to the Series 2018A Senior Notes and other matters (the “Tax Certificate”); (g) the opinion of the City Attorney and the opinions of counsel to U.S. Bank National Association and the Underwriters; (h) an executed copy of the verification report, dated the date hereof, by Grant Thornton

LLP; and (i) such other documents, opinions and matters as we deemed relevant and necessary rendering the opinions set forth herein. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and the validity against, any parties, other than the City or the Board, thereto. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in this paragraph.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or whether any other matters come to our attention after the date hereof. We call attention to the fact that the obligations of the City, acting by and through the Board, the security provided therefor, as contained in the Series 2018A Senior Notes and the Senior Resolution, may be subject to general principles of equity which permit the exercise of judicial discretion, and are subject to the provisions of applicable bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect, and to the limitations on legal remedies against cities in the State of California. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue, waiver or severability provisions contained in the Series 2018A Senior Notes or the Senior Resolution. We have not undertaken any responsibility for the accuracy, completeness or fairness of the Official Statement dated September 19, 2018, or any other offering material relating to the Series 2018A Senior Notes and express no opinion relating thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Series 2018A Senior Notes constitute the valid and binding special limited obligations of the City secured by a pledge of and lien upon and are a charge upon and are payable from the Revenues and certain funds and accounts created under the Charter and the Senior Resolution.

2. The Senior Resolution has been duly adopted by the Board and constitutes the valid and binding obligation of the Board, acting on behalf of the City, enforceable against the Board, acting on behalf of the City, in accordance with its terms. The Senior Resolution creates a valid pledge, to secure the payment of the principal of and interest on the Series 2018A Senior Notes, of the Revenues and certain amounts on deposit in certain funds and accounts established pursuant to the Charter and the Senior Resolution, subject to the provisions of the Charter and the Senior Resolution permitting the application thereof for the purposes and on the terms and conditions set forth therein.

3. The Series 2018A Senior Notes 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 and accounts specifically pledged to the payment thereof. The general fund of the City is not liable for the payment of the Series 2018A Senior Notes or any interest thereon, nor is the credit or the taxing power of the City pledged therefor. An owner of the Series 2018A Senior Notes may not compel the exercise of the taxing power of the City or the forfeiture of any of its property.

4. Under existing laws, regulations, rulings and judicial decisions, interest on the Series 2018A Senior Notes is excluded from gross income for federal income tax purposes.

Interest on the Series 2018A Senior Notes is not a specific preference item for purposes of the federal alternative minimum tax imposed on individuals and corporations, however, for taxable years beginning before January 1, 2018, such interest is included in adjusted current earnings of certain corporations, and such corporations are required to include in the calculation of federal alternative minimum taxable income 75% of the excess of such corporations' adjusted current earnings over their federal alternative minimum taxable income (determined without regard to such adjustment and prior to reduction for certain net operating losses). Note Counsel notes that no federal alternative minimum tax applies to corporations for taxable years beginning on and after January 1, 2018

5. Under existing laws, interest on the Series 2018A Senior Notes is exempt from present State of California personal income tax.

The opinions set forth in numbered paragraph 4 above regarding the exclusion of interest from gross income of the recipient is subject to continuing compliance by the Board, the Harbor Department of the City and the City with covenants regarding federal tax law contained in the Senior Resolution and the Tax Certificate. Failure to comply with such covenants could cause interest on the Series 2018A Senior Notes to be included in gross income retroactive to the date of issue of the Series 2018A Senior Notes. Although we are of the opinion that interest on the Series 2018A Senior Notes is excluded from gross income for federal tax purposes, the accrual or receipt of interest on the Series 2018A Senior Notes may otherwise affect the federal income tax liability of the recipient. The extent of these other tax consequences will depend upon the recipient's particular tax status or other items of income or deduction. We express no opinion regarding any such consequences.

Our engagement with respect to the Series 2018A Senior Notes has concluded with their issuance, and we disclaim any obligation to update, revise or supplement this opinion.

Very truly yours,

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APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (this “Certificate”) is executed and delivered by the City of Long Beach, California, acting by and through its Board of Harbor Commissioners (the “Issuer”) in connection with the issuance of \$327,050,000 City of Long Beach, California, Harbor Revenue Refunding Short-Term Notes, Series 2018A (the “Series 2018A Senior Notes”), pursuant to the terms of Resolution No. HD 1475, adopted by the Board of Harbor Commissioners of the City of Long Beach, California (the “Board”) on November 8, 1989, as amended and supplemented, and Resolution No. HD-_____, adopted by the Board on September 24, 2018 (collectively, the “Senior Resolution”).

In consideration of the purchase of the Series 2018A Senior Notes by the Participating Underwriter (as defined below), the Issuer covenants and agrees as follows:

Section 1. Purpose of the Certificate. This Certificate is being executed and delivered by the Issuer for the benefit of the Holders and Beneficial Owners of the Series 2018A Senior Notes and in order to assist the Participating Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the “Rule”).

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

“*Annual Report*” means any Annual Report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 hereof.

“*Beneficial Owner*” means any person which (a) has or shares the power, directly or indirectly, to vote or consent with respect to, to make investment decisions concerning the ownership of, or to dispose of ownership of, any Series 2018A Senior Notes (including persons holding Series 2018A Senior Notes through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Series 2018A Senior Notes for federal income tax purposes.

“*Dissemination Agent*” means the Issuer, or any successor Dissemination Agent designated in writing by the Issuer and which has filed with the Issuer a written acceptance of such designation.

“*EMMA System*” means the MSRB’s Electronic Municipal Market Access system, or such other electronic system designated by the MSRB.

“*Fiscal Year*” means the period beginning on October 1 of each year and ending on the next succeeding September 30, or any other 12-month period hereafter selected as the official fiscal year of the Issuer.

“*Harbor Department*” means the Harbor Department of the City of Long Beach, California.

“*Holders*” means either the registered owners of the Series 2018A Senior Notes, or if the Series 2018A Senior Notes are registered in the name of The Depository Trust Company or other recognized securities depository, any applicable participant in its depository system.

“*Listed Events*” means any of the events listed in Sections 5(a) and 5(b) hereof.

“*MSRB*” means the Municipal Securities Rulemaking Board, or any successor thereto.

“*Obligated Person*” means the Issuer and any other “obligated person” within the meaning of the Rule.

“*Official Statement*” means the Official Statement, dated September 19, 2018, prepared and distributed in connection with the initial sale of the Series 2018A Senior Notes.

“*Participating Underwriter*” means any of the original underwriters of the Series 2018A Senior Notes required to comply with the Rule in connection with the offering of the Series 2018A Senior Notes.

“*Rule*” means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Section 3. Provision of Annual Reports.

(a) The Issuer shall provide, or shall cause the Dissemination Agent to provide, to the MSRB through the EMMA System (in an electronic format and accompanied by identifying information all as prescribed by the MSRB and/or the Rule) an Annual Report which is consistent with the requirements of Section 4 hereof by April 30 of each year. The Issuer’s first Annual Report shall be due April 30, 2019. Not later than 15 Business Days prior to said date, the Issuer shall provide the Annual Report to the Dissemination Agent (if other than the Issuer). The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 hereof. The audited financial statements of the Harbor Department may be submitted separately from the balance of the Annual Report if they are not available by the date of submission, provided such financial statements are submitted by April 30 of each year. If the Issuer’s Fiscal Year changes, the Issuer, upon becoming aware of such change, shall give notice of such change in the same manner as for a Listed Event under Section 5(e) hereof.

(b) If by 15 Business Days prior to the date specified in subsection (a) for providing the Annual Report to the MSRB, the Dissemination Agent (if other than the Issuer) has not received a copy of the Annual Report, the Dissemination Agent shall contact the Issuer to determine if the Issuer is in compliance with subsection (a).

(c) If the Issuer is unable to provide to the MSRB or the Dissemination Agent (if other than the Issuer), an Annual Report by the date required in subsection (a), the Issuer shall send a notice to the MSRB through the EMMA System in substantially the form attached hereto as Exhibit A.

(d) The Dissemination Agent (if other than the Issuer) shall confirm in writing to the Issuer that the Annual Report has been filed as required hereunder, stating the date filed.

Section 4. Content of Annual Reports.

(a) The Issuer’s Annual Report shall contain or incorporate by reference the following, updated to incorporate information for the most recent Fiscal Year or calendar year, as applicable (the tables referred to below are those appearing in the Official Statement relating to the Series 2018A Senior Notes, unless otherwise noted):

(i) The audited financial statements of the Harbor Department for the prior Fiscal Year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the Harbor Department's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a) hereof, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(ii) Table 2—Harbor Department of the City of Long Beach, Senior Bonds Debt Service Requirements (but only to the extent such information has changed).

(iii) Table 3—Harbor Department of the City of Long Beach, Senior Debt Service Coverage.

(iv) Table 4—Harbor Department of the City of Long Beach, Revenue Tonnage and TEU Summary.

(v) Table 6—Harbor Department of the City of Long Beach, Cargo Summary.

(vi) Table 8—Harbor Department of the City of Long Beach, Sources of Operating Revenues.

(vii) Table 9—Harbor Department of the City of Long Beach, Wharfage Revenues.

(viii) Table 12—Harbor Department of the City of Long Beach, Comparative Summary of Statements of Revenues, Expenses and Changes in Net Position.

(b) All or any portion of the information of the Annual Report may be incorporated in the Annual Report by cross reference to any other documents which have been filed with the MSRB.

(c) Information contained in an Annual Report for any Fiscal Year containing any modified operating data or financial information (as contemplated by Section 8 hereof) for such Fiscal Year shall explain, in narrative form, the reasons for such modification and the effect of such modification on the Annual Report being provided for such Fiscal Year. If a change in accounting principles is included in any such modification, such Annual Report shall present a comparison between the financial statements or information prepared on the basis of modified accounting principles and those prepared on the basis of former accounting principles.

Any or all of the items above may be included by specific reference to other documents, including official statements of debt issues of the Issuer or related public entities, which have been submitted to the MSRB. If the document included by reference is a final official statement, it must be available from the MSRB. The Issuer shall clearly identify each such other document so included by reference.

Section 5. Reporting of Listed Events.

(a) The Issuer shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Series 2018A Senior Notes not later than ten (10) business days after the occurrence of the event:

1. Principal and interest payment delinquencies;
2. Unscheduled draws on debt service reserves reflecting financial difficulties;
3. Unscheduled draws on credit enhancements reflecting financial difficulties;
4. Substitution of credit or liquidity providers, or their failure to perform;
5. Adverse tax opinions with respect to the tax status of the Series 2018A Senior Notes or the issuance by the Internal Revenue Service of proposed or final determinations of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB) with respect to the Series 2018A Senior Notes;
6. Tender offers;
7. Defeasances;
8. Rating changes; or
9. Bankruptcy, insolvency, receivership or similar event of the Obligated Person;

Note: for the purposes of the event identified in item 9, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an Obligated Person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Obligated Person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Obligated Person.

The Issuer notes that items 2, 3 and 4 are not applicable to the Series 2018A Senior Notes.

(b) The Issuer shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Series 2018A Senior Notes, if material, not later than ten (10) business days after the occurrence of the event:

1. Unless described in Section 5(a)(5), adverse tax opinions or other material notices or determinations by the Internal Revenue Service with respect to the tax status of the Series 2018A Senior Notes or other material events affecting the tax status of the Series 2018A Senior Notes;

2. Modifications to rights of the Beneficial Owners or Holders of the Series 2018A Senior Notes;

3. Optional, unscheduled or contingent bond calls;

4. Release, substitution or sale of property securing repayment of the Series 2018A Senior Notes;

5. Non-payment related defaults;

6. The consummation of a merger, consolidation, or acquisition involving an Obligated Person or the sale of all or substantially all of the assets of the Obligated Person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; or

7. Appointment of a successor or additional trustee/fiscal agent or the change of name of a trustee/fiscal agent;

(c) The Issuer shall give, or cause to be given, in a timely manner, notice of a failure to provide the annual financial information on or before the date specified in Section 3(a) hereof, as provided in Section 3 hereof.

(d) Whenever the Issuer obtains knowledge of the occurrence of a Listed Event described in Section 5(b) hereof, the Issuer shall determine if such event would be material under applicable federal securities laws.

(e) If the Issuer learns of an occurrence of a Listed Event described in Section 5(a) hereof, or determines that knowledge of a Listed Event described in Section 5(b) hereof would be material under applicable federal securities laws, the Issuer shall within ten (10) business days of such occurrence file a notice of such occurrence with the MSRB through the EMMA System in electronic format, accompanied by such identifying information as is prescribed by the MSRB. Notwithstanding the foregoing, notice of the Listed Event described in Sections 5(a)(7) or 5(b)(3) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Beneficial Owners and Holders of the affected Series 2018A Senior Notes pursuant to the Senior Resolution.

Section 6. Termination of Reporting Obligation. The Issuer's obligations under this Certificate shall terminate upon the legal defeasance, prior redemption or payment of amounts fully sufficient to pay and discharge the Series 2018A Senior Notes, or upon delivery to the Dissemination Agent (if other than the Issuer) of an opinion of nationally recognized bond counsel to the effect that continuing disclosure is no longer required. If such termination occurs prior to the final maturity of the Series 2018A Senior Notes, the Issuer shall give notice of such termination in the same manner as for a Listed Event under Section 5(e) hereof.

Section 7. Dissemination Agent. From time to time, the Issuer may appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent (if other than the Issuer) shall be entitled to reasonable compensation for its services hereunder and reimbursement of its out of pocket expenses (including, but not limited to, attorneys' fees).

The Dissemination Agent (if other than the Issuer) shall not be responsible in any manner for the content of any notice or report prepared by the Issuer pursuant to this Certificate.

Section 8. Amendment Waiver. Notwithstanding any other provision of this Certificate, the Issuer may amend this Certificate, and any provision of this Certificate may be waived, provided that all of the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5 hereof, it may only be made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, change in law (including rules or regulations) or in interpretations thereof, or change in the identity, nature or status of an Obligated Person with respect to the Series 2018A Senior Notes, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Series 2018A Senior Notes, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Beneficial Owners of the Series 2018A Senior Notes in the same manner as provided in the Senior Resolution for amendments to the Senior Resolution with the consent of Beneficial Owners, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Beneficial Owners of the Series 2018A Senior Notes.

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

Section 9. Additional Information. Nothing in this Certificate shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Certificate. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Certificate, the Issuer shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 10. Default. In the event of a failure of the Issuer to comply with any provision of this Certificate, any Holder or Beneficial Owner of the Series 2018A Senior Notes may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer or the Dissemination Agent (if other than the Issuer), as the case may be, to comply with its obligations under this Certificate; provided that any such Holder or Beneficial Owner may not take any enforcement action without the consent of the Holders of not less than 25% (twenty-five percent) in

aggregate principal amount of the Series 2018A Senior Notes that at the time are Outstanding. A default under this Certificate shall not be deemed a default under the Senior Resolution and the sole remedy under this Certificate in the event of any failure of the Issuer or the Dissemination Agent (if other than the Issuer) to comply with this Certificate shall be an action to compel performance. Under no circumstances shall any person or entity be entitled to recover monetary damages hereunder in the event of any failure of the Issuer or the Dissemination Agent (if other than the Issuer) to comply with this Certificate. No Holder or Beneficial Owner of the Series 2018A Senior Notes may institute such action, suit or proceeding to compel performance unless they shall have first delivered to the Issuer satisfactory written evidence of their status as such, and a written notice of and request to cure such failure, and the Issuer shall have refused to comply therewith within a reasonable time.

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are expressly and specifically set forth in this Certificate, and the Issuer agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any claims, losses, expenses and liabilities which such Dissemination Agent may incur arising out of or in the exercise or performance of the powers and duties given to the Dissemination Agent hereunder, including the costs and expenses (including attorneys' fees) of defending, in any manner or forum, against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct, subject to the provisions of the Senior Resolution. The obligations of the Issuer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Series 2018A Senior Notes.

Section 12. Beneficiaries. This Certificate shall inure solely to the benefit of the Issuer, the Dissemination Agent, the Participating Underwriter and the Holders and Beneficial Owners from time to time of the Series 2018A Senior Notes, and shall create no rights in any other person or entity.

Section 13. Partial Invalidity. If any one or more of the agreements or covenants or portions thereof required hereby to be performed by or on the part of the Issuer shall be contrary to law, then such agreement or agreements, such covenant or covenants or such portions thereof shall be null and void and shall be deemed separable from the remaining agreements and covenants or portions thereof and shall in no way affect the validity hereof, and the Beneficial Owners of the Series 2018A Senior Notes shall retain all the benefits afforded to them hereunder. The Issuer hereby declares that it would have executed and delivered this Certificate and each and every other article, section, paragraph, subdivision, sentence, clause and phrase hereof irrespective of the fact that any one or more articles, sections, paragraphs, subdivisions, sentences, clauses or phrases hereof or the application thereof to any person or circumstance may be held to be unconstitutional, unenforceable or invalid.

Section 14. Governing Law. This Certificate was made in the City of Long Beach and shall be governed by, interpreted and enforced in accordance with the laws of the State of California and the City of Long Beach, without regard to conflict of law principles. Any litigation, action or proceeding to enforce or interpret any provision of this Certificate or otherwise arising out of, or relating to this Certificate, shall be brought, commenced or prosecuted in a State or Federal court in the County of Los Angeles in the State of California. By its acceptance of the benefits hereof, any person or entity bringing any such litigation, action or proceeding submits to the exclusive jurisdiction of the State of California and waives any defense of forum non conveniens.

IN WITNESS WHEREOF, the undersigned has hereunto signed and executed this Continuing Disclosure Certificate this 2nd day of October, 2018.

CITY OF LONG BEACH, CALIFORNIA, acting by
and through its BOARD OF HARBOR
COMMISSIONERS

By _____
Managing Director, Finance and Administration,
Harbor Department of the City of Long Beach

EXHIBIT A

NOTICE TO MUNICIPAL SECURITIES RULEMAKING BOARD
OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: City of Long Beach, California
Name of Bond Issue: Harbor Revenue Refunding Short-Term Notes, Series 2018A
Name of Obligated Person: Harbor Department of the City of Long Beach, California
Date of Issuance: October 2, 2018
CUSIP: 542424____

NOTICE IS HEREBY GIVEN that the City of Long Beach, acting by and through its Board of Harbor Commissioners (the "Issuer"), has not provided an Annual Report with respect to the above-named Series 2018A Senior Notes as required by Section 3 of the Continuing Disclosure Certificate, dated October 2, 2018, by the Issuer. The Issuer anticipates that the Annual Report will be filed by _____, 20__.

Dated: _____.

CITY OF LONG BEACH, CALIFORNIA, acting by
and through its BOARD OF HARBOR
COMMISSIONERS

By _____
Authorized Representative

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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 2018A Senior Notes, the Owners and Beneficial Owners of the Series 2018A Senior Notes 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 are no longer Outstanding. Any Owners and Beneficial Owners of Senior Bonds issued on and after May 7, 2014 (including the Series 2018A Senior Notes) 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 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 2018A Senior Notes 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 2018A SENIOR NOTES 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 2018A SENIOR NOTES; (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 2018A SENIOR NOTES; (E) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNERS OF SERIES 2018A SENIOR NOTES; OR (F) ANY OTHER MATTER REGARDING DTC.

General

DTC will act as securities depository for the Series 2018A Senior Notes. The Series 2018A Senior Notes will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered Series 2018A Senior Note certificate will be issued for each maturity the Series 2018A Senior Notes, 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.

Purchases of the Series 2018A Senior Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2018A Senior Notes on DTC’s records. The ownership interest of each actual purchaser of each Series 2018A Senior Note (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2018A Senior Notes are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2018A Senior Notes, except in the event that use of the book-entry system for the Series 2018A Senior Notes is discontinued.

To facilitate subsequent transfers, all Series 2018A Senior Notes deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2018A Senior Notes 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 2018A Senior Notes; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Series 2018A Senior Notes are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2018A Senior Notes may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2018A Senior Notes, such as redemptions, tenders, defaults and proposed amendments to the Series 2018A Senior Note documents. For example, Beneficial Owners of Series 2018A Senior Notes may wish to ascertain that the nominee holding the Series 2018A Senior Notes 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 2018A Senior Notes are in the book-entry-only system, redemption notices will be sent to DTC. If less than all of the Series 2018A Senior Notes 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 2018A Senior Notes unless authorized by a Direct Participant in accordance with DTC’s MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the 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 2018A Senior Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Series 2018A Senior Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the 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 2018A Senior Notes 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 2018A Senior Notes 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 2018A Senior Notes 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 Board 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 2018A SENIOR NOTES 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.

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