NEW ISSUE—BOOK-ENTRY-ONLY **Ratings: See "RATINGS" herein.**

In the opinion of Nixon Peabody LLP, as Bond Counsel ("Bond Counsel"), under existing law and assuming compliance with the tax covenants described herein, and the accuracy of certain representations and certifications made by the Department described herein, interest on the Series 2016 Bonds (as defined herein) is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), except that no opinion is expressed as to the exclusion of interest on the Series 2016A Bonds (as defined herein) from gross income for any period during which such Series 2016A Bonds are held by a person who, within the meaning of Section 147(a) of the Code, is a "substantial user" of the facilities refinanced with the proceeds of the Series 2016A Bonds, or by a "related person." Bond Counsel is further of the opinion that interest on the Series 2016A Bonds is treated as a preference item in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations. Bond Counsel is also of the opinion that interest on the Series 2016B Bonds and the Series 2016C Bonds (as defined herein) is not treated as a preference item in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations. Bond Counsel is further of the opinion that interest on the Series 2016 Bonds is exempt from personal income taxes of the State of California under present state law. See "TAX MATTERS" herein regarding certain other tax considerations.

THE PORT OF LOS ANGELES

$201,560,000
HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES

$97,970,000	$68,385,000	$35,205,000
Refunding Revenue Bonds	Refunding Revenue Bonds	Refunding Revenue Bonds
2016 Series A	2016 Series B	2016 Series C
(AMT)	(Non-AMT)	(Non-AMT) (Green Bonds)

Dated: Date of Delivery **Due: August 1, as shown on inside front cover**

The Harbor Department of the City of Los Angeles Refunding Revenue Bonds, 2016 Series A (the "Series 2016A Bonds"), the Harbor Department of the City of Los Angeles Refunding Revenue Bonds, 2016 Series B (the "Series 2016B Bonds"), and the Harbor Department of the City of Los Angeles Refunding Revenue Bonds, 2016 Series C (Green Bonds) (the "Series 2016C Bonds," and together with the Series 2016A Bonds, and the Series 2016B Bonds, the "Series 2016 Bonds") are being issued to (a) refund and defease the Refunded Bonds (as described herein) to generate debt service savings for the Harbor Department of the City of Los Angeles (the "Department") and (b) pay the costs of issuance of the Series 2016 Bonds. The Series 2016 Bonds are being issued under and pursuant to Section 609 of the Charter of the City of Los Angeles, California and Section 11.28.1 et seq. of the Los Angeles Administrative Code; Resolution Nos. 16-7977 and 16-7978 adopted by the Board of Harbor Commissioners of the City of Los Angeles (the "Board") on August 4, 2016, and approved by the City Council of the City of Los Angeles and the Mayor of the City (the "Mayor") on September 7, 2016 and September 8, 2016, respectively; Resolution Nos. 16-7985 and 16-7986, adopted by the Board on August 18, 2016; and an Indenture of Trust, to be dated as of October 1, 2016 (the "Indenture"), by and between the Department and U.S. Bank National Association, as trustee (the "Trustee").

The Series 2016 Bonds will be issued as fully registered bonds in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company ("DTC"), New York, New York. Individual purchases and sales of the Series 2016 Bonds may be made in book-entry form only in denominations of $5,000 and integral multiplies thereof. Interest on the Series 2016 Bonds will be payable on February 1 and August 1, commencing on February 1, 2017. So long as the Series 2016 Bonds are held by DTC, the principal of and interest on the Series 2016 Bonds will be payable by wire transfer to DTC, which in turn will be required to remit such principal and interest to the DTC participants for subsequent disbursement to the beneficial owners of the Series 2016 Bonds, as more fully described herein. See "APPENDIX F—BOOK-ENTRY-ONLY SYSTEM."

The Series 2016B and Series 2016C Bonds are subject to optional redemption prior to maturity and the Series 2016C Bonds are subject to mandatory sinking fund redemption prior to maturity, as more fully described herein. The Series 2016A Bonds are not subject to redemption prior to maturity. See "DESCRIPTION OF THE SERIES 2016 BONDS—Redemption Provisions."

Maturity Schedule on Inside Front Cover

Principal of and interest on the Series 2016 Bonds are payable solely from the Revenues and other amounts pledged under the Indenture. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2016 BONDS—Source of Payment" and "—Harbor Revenue Fund." The Series 2016 Bonds will be issued on a parity with the Department's outstanding Parity Obligations (as described herein). See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2016 BONDS—Outstanding Parity Obligations" herein.

THE SERIES 2016 BONDS DO NOT CONSTITUTE OR EVIDENCE AN INDEBTEDNESS OF THE CITY OF LOS ANGELES, CALIFORNIA (THE "CITY"), THE STATE OF CALIFORNIA (THE "STATE") OR ANY SUBDIVISION THEREOF OTHER THAN THE DEPARTMENT, OR A LIEN OR CHARGE ON ANY PROPERTY OR THE GENERAL REVENUES OF THE CITY, THE STATE OR ANY SUBDIVISION THEREOF OTHER THAN THE DEPARTMENT, AND IN ANY EVENT THE SERIES 2016 BONDS SHALL NOT BE PAYABLE OUT OF ANY FUNDS OR PROPERTIES OF THE CITY OR THE DEPARTMENT OTHER THAN THE REVENUES DEPOSITED INTO THE HARBOR REVENUE FUND AS PROVIDED IN THE INDENTURE AND OTHER AMOUNTS PLEDGED THEREFOR UNDER THE INDENTURE. THE SERIES 2016 BONDS DO NOT CONSTITUTE AN INDEBTEDNESS OF THE DEPARTMENT IN CONTRAVENTION OF ANY CHARTER, STATUTORY OR CONSTITUTIONAL DEBT OR OTHER LIMITATION OR RESTRICTION AND DO NOT CONSTITUTE AN OBLIGATION FOR WHICH THE DEPARTMENT OR THE CITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE DEPARTMENT OR THE CITY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION.

The purchase and ownership of Series 2016 Bonds involve investment risk and may not be suitable for all investors. This cover page contains certain information for general reference only. It is not intended to be a summary of the security or terms of the Series 2016 Bonds. Investors are advised to read the entire Official Statement, including any portion hereof included by reference, to obtain information essential to the making of an informed 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 2016 Bonds are offered when, as, and if issued and received by the Underwriters, subject to the approval of validity by Nixon Peabody LLP, Bond Counsel to the Department, and to certain other conditions. Certain legal matters will be passed upon for the Department by the Office of the City Attorney of the City. Certain legal matters will be passed upon for the Department by Kutak Rock LLP, Disclosure Counsel to the Department. Certain legal matters will be passed upon for the Underwriters by their counsel, Hawkins Delafield & Wood LLP. Montague DeRose and Associates, LLC has served as Financial Advisor to the Department. It is expected that the delivery of the Series 2016 Bonds will be made through the facilities of DTC on or about October 13, 2016.

RBC Capital Markets

Citigroup **Loop Capital Markets**

Date of Official Statement: September 14, 2016

MATURITY SCHEDULE

$97,970,000
Harbor Department of the City of Los Angeles
Refunding Revenue Bonds
2016 Series A
(AMT)

Maturity Date (August 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP No.*
2017	$13,055,000	3.000%	0.830%	101.725%	544552YZ9
2018	20,685,000	4.000	0.930	105.466	544552ZA3
2019	12,025,000	4.000	1.060	108.088	544552ZB1
2020	22,610,000	5.000	1.170	114.192	544552ZC9
2021	14,085,000	5.000	1.310	117.110	544552ZD7
2022	1,710,000	5.000	1.460	119.615	544552ZE5
2024	13,800,000	5.000	1.710	123.926	544552ZF2

$68,385,000
Harbor Department of the City of Los Angeles
Refunding Revenue Bonds
2016 Series B
(Non-AMT)

Maturity Date (August 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP No.*
2017	$ 835,000	2.000%	0.640%	101.083%	544552ZG0
2018	855,000	3.000	0.710	104.087	544552ZH8
2019	890,000	4.000	0.790	108.871	544552ZJ4
2020	920,000	4.000	0.880	111.633	544552ZK1
2021	960,000	5.000	0.950	118.958	544552ZL9
2022	1,010,000	5.000	1.080	121.979	544552ZM7
2023	1,060,000	5.000	1.200	124.740	544552ZN5
2024	1,105,000	5.000	1.340	127.018	544552ZP0
2025	1,150,000	5.000	1.450	129.227	544552ZQ8
2030	7,700,000	5.000	2.040	126.168[C]	544552ZR6
2031	8,085,000	5.000	2.090	125.663[C]	544552ZS4
2032	8,485,000	5.000	2.150	125.059[C]	544552ZT2
2033	8,905,000	5.000	2.200	124.559[C]	544552ZU9
2034	9,310,000	4.000	2.500	112.963[C]	544552ZV7
2035	9,675,000	4.000	2.550	112.500[C]	544552ZW5
2036	7,440,000	4.000	2.590	112.131[C]	544552ZX3

$35,205,000
Harbor Department of the City of Los Angeles
Refunding Revenue Bonds
2016 Series C
(Non-AMT) (Green Bonds)

$35,205,000 4.000% Term Bonds due August 1, 2039 Yield 2.640%; Price 111.672%[C]; CUSIP No.* 544552ZY1

 The CUSIP numbers are not intended to create a database and do not serve in any way as a substitute for CUSIP service. CUSIP numbers have been assigned by an independent company not affiliated with the Department or the City and are provided solely for convenience and reference. The CUSIP numbers for a specific maturity are subject to change after the issuance of the Series 2016 Bonds. Neither the Department nor the Underwriters take responsibility for the accuracy of the CUSIP numbers.

[C] Priced to the par call date of August 1, 2026.

HARBOR DEPARTMENT
OF THE CITY OF LOS ANGELES

425 South Palos Verdes Street
San Pedro, CA 90731

BOARD OF HARBOR COMMISSIONERS

Ambassador Vilma S. Martinez, President
David Arian, Vice President
Edward R. Renwick
Patricia Castellanos
Anthony Pirozzi, Jr.

OFFICERS AND EXECUTIVES

Eugene D. Seroka, Executive Director
Doane Liu, Deputy Executive Director, Chief of Staff
Marla Bleavins, Deputy Executive Director and Chief Financial Officer
Thomas Gazsi, Chief of Public Safety and Emergency Management
Michael DiBernardo, Deputy Executive Director, Marketing and Customer Relations
Antonio Gioiello, Deputy Executive Director, Development
Soheila Sajadian, Director of Debt and Treasury

SPECIAL SERVICES

City Attorney

Office of the City Attorney of the City of Los Angeles
Michael N. Feuer, *City Attorney*
Janna Sidley, *General Counsel*

Trustee

U.S. Bank National Association

Bond Counsel

Nixon Peabody LLP

Disclosure Counsel

Kutak Rock LLP

Financial Advisor

Montague DeRose and Associates, LLC

No dealer, broker, salesperson or other person has been authorized by the Department to give any information or to make any representations other than as set forth herein and, if given or made, such other information or representation must not be relied upon as having been authorized by the Department. 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 2016 Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers of the Series 2016 Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of facts. See "INTRODUCTION—Forward-Looking Statements" herein.

The 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 respective 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.

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for purposes of, and as that term is defined in, Rule 15c2-12(b)(5) adopted by the U.S. Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended.

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 Department since the date hereof. This Official Statement is submitted in connection with the sale of the Series 2016 Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

The order and placement of information in this Official Statement, including the appendices, are not an indication of relevance, materiality or relative importance, and this Official Statement, including the appendices, must be read in its entirety. The captions and headings in this Official Statement are for convenience only and in no way define, limit or describe the scope or intent, or affect the meaning or construction, of any provision or section in this Official Statement.

THE SERIES 2016 BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED THEREIN, AND HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE. THE INDENTURE HAS NOT BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED THEREIN. THE SERIES 2016 BONDS HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY COMMISSION. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS OFFICIAL STATEMENT.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2016 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING TRANSACTIONS, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITERS MAY OFFER AND SELL THE SERIES 2016 BONDS TO CERTAIN DEALERS AND OTHERS AT PRICES LOWER OR YIELDS HIGHER THAN THE PUBLIC OFFERING PRICES OR YIELDS STATED ON THE INSIDE COVER PAGE OF THIS OFFICIAL STATEMENT, AND SUCH PUBLIC OFFERING PRICES OR YIELDS MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITERS.

TABLE OF CONTENTS

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OFFICIAL STATEMENT

$201,560,000
HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES

$97,970,000 REFUNDING REVENUE BONDS 2016 SERIES A (AMT)	**$68,385,000 REFUNDING REVENUE BONDS 2016 SERIES B (NON-AMT)**	**$35,205,000 REFUNDING REVENUE BONDS 2016 SERIES C (NON-AMT) (GREEN BONDS)**

INTRODUCTION

General

The purpose of this Official Statement, which includes the cover page, inside cover page, table of contents and appendices, is to provide certain information concerning the sale and delivery by the Harbor Department of the City of Los Angeles (the "Department") of its $97,970,000 Refunding Revenue Bonds, 2016 Series A (the "Series 2016A Bonds"), its $68,385,000 Refunding Revenue Bonds, 2016 Series B (the "Series 2016B Bonds") and its $35,205,000 Refunding Revenue Bonds, 2016 Series C (Green Bonds) (the "Series 2016C Bonds," and together with the Series 2016A Bonds and the Series 2016B Bonds, the "Series 2016 Bonds" or the "Bonds"). Capitalized terms used but not defined herein have the meanings ascribed to them in "APPENDIX C—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE."

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 2016 Bonds to potential investors is made only by means of the entire Official Statement.

The Department and the Port

The Department is an independent proprietary department of the City of Los Angeles, California (the "City"), with possession, management and control of the Port of Los Angeles (the "Port"), which is located in San Pedro Bay, approximately 20 miles south of downtown Los Angeles. The Department has three major sources of revenue: (a) shipping revenue, which is a function of cargo throughput; (b) revenue from the rental of the Port's land and buildings (i.e., revenue from permit and lease agreements); and (c) fees and royalty revenue, which is the smallest source of revenue. During Fiscal Year 2016, the Port handled 8,390,513 TEUs, as compared to 8,191,359 TEUs in Fiscal Year 2015. A "TEU" is a unit of cargo capacity often used to describe the capacity of container ships and container terminals and is based on the volume of a 20-foot long shipping container, a standard-sized metal box which can be easily transferred between different modes of transportation, such as ships, trains and trucks. According to statistics compiled by the Journal of Commerce, during calendar year 2015, the Port was the busiest container port in the United States. In terms of physical size, the Port covers approximately 7,500 acres (4,300 acres of land and 3,200 acres of water). The Port generally encompasses approximately 43 miles of waterfront berthing and 27 terminal facilities, including eight major container cargo terminals, four break-bulk facilities, three dry bulk facilities, seven liquid bulk cargo terminals, two passenger cruise terminals, one vehicle handling facility, and two multi-use facilities. A description of the Port, the Department and certain financial and operating information concerning the Department is contained in "THE PORT AND THE DEPARTMENT."

Authority for Issuance

The Series 2016 Bonds are being issued under and pursuant to Section 609 of the Charter of the City, and Section 11.28.1 et seq. of the Los Angeles Administrative Code (collectively, the "Charter"); Resolution Nos. 16-7977 and 16-7978 (collectively, the "Authorizing Resolutions") adopted by the Board of Harbor Commissioners of the City of Los Angeles (the "Board") on August 4, 2016 and approved by the City Council of the City (the "City Council") and the Mayor of the City (the "Mayor") on September 7, 2016 and September 8, 2016, respectively; Resolution Nos. 16-7985 and 16-7986 (collectively, the "Document Resolutions," and together with Authorizing Resolutions, the "Resolutions") adopted by the Board on August 18, 2016; and an Indenture of Trust, to be dated as of October 1, 2016 (the "Indenture"), by and between the Department and U.S. Bank National Association, as trustee (the "Trustee").

Purpose of the Series 2016 Bonds

Proceeds from the sale of the Series 2016 Bonds will be used to refund and defease the Refunded Bonds (as defined herein) to generate debt service savings for the Department and pay costs of issuance of the Series 2016 Bonds, all as further described herein. See "PLAN OF REFUNDING AND APPLICATION OF SERIES 2016 BOND PROCEEDS."

Security for the Series 2016 Bonds

The principal of and interest on the Series 2016 Bonds are payable from, and secured by a pledge of and lien on, the Revenues (as defined herein) and other amounts pledged under the Indenture. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2016 BONDS—Source of Payment" and "—Harbor Revenue Fund."

THE SERIES 2016 BONDS DO NOT CONSTITUTE OR EVIDENCE AN INDEBTEDNESS OF THE CITY, THE STATE OF CALIFORNIA (THE "STATE") OR ANY SUBDIVISION THEREOF OTHER THAN THE DEPARTMENT, OR A LIEN OR CHARGE ON ANY PROPERTY OR THE GENERAL REVENUES OF THE CITY, THE STATE OR ANY SUBDIVISION THEREOF OTHER THAN THE DEPARTMENT, AND IN ANY EVENT THE SERIES 2016 BONDS WILL NOT BE PAYABLE OUT OF ANY FUNDS OR PROPERTIES OF THE CITY OR THE DEPARTMENT OTHER THAN THE REVENUES DEPOSITED INTO THE HARBOR REVENUE FUND AS PROVIDED IN THE INDENTURE AND OTHER AMOUNTS PLEDGED THEREFOR UNDER THE INDENTURE. THE SERIES 2016 BONDS DO NOT CONSTITUTE AN INDEBTEDNESS OF THE DEPARTMENT IN CONTRAVENTION OF ANY CHARTER, STATUTORY OR CONSTITUTIONAL DEBT OR OTHER LIMITATION OR RESTRICTION AND DO NOT CONSTITUTE AN OBLIGATION FOR WHICH THE DEPARTMENT OR THE CITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE DEPARTMENT OR THE CITY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION.

Parity Obligations

As of September 1, 2016, the Department had $909,425,000 aggregate principal amount of Parity Obligations (including the Refunded Bonds) outstanding. The principal of and interest on the Parity Obligations are secured by a pledge of and lien on Revenues on parity with the Series 2016 Bonds. Subject to the satisfaction of certain conditions set forth in the Indenture, the Department may issue additional bonds, notes or other evidence of indebtedness secured by a pledge of and lien on Revenues on parity with the Series 2016 Bonds. The Department is currently authorized to issue and to have outstanding, from time to time, up to $200 million principal amount of its Commercial Paper Notes which constitute Parity Obligations. The Department currently has no Commercial Paper Notes outstanding. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2016 BONDS-Outstanding Parity Obligations–*Commercial Paper Program*." Pursuant to the Indenture, obligations of the Department secured by a pledge of and lien on Revenues senior to the payment of principal of or interest on the Parity Obligations (including the Series 2016 Bonds) are prohibited. The Department has no such senior obligations outstanding. The Indenture does not prohibit the Department from issuing obligations secured by a pledge of and lien on Revenues subordinate to the payment of principal of and interest on the Parity Obligations (including the Series 2016 Bonds). See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2016 BONDS—Outstanding Parity Obligations."

Rate Covenant

The Department has covenanted under the Indenture that it will fix rates, tolls and charges, rentals for leases, permits and franchises, and compensations or fees for franchises and licenses, subject to the approval of or submission to the City Council only in those instances and in such manner as may be provided in the Charter, and collect such charges, rentals, compensations and fees, such as to provide revenues, after payment of all Operation and Maintenance costs for each Fiscal Year, which will at least equal 125% of Debt Service (as defined herein), any amounts required to be paid to the provider of any Common Reserve Security Device (as defined herein) pursuant to such Common Reserve Security Device, any amounts required to be paid to the provider of any Separate Reserve Fund Security Device pursuant to such Separate Reserve Fund Security Device and other amounts to be paid by the Department under the Indenture for such Fiscal Year and during such period the City Council will, when its approval is required by the Charter, approve rates, tolls, charges, rentals, compensations and fees so fixed by the Department, sufficient for the purposes aforesaid; no ordinance adopted by the City Council approving any rate, toll, charge, rental compensation or fee so fixed by the Department will be subject to referendum. "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2016 BONDS—Rate Covenant"

Continuing Disclosure

In connection with the issuance of the Series 2016 Bonds, the Department will agree to provide, or to cause to be provided, to the Municipal Securities Rulemaking Board ("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 ("SEC") under the Securities Exchange Act of 1934, as amended, certain annual financial information and operating data relating to the Department and the Port, and, notice of certain enumerated events. These covenants are made in order to assist the Underwriters (as defined herein) in complying with Rule 15c2-12. See "CONTINUING DISCLOSURE" and "APPENDIX D—FORM OF CONTINUING DISCLOSURE CERTIFICATE."

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. See "CERTAIN INVESTMENT CONSIDERATIONS—Forward-Looking Statements."

Additional Information

Brief descriptions of the Series 2016 Bonds, the Charter, the Resolutions, the Indenture and certain other documents are included in this Official Statement and the appendices hereto. 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. Information contained herein has been obtained from officers, employees and records of the Department and from other sources believed to be reliable. The information herein is subject to change without notice, and the delivery of this Official Statement will under no circumstances create any implication that there has been no change in the affairs of the Department or the Port since the date hereof. This Official Statement is not to be construed as a contract or agreement between the Department or the Underwriters and the purchasers or Owners of any of the Series 2016 Bonds. The Department maintains a website, and a presence on a variety of social media and internet platforms, the information on such platforms is not part of this Official Statement, has not and is not incorporated by reference herein, and should not be relied upon in deciding whether to invest in the Series 2016 Bonds.

PLAN OF REFUNDING AND APPLICATION OF SERIES 2016 BOND PROCEEDS

Plan of Refunding

The Series 2016 Bonds are being issued to (a) current refund all of the Department's outstanding Refunding Revenue Bonds, 2006 Series A (the "Refunded Series 2006A Bonds"), (b) current refund all of the Department's outstanding Refunding Revenue Bonds, 2006 Series B (the "Refunded Series 2006B Bonds"), (c) current refund all of the Department's outstanding Refunding Revenue Bonds, 2006 Series C (the "Refunded Series 2006C Bonds" and together with the Refunded Series 2006A Bonds and the Refunded Series 2006B Bonds, the "Current Refunded Bonds"), and (d) advance refund all of the Department's outstanding Revenue Bonds, 2009 Series B (the "Refunded Series 2009B Bonds" or "Advance Refunded Bonds"), and (e) pay the costs of issuance of the Series 2016 Bonds.

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The Refunded Bonds are described in more detail in the following tables.

Refunded Series 2006A Bonds

Maturity Date (August 1)	Principal Amount	Redemption Date[1]	CUSIP Number[2]
2017	$ 8,930,000	10/13/2016	544552LF7
2018	9,990,000	10/13/2016	544552LG5
2020	10,190,000	10/13/2016	544552LJ9
2022	2,740,000	10/13/2016	544552LL4
2024	16,715,000	10/13/2016	544552LN0

[1] The Refunded Series 2006A Bonds will be redeemed on October 13, 2016 at a redemption price of 102% of the principal thereof, plus accrued interest.

[2] CUSIP numbers are provided only for the convenience of the reader. Neither the Department nor the Underwriters undertake any responsibility for the accuracy of such CUSIP numbers or for any changes or errors in the list of CUSIP numbers.

Refunded Series 2006B Bonds

Maturity Date (August 1)	Principal Amount	Redemption Date[1]	CUSIP Number[2]
2017	$ 3,095,000	10/13/2016	544552MA7
2018	12,855,000	10/13/2016	544552MB5
2019	13,485,000	10/13/2016	544552MC3
2020	14,995,000	10/13/2016	544552MD1
2021	15,760,000	10/13/2016	544552ME9
2024	5,000	10/13/2016	544552MH2
2025	225,000	10/13/2016	544552MJ8

[1] The Refunded Series 2006B Bonds will be redeemed on October 13, 2016 at a redemption price of 102% of the principal thereof, plus accrued interest.

[2] CUSIP numbers are provided only for the convenience of the reader. Neither the Department nor the Underwriters undertake any responsibility for the accuracy of such CUSIP numbers or for any changes or errors in the list of CUSIP numbers.

[Remainder of page intentionally left blank]

Refunded Series 2006C Bonds

Maturity Date (August 1)	Principal Amount	Redemption Date[1]	CUSIP Number[2]
2017	$ 930,000	10/13/2016	544552MV1
2018	980,000	10/13/2016	544552MW9
2019	1,035,000	10/13/2016	544552MX7
2020	1,080,000	10/13/2016	544552MY5
2021	1,130,000	10/13/2016	544552MZ2
2022	1,190,000	10/13/2016	544552NA6
2025	3,915,000	10/13/2016	544552NB4

[1] The Refunded Series 2006C Bonds will be redeemed on October 13, 2016 at a redemption price of 102% of the principal thereof, plus accrued interest.

[2] CUSIP numbers are provided only for the convenience of the reader. Neither the Department nor the Underwriters undertake any responsibility for the accuracy of such CUSIP numbers or for any changes or errors in the list of CUSIP numbers.

Refunded Series 2009B Bonds

Maturity Date (August 1)	Principal Amount	Redemption Date[1]	CUSIP Number[2]
2034	$43,640,000	8/1/2019	544552TV4
2039	56,360,000	8/1/2019	544552TW2

[1] The Refunded Series 2009B Bonds will be redeemed on August 1, 2019 at a redemption price of 100% of the principal thereof, plus accrued interest.

[2] CUSIP numbers are provided only for the convenience of the reader. Neither the Department nor the Underwriters undertake any responsibility for the accuracy of such CUSIP numbers or for any changes or errors in the list of CUSIP numbers.

The Current Refunded Bonds will be refunded with a portion of the proceeds of the Series 2016A Bonds and the Series 2016B Bonds together with certain available moneys of the Department, which will be immediately applied on the date of issuance to redeem the Current Refunded Bonds at a redemption price of 102% of the principal amount thereof plus accrued interest.

The Advance Refunded Bonds will be refunded with a portion of the proceeds of the Series 2016B Bonds and the Series 2016C Bonds together with certain available moneys of the Department, which will be deposited in an escrow fund(s) or account(s) established and maintained for the Advance Refunded Bonds. Such amounts will be held by an escrow agent pursuant to an escrow agreement and on the redemption date for the Advance Refunded Bonds (August 1, 2019) will be used to pay the interest on the Advance Refunded Bonds through the redemption date and the redemption price of 100% of the principal amount thereof.

Upon delivery of the Series 2016 Bonds, Grant Thornton LLP, a firm of independent certified public accountants (the "Verification Agent"), will deliver a report stating that it has verified the mathematical accuracy of the computations contained in the provided schedules to determine that the amounts to be held in the respective redemption accounts will be sufficient to pay the redemption price of and interest on the Refunded Bonds on the respective redemption date for the Refunded Bonds. See "VERIFICATION OF MATHEMATICAL COMPUTATIONS."

Application of Series 2016 Bond Proceeds

Proceeds from the sale of the Series 2016 Bonds, along with certain other available moneys, will be used to refund and defease the Refunded Bonds to generate debt service savings and pay costs of issuance of the Series 2016 Bonds. The following table sets forth the sources and uses of funds in connection with the issuance of the Series 2016 Bonds.

Sources	**Series 2016A Bonds**	**Series 2016B Bonds**	**Series 2016C Bonds**	**Total**
Par Amount	$97,970,000.00	$68,385,000.00	$35,205,000.00	$201,560,000.00
Original Issue Premium	11,584,382.05	13,252,651.85	4,109,127.60	28,946,161.50
Other Available Moneys[2]	3,138,778.34	2,184,466.09	1,041,032.37	6,364,276.80
Total Sources	$112,693,160.39	$83,822,117.94	$40,355,159.97	$236,870,438.30
Uses				
Deposit to the Escrow Fund for payment of the Current Refunded Bonds	$112,254,550.00	$10,567,800.00	$ –	$122,822,350.00
Deposit to the Escrow Fund for the Advance Refunded Bonds	–	72,935,239.47	40,195,270.02	113,130,509.49
Costs of Issuance[1]	252,771.28	189,359.08	93,109.69	535,240.05
Underwriters' Discount	185,839.11	129,719.39	66,780.26	382,338.76
Total Uses	$112,693,160.39	$83,822,117.94	$40,355,159.97	$236,870,438.30

[1] Includes Trustee fees, escrow agent fees, financial advisor fees and expenses, rating agency fees, bond and disclosure counsel fees and expenses, Verification Agent fees, printing costs, other costs of issuing the Series 2016 Bonds and a rounding amount.

[2] Includes a release of funds allocable to the Refunded Bonds from within the Common Reserve and a contribution of available moneys from the Department.

GREEN BONDS DESIGNATION

The Department enlisted Sustainalytics, a second opinion provider that conducted environmental, social and governance research to assess the alignment of the Series 2016C Bonds with the *Green Bond Principles 2016*. The Series 2016C Bonds are labeled Green Bonds because the proceeds of the Series 2016C Bonds will be used to refund the portion of the Refunded Series 2009B Bonds which were issued to finance environmentally beneficial projects ("Green Projects") which projects align with the *Green Bond Principles 2016*. The purpose of designating the offered bonds as "Green Bonds" is to allow investors to invest directly in bonds which finance or refinance Green Projects. Construction of such Green Projects has been completed and no additional reporting on the status of the Green Projects is anticipated.

The use of the term "Green Bonds" is solely for identification purposes and is not intended to provide or imply that the owners of the Series 2016C Bonds is entitled to any security other than that described under the heading, "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2016 BONDS."

DESCRIPTION OF THE SERIES 2016 BONDS

General

The Series 2016 Bonds will bear interest at the rates and mature on the dates set forth on the inside cover page of this Official Statement. Interest will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The Series 2016 Bonds will be dated their date of delivery, and will bear interest from that date, payable semi-annually on February 1 and August 1 of each year (each an "Interest Payment Date"), commencing on February 1, 2017. Interest due and payable on the Series 2016 Bonds on any Interest Payment Date will be paid to the registered owner as of the Record Date (Cede & Co., so long as the book-entry system with The Depository Trust Company ("DTC") is in effect). Each Series 2016 Bond will bear interest from the Interest Payment Date next preceding the date of authentication thereof unless (a) it is authenticated after a Record Date and on or before the following Interest Payment Date, in which event it will bear interest from such Interest Payment Date, or (b) it is authenticated on or before January 15, 2017, in which event it will bear interest from its date of delivery; provided, however, that if, as of the date of authentication of any Series 2016 Bond, interest thereon is in default, such Series 2016 Bond will bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

The Series 2016 Bonds will be issued in denominations of $5,000 or integral multiples thereof. The Series 2016 Bonds 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 2016 Bonds. Individual purchases may be made in book-entry form only. Purchasers will not receive certificates representing their interest in the Series 2016 Bonds purchased. So long as Cede & Co., as a nominee of DTC, is the registered owner of the Series 2016 Bonds, references herein to the Owners or registered owners means Cede & Co., and does not mean the beneficial owners of the Series 2016 Bonds.

So long as Cede & Co. is the registered owner of the Series 2016 Bonds, principal of and interest on the Series 2016 Bonds will be payable by wire transfer by the Trustee 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."

Redemption Provisions

Optional Redemption. The Series 2016A Bonds are not subject to optional redemption prior to maturity.

The Series 2016B Bonds maturing on or before August 1, 2026 are not subject to optional redemption prior to maturity. The Series 2016B Bonds maturing on or after August 1, 2027, are subject to redemption at the option of the Department prior to their stated maturity, as a whole, or in part in integral multiples of $5,000, on any date on or after August 1, 2026, at a redemption price equal to the principal amount thereof, plus accrued and unpaid interest thereon to the redemption date, without premium.

The Series 2016C Bonds are subject to redemption at the option of the Department prior to their stated maturity, as a whole, or in part in integral multiples of $5,000, on any date on or after August 1, 2026, at a redemption price equal to the principal amount thereof, plus accrued and unpaid interest thereon to the redemption date, without premium.

Mandatory Sinking Fund Redemption. The Series 2016C Bonds are subject to mandatory redemption or purchase in lieu thereof from sinking fund payments made by the Department, in part (by lot) on August 1, 2036 and on August 1 in each year thereafter at a redemption price equal to the principal amount thereof, plus accrued interest thereon to the date fixed for redemption, without premium; provided, however, that if some but not all of the Series 2016C Bonds have been optionally redeemed, the total amount of sinking fund payments to be made subsequent to such optional or mandatory redemption shall be reduced in an amount equal to the principal amount of such Series 2016C Bonds so redeemed by reducing future sinking fund payments in such order as shall be designated pursuant to written notice filed by the Department with the Trustee.

Redemption Date (August 1)	Principal Amount
2036	$ 2,610,000
2037	10,445,000
2038	10,860,000
2039†	11,290,000

† Final Maturity

Selection of Bonds for Redemption. In the case of any redemption of part of a Series of the Series 2016 Bonds, the Series 2016 Bonds to be redeemed are subject to redemption in such order of maturity as the Department may direct and by lot, selected in such manner as the Trustee deems appropriate, within a maturity; provided, however, that for so long as the Series 2016 Bonds are Book-Entry Bonds, the interests of the Participants in the particular Series 2016 Bonds or portions thereof to be redeemed will be selected by lot by the Security Depository in such manner as the Security Depository and the Participants may determine.

Notice of Redemption. Notice of redemption will be mailed by first-class mail not less than 20 days before any redemption date, to the respective Owners of any Series 2016 Bonds designated for redemption at their addresses appearing on the Registration Books and to the Securities Depositories (DTC) and to the Information Services (MSRB's EMMA system). Each notice of redemption will state the redemption date, the place or places of redemption, the Series, the maturity date and the interest rate of the Series 2016 Bonds to be redeemed, whether less than all of the Series 2016 Bonds are to be redeemed, the distinctive numbers of the Series 2016 Bonds to be redeemed, and in the case of Series 2016 Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice will also state that on the redemption date there will become due and payable on each of said Series 2016 Bonds or parts thereof designated for redemption the redemption price thereof, and that from and after such redemption date interest thereon will cease to accrue, and will require that such Series 2016 Bonds be surrendered. Neither the failure to receive any notice nor any defect therein will affect the validity of the proceedings for such redemption or the cessation of accrual of interest from and after the redemption date. Notice of redemption of Series 2016 Bonds will be given by the Trustee, at the expense of the Department, for and on behalf of the Department.

With respect to any notice of redemption of Series 2016 Bonds under the Indenture, unless upon the giving of such notice such Series 2016 Bonds will be deemed to have been paid within the meaning of the Indenture or the Trustee has received amounts sufficient to pay the redemption price on such Series 2016 Bonds to be redeemed, such notice will state that such redemption is conditioned upon the receipt by the Trustee on or prior to the date fixed for such redemption of amounts sufficient to pay the redemption price on, such Series 2016 Bonds to be redeemed, and that if such amounts have not been received said notice will be of no force and effect and such Series 2016 Bonds will not be subject to redemption on such date. In the event that such notice of redemption contains such a condition and such amounts are not so received, the redemption will not be made and the Trustee will within a reasonable time thereafter give notice, to the persons and in the manner in which the notice of redemption was given, that such amounts were not so received and the redemption was not made.

Effect of Redemption. Notice of redemption having been duly given as described above, and moneys for payment of the redemption price of the Series 2016 Bonds (or portions thereof) so called for redemption being held by the Trustee, on the redemption date designated in such notice, the Series 2016 Bonds (or portions thereof) so called for redemption will become due and payable, interest on the Series 2016 Bonds so called for redemption will cease to accrue, said Series 2016 Bonds (or portions thereof) will cease to be entitled to any benefit or security under the Indenture, and the Owners of said Series 2016 Bonds will have no rights in respect thereof except to receive payment of the redemption price thereof. The Trustee will, upon surrender for payment of any of the Series 2016 Bonds to be redeemed on their redemption dates, pay the redemption price.

Partial Redemption. Upon surrender of any Series 2016 Bond redeemed in part only, the Department will execute and the Trustee will authenticate and deliver to the Owner thereof, at the expense of the Department, a new Series 2016 Bond or Series 2016 Bonds of authorized denominations equal in aggregate principal amount to the unredeemed portion of the Series 2016 Bonds surrendered and of the same interest rate, maturity and Series.

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2016 BONDS

Source of Payment

Subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture, all of the Revenues and any other amounts, including proceeds of the sale of the Series 2016 Bonds held in any fund or account established pursuant to the Indenture (except the Rebate Fund) are irrevocably pledged to secure the payment of the principal of and interest on the Series 2016 Bonds in accordance with their terms and the provisions of the Indenture. The pledge of Revenues is on a parity with the lien on and security interest in Revenues granted to the other Parity Obligations pursuant to the Issuing Documents for such Parity Obligations. The pledge of amounts held in the Reserve Fund (which the Department has elected pursuant to the Indenture to treat as part of the Common Reserve securing all Common Reserve Parity Obligations) is on a parity with the lien on and security interest in such amounts of the Common Reserve Parity Obligations pursuant to the Issuing Documents for such Common Reserve Parity Obligations. The pledge will constitute a lien on and security interest in such amounts and will attach, be perfected and be valid and binding from and after the date of issuance of the Series 2016 Bonds, without any physical delivery thereof or further act and will be valid and binding against all parties having claims of any kind in tort, contract or otherwise against the Department, irrespective of whether such parties have notice hereof.

"*Revenues*" means: (a) all money received or collected from or arising out of the use or operation of any harbor or port improvement, work, structure, appliance, facility or utility, service, or watercraft, owned, controlled or operated by the City in or upon or pertaining to the lands and waters, or interests therein, of said City in the Harbor District (as defined below); all tolls, charges and rentals collected by the Department; and all compensations or fees required to be paid for franchises or licenses, or otherwise by law or ordinance or order, to the City for the operation of any public service utility upon lands and waters, or interests therein, of the City in the Harbor District; provided that for the avoidance of doubt user fees collected by the Department on behalf of, or required to be transmitted to, third parties pursuant to applicable law and not commingled with Revenues, will not be deemed to be Revenues; and (b) all interest or gain derived from the investment of amounts in any of the funds or accounts established under the Indenture (except interest and gain derived from the Rebate Fund).

"*Parity Obligations*" means the Series 2016 Bonds and all other revenue bonds or notes of the Department authorized, executed, issued and delivered by the Department, and all contracts of the Department authorized and executed by the Department, the payments of which are on a parity with the Series 2016 Bonds and which are secured by a pledge of and lien on the Revenues. See "—Outstanding Parity Obligations" below.

THE SERIES 2016 BONDS DO NOT CONSTITUTE OR EVIDENCE AN INDEBTEDNESS OF THE CITY, THE STATE OR ANY SUBDIVISION THEREOF OTHER THAN THE DEPARTMENT, OR A LIEN OR CHARGE ON ANY PROPERTY OR THE GENERAL REVENUES OF THE CITY, THE STATE OR ANY SUBDIVISION THEREOF OTHER THAN THE DEPARTMENT, AND IN ANY EVENT THE SERIES 2016 BONDS WILL NOT BE PAYABLE OUT OF ANY FUNDS OR PROPERTIES OF THE CITY OR THE DEPARTMENT OTHER THAN THE REVENUES DEPOSITED INTO THE HARBOR REVENUE FUND AS PROVIDED IN THE INDENTURE AND OTHER AMOUNTS PLEDGED THEREFOR UNDER THE INDENTURE. THE SERIES 2016 BONDS DO NOT CONSTITUTE AN INDEBTEDNESS OF THE DEPARTMENT IN CONTRAVENTION OF ANY CHARTER, STATUTORY OR CONSTITUTIONAL DEBT OR OTHER LIMITATION OR RESTRICTION AND DO NOT CONSTITUTE AN OBLIGATION FOR WHICH THE DEPARTMENT OR THE CITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE DEPARTMENT OR THE CITY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION.

As of September 1, 2016, the Department had $909,425,000 aggregate principal amount of Parity Obligations (including the Refunded Bonds) outstanding. See "—Outstanding Parity Obligations" below for additional information on the Parity Obligations. The principal of and interest on the Parity Obligations are secured by a pledge and lien on Revenues on a parity with the Series 2016 Bonds. Subject to the satisfaction of certain conditions set forth in the Indenture, the Department may issue additional bonds, notes or other evidence of indebtedness secured by a pledge and lien on Revenues on a parity with the Series 2016 Bonds. Pursuant to the Indenture, obligations of the Department secured by a pledge and lien on Revenues senior to the payment of principal of or interest on the Parity Obligations (including the Series 2016 Bonds) are prohibited. The Department has no such senior obligations outstanding. The Indenture does not prohibit the Department from issuing obligations secured by a pledge and lien on Revenues subordinate to the payment of principal of or interest on the Parity Obligations (including the Series 2016 Bonds).

"*Issuing Document*" means any indenture, trust agreement or other document pursuant which any Parity Obligations are issued or delivered; provided that, if a trustee is appointed under an Issuing Document, the trustee for all Parity Obligations will be the Trustee.

Harbor Revenue Fund

The Harbor Revenue Fund is a fund held by the Department and established by the Charter (the "Harbor Revenue Fund"). Pursuant to the Charter, all fees, charges, rentals and revenue from every source collected by the Department in connection with its possession, management and control of the Harbor District and Harbor Assets (as defined below) are deposited in the city treasury to the credit of the Harbor Revenue Fund. All such moneys and revenues deposited in the Harbor Revenue Fund are under the direction and control of the Board.

Pursuant to the Charter, moneys deposited in the Harbor Revenue Fund may be appropriated or used only for the following purposes:

(a) for the necessary expenses of operating the Department, including the operation, promotion and maintenance of the lands and waters, and interests therein, under the possession, management and control of the Board (the "Harbor District") and all harbor and port improvements, works, utilities, facilities and watercraft, owned, controlled or operated by the Department (collectively with the Harbor District, the "Harbor Assets") in connection with or for the promotion and accommodation of maritime commerce, navigation and fishery ("Departmental Purposes");

(b) for the acquisition, construction, completion and maintenance of Harbor Assets for Departmental Purposes, and for the acquisition or taking by purchase, lease, condemnation or otherwise of property, real or personal, or other interest necessary or convenient for Departmental Purposes;

(c) for the payment of the principal and interest of bonds issued by the Department or by the City for Departmental Purposes;

(d) for defraying the expenses of any pension or retirement system applicable to the employees of the Department; and

(e) for reimbursements to another department or office of the City on account of services rendered, or materials, supplies or equipment furnished to support Departmental Purposes.

Flow of Funds

The Indenture establishes the following funds: (a) the Interest Fund (the "Interest Fund"); (b) the Principal Fund (the "Principal Fund"); (c) the Reserve Fund (the "Reserve Fund"); (d) the Redemption Fund (the "Redemption Fund"); (e) the Costs of Issuance Fund (the "Costs of Issuance Fund"); and (f) the Rebate Fund (the "Rebate Fund"). All such funds and accounts are to be held and administered by the Trustee.

The Department will, from the moneys in the Harbor Revenue Fund, from time to time, pay all Operation and Maintenance costs (including amounts reasonably required to be set aside in contingency reserves for Operation and Maintenance costs, the payment of which is not then immediately required) as they become due and payable. In addition, the Department will transfer from the Harbor Revenue Fund to the Trustee for deposit into the following respective funds, the following amounts in the following order of priority and at the following times, the requirements of each such fund (including the making up of any deficiencies in any such fund resulting from lack of Revenues sufficient to make any earlier required deposit) at the time of deposit:

(a) Not later than the third Business Day preceding each date on which the interest on the Series 2016 Bonds becomes due and payable, that sum, if any, required to cause the aggregate amount on deposit in the Interest Fund to be at least equal to the amount of interest becoming due and payable on such date on all Series 2016 Bonds then Outstanding. The Department also will deposit in any applicable interest account created with respect to Parity Obligations, without preference or priority, and in the event of any insufficiency of such moneys ratably without any discrimination or preference, any other interest in accordance with the provisions of the Issuing Document relating thereto.

(b) Not later than the third Business Day preceding each date on which the principal of the Series 2016 Bonds becomes due and payable, that sum, if any, required to cause the aggregate amount on deposit in the Principal Fund to equal the principal amount of the Series 2016 Bonds coming due and payable on such date or subject to mandatory sinking fund redemption on such date. The Department also will deposit in any applicable principal account created with respect to Parity Obligations, without preference or priority, and in the event of any insufficiency of such moneys ratably without any discrimination or preference, any other principal in accordance with the provisions of the Issuing Document relating thereto.

(c) The Department will, from the remaining moneys in the Harbor Revenue Fund, thereafter, without preference or priority, and in the event of any insufficiency of such moneys ratably without any discrimination or preference, transfer to the Trustee for deposit in: (i) the reserve funds for Parity Obligations which the Department has elected to make a part of the Common Reserve (including the Reserve Fund), an amount necessary to cause the balance on deposit therein, including the amounts available under the Common Reserve Security Devices, to be equal to the Common Reserve Requirement or to reimburse the providers of the Common Reserve Security Devices for any draws thereon in accordance with the written direction of the providers of the Common Reserve Security Devices, including interest due on amounts drawn thereunder; provided that to the extent the Department has transferred or is currently transferring amounts necessary to reimburse the providers of the Common Reserve Security Devices as described above, the amount available under the Common Reserve Security Devices will be deemed to be reinstated by the amount of the draws so reimbursed when determining the balance in the Common Reserve for purposes of this provision; and (ii) each Separate Reserve Fund for any Parity Obligations, an amount necessary to cause the balance on deposit therein, including the amounts available under any security devices credited to such Separate Reserve Fund, to be equal to the Separate Reserve Fund Requirement for such Parity Obligations or to reimburse the providers of such security devices for any draws thereon in accordance with the written direction of the providers thereof, including interest due on amounts drawn thereunder in accordance with the provisions of the Issuing Document for such Parity Obligations; provided that to the extent the Department has transferred or is currently transferring amounts necessary to reimburse the providers of such security devices as described above, the amount available under such security devices will be deemed to be reinstated by the amount of the draws so reimbursed when determining the balance in such Separate Reserve Fund for purposes of this provision.

No transfer of moneys for deposit to the reserve funds for Parity Obligations which the Department has elected to make a part of the Common Reserve (including the Reserve Fund) need be made if the balance in the Common Reserve, including the amount available under any Common Reserve Security Device, is at least equal to the Common Reserve Requirement. No transfer of moneys for deposit to any Separate Reserve Fund for any Parity Obligations need be made if the balance in such Separate Reserve Fund, including the amount available under any security devices credited to such Separate Reserve Fund, is at least equal to the Separate Reserve Fund Requirement for such Parity Obligations. See "—Reserve Fund" below.

(d) Thereafter, the Department may apply Revenues for any lawful purpose.

Rate Covenant

The Department has covenanted under the Indenture that it will fix rates, tolls and charges, rentals for leases, permits and franchises, and compensations or fees for franchises and licenses, subject to the approval of or submission to the City Council only in those instances and in such manner as may be provided in the Charter, and collect such charges, rentals, compensations and fees, such as to provide revenues, after payment of all Operation and Maintenance costs for each Fiscal Year, which will at least equal 125% of Debt Service, any amounts required to be paid to the provider of any Common Reserve Security Device pursuant to such Common Reserve Security Device, any amounts required to be paid to the provider of any Separate Reserve Fund Security Device pursuant to such Separate Reserve Fund Security Device and other amounts to be paid by the Department under the Indenture for such Fiscal Year and during such period the City Council will, when its approval is required by the Charter, approve rates, tolls, charges, rentals, compensations and fees so fixed by the Department, sufficient for the purposes aforesaid; no ordinance adopted by the City Council approving any rate, toll, charge, rental compensation or fee so fixed by the Department will be subject to referendum.

"*Debt Service*" means, for any period of calculation, the sum of principal of and interest on the Series 2016 Bonds, the other Parity Obligations and the other bonds, notes, certificates and other evidences of indebtedness of the Department and bonds, notes, certificates and other evidences of indebtedness of the City payable or serviced out of the Harbor Revenue Fund (as calculated based on the reasonable assumptions of the Department) on a parity with the Series 2016 Bonds during such period. See "—Outstanding Parity Obligations," "FINANCIAL INFORMATION CONCERNING THE DEPARTMENT—Other Financial Matters—Debt Service on the Parity Obligations" and "APPENDIX C—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE."

Reserve Fund

Pursuant to an Issuing Document, the Department may establish a reserve fund for such Parity Obligations. Subject to the terms of each Issuing Document, the Department may elect to treat such reserve fund as a part of the "Common Reserve." The Common Reserve secures all of the Parity Obligations for which the Department has elected to participate in the Common Reserve (each, a "Common Reserve Parity Obligation"). Pursuant to the Indenture, at the time of issuance of the Series 2016 Bonds the Trustee will establish a reserve fund for the Series 2016 Bonds (the "Reserve Fund"), and the Department will elect to treat the Reserve Fund as part of the Common Reserve. In addition to the Reserve Fund, the Department has elected to treat the reserve funds established for its Refunding Revenue Bonds, 2006 Series A (the "Series 2006A Bonds"), Refunding Revenue Bonds, 2006 Series B (the "Series 2006B Bonds"), Refunding Revenue Bonds, 2006 Series C (the "Series 2006C Bonds," and collectively with the Series 2006A Bonds and the Series 2006B Bonds, the "Series 2006 Bonds"), Revenue Bonds, 2009 Series A (the "Series 2009A Bonds"), Revenue Bonds, 2009 Series B (the "Series 2009B Bonds"), Refunding Revenue Bonds, 2009 Series C (the "Series 2009C Bonds," and collectively with the Series 2009A Bonds and the Series 2009B Bonds, the "Series 2009 Bonds"), Refunding Revenue Bonds, 2011 Series A (the "Series 2011A Bonds"), Refunding Revenue Bonds, 2011 Series B (the "Series 2011B Bonds," and together with the Series 2011A Bonds, the "Series 2011 Bonds"), Revenue Bonds and Refunding Revenue Bonds, 2014 Series A (the "Series 2014A Bonds"), Refunding Revenue Bonds, 2014 Series B (the "Series 2014B Bonds"), Revenue Bonds, 2014 Series C (the "Series 2014C Bonds," and collectively with the Series 2014A Bonds and the Series 2014B Bonds, the "Series 2014 Bonds"), and Refunding Revenue Bonds, 2015 Series A (the "Series 2015 Bonds") as part of the Common Reserve. The Series 2016 Bonds will be secured by the Common Reserve on parity with the other Common Reserve Parity Obligations (the Series 2006 Bonds, the Series 2009 Bonds, the Series 2011 Bonds, the Series 2014 Bonds, the Series 2015 Bonds and any additional Parity Obligations issued in the future for which the Department elects to participate in the Common Reserve).

Amounts on deposit in the Common Reserve will be drawn upon by the Trustee if the amounts in the respective principal accounts and/or interest accounts for the Common Reserve Parity Obligations (including the Series 2016 Bonds) are insufficient to pay in full any principal or interest then due on such Common Reserve Parity Obligations. In the event any amounts are required to be withdrawn from the Common Reserve, such amounts will be withdrawn and deposited pro rata to meet the funding requirements of the Common Reserve Parity Obligations (including the Series 2016 Bonds).

The Common Reserve is required to be funded in an amount equal to the Common Reserve Requirement. The "Common Reserve Requirement" means, as of any date of calculation, an amount equal to the least of (a) 125% of average annual principal of and interest on all outstanding Common Reserve Parity Obligations, determined on a Fiscal Year basis; (b) the maximum aggregate annual principal of and interest on all outstanding Common Reserve Parity Obligations, determined on a Fiscal Year basis; and (c) 10% of the proceeds of all Common Reserve Parity Obligations; provided, however, that, if, upon issuance of a Common Reserve Parity Obligation, such amount would require moneys to be credited to the Common Reserve from the proceeds of such Common Reserve Parity Obligations in an amount in excess of the maximum amount permitted under the Internal Revenue Code of 1986, as amended (the "Code"), to be funded from the proceeds of tax exempt bonds, the Common Reserve Requirement will mean an amount equal to the sum of the Common Reserve Requirement immediately preceding issuance of such Common Reserve Parity Obligation and the maximum amount permitted under the Code to be funded from the proceeds of tax exempt bonds to be deposited therein from the proceeds of such Common Reserve Parity Obligation, as certified in a Certificate of the Department. At the time of issuance of the Series 2016 Bonds, sufficient amounts will be on deposit in the Common Reserve to meet the Common Reserve Requirement ($62,350,287.21).

Each time that the Department elects to treat a reserve fund as a part of the Common Reserve, if necessary to meet the Common Reserve Requirement at the time of election, the Department is required to deposit cash and/or securities to the Common Reserve, and/or provide one or more (a) surety bonds; (b) insurance policies issued by one or more municipal bond insurance companies; (c) letters of credit; or (d) other security devices, and credit to such reserve fund to satisfy a portion of the Common Reserve Requirement in the Common Reserve, in each case with ratings in the highest rating category by two of the Rating Agencies as of the date of deposit therein, and with provision that such security device(s) will be available to be drawn upon with respect to all Common Reserve Parity Obligations (each, a "Common Reserve Security Device"), in an amount sufficient to increase the balance in the Common Reserve to the Common Reserve Requirement calculated to take into account such additional Common Reserve Parity Obligations. Additionally, in substitution for all or part of the moneys and/or securities on deposit in the Common Reserve, the Department may provide one or more Common Reserve Security Devices, which will each be available to be drawn on a pro rata basis among all the Common Reserve Security Devices. Upon the expiration of any Common Reserve Security Device prior to the payment in full of all of the Common Reserve Parity Obligations, if the balance in the Common Reserve is less than the Common Reserve Requirement, the Department will either provide a substitute Common Reserve Security Device or deposit cash in the Common Reserve, in an amount sufficient to increase the balance in the Common Reserve to the Common Reserve Requirement. The Department is not required to replace any Common Reserve Security Device that is no longer rated in the highest rating category by two of the Rating Agencies.

As of the date of issuance of the Series 2016 Bonds, the Common Reserve is expected to contain $62,350,287.21 of cash and securities, which will satisfy the Common Reserve Requirement.

In addition to the cash and securities, the Common Reserve contains two Common Reserve Security Devices. One was issued by Financial Guaranty Insurance Company (in the principal amount of $18,942,500) and will terminate upon the retirement and defeasance of all of the Series 2006 Bonds. The other was issued by National Public Finance Guaranty Corporation (in the principal amount of $23,646,000) ("NPFG"), as successor to MBIA Insurance Corporation, which will expire on the earliest of August 1, 2026, or on such date when the Department has no Common Reserve Parity Bonds outstanding. The amount of cash and securities in the Common Reserve will satisfy the Common Reserve Requirement without taking into consideration these Common Reserve Security Devices.

If the amount available and contained in the Common Reserve exceeds the Common Reserve Requirement, the Trustee will annually on August 1 withdraw the excess amount from the Common Reserve on a pro rata basis among all reserve funds which participate in the Common Reserve and will, without preference or priority, deposit ratably, in accordance with the amount of interest becoming due and payable on each series of Common Reserve Parity Obligations, to the applicable interest accounts for the Common Reserve Parity Obligations, and for this purpose the Trustee will determine the Value of the Common Reserve on or before August 1 in each year. Except for such withdrawals and any reimbursement of the providers of the Common Reserve Security Devices for any draws thereon, all moneys in the Common Reserve will be used and withdrawn by the Trustee solely for the purpose of paying principal of and interest on the Common Reserve Parity Obligations in the event that no other moneys of the Department are applied thereto.

If the Department establishes a reserve fund for any Parity Obligations that the Department elects not to make part of the Common Reserve, such reserve fund will be a Separate Reserve Fund and will secure only the Parity Obligations for which such reserve fund was established. As of the date of this Official Statement, none of the Parity Obligations (including the Series 2016 Bonds) are secured by a Separate Reserve Fund.

Under the Issuing Document for the Department's Commercial Paper Notes, Series A (Exempt Facility AMT), Series C1 (Governmental Non-AMT), and Series D (Taxable) (collectively, the "Commercial Paper Notes") the Department did not establish a reserve fund for the Commercial Paper Notes. The Commercial Paper Notes are not secured by the Common Reserve.

Additional Debt

No Priority. The Indenture provides that no bonds or other obligations of the Department payable out of the Harbor Revenue Fund will be issued having any priority with respect to payment of principal or interest out of the Harbor Revenue Fund over Parity Obligations (including the Series 2016 Bonds); no transfer of money will be made out of the Harbor Revenue Fund in any one Fiscal Year for the purpose of paying the principal of or interest on any bonds or other obligations of the City serviced out of the Harbor Revenue Fund unless and until the principal of and interest on the Parity Obligations (including the Series 2016 Bonds), due and payable in that Fiscal Year, have been paid or set aside in a separate fund held in trust and charged with such payments.

Additional Indebtedness. Pursuant to the Indenture, no additional Parity Obligations will be created or incurred unless (the following is referred to as the "Additional Indebtedness Test"):

(a) the Net Revenues (Revenues less Operation and Maintenance costs) for any consecutive 12-calendar-month period during the 18-calendar-month period preceding the date of adoption by the Board of the resolution authorizing the issuance or execution of such Parity Obligations, as evidenced by a special report prepared by an Independent Certified Public Accountant or Independent Financial Consultant on file with the Department, produces a sum equal to at least 125% of the Debt Service, any amounts required to be paid to the provider of any Common Reserve Security Device pursuant to such Common Reserve Security Device, any amounts required to be paid to the provider of any Separate Reserve Fund Security Device pursuant to such Separate Reserve Fund Security Device and other amounts to be paid by the Department under the Indenture due and payable during such 12-calendar-month period; and

(b) the Net Revenues for any consecutive 12-calendar-month period during the 18-calendar-month period preceding the date of the execution of such Parity Obligations or the date of adoption by the Board of the resolution authorizing the issuance of such Parity Obligations, including adjustments to give effect as of the first day of such 12-month period to increases or decreases in tolls, charges, rentals, compensations or fees approved and in effect as of the date of calculation, as evidenced by a special report prepared by an Independent Certified Public Accountant or Independent Financial Consultant on file with the Department, produces a sum equal to at least 125% of Average Annual Debt Service, including such Parity Obligations being created or incurred (but excluding Parity Obligations to be redeemed or defeased simultaneously with the issuance and with the proceeds of the Parity Obligations being created or incurred) any amounts required to be paid to the provider of any Common Reserve Security Device pursuant to such Common Reserve Security Device, any amounts required to be paid to the provider of any Separate Reserve Fund Security Device pursuant to such Separate Reserve Fund Security Device and other amounts to be paid by the Department under the Indenture due and payable during such 12-calendar-month period; and provided that, as to any such Parity Obligations bearing or comprising interest at other than a fixed rate, the rate of interest on such Parity Obligations will be equal to the rate per annum of the Bond Buyer Revenue Bond Index most recently published in The Bond Buyer preceding the date of calculation, or if such index is no longer in existence, a comparable index selected by the Department; and provided further that if any series or issue of such Parity Obligations have 25% or more of the aggregate principal amount of such series or issue due in any one year, principal of and interest on such series or issue will be determined for the Fiscal Year of determination as if the principal of and interest on such series or issue of such Parity Obligations were being paid from the date of incurrence thereof in substantially equal annual amounts over a period of 25 years from the date of calculation (with respect to the Department's Commercial Paper Notes, see "—Outstanding Parity Obligations" below); and provided further that, as to any such Parity Obligations or portions thereof bearing no interest but which are sold at a discount and which discount accretes with respect to such Parity Obligations or portions thereof, such accreted discount will be treated as interest, in the calculation of Debt Service; and provided further that the amount on deposit in a debt service reserve fund on any date of calculation of principal of and interest on such Parity Obligations will be deducted from the amount of principal due at the final maturity of the Parity Obligations for which such debt service reserve fund was established and in each preceding year until such amount is exhausted; and provided further that if the Parity Obligations constitute Paired Obligations, the interest rate on such bonds or contracts will be the resulting linked rate or the effective fixed interest rate to be paid by the Department with respect to such Paired Obligations.

The issuance of bonds, notes or other evidences of indebtedness, or certificates of participation, for the purpose of refunding at or prior to maturity the principal of bonds, notes or other evidences of indebtedness and paying any premium upon redemption of any thereof so refunded will not be limited or restricted by the provisions of the preceding paragraphs, if the Debt Service for such bonds, notes or other evidences of indebtedness, in each year, will be lower than the Debt Service on the bonds, notes or other evidences of indebtedness being refunded.

Outstanding Parity Obligations

General. As of September 1, 2016, the Department had $909,425,000 of Parity Obligations (including the Refunded Bonds) outstanding, which consisted of the Department's revenue bonds. The Parity Obligations are secured by Revenues on parity with the Series 2016 Bonds.

The following table sets forth the Parity Obligations that have been issued and were outstanding as of September 1, 2016.

Outstanding Parity Obligations
(as of September 1, 2016)

Bonds	Original Principal Amount	Principal Amount Outstanding[1]	Issuing Document
Series 2006A[2]	$200,710,000	$48,565,000	Indenture of Trust, dated as of October 1, 2005, by and between the Department and The Bank of New York, N.A., as original trustee ("Series 2005/2006 Indenture")
Series 2006B[2]	209,815,000	60,420,000	Series 2005/2006 Indenture
Series 2006C[2]	16,545,000	10,260,000	Series 2005/2006 Indenture
Series 2009A	100,000,000	74,570,000	Indenture of Trust, dated as of July 1, 2009, by and between the Department and U.S. Bank National Association, as trustee (the "Series 2009 Indenture")
Series 2009B[2]	100,000,000	100,000,000	Series 2009 Indenture
Series 2009C	230,160,000	171,575,000	Series 2009 Indenture
Series 2011A	58,930,000	49,665,000	Indenture of Trust, dated as of July 1, 2011, by and between the Department and U.S. Bank National Association, as trustee (the "Series 2011 Indenture")
Series 2011B	32,820,000	32,820,000	Series 2011 Indenture
Series 2014A	203,280,000	197,585,000	Indenture of Trust, dated as of September 1, 2014, by and between the Department and U.S. Bank National Association, as trustee (the "Series 2014 Indenture")
Series 2014B	89,105,000	86,320,000	Series 2014 Indenture
Series 2014C	44,890,000	43,350,000	Series 2014 Indenture
Series 2015A	$ 37,050,000	$ 34,295,000	Indenture of Trust, dated as of October 1, 2015, by and between the Department and U.S. Bank National Association, as trustee
Total	$1,323,305,000	$909,425,000	

[1] See "FINANCIAL INFORMATION CONCERNING THE DEPARTMENT—Other Financial Matters—Debt Service on the Parity Obligations."
[2] See "PLAN OF REFUNDING AND APPLICATION OF SERIES 2016 BOND PROCEEDS" for a discussion of the refunding and defeasance of the Refunded Bonds.
Source: Harbor Department of the City of Los Angeles

Commercial Paper Program. Pursuant to the Amended and Restated Issuing and Paying Agent Agreement, dated as of July 1, 2012, as amended (the "Issuing and Paying Agent Agreement"), by and between the Department and U.S. Bank National Association, as issuing and paying agent (the "Issuing and Paying Agent"), the Department is currently authorized to issue and to have outstanding, from time to time, up to $200 million principal amount of its Commercial Paper Notes. The size of Department's Commercial Paper Program with support from a liquidity provider and approval from the Board could be increased up to $375 million, if needed. As of the date of this Official Statement, the Department has no Commercial Paper Notes outstanding.

The Commercial Paper Notes are issuable in maturities of 1 to 270 days, the proceeds of which the Department utilizes to finance portions of its capital improvement program and to pay maturing Commercial Paper Notes. The Commercial Paper Notes are payable from and secured by a pledge of and a lien on Revenues on a parity with the other Parity Obligations (including the Series 2016 Bonds) and constitute Parity Obligations.

To provide liquidity support for the Commercial Paper Notes, the Department entered into the Line of Credit Agreement, dated as of July 1, 2012, as amended (the "CP Line of Credit Agreement"), by and among the Department, the Issuing and Paying Agent and Mizuho Bank Ltd., acting through its New York Branch, as successor by merger to Mizuho Corporate Bank, Ltd., acting through its New York Branch (the "CP Bank"), as further described in the table below:

Commercial Paper Notes Line of Credit Agreement

Line of Credit Provider	Stated Amount	Expiration Date
Mizuho	$200,000,000	August 25, 2018

Pursuant to the CP Line of Credit Agreement, the CP Bank has agreed to make advances from time to time to the Issuing and Paying Agent for the purpose of paying the principal of and interest on maturing Commercial Paper Notes for which refinancing Commercial Paper Notes have not been issued. The CP Line of Credit Agreement is not available to pay the principal of or interest on any other Parity Obligations, including the Series 2016 Bonds. The CP Line of Credit Agreement may be terminated prior to its expiration date upon the occurrence of certain events, including, but not limited to, any event in which S&P, Moody's and Fitch have assigned a rating to any of the Department's unenhanced revenue bonds issued as Parity Obligations or other unenhanced debt issued as Parity Obligations below "BBB-," "Baa3" or "BBB-," respectively. Furthermore, upon the occurrence and continuation of an event of termination under the CP Line of Credit Agreement, the CP Bank does not have the right or remedy to accelerate or declare the principal and interest due under the CP Line of Credit Agreement to be immediately due and payable, except in the case of events of termination under the CP Line of Credit Agreement that are also events of default under the indentures relating to the Parity Obligations. The Department's obligation to repay the CP Bank for advances made under the CP Line of Credit Agreement is secured by a pledge of and lien on Revenues on parity with the other Parity Obligations (including the Series 2016 Bonds) and constitute Parity Obligations. A redacted copy of the CP Line of Credit Agreement is available on the EMMA website at http://emma.msrb.org/ER915156-ER714949-ER1116394.pdf and http://emma.msrb.org/ER915153-ER714946-ER1116392.pdf. The information on such website is not part of this Official Statement and has not and is not incorporated by reference herein.

THE PORT AND THE DEPARTMENT

Introduction and Organization

General. The Port is located in San Pedro Bay approximately 20 miles south of downtown Los Angeles. The Port is held in trust by the City for the people of the State pursuant to a series of tidelands grants. The Department operates the Port independently from the City, using its own revenues, and administers and controls its fiscal activities, subject to oversight by the City Council. Under the Charter, the Department is a proprietary, or independent, department of the City similar to the Department of Water and Power and Department of Airports. See "-Tidelands Trust Properties" below.

The Department has three major continuing sources of revenue: shipping revenue, which is a function of cargo throughput; revenue from the rental of the Port's land and buildings (i.e., revenue from permit and lease agreements); and the smallest revenue component, fee and royalty revenue. In addition, the Department actively pursues grant opportunities at the federal, State and local levels to further supplement the funding obtained from the aforementioned revenue sources.

The Department operates the Port as a landlord, issuing permits to Port occupants for the use of Port land, docks, wharves, transit sheds, terminals and other facilities. The Department also is landlord to fish markets, ocean-related entities (i.e., fisheries and ship repair), railroads, restaurants and other similar operations. These arrangements are entered into under various lease and permit agreements. Under the permit agreements, the occupants agree to pay to the Department tariffs or fees established by the Department. Permittees are generally shipping or terminal companies, agents and other private firms. The Department has no direct role in managing the daily movement of cargo. The Department also recovers its costs of providing services and improvements through tariff charges for shipping services. In 2015, the Department provided facilities for approximately 148 shipping companies and agents. See "-Tidelands Trust Properties," "—Operating Data—Terminal Operations," "—Operating Data—Rental Property" and "FINANCIAL INFORMATION CONCERNING THE DEPARTMENT."

The inbound cargo handled at the Port and the nearby Port of Long Beach (a proprietary department of the City of Long Beach governed by its own board of harbor commissioners), which is adjacent to and east of the Port, is distributed throughout the Southern California region and the rest of the nation. According to statistics compiled by the Journal of Commerce, during calendar year 2015, the Port was the busiest container port in the United States. The Port primarily competes with the Port of Long Beach and other West Coast ports. Expansion of other ports, construction of additional ports and changes in access to or features of other ports may affect the Port in the future. See "CERTAIN INVESTMENT CONSIDERATIONS—Port Competition."

Physical Description and Geography. The Port's facilities lie within the shelter of a nine-mile long breakwater constructed by the federal government in several stages, the first of which commenced in 1899. The breakwater encloses the largest man-made harbor in the western hemisphere. The Port encompasses approximately 7,500 acres (4,300 acres of land and 3,200 acres of water), including 43 miles of waterfront. The Port facilities included 27 terminal facilities, including eight major container cargo terminals, four break-bulk facilities, three dry bulk facilities, seven liquid bulk cargo terminals, two passenger cruise terminals, one vehicle handling facility, and two multi-use facilities. Additionally, the Port facilities include 270 berths (24 of which have Alternative Maritime Power (ship-to-shore power)), and 91 ship-to-shore containers cranes (including "Super-Post Panamax" and dual trolley cranes). The Port also is linked by subsurface pipelines to many of the major refineries and petroleum distribution terminals within the Los Angeles Basin.

The Port is a deep-water port and dredging of its main channel to a depth of -53 feet throughout has been recently completed in order to accommodate the most modern container ships. The Port currently has the capability to handle modern, deeper-draft vessels, adding to its efficiency and growth potential. However, Port growth may be limited by geographic, physical, economic and environmental regulatory limitations. See "—Environmental and Regulatory Matters."

The Port is served by two major railroads (Union Pacific Railroad Company ("Union Pacific"), and BNSF Railway Company (formerly known as The Burlington Northern and Santa Fe Railway Company) ("BNSF")) that utilize the Alameda Corridor to move cargoes to and from the Port. 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 Long Beach with Union Pacific's and BNSF's transcontinental mainlines originating near downtown Los Angeles, California. See "FINANCIAL INFORMATION CONCERNING THE DEPARTMENT—Other Financial Matters—Alameda Corridor."

Additionally, the Port lies at or near the terminus of two major interstate freeways, the I-110 and the I-710, within the Los Angeles area freeway system.

Maintenance of Port Facilities. Because the Department operates primarily as a landlord, most of the Port facilities' maintenance is undertaken by its permittees. The Department, however, maintains most wharf structures within the Port as well as the shipping channel and berth depths. The Department retains in-house engineers and maintenance crews to conduct regular inspections of key Port facilities. Wharfs are inspected both above and below the water surface. Routine repairs and maintenance are performed by the Department's Construction and Maintenance Division. These repairs and maintenance include replacement of timber fender piles, wharf fenders and other elements. Larger repairs and other preventive maintenance measures may be contracted out as part of the Department's Wharf Inspection Program, an element of the Department's Maintenance Improvement Program. See also "THE PORT AND THE DEPARTMENT—Capital Improvement Planning."

The Port's channels have moderate maintenance requirements because there is no major river source of sand or silt coming into the harbor. Sand and silt deposits are typically restricted to storm drain outlets and the adjacent Dominguez Channel. Maintenance dredging typically occurs every three years to remove any accumulations of deposits throughout the Port.

Tidelands Trust Properties. Most of the property on which the Department's land, docks, wharves, transit sheds, terminals and other facilities are located is owned by the State and administered by the City through the Department, subject to a trust created pursuant to certain tidelands grants from the State. These tidelands were granted to the City under the State Tidelands Trust Act by the California State Legislature in 1911 for the purpose of promoting commerce, navigation and fishery. California Assembly Bill 2769 (enacted in 2002) expanded the permitted uses of tidelands to include maritime commerce, fishing, navigation and recreation and environmental activities that are water-oriented and are intended to be of statewide benefit. Certain additional requirements and restrictions are imposed by the tidelands grants, including limitations on the sale and long-term leasing of tidelands and limitations on the use of funds generated from the tidelands and tidelands trust assets.

Under the tidelands trusts, funds from the tidelands may be transferred to the City's General Fund only for tidelands trust purposes and may not be transferred to the City General Fund for general municipal purposes. All amounts in the Harbor Revenue Fund are subject to the tidelands trust use restrictions. The Department does not expect that restrictions on the use of tidelands or with respect to tidelands funds will materially adversely affect the operations or finances of the Department. Tidelands grants and terms of the tidelands trusts are subject to amendment or revocation by the State Legislature, as grantor of the trust and as representative of the beneficiaries (the people of the State).

Organization and Management of the Department. The Department is governed by the Board which consists of five commissioners. Commissioners are appointed to staggered five-year terms by the Mayor, subject to confirmation by the City Council. The Charter requires one member of the Board to live within the area surrounding the Harbor District. The Board makes policy for the Department, controls all Department funds and adopts the budget. It sets rates in connection with permit agreements for its land facilities and services, subject, in some instances, to City Council review. The current commissioners of the Board, their primary occupations and expiration of their current terms are shown below.

Board Commissioners	Occupation	Term Expiring
Vilma S. Martinez	Former U.S. Ambassador/ Attorney	June 30, 2021
David Arian	Retired ILWU President	June 30, 2019
Edward R. Renwick	Business Person	June 30, 2017
Patricia Castellanos	Non-Profit Executive	June 30, 2018
Anthony Pirozzi, Jr.	Engineer	June 30, 2020

Pursuant to the Charter, each department created by the Charter will have a board of commissioners consisting of five commissioners, unless some other number is provided in the Charter for a specific board. Commissioners are appointed by the Mayor, subject to the approval of the City Council. The Charter requires that within 45 days of a vacancy, the Mayor will submit to the City Council for its approval the name of the Mayor's appointee to serve for the next ensuing term or remainder of the unexpired term created by the vacancy. The Board elects one of its members as President and one as Vice-President. Elections are held during its last meeting in July of each year, but the Board may fill the unexpired term of any vacancy occurring in the office of President or Vice-President at any meeting.

The management and operations of the Department are under the direction of the Executive Director. Following is brief biographical information regarding members of the Department's senior management team and the City Attorney serving the Department:

Eugene D. Seroka, Executive Director. In June 2014, Eugene D. Seroka became the Executive Director of the Department where he oversees the daily operations and internal management of the Department. As Executive Director, Mr. Seroka is responsible for managing a more than $1 billion budget, advancing major capital projects, growing trade volumes and promoting innovative, sustainable practices that strengthen the region's economy. His duties involve interacting with a wide range of stakeholders, including Port customers around the globe, industry partners, elected and appointed officials at all levels, harbor area residents and business leaders.

Mr. Seroka brings more than 27 years of experience in shipping, global logistics and executive management to the Port. Prior to his current position, Mr. Seroka served as Head of Commercial Operations in the American Region for American Presidents Line ("APL") Limited, a wholly owned subsidiary of Singapore-based Neptune Orient Lines. Prior to that posting, Mr. Seroka was President of the American Region for APL, where he led more than 1,000 employees and was responsible for all commercial, port terminal, intermodal and labor activities throughout the region. Over the years, Mr. Seroka has held various positions in the sales management and marketing fields with increasing responsibility and high-level assignments all over the world. Mr. Seroka's first overseas position was in Shanghai where he served as Director of Sales and Marketing for North and Central China from 1999 to 2003. He then moved to Jakarta where he was President Director of PT APL and APL Logistics in Indonesia for two years before relocating to Singapore in 2005 to become Vice President of APL Logistics' business units in 26 countries in the company's Asia/Middle East and South Asia regions. From 2008 to 2010 he served as Regional Vice President for APL and APL Logistics Emirates LLC in Dubai where he managed APL's business in the Middle East and East Africa. He returned to the U.S. in 2010 to become President – Americas for APL Limited in Phoenix where he managed APL's Liner Shipping business, including 1,000 employees, and was responsible for all commercial, port terminal, intermodal, land transportation and labor activities throughout the region.

Throughout his career, Mr. Seroka has played a key role in global marketing and corporate strategies for APL. Mr. Seroka began working for APL as a sales support representative after graduating from business school in 1988. Mr. Seroka earned a Bachelor of Science in Marketing from the University of New Orleans in 1986 and an MBA from the University of New Orleans in 1988.

Doane Liu, Deputy Executive Director, Chief of Staff. In January 2015, Doane Liu was appointed to be Deputy Executive Director and Chief of Staff at the Department. Mr. Liu joined the Department after serving as Deputy Mayor for the City of Los Angeles. He was appointed to be one of four deputy mayors by Mayor Eric Garcetti in July 2013. While serving as Deputy Mayor, Mr. Liu managed the Mayor's Office of City Services and helped the Mayor oversee 15 City departments, including Water and Power, Public Works, Transportation, Recreation and Parks, LA Public Library and the LA Zoo. He also established the Great Streets Studio and LA RiverWorks in the Mayor's office. Mr. Liu was previously Chief of Staff for Councilman Joe Buscaino and served as Chief of Staff for Councilwoman Janice Hahn, Deputy Mayor for Mayor James K. Hahn and District Director for Congresswoman Jane Harman. He was also Senior Vice President of government banking at JP Morgan Chase and Vice President in the Real Estate Industries Group at Security Pacific National Bank. Mr. Liu graduated from the Wharton School at University of Pennsylvania and received an MBA from the University of Southern California.

Marla Bleavins, Deputy Executive Director and Chief Financial Officer. In January 2015, Marla Bleavins was appointed to be Chief Financial Officer of the Department and subsequently, Deputy Executive Director. In these roles, Ms. Bleavins manages the Department's financial affairs, which include accounting, financial management, debt and treasury, risk management, audit, human resources, and contracts and purchasing functions. She previously served as the Assistant General Manager for Finance and Administration at the City of Los Angeles Department of Convention and Tourism Development. Prior to that, she served as a Project Manager and Debt and Treasury manager at Los Angeles World Airports. Ms. Bleavins began her career at the City of Los Angeles as a Budget Analyst and then as a Finance Specialist in the Office of the City Administrative Officer. During her tenure with the City, she managed approximately $6 billion in bond financings that funded capital projects at Los Angeles International Airport and throughout the City. Ms. Bleavins holds a Bachelor of Arts degree in public policy and political science from Stanford University and a Master's degree in business administration from the Wharton School at the University of Pennsylvania.

Thomas Gazsi, Chief of Public Safety and Emergency Management. In November 2015, Thomas Gazsi was appointed Chief of Public Safety and Emergency Management for the Department. Chief Gazsi oversees the Los Angeles Port Police, Los Angeles Port Pilot and Information Technology Divisions at the Port. He holds the ultimate responsibility for Port-related security and public safety issues in the Port consisting of 43 miles of waterfront and 7,500 acres of land area adjacent to the harbor communities of San Pedro and Wilmington, in the City of Los Angeles. His divisions work cooperatively with associated government and law enforcement to uphold maritime laws, enforce safety, cyber security and security regulations and continually test and enhance emergency response and preparedness procedures to ensure the safety of the Port workforce and residents. Prior to joining the Department, he served as the Chief of Police for the Costa Mesa Police Department from 2011 to 2014, an agency of 220 personnel and a community of 117,000 in Southern California. Prior to his appointment in Costa Mesa, Chief Gazsi served a full career with the Newport Beach Police Department from 1979 through 2011 working his way up to Commander. Chief Gazsi is a graduate of University of Southern California's School of Public Policy and Management where he earned a bachelor's degree.

Antonio Gioiello, Deputy Executive Director, Development. In January 2015, Antonio Gioiello was appointed as Deputy Executive Director, Development at the Department. Mr. Gioiello joined the Department's leadership team after serving as chief harbor engineer for the previous 12 years. As Chief Harbor Engineer of the Department's Engineering Division, his projects varied in scope from planning and design of the commercial and recreational redevelopment along the LA Waterfront to planning and design of container terminals, roadways, rail facilities, security, buildings, dredging and land reclamation projects. Before assuming his role as Chief Harbor Engineer, Mr. Gioiello served as Harbor Engineer, Chief of Design, where he was responsible for the management and technical oversight of the Department's Engineering Design section, specializing in the planning and design of various Port facilities, including container terminals, cruise facilities, highway and rail improvements. He began his career at the Department in 1980 as a student engineer. With more than 30 years of experience, Mr. Gioiello has spent much of his tenure managing various sections within the Department's Engineering Division, including the Civil/Planning, Special Projects, Terminal/Transportation Projects and Engineering Technology Administration sections. Mr. Gioiello holds a bachelor's degree in civil engineering from California State University, Long Beach and is a graduate of the UCLA Executive Program. He is a California State-registered civil engineer. As a member of the American Society of Civil Engineers, Mr. Gioiello has served as chairperson, vice chair and secretary-treasurer for the organization's Waterways, Harbors and Coast Group and as chairperson of the American Association of Port Authorities Facilities Engineering Committee.

Michael DiBernardo, Deputy Executive Director, Marketing and Customer Relations. In January 2015, Michael DiBernardo was appointed Deputy Executive Director, Marketing and Customer Relations at the Department. In this role, Mr. DiBernardo oversees the Department's Business Development, Environmental Management, Planning and Economic Development, Real Estate, and Wharfinger Divisions. He previously served as Director of Business Development, where he was responsible for the direction and management of the Port's comprehensive sales, marketing and promotional program. Under Mr. DiBernardo's leadership for the past eight years, the Port's business development team administered the activities of the Port's network of overseas offices in trading centers around the world and provides marketing intelligence, promotion of the Port, technological assessments, and analysis of trade data that affects the Port's future competitive position. He previously served as the Department's Assistant Director of Marketing from 2003 to 2005, where he worked cooperatively with steamship lines and rail and terminal operators to promote Port facilities to key customers. In addition to his marketing background, Mr. DiBernardo also served as the Department's Director of Planning from February 2005 through January 2007, where he managed the Port's land use, facility-site, maritime and trade research activities, determined cargo forecast data and evaluated socioeconomic impact analyses. He began his career at the Department as a student worker in the late 1970s and later as a draftsman in the Department's Engineering Division in the early 1980s. Mr. DiBernardo rejoined the Department as a Marketing Manager in November 2002, after spending 19 years with APL, where he served in various management positions in marketing, operations, customer service, transportation and logistics. During his last five years with APL, Mr. DiBernardo was Director of Logistics in the Pacific Southwest Region where he worked with APL customers and the terminal operators in moving containers through the terminals. His expertise encompasses intermodal, maritime, security, labor opportunities and future planning initiatives impacting current terminal operators. Mr. DiBernardo holds a bachelor's degree in business administration from California State University, Dominguez Hills and a certificate in the Executive Management Program from UCLA.

Soheila Sajadian, Director of Debt and Treasury Management. In December 2006, Soheila Sajadian was appointed the Director of Debt and Treasury for the Department. As Director of Debt and Treasury, Ms. Sajadian is responsible for the management and oversight of the Department's debt portfolio, including the administration of its commercial paper program and cash management section. Prior to her current position, she served as a Financial Manager for the Department's Treasury Management Division, helping strengthen the Department's relationship with various rating agencies, in addition to working closely with outside bond and disclosure counsels, the investment banking community and the Department's financial advisors. In addition to developing methods for maintaining the Department's credit rating, she is responsible for the financing of capital improvement projects through issuance of short-term and long-term debt and managing the Department's cash flow to ensure liquidity and the maximum rate of return on the Department's investments. Prior to joining the Department in 2003, Ms. Sajadian held several key financial positions at Fortune 500 companies, nonprofits and private corporations. Her experience includes program control, financial management, budget formulation, financial forecasts, contract pricing and program reviews for global outsourcing projects. In addition, she is a member of Government Finance Officers Association and California Municipal Treasurers Association. Ms. Sajadian holds a bachelor's degree in management science from Long Island University, a certificate in accounting from University of Virginia, and a Master's degree in business administration with concentration in finance from Virginia Polytechnic Institute.

Janna Sidley, General Counsel. Janna Sidley serves as the General Counsel and oversees all litigation involving the Department and the Port. As a member of the Port's senior management team, Ms. Sidley is the head of the Harbor Division of the Office of the City Attorney. In 2013, Ms. Sidley was appointed as Managing Assistant City Attorney at the Port. As General Counsel, Ms. Sidley supervises the attorneys who provide general legal advice to the Board, the Alameda Corridor Transportation Authority and the Intermodal Container Transfer Facility ("ICTF"). Harbor Division attorneys draft contracts, review projects and advise the Board and Department senior management on property management, marketing, international trade, maritime, fishing, environmental and railroad operating matters. Ms. Sidley joined the Los Angeles City Attorney's Office in 2003 and has worked as a trial deputy specializing in workers' compensation fraud and unfair business practices. In 2006, she was assigned to the Port, focusing on CEQA (as defined herein) and NEPA (as defined herein) matters. In 2010, Ms. Sidley transferred to the Los Angeles Department of Water and Power and has been responsible for all legal compliance requirements related to CEQA and NEPA. Prior to joining the City Attorney's Office, Ms. Sidley was an Assistant United States Attorney in Los Angeles from 1998 to 2002. She has worked at the Department of Justice in Washington, D.C., Department of the Interior, and White House. Ms. Sidley earned a Bachelor of Arts degree from University of California, Berkeley, and a Juris Doctor degree from Loyola Law School in Los Angeles.

Neighborhood Councils. The Charter provides that under applicable law the City Council may delegate its authority to hold public hearings to neighborhood councils prior to the City Council making a decision on a matter of local concern. The five neighborhood councils serving the Port area are the Coastal San Pedro Neighborhood Council, the Central San Pedro Neighborhood Council, the Wilmington Neighborhood Council, the Harbor City Neighborhood Council and the Northwest San Pedro Neighborhood Council. All of the neighborhood councils in the Port region hold regular meetings concerning areas of local interest and then refer their conclusions and resolutions to the City Council on an advisory basis.

Port Security. The Department's port security program is designed to secure the Port through prevention and deterrence. Port security operations are conducted by the Los Angeles Port Police. The port security program consists of operational security measures supported by advanced surveillance, communications, command and control and sensor systems. Additionally, the Department is engaged in development and implementation of national and international port and cargo security standards and regulations. The security program is closely coordinated with a number of federal, State and local agencies.

The Los Angeles Port Police conduct varied security operations including:

(a) land and waterside patrols;

(b) police boat escorts for vessels of special interest including cruise ships and tank vessels;

(c) dive operations at selected berths and moored vessels;

(d) sea marshal boardings of deep draft vessels to ensure safe passage;

(e) advanced technology implementation, including the use of radar, mobile interoperable communications, marine, land and air video systems, and underwater explosive detection equipment;

(f) deployment of explosive detection canines; and

(g) inspection and control of dangerous cargo and hazardous materials.

The Los Angeles Port Police participate in joint agency security operations conducted with other law enforcement agencies, including the U.S. Coast Guard, the U.S. Customs and Border Protection, the Federal Bureau of Investigation, the Los Angeles Police Department, the Los Angeles Fire Department, the Los Angeles County Sheriff, and the Long Beach Police Department.

In addition to the security operations described above, these agencies coordinate intelligence analysis, training and exercises. The Los Angeles Port Police have officers assigned to several of the area intelligence and anti-terrorism task forces.

The Los Angeles Port Police also operates the Maritime Law Enforcement Training Center (the "MLETC") which was developed in partnership with the State of California Emergency Management Agency and the U.S. Department of Homeland Security. The MLETC provides port and maritime professionals with the training required to police waterways throughout the country. Initial funding for course development and facility upgrades was provided through State and federal grants, with continued funding provided by student tuition and Department funds.

In order to enhance access control from the water-side, the Department has established Controlled Navigation Areas in certain parts of the Port and in the vicinity of commercial docks and vessels. The purpose of the Controlled Navigation Areas is to exercise a level of control over the thousands of recreational vessels using the Port.

Since 2010, the Department has been awarded approximately $14.2 million in security grants to fund safety and security projects by federal and State government agencies, including the U.S. Department of Homeland Security, the Federal Emergency Management Agency, the Transportation Security Administration and the State Office of Homeland Security.

Over the last several years, the Department has implemented numerous initiatives to improve security at the Port, including a Port-wide surveillance camera system, a fiber optic data network, a state-of-the-art Department Operations Center, radiological threat protection training and the Transportation Workers Identification Credential secure access program. The Department also engages with the federal government and overseas ports in improving the security of international supply chains.

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Operating Data

During Fiscal Year 2016, the Port handled approximately 8,391,000 TEUs. According to statistics compiled by the Journal of Commerce, during calendar 2015, the Port was the busiest container port in the United States, and the Port and the Port of Long Beach combined, ranked as the tenth busiest container port complex in the world in terms of TEUs handled. The following Table 1 provides a summary of the type and volume of cargo handled at the Port for the Fiscal Years 2007 through 2016 (unaudited). See also "FINANCIAL INFORMATION CONCERNING THE DEPARTMENT—Summary of Revenues, Expenses and Net Assets—Shipping Industry and Recovery from Economic Downturn in Past Years."

Table 1
Port of Los Angeles
Revenue Tonnage by Cargo Type[1]
(In Thousands of Metric Revenue Tons)

Fiscal Year Ended June 30	General Cargo	Liquid Bulk[2]	Dry Bulk[3]	Total[4]	Percent Increase/(Decrease) in Total Tonnage over Prior Year
2007	171,900	15,400	2,800	190,100	8.8%
2008	161,900	6,200	1,900	170,000	(10.6)[6]
2009	144,400	11,100	2,000	157,500	(7.4)[6]
2010	145,800	10,700	1,300	157,800	0.2
2011[5]	149,100	10,600	1,200	160,900	2.0
2012[5]	163,900	9,900	1,100	174,900	8.7
2013	156,300	7,800	1,000	165,100	(5.6)[7]
2014	165,000	10,500	900	176,400	6.8
2015	165,100	10,300	1,400	176,800	0.2
2016[8]	167,300	14,300	1,200	182,800	3.4

[1] Numbers are rounded.
[2] For Fiscal Year 2007, the indicated number includes 7,354,000 metric revenue tons, which represents a correcting entry for multiple prior years.
[3] Dry bulk cargo includes steel slabs, sulfur, pipe, beams, scrap metal, coal, ores, cement, fertilizers and bauxite.
[4] Computed on an accrual basis, adjusted for unverified amounts.
[5] Tonnage changes due to post-close adjustments.
[6] Due to the global economic downturn that began in December 2007, the Department experienced declines in total revenue tonnage in Fiscal Years 2008 and 2009.
[7] In October 2012, Transpacific 8, a service route jointly operated by Mediterranean Shipping Co., Maersk Line and CMA CGM, transferred from the Port to the Port of Long Beach and initially it impacted both cargo volume and associated revenue at the Port. The Port has since recovered from the initial impact through ongoing capital investment to enhance capacity and recent favorable movement of alliance traffic. See "FINANCIAL INFORMATION CONCERNING THE DEPARTMENT—Summary of Revenues, Expenses and Net Assets—Shipping Industry and Recovery from Economic Downturn in Past Years" herein.
[8] Unaudited.
Source: Harbor Department of the City of Los Angeles

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The following Table 2A summarizes revenues per ton for Fiscal Years 2007 through 2016 (unaudited), and the following Table 2B shows the breakdown of shipping revenues by container and noncontainer for the same period. Shipping revenues are comprised of wharfage, dockage, demurrage, cranes, pilotage, assignment charges, and storage.

Table 2A
Port of Los Angeles
Shipping Revenues Per Ton[1]

Fiscal Year Ended June 30	Total Shipping Revenues (000s)	Total Revenue Tonnage[2]	Shipping Revenue Per Ton
2007	$375,500	190,100	$1.98
2008	374,900	170,000	2.21
2009	329,300	157,500	2.09
2010	327,600	157,800	2.08
2011	343,500	160,900[3]	2.13
2012	357,700	174,900[3]	2.05
2013	347,900[4]	165,100[4]	2.11
2014	377,200	176,400	2.14
2015	364,900	176,800	2.06
2016[5]	368,500	182,800	2.02

[1] Numbers are rounded.
[2] Computed on an accrual basis, adjusted for unverified amounts.
[3] Tonnage changes due to post-close adjustments.
[4] In October 2012, Transpacific 8, a service route jointly operated by Mediterranean Shipping Co., Maersk Line and CMA CGM, transferred from the Port to the Port of Long Beach and initially it impacted both cargo volume and associated revenue at the Port. The Port has since recovered from the initial impact through ongoing capital investment to enhance capacity and recent favorable movement of alliance traffic. See "FINANCIAL INFORMATION CONCERNING THE DEPARTMENT—Summary of Revenues, Expenses and Net Assets—Shipping Industry and Recovery from Economic Downturn in Past Years" herein.
[5] Unaudited.
Source: Harbor Department of the City of Los Angeles

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Table 2B
Port of Los Angeles
Shipping Revenue Breakdown[1]

		Container Shipping Revenues			Non-Container Shipping Revenues		
Fiscal Year Ended June 30	**Total Shipping Revenues (000s)**	**Container Shipping Revenues (000s)**	**TEUs (000s)**	**Container Shipping Revenue Per TEU**	**Non-Container Shipping Revenues (000s)**	**Non-Container Tons (000s)**	**Non-Container Shipping Revenue Per Ton**
2007	$375,500	$324,200	8,650	$37.48	$51,300	21,731	$2.36
2008	374,900	328,800	8,083	40.68	46,100	18,450	2.50
2009	329,300	293,100	7,262	40.36	36,200	14,518	2.49
2010	327,600	296,500	7,228	41.02	31,100	12,525	2.48
2011	343,500	306,300	7,935	38.60	37,200	14,896	2.50
2012	357,700	321,900	8,186	39.32	35,800	13,800	2.59
2013[2]	347,900	313,700	7,777	40.34	34,200	11,700	2.92
2014	377,200	335,700	8,210	40.89	41,500	14,900	2.79
2015	364,900	325,500	8,191	39.74	39,400	15,100	2.61
2016[3]	368,500	324,100	8,391	38.62	44,400	18,500	2.40

[1] Numbers are rounded.
[2] In October 2012, Transpacific 8, a service route jointly operated by Mediterranean Shipping Co., Maersk Line and CMA CGM, transferred from the Port to the Port of Long Beach and initially it impacted both cargo volume and associated revenue at the Port. The Port has since recovered from the initial impact through ongoing capital investment to enhance capacity and recent favorable movement of alliance traffic. See "FINANCIAL INFORMATION CONCERNING THE DEPARTMENT—Summary of Revenues, Expenses and Net Assets—Shipping Industry and Recovery from Economic Downturn in Past Years" herein.
[3] Unaudited.
Source: Harbor Department of the City of Los Angeles

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The Port's major trading partners are the "Pacific Rim" countries, including China, Japan, Taiwan, South Korea, Vietnam, Hong Kong and Thailand. China alone was the destination for approximately 37.0% of the Department's Fiscal Year 2016 exports, and approximately 58.4% of the Department's Fiscal Year 2016 imports.

The following Table 3 shows a breakdown of total TEUs by country of origin for imports and country of destination for exports. See "FINANCIAL INFORMATION CONCERNING THE DEPARTMENT—Summary of Revenues, Expenses and Net Assets—Shipping Industry and Recovery from Economic Downturn in Past Years" below.

Table 3
Port of Los Angeles
TEUs by Country
Fiscal Year 2016

Exports Country	TEUs	% of Total	Imports Country	TEUs	% of Total
China	554,482	37.0%	China	2,463,194	58.4%
Japan	238,815	16.0	Japan	310,380	7.4
South Korea	160,452	10.7	Taiwan	237,322	5.6
Taiwan	125,520	8.4	Vietnam	208,681	4.9
Vietnam	55,940	3.7	South Korea	191,460	4.5
Hong Kong	47,519	3.2	Thailand	172,846	4.1
Thailand	35,875	2.4	Indonesia	104,272	2.5
Indonesia	31,926	2.1	Hong Kong	91,831	2.2
UAE	25,479	1.7	Malaysia	65,202	1.5
Singapore	23,155	1.5	India	53,034	1.3
All Others	197,556	13.3	All Others	320,246	7.6
Total Exports	1,496,719	100.0%	Total Imports	4,218,468	100.0%

Source: Ports Import Export Reporting Services (Data from PIERS excludes domestic cargo and empties).

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The following Table 4 shows the top container ports in North America as measured by total TEUs handled (inbound loaded TEUs, outbound loaded TEUs and empty TEUs) by each respective port for the calendar year ended December 31, 2015. See "CERTAIN INVESTMENT CONSIDERATIONS—Port Competition."

Table 4
Top Container Ports in North America
Total TEUs
Calendar Year 2015
(in thousands of TEUs)

Port	Total TEUs[1]
Port of Los Angeles	8,160
Port of Long Beach	7,192
Port of New York and New Jersey	6,372
Port of Savannah	3,737
Ports of Seattle and Tacoma[2]	3,529
Port of Vancouver (Canada)	3,054
Port of Virginia (Norfolk)	2,549
Port of Manzanillo (Mexico)	2,458
Port of Oakland	2,278
Port of Houston	2,131

[1] Includes inbound loaded TEUs, outbound loaded TEUs and empty TEUs.
[2] In August 2015, the Ports of Seattle and Tacoma formed a port development authority, the Northwest Ports Alliance, to jointly manage the container, breakbulk, auto and some bulk terminals at the Ports of Seattle and Tacoma.

Source: Port of Los Angeles data, Harbor Department of the City of Los Angeles; data for other ports derived from websites of each respective port.

***Terminal Operations*.**

General. The Department operates the Port as a landlord, issuing permits to a diverse range of cargo-handling companies for the use of Port land, docks, wharves, transit sheds, terminals and other facilities. These arrangements are entered into under various lease and permit agreements. Under the permit agreements the occupants agree to pay tariffs and fees to the Department. Permittees are generally shipping or terminal companies, agents and other private firms. These permits have varying expiration dates over the term of the Series 2016 Bonds. The Department has no direct role in managing the daily movement of cargo. In 2015, the Department provided facilities, which included 27 terminal facilities and 43 miles of waterfront berthing, for approximately 148 shipping companies and agents. The Department also is landlord to fish markets, ocean related entities (i.e., fisheries and ship repair), railroads, restaurants and other similar operations. Shipping companies and agents are given preferential assignments to berths at the Port by the Department in order to allow such companies to handle all their ships at the same berth or berths. A berth refers to the location within the Port used for fastening vessels to a pier (or mooring). These assigned berths become the companies' bases of operations at the Port. The Department reserves the right to assign other ships temporarily to berths which have been preferentially assigned when there is space available. The Department also recovers its costs of providing services and improvements through tariff charges for shipping services. The Port's major permittees (tenants) as of June 30, 2016 are shown in the following Table 5.

Table 5
Port of Los Angeles
Major Permittees (Tenants)
As of June 30, 2016

APM Terminals Pacific LTD/Maersk
Ardagh Metal Packaging USA, Inc.
China Shipping Holding Company, LTD
Eagle Marine Services Ltd.
Everport Terminal Services Inc.
Exxon-Mobil Oil Corporation
Kinder Morgan/GATX Terminals Corporation
Parking Concepts, Inc.
Phillips 66 Company
Ports America Cruise, Inc.
Princess Cruises, Inc.
Rio Doce Pasha Terminal, L.P.
SA Recycling/Hugo Neu-Proler Corp
Shell Oil Company
TraPac, Inc.
Union Pacific Railroad Company
Vopak/Wilmington Liquid Bulk Terminal
WWL Vehicle Services Americas/Distribution and Auto Service
Yang Ming Transport Ltd.
Yusen Terminal Inc./N.Y.K. (North America) Inc.

Source: Harbor Department of the City of Los Angeles

Revenues Related to Terminal Operations and Tariff Setting. The Department's ten largest permittees accounted for approximately 81% of Fiscal Year 2016 operating revenues. Most of these major permittees generate revenues for the Port through the handling of TEUs.

The Department sets tariff charges for, among other things, wharfage, dockage, storage, pilotage, land usage, passenger fees, storage and demurrage applicable to all ships and cargo using Department owned property and necessary for the orderly movement of cargo. The Department and all other State 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, among other things, space assignments at marine terminal facilities, as well as other miscellaneous terminal charges necessary for the orderly movement of cargo. The goal is to permit State ports to obtain an adequate return on investment in order to facilitate the necessary maintenance, expansion and improvement of marine facilities. CAPA is exempt from federal antitrust laws, thereby allowing for this cooperative rate setting.

Most of the Port's largest cargo handling permittees are located at terminals which are under long-term permit agreements, generally of 20 to 30 years duration. These permit agreements typically require a portion of the Department's gross tariff on cargo passing through the terminal to be shared by the Department with the permittee, or have the permittee's compensation tied to an efficiency scale measured by TEUs handled per acre. These provisions generally result in a tariff discount to the facility operator as the volume of cargo increases. The amounts of these discounts, or revenue sharing, or the

TEU rate, are based on the volume of cargo handled at the applicable facility, and are typically subject to certain minimum annual guaranteed amounts payable to the Department. The following Table 6 details estimated minimum annual revenues from permit agreements payable to the Department (including minimum annual guarantee income and contractual rental revenues) over the next five Fiscal Years.

Table 6
Port of Los Angeles
Estimated Minimum Annual Permit Revenue Under Existing Permits

Fiscal Year Ended June 30	Minimum Permit Revenue ($000s)
2016	$295,408
2017	295,883
2018	296,362
2019	296,471
2020	296,952

Source: Harbor Department of the City of Los Angeles

Rental Property. In addition to its marine terminal operations, the Department enters into lease and permit agreements with respect to industrial sites, open land area and other Port property. Such agreements are authorized for terms of not more than 50 years. Pursuant to requirements of the Charter all rates payable to the Department under the agreements must be subject to review and renegotiation by the Department at intervals of not more than five years. Most agreements do not extend beyond 30 years and rates payable to the Department under the agreements are generally renegotiated every five years.

The Department's Real Estate Division conducts frequent reviews and appraisals of property and rates in order to assure the Department of an adequate return on its property used under lease and permit agreements.

The Board has adopted a comprehensive leasing policy (the "Leasing Policy") which applies to all Port property agreements. The Leasing Policy provides the Department with a framework in making leasing decisions, increasing efficiency and achieving consistency and transparency in the development of new property agreement and modifications to existing property use agreements. The Leasing Policy requires all new permits or amendments to existing permits to include covenants to comply with environmental standards. The Leasing Policy includes procedures for the leasing of Port property, for solicitation and selection of tenants, for setting rates and pricing for use of Port property and for assignments and subleases.

Capital Improvement Planning

Overview. In connection with its capital improvement planning the Department reviews and monitors its long-term capital needs on an on-going basis and has identified capital improvement projects through Fiscal Year 2025. However, some of the projects being considered by the Department are in different stages of discussion and remain subject to change. In prioritizing its projects, the Department is taking into account, among other things, business needs, cash flow position, trends in TEU counts and legal and regulatory requirements.

Capital Plan Budgeting Process. Pursuant to Section 11.28.3 of the Los Angeles Administrative Code, not later than June 1 of each year, the Department is required to provide, for information purposes only, to the Mayor, to the Trade, Commerce and Technology Committee of the City Council (or such successor committee deemed appropriate by the City Council), and to the City Controller, a capital plan or budget covering at least the next Fiscal Year and describing: (i) the proposed capital expenditures of the Department; (ii) the proposed method(s) of financing such proposed expenditures including a discussion, if relevant, of financing alternatives; and (iii) a description of any proposed debt financings. Under the Charter, the Department is obligated to submit a debt accountability and major capital improvement plan to the Mayor, the City Council and the City Controller every two years in conjunction with submittal of its annual budget. The Department submitted its last debt accountability and major capital improvement plan to the City Council in September 2015. Funding for capital projects is subject to annual appropriations from the Department's budget, which must be approved by the Board. The Department's most recent long-term capital improvement plan, when finalized will be presented to the Board for approval.

The following Table 7 sets forth the Department's projected capital improvement program expenditures and funding sources for Fiscal Years 2017 through 2021 (data as of June 2016). Such projections are based on the Department's capital improvement program plan.

Table 7
Port of Los Angeles
Projected Capital Improvement Program Expenditures and Funding[1]
(in millions of dollars)

		Source of Funding		
Fiscal Year Ending June 30	**Total Capital Improvement Plan Expenditures[2]**	**Port Cash**	**Government Grants**	**Debt[3]**
2017	$146	$105	$41	–
2018	149	145	4	–
2019	193	193	–	–
2020	136	136	–	–
2021	48	48	–	–
Total	$672	$627	$45	–

[1] The projected timing, expenditure and funding of the capital improvement program are subject to change and the Department cannot anticipate future changes in the timing, expenditure and funding of the capital improvement program.
[2] Projected capital improvement project expenditures and funding described in this table are based on the Department's forecasted revenues and include those projects that are in planning, design or construction. Some of the costs projected relating to planning and design may change as such projects are further refined during such period. These figures do not include projects that are under conceptual development wherein the costs have not yet been determined, but which may be material.
[3] The Department may issue Commercial Paper Notes from time to time to finance a portion of its capital improvement program on a short-term basis.
Source: Harbor Department of the City of Los Angeles

Proposition 1B Funding. In November 2006, State voters approved "Proposition 1B," which authorized the State to sell $19.925 billion of general obligation bonds to fund transportation projects "to relieve congestion, improve the movement of goods, improve air quality and enhance the safety and security of the transportation system." More specifically, Proposition 1B aimed to do the following: (i) make safety improvements and repairs to state highways; (ii) upgrade freeways to reduce congestion; (iii) repair local streets and roads; (iv) upgrade highways along major transportation corridors; (v) improve the seismic safety of local bridges; (vi) expand public transit; (vii) help complete the State's network of car pool lanes; (viii) reduce air pollution; and (ix) improve anti-terrorism security at shipping ports. The authority for the use of any Proposition 1B bond funds is required to be provided for in the State's Budget Act.

The Department was awarded $20.0 million of Proposition 1B funds for port security projects through the State Port and Maritime Security Grant Program. The construction of a variety of security related projects funded by moneys awarded under Proposition 1B, including the Multi-Agency Maritime Law Enforcement Officer Training Center located at the Port Police Wilmington Substation, have been completed. As of June 30, 2013, all of the Proposition 1B funding awarded for security related projects had been billed and received by the Department and all of the security related projects were completed. The Department continues its efforts to secure additional funding for other trade, security and air quality projects.

The Department also was awarded $23.7 million of additional Proposition 1B funding to install shore-side electrical power, also referred to as "Alternative Maritime Power" or "AMP", at ten berths at the Port. As of June 30, 2016, the Department had constructed and installed AMP equipment at all ten berths, and the total grant amount of $23.7 million had been requested and reimbursed to the Department.

Additionally, the Department has been awarded $62.9 million of Proposition 1B funds for the TraPac Terminal expansion project. See "—Capital Improvement Projects—Terminal Projects—TraPac Terminal Expansion" below for additional information on the TraPac Terminal expansion project.

In addition to the awards of Proposition 1B moneys discussed above, the Department has been awarded Proposition 1B moneys for the following transportation projects (i) the Berth 200 Rail Yard ($50.1 million), (ii) the South Wilmington Grade Separation ($15.0 million), (iii) the I-110/SR-47/Harbor Boulevard Connection ($13.2 million), (iv) the YTI Terminal ($8.4 million), and (v) the I-110/C Street Access Ramp ($8.3 million).

As of June 30, 2016, a total of $201.7 million of Proposition 1B funding had been awarded to the Department and approximately $175.9 million has been billed and received by the Department.

Capital Improvement Projects. The Department's capital improvement projects are categorized into five types of projects: (i) Terminal Projects, (ii) Transportation Projects, (iii) Security Projects, (iv) Public Access/Environmental Enhancement Projects, and (v) Maritime Services Projects.

The Department's expenditures for capital improvement projects in Fiscal Year 2016 were approximately $151.2 million comprised of: Terminal Projects (a total of approximately $108.8 million), Transportation Projects (a total of approximately $33.2 million), Security Projects (a total of approximately $0.2 million), Public Access/Environmental Enhancement Projects (a total of approximately $5.1 million), and Maritime Services Projects (a total of approximately $4.0 million).

For Fiscal Year 2017 the Department has budgeted $146.1 million for capital improvement projects in the following categories: Terminal Projects (approximately $87.6 million), Transportation Projects (approximately $16.2 million), Security Projects (approximately $1.1 million), Public Access/Environmental Enhancements (approximately $16.8 million), and Maritime Services Projects (approximately $24.4 million). The largest of these projects is expected to be the TraPac Container Terminal. See "Terminal Projects" below. The timing of completion for all capital projects is subject to uncertainties and delays, some of which are outside the control of the Department.

The following Table 8 provides a summary of the total estimated project costs by category of the Department's capital improvement program for Fiscal Years 2017 through 2021. Such estimates are based on the Department's capital improvement program plan.

Table 8
Port of Los Angeles
Capital Improvement Program by Category
Fiscal Years 2017-2021

Project Category	Estimated Total Cost ($ millions)
Terminal Projects	$318
Transportation Projects	29
Security Projects	1
Public Access/Environmental Enhancements	183
Maritime Projects	141
Total[1]	$672

[1] Numbers may not total due to rounding.
Source: Harbor Department of the City of Los Angeles

Following are summaries of certain of the Department's current capital improvement projects:

***Terminal Projects*.**

TraPac Terminal Expansion. The TraPac terminal project (the "TraPac Terminal Project") includes expansion between Berths 136 and 147 on the Port's northwest perimeter to facilitate TraPac's expansion of cargo handling and to increase efficiency. The Department estimates that the TraPac Terminal Project will increase potential related TEU throughput by TraPac from 900,000 TEUs (baseline year 2003) to 2.4 million TEUs by 2025. The TraPac Terminal Project consists primarily of wharf and backland improvements, an intermodal container transfer facility, terminal buildings and installation of Alternative Maritime Power ("AMP") improvements (consists of plugging into shore-side electrical power while at dock). The facility spans 210 acres. The TraPac Terminal Project will be the Port's most advanced container terminal with advanced automation technology being implemented for the new backland and railyard areas. The TraPac Terminal Project has a budget of $510 million (approximately $37 million of which remains to be expended) and is expected to be completed in March 2017. Construction of the wharf improvements, Phase 1A, 1B, 1C and Phase 2 backland improvements, new main gate, terminal buildings and the On-Dock Rail Facility have been completed. Construction of backland improvements in Phases 3 and 4 are in progress. The Department intends to use proceeds from previously issued bonds and cash from operations to finance costs of the TraPac Terminal Project. The Department's long-term contract with TraPac expires in 2039. See "—Environmental and Regulatory Matters—Recent Developments Relating to TraPac EIR" and "—Environmental and Regulatory Matters—TraPac Settlement/Community Benefits Trust Fund" below for recent developments with respect to the TraPac Terminal Project Environmental Impact Report ("EIR").

YTI Terminal Expansion. The Yusen Terminals Inc. ("YTI") container terminal redevelopment project (the "YTI Container Terminal Redevelopment Project") includes backland and wharf improvement and expansion of the ICTF located at the YTI terminal. The facility spans 183 acres. The backland improvement includes pavement repair and the construction of concrete runways. Wharf improvements include dredging at Berths 217-220 from an existing depth of -45 feet to -47 feet, dredging at Berths 214-216 from an existing depth of -45 feet to -53 feet, new landslide crane rail extension along Berths 217-220 and four AMP box relocations from Berths 214-216 to Berths 217-220. The EIR and the

Environmental Impact Statement ("EIS") for the YTI Container Terminal Redevelopment Project was completed in November 2014. The YTI Container Terminal Redevelopment Project is in construction and is estimated to cost approximately $69 million (approximately $47.4 million of which remains to be expended) and is expected to be completed in November 2017. The Department intends to use proceeds from previously issued bonds and cash from operations to finance costs of the YTI Container Terminal Redevelopment Project. The Department's long-term contract with YTI expires in 2026.

Everport Redevelopment. Redevelopment at Berths 226 through 236 (the "Everport Redevelopment") consists of various projects within the Everport Container Terminal. These projects include terminal improvements such as dredging Berths 226 through 229 to a depth of -53 feet and Berths 230 through 232 to a depth of -47 feet as well as developing 1.5 acres of new terminal backland. In addition, the Everport Redevelopment includes: AMP upgrades and retrofits, panzerbelt trench upgrades and the installation of a water leak detection system. In total, the Everport Redevelopment is expected to cost approximately $48 million. Environmental studies and the design of the Everport Redevelopment improvements are currently underway with construction expected to begin in the first quarter of 2018.

AltaSea at the Port of Los Angeles. In December 2013, the City Council approved a 50-year lease to AltaSea at the Port ("AltaSea"), a California public benefit corporation established to transform approximately 36 acres on the LA Waterfront's City Dock No. 1 located south of 22nd Street and along Signal Street in San Pedro. AltaSea will re-purpose the 100-year old wharves and warehouse nos. 57-60 into an urban marine research and educational center, marine-related and water-dependent business incubator/accelerator and auxiliary uses, as well as provide improvements to tie into the LA Waterfront's public promenade ("AltaSea Development"). The AltaSea Development will be funded through a private public partnership comprised of the Department, private philanthropic donations, government and corporate grants, and regional public and private universities. The overall project scope related to the AltaSea Development is presently being reevaluated. Currently, the Department's funding commitment pursuant to the lease with AltaSea includes $58 million in site-related capital investment for Phase 1 of the project.

Cruise Terminal. Since 2008, the Department has invested more than $42 million in improvements to its World Cruise Center. The improvements include four new gangway systems, two complete AMP berths, new rooftop solar panels designed to generate approximately one megawatt of electricity, and other improvements, including new fenders, parking lot reconfigurations, painting, lighting and audio/video upgrades. The Department is planning to expand the current AMP system to allow greater flexibility to accommodate larger cruise ships. As of June 2016, the Department expects to spend approximately $15 million over the next five years to upgrade the current AMP system and to complete customs and border protection improvements. The Department also has approved an additional cruise ship terminal at Kaiser Point in the outer harbor terminal which would operate in conjunction with the existing World Cruise Center, enabling the Port to provide more berth space to simultaneously accommodate the larger Voyager class cruise ships and improved navigation for larger ships. Construction of the outer harbor cruise terminal will not be undertaken until such time as market conditions warrant an expansion of the current facilities, and currently no funding for an outer harbor cruise terminal has been budgeted within the Department's Capital Improvement Program.

Marine Oil Terminal Engineering and Maintenance Standards Implementation. Built between 1919 and 1959, the Port has seven liquid bulk facilities (including storage tanks and underground pipeline networks) that handle various types of commodities for both import and export. Vessels calling at these facilities include tankers, barges and bulk carriers. Oil cargo operations within the State generally fall under the jurisdiction of the California State Lands Commission (the "State Lands Commission"). Effective February 2006, the State Lands Commission established the Marine Oil Terminal Engineering and Maintenance Standards ("MOTEMS") which apply to all existing and new marine oil terminals in the

State. One such standard required the Port's oil terminal facilities to undergo an initial audit, the purpose of which was to determine "Fitness-for-Purpose" of all marine oil terminals. Initial audits were performed at Berths 118-120, 148-151, 163, 164, 167-169, 187-191, and 238-239. As a result of these initial audits, Kinder Morgan's operations at Berths 118-120 will be de-commissioned within five years.

Another MOTEMS requirement is that all liquid bulk wharves at the Port be significantly upgraded or replaced. Through ongoing discussions with the State Lands Commission, the Department has agreed to upgrade or replace its liquid bulk wharves by Fiscal Year 2020. As of June 2016, aggregate costs of the upgrade or replacement of liquid bulk wharves are estimated to be approximately $180 million. Any reimbursement of these costs to the Department will be negotiated with the marine oil terminal tenants as part of currently ongoing lease negotiations. As of the date of this Official Statement, the Department's financial participation in the costs of these liquid bulk wharf upgrades or replacements are capped at $7.5 million per berth (or $60 million in the aggregate). The Department intends to use cash from operations to finance costs of the MOTEMS implementation.

Remaining Terminal Projects. Certain terminal projects are not in active construction or development or have yet to be completed due to certain circumstances described below.

China Shipping Terminal Expansion. The China Shipping expansion project (the "China Shipping Project") provides for a long-term permit agreement with China Shipping and expands China Shipping's terminal capacity to accommodate an annual throughput of 1.5 million TEUs. The facility footprint is being expanded from an existing 73 acres to 132 acres of backland and 2,500 feet of wharf to be served by ten Postpanamax A-frame cranes. The three main phases of the China Shipping Project have been completed. Phase I was completed in December 2004 and consisted of construction of 1,200 feet of wharf at Berth 100, 73 acres of backland development and Access Bridge No. 1. Phase II was completed in December 2010 and consisted of construction of 925 feet of wharf at Berth 102, 18 acres of backland development and Access Bridge No. 2. Phase III was completed in November 2013 and consisted of construction of 375 feet of wharf and 41 aces of backland development. AMP improvements also were installed at the container wharves constructed in Phases I, II and III. Phases II and III also consisted of wharf expansion, backland development, a marine operations building, a crane maintenance building, relocation of the Catalina Express Terminal and installation of AMP improvements. The Department's long-term contract with China Shipping expires in 2030. The China Shipping Project also includes several community beautification initiatives, including the redevelopment of an existing community park in San Pedro (Plaza Park), which is currently under construction, and implementing a beautification plan along area corridors and landscaping along Front Street which runs parallel to the terminal perimeter.

The Department intends to use cash from operations to finance the costs of the remaining components of the China Shipping Project pending resolution of certain issues pertaining to the China Shipping Project EIR. See "-Environmental and Regulatory Matters-Recent Developments Relating to China Shipping EIR" below for recent developments with respect to the China Shipping Project EIR.

Yang Ming Terminal Project. The Yang Ming terminal project (the "Yang Ming Terminal Project") represents a redevelopment program to upgrade a portion of existing container wharves at Berths 121 through 131 and expand the ICTF located at the Yang Ming terminal. As part of the currently planned container wharf upgrades, an existing 50-foot wharf and dike at Berths 127 through 129 is planned to be demolished and a new 1,260 linear foot wharf that can accommodate a typical 14,000 TEU vessel, approximately 6 to 10 additional cranes as well as AMP infrastructure will be constructed in its place. In addition, Berths 127 through 129 will be dredged to a depth of -53 feet. In addition to the aforementioned wharf upgrades, the Yang Ming Terminal Project is expected to include expansion of the ICTF with four additional loading tracks. As of June 2016, remaining design and construction work on this project has been put on hold while negotiations with the tenant take place.

EMS Terminal Project. The Eagle Marine Services ("EMS") terminal project (the "EMS Terminal Project"; also known as the "Berths 302-306 Container Terminal Improvements") consists of multiple projects to expand the container terminal located at Berths 302-306 by approximately 50 acres and to modify some existing terminal elements. The expansion area improvements include approximately 1,250 linear feet of new wharf, AMP installations, dredging, approximately 41 acres developed for automated operations and approximately 6 acres redeveloped for container terminal operations. As part of the currently conceived project, the existing tenant will redevelop 17 acres for an automated landside transfer facility as well as an outside truck holding area. The EMS Terminal Project is currently estimated to cost approximately $200 million. The EIR/EIS for the EMS Terminal Project was completed in May 2012, and the construction of AMP installations and associated infrastructure at Berths 302 through 305 was completed in March 2014. Through June 2016, approximately $45 million has been spent on AMP installation and other miscellaneous improvements. As of June 2016, the remaining design and construction work for this project had been put on hold while negotiations with the tenant take place.

Transportation Projects.

I-110 Connectors Improvement Program. The I-110 Connectors Improvement Program (the "ICIP") consists of several arterial street and freeway-to-freeway interchange improvements in the immediate vicinity of the intersection of SR 47 (Vincent Thomas Bridge) and the I-110 freeway. The projects provided for under the ICIP are designed to improve freeway access to Port facilities, eliminate traffic movement conflicts, improve existing non-standard elements, and better accommodate existing and future traffic conditions for the Port and background traffic. The Department and the California Department of Transportation ("Caltrans") are working in partnership on implementing the ICIP. The ICIP received environmental clearance in February and June 2012 and construction began in November 2013 and will be completed in January 2017. The cost of the ICIP is approximately $104.1 million, of which the Department is responsible for approximately $64.0 million. The Department has used or intends to use cash from operations to finance its portion of the costs of the ICIP. The remaining $40.1 million of funding for the ICIP is expected to come from grants obtained from various authorities including the Los Angeles County Metropolitan Transportation Authority, Proposition 1B funds, the California State Corridors Improvement Funds and the Federal Safe, Accountable, Flexible, Efficient Transportation for Equity Act: A Legacy for Users.

Security Projects. Over the last several years, the Port has implemented numerous initiatives to improve security at its facilities, including a Port-wide surveillance camera system, a fiber optic data network (currently in development), a state-of-the-art Department Operations Center, radiological threat protection training and the Transportation Workers Identification Credential secure access program. See "THE PORT AND THE DEPARTMENT—Introduction and Organization—Port Security" above for a description of the security projects included in the Department's capital improvement program.

Public Access/Environmental Enhancements. The LA Waterfront Program is an initiative to improve and enhance areas located along the waterfronts of Wilmington and San Pedro. The LA Waterfront Program is comprised of two segments, the Wilmington Segment and the San Pedro Segment. The Wilmington Segment includes two complementary projects, the Wilmington Waterfront Park Project (the "Wilmington Waterfront Park Project") and the Wilmington Waterfront Project (the "Wilmington

Waterfront Project"). The Wilmington Waterfront Park Project was completed in June 2011 and consists of a 30-acre park with walking trails, water features, plazas, public art and a pedestrian bridge. The EIR for the 94-acre Wilmington Waterfront Project was approved by the Board in June 2009. Project elements include a waterfront promenade, 11 acres of open green space, plazas, a 200-foot observation tower, Red Car museum, and commercial and light industrial development. The five-year total cost of the Wilmington Segment is estimated to be approximately $67.8 million.

The San Pedro Segment is generally located along the west side of the Port's main channel from the Vincent Thomas Bridge to Cabrillo Beach. The San Pedro Segment, the Wilmington Waterfront Park Project and the Wilmington Waterfront Project are all connected along existing roadways in the West Basin area of the Port. The EIR for the San Pedro Segment was approved by the Board in September 2009. The project will transform over 400 acres of property currently operated by the Department. The San Pedro Segment involves development of a variety of land uses within the proposed project area, including, among other things, public waterfront and open space areas, expansion of cruise ship facilities, a continuous waterfront promenade that would extend throughout the proposed project area, upgrades to and expansion of retail and commercial uses, improved transportation infrastructure, and surface and structured parking to accommodate project development within the proposed project area. The five-year cost of the San Pedro Segment is estimated to be approximately $54.1 million.

***Maritime Services Projects*.** Maritime Services Projects at the Port consist of improvements to the Department's administration building ("Harbor Administration Building") and miscellaneous projects that are not classified under the Terminal, Transportation, Security or Public Access/Environmental Enhancement initiatives currently planned at the Port. These projects include the Harbor Administration Building HVAC System replacement, Liberty Hall Plaza HVAC System Replacement and Berth 161 Marine Ways Modifications. Other projects include a $1.7 million upgrade to control systems for the Badger Avenue Railroad Bridge, a $3.9 million retrofit to the wharf supporting the Maritime Museum at Berth 84 and numerous other projects throughout the Port. The Department intends to use cash from operations to finance costs of the Maritime Services Projects.

Environmental and Regulatory Matters

Environmental Compliance. The Department was the first port in the nation to have an Environmental Management Division. The Department's Environmental Management Division provides full environmental services related to water, soils, sediments and air, land use, and biological resources affected by water, soils and sediments and air. In 2003, the Department adopted an environmental policy, which calls for continuous environmental improvement and the implementation of pollution prevention measures. The Department's Environmental Management System meets the specifications of the International Organization for Standardization Standard 14001 for environmental management systems.

The Department is required to comply with the provisions of a number of federal, State and local laws designed to protect or enhance the environment. The primary environmental assessment laws are the federal National Environmental Policy Act ("NEPA") and the California Environmental Quality Act ("CEQA"). These two laws require consideration and disclosure of environmental impacts of development projects prior to approval or the issuance of a permit. Other federal environmental laws applicable to the Port and the Department include the Resource Conservation and Recovery Act, which governs the treatment and disposal of certain substances; the Clean Water Act and the Marine Protection, Research and Sanctuary Act, which govern the dumping of dredged materials; the Rivers and Harbors Act, which governs navigable waterways; and the State and Federal Endangered Species Act. Enforcement agencies include the U.S. Environmental Protection Agency and the U.S. Army Corps of Engineers, California Regional Water Quality Control Board, California Air Resource Board, South Coast Air Quality Management District and California Department of Toxic Substances Control. The

Department also is required to conform to provisions of a number of other State environmental and health safety laws.

In conforming to these laws and the implementing regulations, the Department has instituted a number of compliance programs and procedures to protect the environment, each of which are designed to, among other things, limit the Department's liabilities. In 2006, the Port and the Port of Long Beach (collectively, the "San Pedro Bay Ports") established the Clean Air Action Plan (the "CAAP"). See "-Clean Air Action Plan below." The Department's voluntary Vessel Speed Reduction Program has been in place since 2001 and has produced favorable results. The Department also has in place the Technology Advancement Program which evaluates and demonstrates new and emerging emissions treatment technologies. In 2008, the Department implemented the Clean Truck Program which essentially replaced older polluting trucks with newer clean trucks, thereby reducing truck emissions by over 90 percent at the Port and the surrounding communities. In Fiscal Year 2010, the Department adopted its Water Resources Action Plan aimed at significantly reducing water pollution discharges from land, vessels and the watershed and removing contaminated sediments. All these programs are backed up by long-term monitoring of the applicable media.

Environmental Remediation Liability. In Fiscal Year 2016, the Department expended approximately \$3.6 million on environmental remediation at the Port. The Department estimates that in Fiscal Year 2017 it will spend \$10.0 million on environmental remediation at the Port, and that subsequent to Fiscal Year 2017 it will expend approximately \$65.3 million on environmental remediation at the Port. Costs associated with pollution remediation liability relate to soil and ground water contamination on sites within the Port's premises that were formerly used for industrial purposes where historical or past contamination and environmental impairments exist. The Department uses a combination of in-house specialists and outside consultants to perform estimates of potential liability.

Environmental Documentation. For projects located on Port property, the Department is the lead agency under CEQA, which requires public disclosure of the environmental effects of Port development projects that are determined to not be exempt under CEQA. Under CEQA, such environmental effects are disclosed through one of several document types, depending on the level of environmental impact. Projects which are determined to have less than significant impacts are assessed through a "Negative Declaration" or an "ND." Projects which are determined to have significant impacts but which can be mitigated to avoid or reduce the environmental effects to a point where no significant effect would occur are assessed through a "Mitigated Negative Declaration" or "MND." When a project has significant and unavoidable impacts, an Environmental Impact Report or an EIR is prepared. In the last three years, the Board has certified/approved five NDs/MNDs and three EIRs prepared by the Environmental Management Division. The Environmental Management Division is currently preparing two NDs/MNDs and five EIRs. Many of these documents have been or are joint documents with federal agencies which have permitting or funding authority over all or part of the project. These disclosure documents examine the environmental effects on air, water, traffic, etc., of proposed projects, and identify feasible mitigation measures to eliminate or reduce any significant environmental effects. Generally, operational mitigation measures become the responsibility of permittees through permits with the Department. Mitigation associated with Department capital development construction are recouped through revenues generated by long-term permits with Department permittees.

Clean Air Action Plan. In 2006, the Department, together with the Port of Long Beach, developed the CAAP with input from the U.S. Environmental Protection Agency, the California Air Resources Board, and the South Coast Air Quality Management District. The CAAP was updated and reauthorized in 2010. The CAAP is currently undergoing a second update, with final approval expected in late 2016. The CAAP is the Department's comprehensive plan to address air pollution emissions from Port-related sources and contains aggressive long-term goals through 2023 to reduce health risk, diesel particulate matter, and nitrogen and sulfur oxides. Pursuant to the CAAP, the Department has undertaken several programs to lower air pollution levels at the Port. Emission sources targeted by the CAAP include ships, trains, cargo handling equipment, harbor craft and heavy duty trucks. Through implementation of the CAAP, since 2005, there has been an 85% reduction in diesel particulate matter, a 97% reduction in sulfur oxides and a 51% reduction in nitrogen oxides emissions from Port-related sources. The CAAP and its associated various measures have cost the Port and the Port's tenants approximately $250 million to date and the CAAP will continue to require a significant investment by the Department, the Port of Long Beach 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. In Fiscal Year 2016, fees related to the Clean Truck Program amounted to approximately $2.4 million (unaudited). For Fiscal Year 2017, the Department has budgeted approximately $2.3 million for fees related to the Clean Truck Program.

Recent Developments Relating to TraPac EIR. Three of 52 environmental mitigation measures set forth in the TraPac Container Terminal EIR were noted in a 2015 self-audit of the Department as being delayed or not fully implemented. The Department was advised by TraPac that one of the measures, alternative maritime power, is now in compliance. The second measure, cargo-handling equipment, will be completed in 2016. The third measure, a road improvement project, has been funded and is in process on a timetable to be set by the City of Los Angeles Bureau of Engineering. The Department's emission inventories have shown that the throughput and actual emissions at the TraPac Terminal have been well below projections in the TraPac Container Terminal EIR.

Recent Developments Relating to China Shipping EIR. The EIR completed for the China Shipping Project (the "China Shipping EIR") includes 52 mitigation measures to reduce impacts to air quality, noise, and transportation. In 2008, at the time the Department certified the China Shipping EIR, many of the mitigation measures set forth therein had never been attempted anywhere in the world. The Department believed, at that time, that these measures, although far-reaching, were realistic and could be accomplished within a reasonable timeframe, and the majority of the mitigation measures have been or will be accomplished. The Department is currently preparing a Supplemental Environmental Impact Report (the "China Shipping SEIR") with respect to the China Shipping Project that will analyze, through the public process under CEQA, eleven of the mitigation measures set forth in the China Shipping EIR that were noted in a 2015 self-audit by the Department as being delayed or not fully implemented. The China Shipping SEIR will assess the environmental impacts of possible changes based upon the feasibility and availability of alternative technologies and other factors. The Department also is negotiating with China Shipping to amend its lease with the Department to incorporate the mitigation measures to be set forth in the China Shipping SEIR. Negotiations between the Department and China Shipping are progressing, challenges remain, however, because some of the mitigation measures may be infeasible due to the lack of technology, the cost of such measures and/or the operational challenges of such measures. The Department's emission inventories have shown that the throughput and actual emissions at the China Shipping Terminal had been at or below the projections set forth in the China Shipping EIR.

The Department has entered into a tolling and standstill agreement with Natural Resources Defense Council, San Pedro and Peninsula Homeowners' Coalition, San Pedro Peninsula Homeowners United, Inc. and Coalition For Clean Air pursuant to which such parties are contending that the Department may be in violation of certain of the mitigation measures set forth in the China Shipping EIR. The Department also has received a request for a tolling agreement from the South Coast Air Quality Management District ("SCAQMD"), pursuant to which SCAQMD also is contending that the Department failed to timely implement certain of the mitigation measures set forth in the China Shipping EIR. Both agreements toll the statute of limitations for these alleged claims indefinitely, and may be terminated by any party on 60-days' notice. The Department disagrees with, disputes and denies all of these claims. As of the date of this Official Statement, it is unknown whether these claims could ultimately lead to potential litigation. Any potential requested remedies are also unknown, but could include requests for injunctive relief. The Department does not currently expect any claims to involve monetary damages. China Shipping SEIR may also make any claims and potential litigation irrelevant and inapplicable.

Transportation and Infrastructure Programs. The efficient movement of cargo is integral to environmentally responsible Port operations. The modern and efficient handling of cargo reduces transportation conflicts which in turn benefits traffic flow and reduces air emissions. Such programs include deepening of channels to allow the most modern and largest ships to enter the harbor which minimizes the number of ships calling at the Port; development of on- and near-dock rail facilities to divert cargo from trucks to rail; construction of grade separations to separate rail from surface transportation; design of modern facilities to facilitate cargo handling; implementation of an environmental management plan to upgrade the fleet of locomotives operating within the Port and operations changes.

Heavy Container Corridor. The Department created a heavy container corridor to aid in the movement of overweight 40 foot or larger ocean going containers on designated City streets in and around the Port. The City, the City of Long Beach and the State of California Department of Public Works approved a measure that allows permits to be granted for overweight container loads in the Port area.

TraPac Settlement/Community Benefits Trust Fund. On December 6, 2007, the Department certified the Final Environment Impact Report (the "TraPac EIR") in connection with the development of various improvements to Berths 136-149 in the Port, currently occupied by TraPac, including TraPac's container terminal operations, such as a new wharf, extension of existing wharf, additional backlands, redesigned access gates, new cranes, new on-dock rail yard, new buildings and road widening. See "—Capital Improvement Planning—Capital Improvement Projects—Terminal Projects—TraPac Terminal Expansion" above for additional information on the TraPac Terminal Project. The Natural Resources Defense Council and other environmental and community groups (the "Appellants") filed appeals on various grounds to the City Council in connection with the TraPac EIR. On April 3, 2008, the Board approved a Memorandum of Understanding (the "MOU") with the Appellants that provides for the creation of a nonprofit organization and the Port Community Mitigation Trust Fund (the "Fund"). The Harbor Community Benefit Foundation (the "HCBF") was established as the nonprofit organization responsible for allocating money in the Fund for projects that will protect, improve and assess public health by offsetting past, present and future off-Port impacts from Port operations. The MOU also provides that the Appellants release all claims relating to the approval of the TraPac EIR and Environmental Impact Statement, including CEQA challenges. The MOU provides that in the first year the Department will contribute $12.04 million to the Fund for various purposes, and that amount was paid in March 2009. Additional contributions of approximately $4 million and $800,000 were made by the Department to the Fund in June 2010 and August 2010, respectively. On October 26, 2010, the Board approved an operating agreement with the Appellants and the HCBF (the "Operating Agreement"). Although the Operating Agreement did not expressly renew the MOU, it served to clarify many terms of the MOU, including adding an extension of time for the Department's contributions to the Fund. The Department's requirement to make contributions to the Fund was extended for projects that are certified prior to May 19, 2016. The MOU term remains in effect for such additional contributions as well as the payment of all funds deposited into the Fund, however there is no funding obligation for projects certified after May 19, 2016. Contributions from the Department to the Fund over the remaining MOU term will vary based on which projects proceed and the level of cargo throughput at the Port.

Alternative Maritime Power. The Department has actively advanced the use of Alternative Maritime Power at its facilities, which is a specialized air quality program that focuses on reducing emissions from container vessels docked at the Port. Instead of running on diesel power while at berth, AMP-equipped ships connect to shore side electrical power. AMP technology is often referred to as "cold ironing" and has been used for naval vessels, Baltic ferries and cruise ships operating in Alaska. The Port was the first port in the world to use AMP technology for in-service container ships.

In June 2004, the Department and China Shipping Container Line opened the West Basin Container Terminal at Berth 100, the first container terminal in the world to use AMP. The Department continues to encourage use of AMP technology as a means of improving air quality. As of July 1, 2016, 24 berths at the Port had AMP capabilities. Depending on the size of the ship, estimates are that AMP will reduce NOx by one ton and take more than half a ton of SOx out of the air each day the ship is at berth and plugged in.

Regulation. The operations of the Department and the Port are regulated by various agencies. The Department believes that it is currently in substantial compliance with the regulations of all such regulatory bodies.

Stevedoring and Cargo Handling

Arranging for cargo handling services is the responsibility of each shipping line. Cargo handling at the Port is provided pursuant to a contract between the Pacific Maritime Association (the "Association") and the International Longshore and Warehouse Union ("ILWU"). The Association represents most of the steamship lines, marine terminal operators, car loading bureaus and cargo companies on the Pacific Coast. Most ILWU employees work under contract with the Association. 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 expires on June 30, 2019.

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 had slowed down container cargo movement through the San Pedro Bay Ports since September 2014. The 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 decreased only slightly (0.23%).

Since 2002, there have been two other periods of prolonged labor unrest which led to an interruption of the normal course of business at the Port. In October 2002, after the Association and the ILWU failed to negotiate a new contract, the shipping lines instituted a lock out of the stevedoring companies, thereby shutting down all West Coast ports, including the Port, for ten days. Work resumed when then-President Bush ordered the ports to reopen pursuant to the Taft Hartley Act. Additionally, in November 2012, after the Harbor Employers Association ("HEA") and ILWU Marine Clerks Association Local 63 Office Clerical Unit ("ILWU 63") failed to negotiate a new contract, the approximately 600 clerical workers represented by ILWU 63 walked off the job. Although only about 450 clerical workers throughout both the Port and the Port of Long Beach participated in the strike, thousands of workers represented by a sister union refused to cross the picket lines. As a result, 10 out of the 14 terminals at the San Pedro Ports were shut down for eight days. Work resumed when the HEA and ILWU 63 reached a tentative agreement whereby ILWU 63 members received modest increases in wage and pension benefits, and the HEA promised to outsource no more than 14 jobs over a four-year period.

Other than the periods of unrest which occurred in 2002, 2012, 2014 and 2015, there has generally been a history of cooperative working relationships between the ILWU and the employer groups represented by the Association and HEA. Prolonged work slowdowns or stoppages, if they occur, could adversely affect Department revenues. See "CERTAIN INVESTMENT CONSIDERATIONS—Port Competition" herein.

San Pedro Bay Port's Cooperative Working Agreement

On February 27, 2015, the U.S. Federal Maritime Commission approved an amendment to a cooperative working agreement previously entered into by the Department and the Port of Long Beach. The amendment allows the two ports to discuss and agree on projects and programs that address congestion issues (including, establishing initiatives to increase terminal productivity, facilitate chassis availability and usage, and improve drayage truck turn times), transportation infrastructure needs and the reduction of pollution caused by port-related activities.

On April 23, 2015, the Department and the Port of Long Beach hosted a meeting of supply chain stakeholders to gather input, insights and solutions focused on improving the performance of the supply chain. On May 27, 2015, the Department and the Port of Long Beach announced the creation of issue-specific working groups focusing on peak operations and terminal optimization to develop ways to strengthen the competitiveness of the San Pedro Bay Ports. Since the initial meeting of stakeholders and creation of issue-specific working groups, the San Pedro Bay Ports have continued to coordinate further dialogue among its stakeholders as part of its efforts to reduce congestion and further improve supply chain efficiency throughout the Port complex.

FINANCIAL INFORMATION CONCERNING THE DEPARTMENT

General

The Department has three major sources of revenue: shipping revenue, a function of cargo throughput; revenue from the rental of the Port's land and buildings (i.e., revenue from permit and lease agreements); and the smallest revenue component, fee and royalty revenue. The Department's primary expenses include salaries and benefits, outside and professional services and payments for services rendered by the City to the Department. In recent years, the Department's operating expenses have increased due to increased expenditures for salaries and expenditures, outside services, Port security and environmental initiatives.

With East Asia being the primary trade origin and destination of the ships of the terminal operators at the Port, these growing economies have historically provided the Department with a level of steady growth in its shipping revenues. Even so, the Department has included minimum guarantee provisions in all major permit agreements and seeks the extra security of letter of credit collateralization from certain occupants. Permit agreement income is derived from approximately 290 separate permit and lease agreements, and provides further stabilization of the Department's revenue stream. See "THE PORT AND THE DEPARTMENT—Operating Data—Rental Property" herein.

Summary of Revenues, Expenses and Net Assets

The following Table 9 sets forth a breakdown of the Department's operating revenues, expenses and net assets for Fiscal Years 2012 through 2016 (unaudited).

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Table 9
Port of Los Angeles
Summary of Revenues, Expenses and Net Assets
(In Thousands of Dollars)

	2012	2013	2014	2015	Unaudited 2016
Revenues					
Shipping Services					
Wharfage	$ 333,757	$ 322,821	$ 350,928	$ 336,997	$ 342,703
Dockage	4,813	4,689	4,930	6,097	5,629
Demurrage	230	228	223	329	216
Pilotage	7,131	6,954	7,540	7,110	7,064
Assignment Charges	11,785	13,184	13,592	14,365	12,857
Total Shipping Services	$ 357,716	$ 347,876	$ 377,213	$ 364,899	$ 368,469
Rentals					
Land	$ 40,127	$ 38,856	$ 38,819	$ 45,255	$ 45,763
Other	3,016	4,034	1,966	978	808
Total Rentals	43,143	42,890	40,156	46,233	46,571
Royalties, Fees and Other Operating Revenues (1)	8,928	6,602	8,582	35,763	26,209
Total Operating Revenues	$ 409,787	$ 397,368 [1]	$ 425,951	$ 446,895	$ 441,249
Expenses					
Operating and Administrative Expenses					
Salaries and Benefits	$ 98,614	$ 101,861	$ 93,668	$ 92,786	$ 115,176
Pension Expense Adjustment (2)	–	–	18,385	19,002[1]	-[2]
City Services and Payments	32,014	31,074	33,633	34,749	37,863
Outside Services	27,660	29,690	26,331	28,983	28,874
Utilities (1)	6,653	5,726	12,335	19,373	14,138
Materials and Supplies	6,314	5,989	6,883	6,257	6,340
Pollution Remediation Expenses	11,635	11,635	1,268	(211)	5,194
Marketing and Public Relations	3,177	2,877	2,711	2,771	2,567
Workers' Compensation, Claims and Settlement (3)	7,507	3,550	1,959	2,503	2,613[3]
Clean Truck Program Expenses	790	934	1,100	949	897
Travel and Entertainment	932	1,139	548	512	611
Other Operating Expenses	4,511	10,694	6,533	26,574	15,160
Total Operating and Administrative Expenses	$ 199,806	$ 205,169	$ 205,354	$ 234,249	$ 229,432
Income from Operations before Depreciation	209,981	192,199	220,597	212,646	211,817
Depreciation	100,485	108,037	124,221	137,384	163,921
Operating Income	$ 109,496	$ 84,162	$ 96,376	$ 75,262	$ 47,896
Nonoperating Revenues/(Expenses)					
Income from Investments in JPAs and Other Entities	$ 1,851	$ 2,049	$ 2,129	$ 2,811	$ 2,544
Interest and Investment Income	9,486	826	4,654	5,039	5,436
Interest Expense	(10,538)	(2,473)	(1,530)	(330)	(507)
Other Income and Expenses, net	(8,359)	784	(27,364)	(2,226)	(3,845)
Net Nonoperating Revenues/(Expenses)	(7,560)	1,186	(22,111)	5,293	3,628
Income Before Capital Contributions	$ 101,936	$ 85,348	$ 74,265	$ 80,555	$ 51,524
Capital Contributions	31,307	17,630	80,374	111,852	41,223
Special Item	–	13,387	15,002	–	–
Changes in Net Assets	133,243	116,365	169,640	192,407	92,747
Total Net Assets – Beginning of Year	2,642,885	2,776,128	2,884,351	3,064,554	3,062,899
Net Adjustment for Prior Year Amortization of Bond Premium/Discount	–	–	10,562	–	–
Net Adjustment for Prior Year Pension Expense (4)	–	–	–	(194,062)[4]	–
Net Adjustment for Write-Off of Prior Period Bond Costs	–	(8,142)	–	–	–
Total Net Assets – End of Year	$2,776,128	$2,884,351	$3,064,554	$3,062,899	$3,155,646

[1] Fiscal Year 2015 and unaudited Fiscal Year 2016 Royalties, Fees and Other Operating Revenues increased relative to prior years due in part to tenant reimbursements related to the Alternative Maritime Power program. As part of this program, the Department pays electricity costs which are subsequently reimbursed by terminal operators. Electricity expenses related to AMP are recorded as Utilities expenses by the Department.

[2] Pension expenses incurred in fiscal years ended June 30, 2014 and 2015 have been reported separately from "Salaries and Benefits" expense as a result of the implementation of Governmental Accounting Standards Board ("GASB") "Statement No. 68, Accounting and Financial Reporting for Pension" ("GASB 68") and GASB "Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measure Date" ("GASB 71"). Pension expenses incurred in fiscal years ended June 30, 2012 through 2013 have been reported within "Salaries and Benefits" expense. Additional GASB 68-related adjustments may be applied in Fiscal Year 2016, pending the release of audited financial statements.

[3] Fiscal Year 2016 Workers' compensation expense has been estimated to be $1.6 million and is subject to change pending the release of audited financials.

[4] One-time adjustment required by GASB Statement No.68. Prior to GASB 68, all pension payments made by the Department on behalf of current employees were charged to employee benefits expense in the fiscal year in which the pension payment occurred. Any Department pension plan contributions made after Fiscal Year 2014 must be reflected as a "Deferred Outflows of Resources" rather than being expensed.

Source: Harbor Department of the City of Los Angeles

Management Discussion and Analysis Fiscal Years 2015 and 2016. In Fiscal Year 2016, total cargo volumes increased by 2.4% relative to Fiscal Year 2015. The Port handled approximately 8.391 million TEUs in Fiscal Year 2016 as compared to approximately 8.191 million TEUs in Fiscal Year 2015. Total operating revenues were approximately $441.2 million (unaudited) in Fiscal Year 2016, a decrease of approximately $5.6 million, or 1.3%, over Fiscal Year 2015. The decrease in operating revenues was due to the recording of one-time payments in the prior fiscal year as well as lower utility reimbursements and lower space assignment revenues in the current fiscal year. Total operating and administrative expenses for Fiscal Year 2016 were approximately $229.4 million (unaudited), a decrease of approximately 2.1% over the same period in Fiscal Year 2015. Despite MOU salary increases, Fiscal Year 2016 total operating and administrative expenses declined relative to Fiscal Year 2015 primarily due to the absence of payouts related to the Ocean Common Carrier Incentive Program which expired at the end of calendar year 2014. Overall, operating income, before depreciation, for Fiscal Year 2016 declined to approximately $211.8 million (unaudited), a decrease of approximately 0.4% from Fiscal Year 2015.

Tariffs. Shipping revenues are comprised of wharfage, dockage, demurrage, cranes, pilotage, assignment charges, and storage, which the Department sets through tariff charges. The Department's tariffs are competitive with those charged by other West Coast ports. The following Table 10 provides a history of the Department's general cargo tariffs and basic dockage charges for Fiscal Years 2007 through 2016.

Table 10
Port of Los Angeles
General Cargo Tariffs and
Basic Dockage Charges

Fiscal Year Ended June 30	General Cargo Tariff[1]	Basic Dockage Charge[2]
2007	$6.25	$2,465
2008	6.25	2,465
2009	6.25	2,465
2010	6.25	2,465
2011	6.25	2,465
2012	6.25	2,465
2013	6.25	2,465
2014	6.25	2,465
2015	6.25	2,465
2016	6.25	2,465

[1] Per metric ton or cubic meter of cargo.
[2] Per overall length of vessel between 180 and 195 meters.
Source: Harbor Department of the City of Los Angeles

Shipping Industry and Recovery from Economic Downturn in Past Years. The revenues of the Department depend to a large extent on shipping activity. The shipping industry as a whole and the level of shipping traffic activity at the Port specifically are dependent upon a variety of factors, including: (a) local, regional, national and international economic and trade conditions; (b) international political conditions and hostilities; (c) cargo security concerns; (d) shipping industry economics, including the cost and availability of labor, fuel, vessels, containers and insurance; (e) competition among shipping companies and ports, including with respect to timing, routes and pricing; (f) governmental regulation, including security regulations and taxes imposed on ships and cargo, as well as maintenance and environmental requirements; and (g) demand for shipments.

In 2008 and 2009, the global economic downturn resulted in a significant drop in local trade. Starting in 2010, however, the economy and trade showed signs of recovery and the Port started to regain its lost container volume. Container volume continued to increase over the subsequent fiscal years until in Fiscal Year 2013, container volume and associated revenue dropped primarily due to the transfer of a service route known as Transpacific 8, jointly operated by Mediterranean Shipping Co., Maersk Line and CMA CGM to the Port of Long Beach. While such transfer provided financial benefit for Mediterranean Shipping Co. and CMA CGM, it initially impacted both cargo volume and associated revenue at the Port. The Department competed to regain the lost cargo volume by offering cargo incentives in calendar year 2014. See "-Incentive Programs" below.

In Fiscal Year 2014, the Port experienced a 5.6% increase in container volume as compared to Fiscal Year 2013. Additionally, with the formation of the G6 Alliance (See "CERTAIN INVESTMENT CONSIDERATIONS—Alliances and Consolidation of Container-Shipping Industry" herein for a description of the G6 Alliance), the Port gained a portion of their transpacific volume via the San Pedro Bay since five of the six container-shipping lines that are part of the G6 Alliance operate at the Port.

In Fiscal Year 2015, as a result of the protracted negotiations between the Association and the ILWU and certain other congestion issues, container cargo movements through the Port were temporarily affected beginning in September 2014. However, full-Fiscal Year revenues were not materially affected and container volumes decreased only slightly (0.23%). See "THE PORT AND THE DEPARTMENT—Stevedoring and Cargo Handling" and "—San Pedro Bay Port's Cooperative Working Agreement."

In Fiscal Year 2016, the Port experienced a 2.4% increase in container cargo movements relative to Fiscal Year 2015 driven primarily by a 2.6% increase in loaded imports as the Port continued to recover from the congestion issues experienced in mid-Fiscal Year 2015.

In February 2016 to assist the San Pedro Bay Ports in developing their own long-term forecasts of cargo throughput, Mercator International LLC and Oxford Economics published a report prepared for the ports entitled "San Pedro Bay Long-Term Unconstrained Cargo Forecast." This report identifies key macroeconomic drivers and cost considerations that impact competitiveness and cargo throughput decisions. The report also includes forecasts of long-term U.S. and Canada trade levels and competitiveness for containerized and non-containerized cargo. Furthermore, the report includes three macroeconomic scenarios for the U.S. economy (expected growth, high growth, and low growth) with a base and two competitive factor adjustments (base case, upside and downside) applied to each macroeconomic scenario. According to the base case scenario, the consultant forecasts that (a) the U.S. economy will continue its gradual recovery with a gross domestic product growing at the rate of 2.4% over the long-term, (b) the U.S. trade grows at the rate of 3.9% and (c) tariff rates decline. Any forecast is subject to uncertainties and may not be realized as unanticipated events and circumstances occur. The Department does not make any representation or give any assurance that the forecasts will reflect actual results. The information related to this report is provided above for information purposes only and is available in full as an attachment to the most recent Alameda Corridor Transportation Authority ("ACTA") offering document dated May 11, 2016, which report is not incorporated by reference in this Official Statement.

The Department expects that as a result of the ongoing capital projects at many of the Port's terminals, cargo volumes should continue to increase in the future and the Port should be able to offer expanded service offerings. For example, the TraPac Container Terminal Automation Project, expected to be completed in 2017, is expected to generate operating efficiencies that will increase the amount of space for container storage, and may ultimately lead to additional container volumes being processed through the terminal. Furthermore, the YTI Container Terminal Redevelopment Project is underway, and once completed in 2017 (expected), the terminal will be able to accept larger vessels which may lead to additional volume through that facility. See "THE PORT AND THE DEPARTMENT—Capital Improvement Planning–Capital Improvement Projects–Terminal Projects."

Incentive Programs. In Fiscal Year 2014, the Board approved a limited duration incentive program, the Ocean Common Carrier Incentive Program, to incentivize shipping lines that brought new container business to the Port during calendar year 2014 as compared to the previous calendar year. For every incremental TEU that a shipping line moved through the Port in calendar year 2014 (as compared to the TEUs moved through the Port in calendar year 2013), the Department paid out to shippers $5 (for up to and including 99,999 incremental TEUs) or $15 (for up to and including 100,000 or more incremental TEUs). The Department paid approximately $10.5 million to shipping companies that took advantage of the Ocean Common Carrier Incentive Program, which payments were made by the Department in Fiscal Year 2015. The Ocean Common Carrier Incentive Program expired on December 31, 2014, and the Department has no current plans to reauthorize the program.

The Department funds a series of programs that encourages Port tenants to conduct their operations in a more environmentally friendly manner. For example, under the Vessel Speed Reduction Incentive Program, in an effort to reduce air pollution, the Department incentivizes vessel operators who berth their ships at the Port to reduce their vessel speed when they are within a certain distance of the Port. In Fiscal Years 2015 and 2016, the Department expended approximately $1.4 and $2.0 million, respectively, to fund the Vessel Speed Reduction Incentive Program. The Department has budgeted approximately $1.6 million to fund the Vessel Speed Reduction Incentive Program in Fiscal Year 2017. Another program the Department funds is the Technology Advancement Program, which seeks to accelerate the verification or commercial availability of new, clean technologies, through evaluation and demonstration, to move towards an emission free port. In Fiscal Years 2015 and 2016, the Department expended approximately $1.0 million and $192,500, respectively, to fund the Technology Advancement Program. The Port has budgeted approximately $800,000 in Fiscal Year 2017 to fund the Technology Advancement Program. Additionally, under the Marina Engine Exchange Program, and in an effort to improve air and water quality at San Pedro Bay, the Department incentivizes boat owners to replace older, high polluting motors with low emission rated motors. In Fiscal Years 2015 and 2016, the Department expended approximately $39,800 and $49,300, respectively, to fund the Marina Engine Exchange Program. The Department has budgeted approximately $50,000 to fund the Marina Engine Exchange Program in Fiscal Year 2017.

For Fiscal Year 2015, the Department expended approximately $10.5 million in total customer incentives and approximately $2.7 million in total environmental incentives. For Fiscal Year 2016, the Department incurred no expenditures for customer incentives and approximately $2.8 million in total environmental incentives. For Fiscal Year 2017, the Department has budgeted $2.8 million in total environment incentives, but has not budgeted any moneys for total customer incentives.

Debt Service Coverage. The operating revenues, operating expenses (including payments to the City for services), revenues available to pay debt service (excluding amortization, depreciation and interest expense), debt service and debt service coverage ratios for Fiscal Years 2011 through 2016 (unaudited) are shown in the following Table 11.

Table 11
Port of Los Angeles
Debt Service Coverage
(In Thousands of Dollars)

Fiscal Year Ended June 30	Operating Revenues [1]	Operating Expenses [2]	Available Revenues	Debt Service [3]	Debt Service Coverage [4]
2011	$412,962	$209,695	$203,267	$72,927	2.8x
2012	435,291	199,806	235,485	71,609	3.3
2013	416,974[5]	205,169	211,805	72,401	2.9
2014	446,910	205,354	241,556	65,488	3.7
2015	460,364	234,249	226,115	69,988	3.2
2016[6]	453,632	229,432	224,200	91,831	2.4

1 Operating Revenues also include income from investments, and interest and other non-operating revenues.
2 Operating Expenses include payroll, fringe benefits and payments for City services.
3 Debt Service includes only the principal and interest payments on Parity Obligations. Fiscal Year 2016 Debt Service was $84.4 million plus $7.4 million related to the early redemption of Series 2005C-1 Bonds. Furthermore, the principal amortization for Series 2011A Bonds and Series 2014 Bonds started in fiscal year 2016. The Department has no subordinate debt outstanding.
4 Available Revenues divided by Debt Service.
5 In October 2012, Transpacific 8, a service route jointly operated by Mediterranean Shipping Co., Maersk Line and CMA CGM, transferred from the Port to the Port of Long Beach and initially it impacted both cargo volume and associated revenue at the Port. The Port has since recovered from the initial impact through ongoing capital investment to enhance capacity and recent favorable movement of alliance traffic. See "FINANCIAL INFORMATION CONCERNING THE DEPARTMENT—Summary of Revenues, Expenses and Net Assets—Shipping Industry and Recovery from Economic Downturn in Past Years" herein.
6 Unaudited. Fiscal Year 2016 Debt Service was $84.4 million plus $7.4 million related to the early redemption of Series 2005C-1 Bonds. Furthermore, the principal amortization for Series 2011A Bonds and Series 2014 Bonds started in Fiscal Year 2016.

Source: Harbor Department of the City of Los Angeles

Fiscal Year 2017 Budget

The Adopted 2017 Budget represents a fiscal plan with resources dedicated to the Department's primary goals of maintaining its competitive edge while enhancing job creation and economic development for the local and surrounding communities and growing Port business in a sustainable and fiscally responsible manner. Accomplishing these goals comes with fiscal challenges, given a recovering economy, port competition and a changing shipping paradigm that includes an increase in alliances among shippers that have the potential to change cargo flows and increasing levels of terminal automation. The Adopted 2017 Budget was formulated based on certain financial metrics in line with the Department's Financial Policies (described below), in particular, to ensure a minimum level of debt service coverage and a minimum level of cash reserves, as well as a separately established key financial metric of a minimum operating margin of 45% (calculated as the operating income before depreciation divided by total operating revenues).

The Adopted 2017 Budget is comprised of three primary components, which includes $452.8 million in operating revenues, $249.0 million in operating expenses and $210.3 million in capital expenditures. Budgeted Fiscal Year 2017 operating revenues have increased by approximately 9% as compared to the average for the previous four Fiscal Years while Budgeted Fiscal Year 2017 operating expenses have increased by 10% as compared to the average for the previous four Fiscal Years. The Adopted Fiscal Year 2017 Budget includes a 5.7 % growth in operating revenues as compared to the budget for Fiscal Year 2016, driven primarily by expected growth in cargo volumes. The Adopted Fiscal Year 2017 Budget also includes a 1.7% increase in total operating expenses as compared to the budget for Fiscal Year 2016, due primarily to mandated MOU Salary & Benefit increases. The Fiscal Year 2017 capital budget, has decreased by approximately 39% as compared to the average of the previous four Fiscal Years, primarily due to the completion of several phases of the TracPac Terminal Expansion project as well as the completion of major transportation projects such as the South Wilmington Grade Separation and the Berth 200 Rail Yard.

For planning purposes, the Department has developed and uses financial projections based on assumptions the Department believes to be conservative as one of its management tools. This allows the Department to see the potential effects of changes in revenues and expenses on its cash position and debt capacity.

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Other Financial Matters

Debt Service on the Parity Obligations. Debt service on the Series 2016 Bonds and the other Parity Obligations (excluding the Refunded Bonds) is shown in the following Table 12.

Table 12
Port of Los Angeles
Debt Service on Parity Obligations[1]

Fiscal Year Ended June 30	Series 2016A Bonds Principal	Series 2016A Bonds Interest	Series 2016B Bonds Principal	Series 2016B Bonds Interest	Series 2016C Bonds Principal	Series 2016C Bonds Interest	Total Debt Service Requirements for Series 2016 Bonds	Total Debt Service Requirements on Other Parity Obligations[2]	Total Debt Service Requirements
2017	$ –	$ 1,293,090	$ -	$ 928,425	$ –	$ 422,460	$ 2,643,975	$ 84,925,713	$ 87,569,688
2018	13,055,000	4,114,475	835,000	3,086,400	–	1,408,200	22,499,075	57,647,688	80,146,763
2019	20,685,000	3,504,950	855,000	3,065,225	–	1,408,200	29,518,375	55,365,338	84,883,713
2020	12,025,000	2,850,750	890,000	3,034,600	–	1,408,200	20,208,550	65,141,588	85,350,138
2021	22,610,000	2,045,000	920,000	2,998,400	–	1,408,200	29,981,600	54,860,813	84,842,413
2022	14,085,000	1,127,625	960,000	2,956,000	–	1,408,200	20,536,825	64,811,169	85,347,994
2023	1,710,000	732,750	1,010,000	2,906,750	–	1,408,200	7,767,700	77,726,513	85,494,213
2024	–	690,000	1,060,000	2,855,000	–	1,408,200	6,013,200	80,526,019	86,539,219
2025	13,800,000	345,000	1,105,000	2,800,875	–	1,408,200	19,459,075	64,982,813	84,441,888
2026	–	–	1,150,000	2,744,500	–	1,408,200	5,302,700	81,352,356	86,655,056
2027	–	–	–	2,715,750	–	1,408,200	4,123,950	70,338,250	74,462,200
2028	–	–	–	2,715,750	–	1,408,200	4,123,950	31,602,875	35,726,825
2029	–	–	–	2,715,750	–	1,408,200	4,123,950	31,684,750	35,808,700
2030	–	–	–	2,715,750	–	1,408,200	4,123,950	31,580,900	35,704,850
2031	–	–	7,700,000	2,523,250	–	1,408,200	11,631,450	23,804,175	35,435,625
2032	–	–	8,085,000	2,128,625	–	1,408,200	11,621,825	23,803,025	35,424,850
2033	–	–	8,485,000	1,714,375	–	1,408,200	11,607,575	23,905,125	35,512,700
2034	–	–	8,905,000	1,279,625	–	1,408,200	11,592,825	23,908,625	35,501,450
2035	–	–	9,310,000	870,800	–	1,408,200	11,589,000	23,908,750	35,497,750
2036	–	–	9,675,000	491,100	–	1,408,200	11,574,300	23,908,625	35,482,925
2037	–	–	7,440,000	148,800	2,610,000	1,356,000	11,554,800	23,914,500	35,469,300
2038	–	–	–	–	10,445,000	1,094,900	11,539,900	17,310,750	28,850,650
2039	–	–	–	–	10,860,000	668,800	11,528,800	17,310,500	28,839,300
2040	–	–	–	–	11,290,000	225,800	11,515,800	17,313,875	28,829,675
2041	–	–	–	–	–	–	–	17,309,375	17,309,375
2042	–	–	–	–	–	–	–	17,315,250	17,315,250
2043	–	–	–	–	–	–	–	17,314,625	17,314,625
2044	–	–	–	–	–	–	–	17,310,875	17,310,875
2045	–	–	–	–	–	–	–	17,307,125	17,307,125
Total	$97,970,000	$16,703,640	$68,385,000	$47,395,750	$35,205,000	$30,523,760	$296,183,150	$1,158,191,982	$1,454,375,132

[1] Total debt service on the Series 2016 Bonds and the other Parity Obligations (excluding the Refunded Bonds). As of the date of this Official Statement, the Department did not have any Commercial Paper Notes outstanding. Numbers may not total due to rounding to nearest dollar.

[2] Includes Fiscal Year 2017 debt service payment made on August 1, 2016, and accrued interest on the Refunded Bonds to be paid from available moneys of the Department.

Source: Harbor Department of the City of Los Angeles

Financial Transactions with the City of Los Angeles. The Department is a self-supporting, revenue-producing enterprise fund of the City. Revenues, expenditures, assets and liabilities of the Department are accounted for on a separate basis from other funds of the City and maintained in trust for the people of the State pursuant to the tidelands grants. See "THE PORT AND THE DEPARTMENT—Introduction and Organization—Tidelands Trust Properties."

The Department makes annual payments to the City for services rendered by the City on behalf of the Department ("City Services"). Estimated payments are included in the Department's annual budget. For Fiscal Year 2015, City Services payments totaled approximately $34.8 million. For Fiscal Year 2016, unaudited City Services payments totaled approximately $37.8 million. For Fiscal Year 2017, the Department has budgeted approximately $42.4 million for City Services payments. Pursuant to a Settlement Agreement entered into by the City and the Department in 1997 (the "1997 Settlement Agreement"), the City and the Department established a methodology for billing for City Services. In settlement of certain disputes arising under the 1997 Settlement Agreement, the City agreed to reimburse the Department approximately $61.8 million plus 3% interest by crediting the Department's annual City Services payment up to and terminating upon the payment covering the period ended June 30, 2016. The annual credit is applied against amounts owed to the City by the Department for City Services. The annual credit is $5,127,397 and terminated at the end of Fiscal Year 2016. See Note 15(a) of the Audited Financial Statements of the Department attached hereto as "APPENDIX A—AUDITED FINANCIAL STATEMENTS OF THE HARBOR DEPARTMENT FOR THE FISCAL YEARS ENDED JUNE 30, 2015 AND 2014."

Alameda Corridor. The Alameda Corridor Transportation Authority ("ACTA") is a joint exercise of powers authority created by the City and the City of Long Beach, pursuant to the Joint Exercise of Powers Act, State Government Code Section 6500 and following (as it may be amended and supplemented), and operating under an Amended and Restated Joint Exercise of Powers Agreement, dated as of December 18, 1996, as amended, between the City and the City of Long Beach, for the purpose of establishing a comprehensive transportation corridor and related facilities consisting of street and railroad rights-of-way and an improved highway and railroad network along Alameda Street between the Santa Monica Freeway and the Ports in San Pedro Bay, linking the San Pedro Bay Ports to the main east-west rail line in the central Los Angeles area. The Alameda Corridor began operating on April 15, 2002. ACTA is governed by a seven-member board which is comprised of two members from each of the San Pedro Bay Ports, one each from the City and the City of Long Beach and one from the Los Angeles County Metropolitan Transportation Authority. In the future, ACTA may make payments to or require Shortfall Advances (as defined herein) from the San Pedro Bay Ports; any such payments or Shortfall Advances will be shared equally. As of June 30, 2016, ACTA had outstanding approximately $2.2 billion aggregate principal of and accrued interest on taxable and tax-exempt bonds (collectively, the "ACTA Obligations"). As of June 30, 2016, the Department has no share of ACTA's assets and income. See Note 16C of the Audited Financial Statements of the Department attached hereto as "APPENDIX A—AUDITED FINANCIAL STATEMENTS OF THE HARBOR DEPARTMENT FOR THE FISCAL YEARS ENDED JUNE 30, 2015 AND 2014."

In October 1998, the San Pedro Bay Ports, ACTA, the Union Pacific, and BNSF ("BNSF" and together with Union Pacific, the "Railroads") entered into the Alameda Corridor Use and Operating Agreement, as amended (the "Corridor Agreement"). The Corridor 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 Corridor Agreement requires the San Pedro Bay Ports, 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 Corridor Agreement, the San Pedro Bay Ports are each obligated to make up one-half of any deficiency in the payment of debt service on the ACTA Obligations. However, the San Pedro Bay Ports 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, each of San Pedro Bay Ports is not required to make

Shortfall Advances that should have been paid by the other party. Based upon the unaudited June 30, 2016 outstanding amount of the ACTA Obligations, the San Pedro Bay Ports are potentially liable for a maximum of approximately $1.575 billion (the Department and the Port of Long Beach each being liable for approximately $787.5 million) of debt service payments on the ACTA Obligations through 2037. Pursuant to the Corridor Agreement, the Department is obligated to include any forecasted Shortfall Advances in its budget for each fiscal year. The San Pedro Bay Ports 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 San Pedro Bay Ports were again required to pay Shortfall Advances in calendar year 2012 when they paid a total of $5.9 million ($2.95 million each) for debt service payments due on October 1, 2012. The San Pedro Bay Ports were not required to pay Shortfall Advances in calendar years 2013, 2014 and 2015 and do not expect to pay Shortfall Advances in 2016. The Department expects that it (and the Port of Long Beach) may be required to make one or more additional Shortfall Advances between the date of this Official Statement and 2037. The Department, however, cannot presently predict either the amount or timing of any such Shortfall Advances.

In connection with ACTA's issuance of $83,710,000 of refunding bonds in 2012 (the "Series 2012 ACTA Bonds"), the Department and the Port of Long Beach entered into a debt service reserve surety agreement (the "Series 2012 ACTA Surety Agreement"). Pursuant to the Series 2012 ACTA Surety Agreement, the Department and the Port of Long Beach 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 Department's (and the Port of Long Beach's) 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 $3.1 million to the debt service reserve fund for the Series 2012 ACTA Bonds, thereby reducing the Surety Obligation Payments to a maximum of approximately $2.0 million each for the Department and the Port of Long Beach. The Department's (and the Port of Long Beach'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.

In May 2016 ACTA refunded its Series 2004 A Bonds. By extending the payment of principal that was scheduled to mature in fiscal years 2017 through 2026, projected shortfall advance payments by the Department and the Port of Long Beach 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 payments for the two ports through fiscal year 2026.

The Department's obligation to make Shortfall Advance payments and Surety Obligation Payments is subordinated to other obligations of the Department, including the Series 2016 Bonds, and the Department is not required to take Shortfall Advance payments or Surety Obligation Payments into account when determining whether it may incur additional indebtedness or when calculating compliance with rate covenants under their respective bond indentures and resolutions. The 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 Department and the Port of Long Beach 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.

Historical Cash Balances. The following Table 13 sets forth the ending cash balances in the Harbor Revenue Fund and the Department's unrestricted and restricted funds for Fiscal Years 2012 through 2016 (unaudited).

Table 13
Port of Los Angeles
Historical Ending Cash Balances
(in thousands of dollars)

	2012	2013	2014	2015	Unaudited 2016
Unrestricted Funds					
Harbor Revenue Fund	$182,253	$99,095[1]	$ 53,774[2]	$230,429[3]	$221,920
Harbor Special Operating Fund	202,396	199,533	160,591	160,449	160,449
Emergency/ACTA Reserve Fund	47,368	47,439	47,475	47,511	47,608
Others	12,338	5,726	889	3,445	3,327
Total Unrestricted Funds	$444,355	$351,793	$262,729	$441,834	$433,303
Restricted Funds					
China Shipping Mitigation Fund	$34,041	$34,305	$26,836	$22,623	$19,017
Community Aesthetic Fund for Parks	2,572	475	–	–	–
Community Mitigation Trust Fund—TraPac	122	108	108	109	111
Clean Truck Fee Fund	3,717	521	227	226	30
Batiquitos L/T Investment Fund[4]	5,993	6,000	6,006	6,011	6,032
Bond Funds	67,796	57,913	58,054	97,461	95,283
Customer Security Deposits	3,225	3,183	3,184	3,159	3,140
Other	3,356	3,261	2,699	2,638	2,813
Total Restricted Funds	$120,821	$105,766	$ 97,114	$132,224	$126,426
Total Unrestricted and Restricted Funds	$565,176	$457,559	$ 359,843	$574,058	$559,729

[1] In Fiscal Year 2013, the Department funded its increased level of capital improvement projects, and repaid its 2002 Series A Bonds and a loan provided by the State from its cash flows from operations and cash position.
[2] In Fiscal Year 2014, the Department funded its increased level of capital improvement projects from its cash flows from operations and cash position.
[3] In Fiscal Year 2015, the Department reimbursed the Harbor Revenue Fund with a portion of the proceeds of the Series 2014 Bonds for capital improvement expenditures that had previously been fund with cash on deposit in the Harbor Revenue Fund.
[4] As environmental mitigation, the Department created a fund to pay certain maintenance expenses at the Batiquitos Lagoon.
Source: Harbor Department of the City of Los Angeles

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Investment of Funds. Moneys on deposit in all of the Department's unrestricted funds and the majority of the Department's restricted funds are currently held and invested by the Treasurer of the City (the "Treasurer") in the Treasurer's general pooled investment fund (the "Pool"). Gains and losses on the Pool's investments are allocated on a pro rata basis. The assets of the Pool as of June 30, 2016 are shown in the following Table 14:

Table 14
City of Los Angeles Pooled Investment Fund Investments
As of June 30, 2016

	Market Value (millions)	Percent of Total
Treasury Notes	$4,821	55.57%
Commercial Paper	1,415	16.31
Corporate Notes	1,322	15.23
U.S. Agencies/Munis/Supras	1,036	11.94
Bank Deposits	71	0.83
Certificates of Deposit – Negotiable	10	0.12
Total	$8,675	100.00%

Source: City of Los Angeles, Office of the Treasurer

The latest Treasurer's reports of its investments are contained on the Treasurer's website at http://finance.lacity.org/content/investmentReports.htm.

The City's treasury operations are managed in compliance with the State Government Code and according to a statement of investment policy which sets forth permitted investment vehicles, liquidity parameters and maximum investment maturities. The investment policy is reviewed and authorized by the City Council on an annual basis.

The Treasurer has indicated that none of the moneys on deposit in the Pool are currently invested in leveraged products, structured notes or inverse floating rate notes. The investment policy permits the use of reverse repurchase agreements subject to limits of no more than 20% of the Pool, a maximum maturity of 92 days and matching of the maturity to the re-investment. The Treasurer has indicated, however, that no reverse repurchase agreements are currently utilized with respect to moneys on deposit in the Pool. The Department does not have control over the investment of moneys in the Pool; the Treasurer exercises authority over the purchase of securities and the utilization of investment options permitted under the investment policy.

The average life of the investment portfolio for the General Pool as of June 30, 2016 was 763 days.

The proceeds of Parity Obligations and other moneys required to be deposited by the Department to the funds and accounts established under the Indenture and the Issuing Documents will be held and invested by the Trustee, at the direction of the Department, in investments permitted thereunder. The Department has previously deposited proceeds of certain Parity Obligations into the Common Reserve. The Department anticipates that such moneys will be invested in U.S. Treasury securities, federal agency securities or as otherwise permitted in the Indenture and the applicable Issuing Documents.

Audits. The Department will cause its books and accounts to be audited annually by an independent firm of certified public accountants and will make available for inspection by the Owners and the Trustee, at the office of the Department, a copy thereof, or a summary financial statement, upon request, to any Bond Owner. See "APPENDIX A—AUDITED FINANCIAL STATEMENTS OF THE HARBOR DEPARTMENT FOR THE FISCAL YEARS ENDED JUNE 30, 2015 AND 2014" for a copy of the Department's most recent audited financial statements.

Insurance. The Indenture requires the Department to maintain and will continue to or cause to be procured and maintained insurance on the Harbor Assets with responsible insurers in such amounts and against such risks (including accident to or destruction of the Harbor Assets) as are usually covered in connection with harbor facilities similar to the Harbor Assets and owned by harbor departments similar to the Department so long as such insurance is available from reputable insurance companies at reasonable cost.

The Department will procure and maintain such other insurance which it deems advisable or necessary to protect its interests and the interests of the Owners, which insurance will afford protection in such amounts and against such risks as are usually covered in connection with similar harbor facilities owned by harbor departments similar to the Department.

Any insurance described in the above paragraphs may be maintained under a self-insurance program so long as such self-insurance is maintained in the amounts and manner usually maintained in connection with harbor facilities similar to those of the Department, and owned by harbor departments similar to the Department and is, in the opinion of an accredited actuary, actuarially sound.

The Department's insurance program includes both property and casualty insurance. The property insurance program currently includes an all-risk policy with limits of $1.5 billion per occurrence, including terrorism coverage, for all risks of direct loss or damage to the Port's buildings, structures and personal property, and for all perils except earthquake and flood. The insurer providing the property insurance is rated "A+" from A.M. Best and "aa" for the long-term issuer credit rating.

The Department has determined that it is not required under the Indenture to maintain insurance against earthquake damage, although earthquake and flood perils, among other contingencies, are presently covered by a discretionary self-insurance emergency fund administered by the Department that had a balance of approximately $47.608 million as of June 30, 2016. However, the Port, like the entire City, is located within a seismically active region. See "CERTAIN INVESTMENT CONSIDERATIONS—Seismic Activity."

The Department also maintains comprehensive general liability insurance, which includes terrorism coverage, in the amount of $150 million per occurrence for damages including death, personal injury, bodily injury, or property damage which includes a self-insured retention of $1 million. Department tenants, vendors and contractors are required to provide a minimum of $1 million of liability insurance, and to add the City as additional insured on their respective policies. The primary insurer is rated "A" per A.M. Best.

The Department's Workers' Compensation obligations are self-insured and administered by the City's Personnel Department.

Labor Relations. The Port is a significant source of employment in the region. While the Department employs fewer than 1,000 persons, tenants of the Port employ approximately 6,400 persons and employment within port related industries exceed 16,000 jobs, approximately 85% of which are related to trading and warehousing. See "THE PORT AND THE DEPARTMENT—Stevedoring and Cargo Handling" with respect to the labor relations involving the tenants of the Port.

Like most City departments, the majority of Department employees are represented by unions. The Department's employees belong to 22 different bargaining units, which are represented by 11 different unions. The City is in negotiations with two bargaining units, which are represented by two different unions. The following is a list of all agreements with collective bargaining units and their expiration dates as of the date of this Official Statement.

Union	Bargaining Units	Agreement Period*
American Federation of State, County and Municipal Employees, AFL-CIO ("AFSCME")	Clerical and Support Employees	July 1, 2015 to June 30, 2018**
AFSCME	Executive Administrative Assistants	July 1, 2015 to June 30, 2018**
Engineers and Architects Association	Administrative; Supervisory Administrative; Technical; Supervisory Technical	July 2, 2013 to June 22, 2019
International Union of Operating Engineers, Local 501	Plant Equipment Operation and Repair	July 1, 2015 to June 30, 2018**
Los Angeles City Supervisors and Superintendents Association/Laborer's International Union of North America, Local 777	Supervisory Blue Collar	July 1, 2015 to June 30, 2018**
Los Angeles County Building and Construction Trades Council, AFL-CIO	Building Trades; Supervisory Building Trades	July 1, 2015 to June 30, 2018**
Los Angeles Port Pilots Association ILWU, Local 68	Port Pilots	July 1, 2014 to June 24, 2017
Los Angeles Port Police Association	Harbor Peace Officers	July 1, 2014 to June 23, 2018
Los Angeles Port Police Command Officers Association	Port of Los Angeles Command Officers	July 1, 2014 to June 23, 2018
Los Angeles Professional Managers Association ("LAPMA")	Managers	July 1, 2015 to June 30, 2018**
LAPMA	Personnel Directors	Initial Memorandum of Understanding is currently being negotiated
Municipal Construction Inspectors Association, Inc.	Inspectors	June 1, 2011 to June 30, 2014
Service Employees International Union ("SEIU") AFL-CIO, Local 721	Equipment, Operation and Labor; Safety and Security; Service Employees; Service and Crafts	July 1, 2015 to June 30, 2018**
SEIU	Professional Engineering and Scientific; Supervisory Professional Engineering and Scientific	July 1, 2015 to June 30, 2018**

* The City and respective unions continue to honor the terms of expired employment contracts so long as negotiations are on-going.
Source: Harbor Department of the City of Los Angeles
** These agreements were negotiated by unions that are members of the Coalition of L.A. City Unions. These unions work in solidarity to negotiate labor agreements together, which accounts for why all these agreements have identical periods.

Retirement Plans. Approximately 86% of the Department's full-time employees participate in the Los Angeles City Employees' Retirement System ("LACERS"), administered by the City. The remaining 14% of the Department's full-time employees, comprised of certain members of the Port Police, participate in the Los Angeles Fire and Police Pension System ("LAFPP" or "FPPP").

The LACERS plan and the LAFPP plan are the obligation of the City, which is responsible for the funding of LACERS, LAFPP and for the determination and resolution of any unfunded LACERS or LAFPP liabilities. Under requirements of the City Charter, the Department makes contributions to LACERS with respect to its employees in amounts determined by the City.

Retired members and surviving spouses and domestic partners of LACERS and LAFPP members are eligible for certain subsidies toward their costs of medical and dental insurance. Both LACERS and LAFPP advance fund retiree health insurance benefits for current retirees and active eligible members for many years, funding the annual contribution recommended by their actuaries. Prior to Fiscal Year 2012, there were no member contributions for health subsidy benefits; all such costs were funded from the employer's contribution and investment returns thereon. Beginning in Fiscal Year 2012, in addition to employer contributions and investment returns, members are required to contribute towards the costs for health subsidy benefits.

According to the LACERS' Actuarial Valuation and Review of Retirement and Health Benefits as of June 30, 2015 (the "LACERS Valuation Report"), LACERS had an unfunded actuarial accrued liability ("UAAL") of approximately $5.183 billion with respect to retirement benefits and approximately $538 million with respect to health subsidy benefits as of June 30, 2015. As of June 30, 2014, LACERS had an UAAL of approximately $5.304 billion with respect to retirement benefits and approximately $722 million with respect to health subsidy benefits. The LACERS Valuation Report also indicated that as of June 30, 2015, LACERS had a funded ratio (based on the actuarial value of the assets of LACERS) of 69.4% with respect to retirement benefits and 79.7% with respect to health subsidy benefits. As of June 30, 2014, LACERS had a funded ratio (based on the actuarial value of the assets of LACERS) of 67.4% with respect to retirement benefits and 72.9% with respect to health subsidy benefits. The funded ratio compares the actuarial value of assets to the actuarial accrued liabilities of a pension plan. The ratios change every valuation year, reflecting asset performance, demographic changes, actuarial assumption/method changes, benefit structure changes or a variety of other actuarial gains and losses. The LACERS Valuation Report indicated that as of June 30, 2015, LACERS had a funded ratio (based on the market value of the assets of LACERS) of 70.5% with respect to retirement benefits and 81.0% with respect to health subsidy benefits. As of June 30, 2014, LACERS had a funded ratio (based on the market value of the assets of LACERS) of 72.6% with respect to retirement benefits and 78.5% with respect to health subsidy benefits.

According to the LAFPP's Actuarial Valuation and Review of Pension and Other Postemployment Benefits ("OPEB") as of June 30, 2015 (the "LAFPP Valuation Report"), LAFPP had a UAAL of approximately $1.567 billion with respect to retirement benefits and approximately $1.618 billion with respect to health subsidy benefits as of June 30, 2015. As of June 30, 2014, LAFPP had an UAAL of approximately $2.436 billion with respect to retirement benefits and approximately $1.582 billion with respect to health subsidy benefits. The LAFPP Valuation Report also indicated that, as of June 30, 2015, LAFPP had a funded ratio (based on the actuarial value of the assets of LAFPP) of 91.5% with respect to retirement benefits and 45.4% with respect to health subsidy benefits. As of June 30, 2014, LAFPP had a funded ratio (based on the actuarial value of the assets of LAFPP) of 86.6% with respect to retirement benefits and 43.2% with respect to health subsidy benefits. The funded ratio compares the actuarial value of assets to the actuarial accrued liabilities of a pension plan. The ratios change every valuation year, reflecting asset performance, demographic changes, actuarial assumption/method changes, benefit structure changes or a variety of other actuarial gains and losses. The LAFPP Valuation Report indicated that as of June 30, 2015, LAFPP had a funded ratio (based on the market value of the assets of LAFPP) of 94.6% with respect to retirement benefits and 46.9% with respect to health subsidy benefits. As of June 30, 2014, LAFPP had a funded ratio (based on the market value of the assets of the LAFPP) of 93.8% with respect to retirement benefits and 46.8% with respect to health subsidy benefits.

The Department contributed approximately $20.769 million and $21.919 million to LACERS in Fiscal Years 2015 and 2016, respectively, and these contributions included both retirement benefits and OPEB. In each of these Fiscal Years, the Department contribution was equal to 100% of its annual required contribution as calculated by LACERS and its actuaries. The Department has contributed approximately $21.761 million to LACERS for Fiscal Year 2017, its annual required contribution as calculated by LACERS and its actuaries.

The Department contributed approximately $4.385 million and $4.237 million to LAFPP in Fiscal Years 2015 and 2016, respectively, which contributions included both retirement benefits and OPEB. In each of these Fiscal Years, the Department contribution was equal to 100% of its annual required contribution as calculated by LAFPP and its actuaries. The Department has contributed approximately $4.548 million to LAFPP for Fiscal Year 2017, its annual required contribution as calculated by LAFPP and its actuaries.

The valuations incorporate a variety of actuarial methods, some of which are designed to reduce the volatility of contributions from year to year. When measuring the value of assets for determining the UAAL, many pension plans, including LACERS and LAFPP, smooth market value gains and losses over a period of years to reduce volatility. These smoothing methodologies result in an actuarial valuation of assets that are higher or lower than the market value of assets. LACERS and LAFPP recently amended their smoothing methodologies. For additional information regarding LACERS and LAFPP, see "APPENDIX B—CERTAIN INFORMATION REGARDING THE CITY OF LOS ANGELES—SELECTED INFORMATION REGARDING THE CITY'S RETIREMENT AND PENSION SYSTEMS AND OTHER POST-EMPLOYMENT BENEFITS." See also "APPENDIX A—AUDITED FINANCIAL STATEMENTS OF THE HARBOR DEPARTMENT FOR THE FISCAL YEARS ENDED JUNE 30, 2015 AND 2014."

Financial Policies

In September 2008 the Department established Financial Policies designed to provide effective financial guidelines and management, to establish financial controls, assist in reporting accurate financial results, promote consistent financial practices, operational efficiencies and best practices and promote compliance with applicable laws, regulations, and accounting and reporting standards. The Department's financial policies address fiscal, leasing, capital improvement plan funding, financial reserve, risk management, disclosure, and debt management topics, and are intended to be reviewed annually and when necessary to address continued relevance and appropriate application. Key themes in the Department's Financial Policies are prudence, transparency, sustainability and accountability.

The Department's Financial Policies described below were most recently updated in October 2014 and approved by the Board in January 2015. The full Financial Policies are posted on the Port's website: http://www.portoflosangeles.org/pdf/POLA_Financial_Policies.pdf, however, such website, and the information contained therein are not incorporated into, and are not part of, this Official Statement.

Fiscal Policies. The objective of the Department's Fiscal Policies is to balance prudently the Department's core business requirements and strategic objectives with its financial resources. Pursuant to the City Charter, moneys deposited in the Harbor Revenue Fund may be appropriated or used for limited purposes. Pursuant to its Fiscal Policies, annually the Board will adopt a budget that is consistent with Department's commitment to its strategies and goals as provided in the Department's strategic plan (the

"Strategic Plan"). Recommendations to the Board which do not comply with the Department's Fiscal Policies must be identified as noncompliant in an appropriate report. The Department's annual financial statements will be presented to the Board upon the conclusion of the audit process. The Department will maintain Fiscal Policies designed to hold ratings commensurate with strategy and sustain transparency and accountability to its stakeholders.

Budgetary Policies. Under the Department's Budget Policy, the Department prepares an annual budget plan for the Board's review consistent with the established strategy and priorities of the Department, with the requirements of the Charter and the guidelines of the Mayor of the City. At the beginning of each budget year, and after consultation with the Board, the Executive Director of the Department will provide a letter to the head of each division, which will set forth the financial targets for the coming Fiscal Year.

Additionally, under the Budget Policy, (a) current appropriations for all funds are limited to the sum of available, unrestricted cash balances and revenues estimated to be received in the current budget year, and when necessary, debt issuance; (b) all divisions are required to operate within the adopted budget; (c) capital assets owned by the Department are required to be maintained on a regular schedule; (d) all Department funds are reconciled at the close of the Fiscal Year to determine the available cash balance at year-end; and (e) Board reports are required to include fiscal impact and economic benefit discussions as to how the proposed action may affect the budget, the Department's financial condition, any benefits to the job market, plus the estimated costs and or benefit of the program or service in the current and future years.

Revenue and Expense Policies. The Department's Revenue and Expense Policies include the following key components: (a) charges and fees for facilities and services provided to its customers are structured to allow for marginal cost pricing and for the recovery of both direct and indirect costs incurred in the operation of the Port; (b) permit fees will be consistent with the Department's Leasing Policy; (c) shipping revenues, revenue from the rental of the Port's land and buildings (i.e., revenue from permit and lease agreements), and fee and royalty revenues collected by the Department permit the recovery of the cost of providing services and improvements and the Department will conduct regular reviews of its fee structure, rentals and charges for services, and other operating revenues and expenditures; (d) user charges, rents and fees are pursued and levied to support the cost of operations for which such amounts are charged, including direct, indirect and capital costs; (e) the marginal revenue from any operating activity must exceed the marginal cost of the activity; (f) operating expenses must be funded in whole by operating revenues; (g) the Department will limit financial support of programs funded by federal, state and private grants to avoid commitments that continue beyond available funding; and (h) the Department will seek new and diverse revenues.

Leasing Policy. See "THE PORT AND THE DEPARTMENT—Operating Data—Rental Property" for a discussion of the Department's Leasing Policy.

Capital Improvement Plan Funding Policy. Amounts budgeted by the Department for capital improvements are taken from the Department's Capital Improvement Plan ("Capital Improvement Plan"). The Capital Improvement Plan is a planning document which provides that Port facilities may be funded by a variety of sources including the Harbor Revenue Fund, long-term and short-term debt and grants, all subject to the review and approval of the Executive Director. Under the Capital Improvement Plan Funding Policy, capital projects are evaluated based on many factors including anticipated revenue to be generated from the capital project, incremental estimated management and operations expense, total project cost, project contingencies, job creation and if the capital project promotes recreation. All capital projects must be approved by the Board.

Financial Reserve and Target Balance Policy. The Department's Financial Reserve and Target Balance Policy (the "Financial Reserve Policy") seeks to, among other things, (a) meet or exceed all debt indenture and City Charter requirements, (b) maintain access to capital markets and other sources of capital funding at the most efficient cost of funds, (c) manage financial risks prudently by maintaining required and additional financial reserves to meet the Department's financial needs, and (d) establish prudent levels of liquidity. The Department may seek, through the approval of the Board, the establishment of reserve funds for the Department. Currently, the Department's reserve funds include among others: an Emergency/ACTA Reserve Fund, established for unanticipated expenditures, disaster related recovery and Alameda Corridor revenue shortfalls, and the current minimum amount approved to be held in this fund is $47 million; revenue bond reserve funds (including the Common Reserve), established to meet the requirements of the Issuing Documents; and a Special Operating Fund which combined with the balance in the Emergency/ACTA Fund would provide for approximately one year of operating expenses. Per the Financial Reserve Policy, the target balance in the Special Operating Fund is equal to the difference between (i) the average of the Department's operating expenses for the four most recent Fiscal Years and the adopted budget for the current Fiscal Year and (ii) the balance in the Emergency/ACTA Fund.

Risk Management Policy. The Department's Risk Management Policy is designed to provide for the continuous identification, analysis and control of risk exposures, the determination of the best methods of preventing or limiting losses and the selection of the most economical method of financing losses through insurance or other means. The Department implements the following techniques under the Department's Risk Management Policy: (a) assumption of loss, (b) use of available government programs, (c) purchase of insurance; and (d) transfer options and any other program that will provide the Department with the most economical method of financing losses. Under the Department's Risk Management Policy, the Department will consider the purchase of insurance in the following cases: (a) the estimate of the cost of potential loss exceeds an amount considered as an allowable retention of risk and there are no other techniques available at a lesser cost; (b) services of loss adjustment and loss prevention are best secured through an insured program; and (c) legal or contractual obligations require insurance.

Disclosure Policy. The Department's Disclosure Policy is designed to outline procedures for the preparation, review and dissemination of the Department's disclosure documents, which include primary offering disclosure documents and continuing disclosure filings, in order to ensure that such disclosure documents are accurate, complete and timely.

Debt Management Policy. The objectives of the Department's Debt Management Policy include, among others, (a) maintaining the Department's existing credit ratings; (b) providing for an efficient overall cost of borrowing for the Department; (c) providing specific guidelines for the overall management of the Department's debt; (d) establishing a process for selecting consultants to assist the Department in the issuance and management of the Department's debt; and (e) supporting the Department's strategic plan objectives. The Debt Management Policy requires (i) the Department to maintain a minimum debt service coverage of 2.0x, and (ii) that the Department's variable rate exposure on long-term debt not exceed 20%.

CERTAIN INVESTMENT CONSIDERATIONS

The purchase and ownership of the Series 2016 Bonds involves investment risk and may not be suitable for all investors. Prospective purchasers of the Series 2016 Bonds are urged to read this Official Statement, including all Appendices, in its entirety. The factors set forth below, among others, may affect the security for the Series 2016 Bonds. However, the following does not purport to be an exhaustive listing of all considerations which may be relevant to investing in the Series 2016 Bonds. In addition, the order in which the following information is presented is not intended to reflect the relative importance of these considerations.

Ability To Meet Rate Covenant

As described in "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2016 BONDS" above, the Department has covenanted under the Indenture that it will fix rates, tolls and charges, rentals for leases, permits and franchises, and compensations or fees for franchises and licenses, at levels described herein.

In the State, marine terminal services and facilities are priced through permits, leases, 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 Department's shipping revenues are generated by such agreements. As payments under those agreements are usually based on current tariff rates, the 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 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 AND THE DEPARTMENT—Operating Data—Terminal Operations" above and "—Port Competition" below.

Demand for Port Facilities

The demand for Port facilities is significantly influenced by a variety of factors, including, among others, the global and domestic economic and political conditions, governmental regulations, fuel prices, currency values, international trade, the availability and costs of effective labor support, availability and costs of vessels, containers and insurance, the adequacy and location of major distribution hubs, the financial condition of maritime-related industries, the increase of operational alliances and other structural conditions affecting maritime carriers.

Recently, one of the largest factors affecting demand at the Port and the Port of Long Beach has been congestion which is a result of ocean carriers divesting chassis (described below) ownership, shipping alliances and consolidation of the container ship industry (see "—Alliances and Consolidation of Container-Shipping Industry" below), prolonged labor contract negotiation (see "—Impact of Labor Negotiations" below), and large volume ships straining marine terminal operating methods.

In the fall of 2014, marine terminals at the San Pedro Bay Ports began to experience congestion as terminals were unable to meet the surge in cargo volumes as a result of a rebounding economy and the holiday season peak. A major factor contributing to the congestion was a chassis imbalance. Chassis are the trailers towed by large trucks and specifically designed for the movement of containers by highway and surface streets to and from container terminals. The historical model for cargo movement at the San Pedro Bay Ports was for terminals to maintain a stock of shipping line-owned chassis to be available for truckers to tow the containers to off-dock destinations. If a marine terminal ran low of chassis available for truckers to utilize to pick-up containers, there was no method for chassis to be shared from other marine terminals or shipping lines. In March 2015, the San Pedro Bay Ports helped facilitate an agreement between the independent chassis providers to share chassis between the different marine terminals at both San Pedro Bay Ports and between shipping lines. The agreement is expected to decrease chassis shortages at certain terminals and aid in the efficient movement of cargo.

Marine terminals continue to adjust to the deployment of Very Large Container Carriers ("VLCCs"). The so-called "mega vessels" are 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 VLCCs. Five years ago, the average size vessel calling at the Port carried 8,000 TEUs. Today, vessels carrying up 13,000 TEUs call weekly and larger vessels have made calls, including the 18,000 TEU-capacity *Benjamin Franklin*, the largest container vessel to call North America. More of these vessels are expected to arrive in the coming years.

The utilization of the Port's facilities, and therefore the Revenues of the Department, are also impacted by the availability of alternate port facilities at competitive prices. See "—Port Competition" below.

Port Competition

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. The utilization of the Department's facilities, and therefore the revenues of the Department, is impacted by the availability of alternate port facilities at competitive prices. The revenues of the Department may be adversely impacted by increasing competition from other port facilities; however, the Department cannot predict the scope of any such impact at this time.

Primary competition for the Port comes from the Port of Long Beach, the Port of Oakland, the Ports of Seattle and Tacoma (in August 2015, the Ports of Seattle and Tacoma formed the Northwest Ports Alliance, a port development authority to jointly manage the container, breakbulk, auto and some bulk terminals at the Ports of Seattle and Tacoma), the Port of Vancouver and the Port of Prince Rupert, both located in British Columbia, Canada. All of these ports compete with the Port for discretionary intermodal cargo destined for locations in the Central and Eastern United States and Canada. Discretionary cargo makes up approximately 50% of cargo arriving at the Port. Currently, this discretionary cargo moves eastward primarily by rail, after being off loaded at West Coast ports in the United States and Canada. The volume of 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. The greatest risk to the Port's market share is with the intermodal discretionary cargo segment. The San Pedro Bay Ports also compete for both local cargo (e.g., cargo consumed within the locally defined region) and cargo routed through Southern California for other reasons (e.g., superior inland distribution capability).

Additional port facilities and enhancement thereto on the West Coast of North America, elsewhere in the United States and abroad (including, among others, the Port of Long Beach, the Port of Oakland, the Port of Portland, the Ports of Seattle and Tacoma, the Port of Vancouver and the Port of Prince Rupert) and improvements at the Panama Canal that would allow larger ships to traverse the canal, are currently in planning phases, in construction or recently opened and operating. Although each of these other ports and facilities currently has less capacity than the Port, a variety of factors may influence port tenants to alter their shipping practices. While the Revenues of the Department may be adversely impacted by increasing competition from other port facilities, the 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. If such fees are imposed, the Department may adjust the tariffs or other charges applicable to its ocean carriers to moderate some or all of the potential impact, which in turn may reduce revenues.

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. All-water service from Asia to the Gulf of Mexico and East Coast ports through the Panama Canal and, to a much lesser extent, through the

Suez Canal, also compete for the same cargos. Demand for these all-water services increased 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 (i.e., the lack of perceived labor shortages or stoppages). Constraints to all-water routes include lack of channel depth at many Gulf and East Coast ports compared to West Coast ports as well as vessel size limitations of the expanded Panama Canal. The latter constraint is being partially addressed by an expansion of the Panama Canal, completed and opened to commercial traffic in June 2016. The expanded Panama Canal will allow larger vessels able to carry up to 12,600 TEUs 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 container ships even larger than those of New Panamax size will not fit the newly expanded Panama Canal. At the beginning of August 2015, an expansion of the Suez Canal opened, which allows two-way traffic in the Canal and increased capacity for larger vessels. 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.

Additionally, APM Terminals has made a $900-million-dollar investment in Mexico's new Port of Lazaro Cardenas terminal facility scheduled to open this year, with a capacity of 1.2 million TEU. The facility is being built to accommodate the growth in the Mexico market, particularly for Mexico City. The facility also may provide for additional routing opportunities into the Gulf and Midwestern region. The reliability of rail service and cargo security through Mexico will continue to impact the degree of competition a port such as the Lazaro Cardenas terminal facility could present. Generally, as discussed above, any gateway expansion at any coast has the potential to impact the Port's container volume growth to varying degrees.

Overall cost is also a significant factor in cargo routing decisions. 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 in utilizing the Port. If such fees are imposed, the Department may adjust 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.

Consolidation, Alliance and Bankruptcy within the Containerized Cargo Industry

During the past 10 years, the containerized cargo industry has been under pressure resulting from a number of factors, including the world-wide recession of 2008 and 2009, overcapacity of available ships, high costs of acquiring larger ships, decreasing freight rates and volatile fuel costs. In response to these challenges, among others, shipping lines have either formed strategic mega shipping alliances or merged their operations.

In 2014, for example, six shipping companies formed the "G6 Alliance" which has received regulatory approval to cooperate internationally in carrying shipments between Asia and the U.S. West Coast and between Northern Europe and all United States' ports. In that same year, Hapag-Lloyd, a member of the G6 Alliance, merged with Compañia Sud Americana de Vapores (CSAV) to form the fourth largest containerized cargo shipping line. Later in 2014, Maersk and Mediterranean Shipping Company formed the 2M Alliance; CMA-CGM, China Shipping Container Lines and United Arab Shipping Co. formed the O3 Alliance; and COSCO, K-Line, Yang Ming and Hanjin Shipping received regulatory approval to include Evergreen Line into its vessel-sharing agreement in trans-Pacific and Atlantic routes.

More recently COSCO and China Shipping officially merged their fleets in February 2016, and subject to regulatory approval, together with the Evergreen Line, OOCL and CMA-CGM will enter into a new shipping alliance in April 2017 called the Ocean Alliance. This alliance will modify the composition of the G6 Alliance and the CKYHE Alliance. In July 2016, Hapag Lloyd entered into an agreement with United Arab Shipping Company ("UASC") to merge their collective operations and become the fifth largest container shipping company in the world. As of April 2017, subject to regulatory approval, Hapag Lloyd (including CSAV and UASC), NYK, MOL, K-Line and Yang Ming will operate under a newly formed alliance called "THE" (Transport High Efficiency) Alliance.

On July 18, 2016, it was announced that CMA-CGM acquired almost 100% of the outstanding shares of Neptune Orient Lines ("NOL"), parent company of APL which in turn owns Eagle Marine Services ("EMS"), a tenant at the Port of Los Angeles. The Department cannot predict the consequences of this or other realignments and consolidations or how long they will persist.

On August 31, 2016, Hanjin filed for bankruptcy protection in South Korea. Unlike certain other regional ports, Hanjin is not an operator of any terminal at the Port or a party to any terminal agreements with the Department. As such, the impact of this event on the Port may be limited to Hanjin's role as a shipping company and the correlated impact on the cargo industry generally. The Department is unable to predict at this time the consequences of Hanjin's bankruptcy filing or its impact on Port Revenues.

Security at the Port

As a result of the terrorist attacks of September 11, 2001, the Maritime Transportation Security Act ("MTSA") was signed into law on November 25, 2002 to require sectors of the maritime industry to implement measures designed to protect ports and waterways of the United States from a terrorist attack. MTSA requires interagency teamwork within the Department of Homeland Security, including the U.S. Coast Guard, the Transportation Security Administration ("TSA"), 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 the 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 included in this list. These regulations require, among other things, that port and vessels owners assess their vulnerabilities and then develop plans that may include implementing vehicle, container and baggage screening procedures, accessing control measures and/or installing surveillance equipment. The Department has procedures in place for compliance with MTSA.

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 Department and the surrounding waterways are particularly visible infrastructure assets that could be the subject of future attempted terrorist attacks. A terrorist attack on the Department or the surrounding waterways could have a material adverse effect on the collection of Revenues needed to repay the Series 2016 Bonds and the Department's other obligations. See "THE PORT AND THE DEPARTMENT—Introduction and Organization—Port Security."

Seismic Activity

The Port is located in an area that is 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 include the San Andreas and San Jacinto faults. A significant earthquake along these or other faults is possible during the period the Series 2016 Bonds will be outstanding.

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

The Department maintains a discretionary emergency reserve fund which at June 30, 2016 contained approximately $47.6 million, to cover, among other things, uninsured losses, including damages from earthquake. Other than the Department's self-funded reserve, the Department does not maintain insurance coverage against earthquake damage because of the high costs in proportion to the relatively low levels of coverage currently available. To date, no earthquakes have caused structural damage to Department facilities. See "FINANCIAL INFORMATION CONCERNING THE DEPARTMENT—Other Financial Matters—Insurance."

Pension Liability

As described in "FINANCIAL INFORMATION CONCERNING THE DEPARTMENT—Other Financial Matters—Retirement Plans," eligible employees of the Department participate in pension plans administered by the City. See also "APPENDIX B—CERTAIN INFORMATION REGARDING THE CITY OF LOS ANGELES—SELECTED INFORMATION REGARDING THE CITY'S RETIREMENT AND PENSION SYSTEMS AND OTHER POST-EMPLOYMENT BENEFITS." Given inherent volatility risk in various market indices, required contributions to the City pension plans by the Department as a percent of salaries may face increases that may or may not be material depending upon a variety of actuarial factors. It is not possible to predict future investment returns.

Environmental Compliance and Impact; Air Emissions

The Department is subject to legal and regulatory requirements relating to air emissions that may be generated by activities at the Department. Such requirements mandate and offer certain incentives for reductions of air pollution from ships, trains, trucks and other operational activities. Paying for mandated air pollution reduction infrastructure, equipment and other measures may become a significant portion of the Department's capital budget and operating budget. 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 forecasted amount.

In addition to the changing legal and regulatory guidelines for air emissions, the standards for required environmental impact review of Department development proposals under the CEQA and similar federal laws are becoming more rigorous and complex. Such modifications to the review process may significantly delay or curtail the Department's efforts to maintain and repair existing infrastructure or to add revenue-generating infrastructure. Additionally, the costs of such projects may be significantly increased to pay for environmental or air quality mitigations necessary to obtain regulatory approvals or survive potential challenges to the Department's environmental impact analysis and mitigation. See "THE PORT AND THE DEPARTMENT—Environmental and Regulatory Matters."

In addition, certain individuals or organizations may nonetheless seek legal remedies to require the Department to take further actions to mitigate health hazards or to seek damages in connection with the environmental impact of its seaport activities. The Department has developed its CAAP to mitigate such health risks. See "THE PORT AND THE DEPARTMENT—Environmental and Regulatory Matters—Clean Air Action Plan." Nonetheless, there is a risk that such legal action will be costly to defend, could result in substantial damage awards against the Department or curtail certain Department developments or operations.

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 State's major ports, including the Port. While noting that, among other things, sea-level rise can reduce bridge clearance, reduce efficiency of port operations or flood transportation corridors to and from ports, the report states that impacts are highly site-specific and somewhat speculative. The Department is unable to predict whether sea-level rise or other impacts of climate change will occur while the Series 2016 Bonds are outstanding, and if any such events occur, whether there will be an adverse impact, material or otherwise, on Revenues.

Termination or Expiration of Material Contracts

The Department has entered into a number of material contracts and other relationships relating to the use or operation of Port facilities. Should a significant number of the Department's permittees default on their obligations, terminate their relationships with the Department or fail to renew their commitments upon expiration, the amount of Revenues realized by the Department could be materially impaired and this could have an adverse impact on the holders of the Series 2016 Bonds. See "THE PORT AND THE DEPARTMENT—Operating Data—Rental Property."

Impact of Labor Negotiations

Recent protracted negotiations between the ILWU and the Association, although not involving any employees of the Department, had a compounding effect on congestion issues that had slowed down container cargo movement through the San Pedro Bay Ports since September 2014. The Association and the ILWU entered into a new contract on May 21, 2015, which was ratified by the ILWU membership on May 22, 2015, retroactive to July 1, 2014. The current contract expires on June 30, 2019. 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 May 2015. The protracted negotiations contributed to an extended slowdown of container cargo movements through the Port and the Port of Long Beach. The 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 decreased only slightly (0.23%). Prolonged work slowdowns or stoppages, if they occur, could materially adversely affect Department revenues.

Enforceability of Remedies

The remedies available to the Owners of the Series 2016 Bonds upon an event of default under the Indenture are in many respects dependent upon regulatory and judicial actions that are in many instances subject to discretion and delay. Under existing laws and judicial decisions, the remedies provided for in the Indenture may not be readily available or may be limited. Legal opinions to be delivered concurrently with the delivery of the Series 2016 Bonds will be qualified to the extent that the enforceability of certain legal rights related to the Series 2016 Bonds is subject to limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the enforcement of creditors' rights generally and by equitable remedies and proceedings generally and to limitations on legal remedies against cities in the State.

Tax Matters

See "TAX MATTERS" for additional tax-related risks.

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 "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. See "INTRODUCTION—Forward-Looking Statements."

CONTINUING DISCLOSURE

The Department will covenant for the benefit of Owners and beneficial owners of the Series 2016 Bonds to provide certain financial information and operating data relating to the Department and the Port (the "Annual Report") by not later than six months following the end of the Department's Fiscal Year (which Fiscal Year currently ends on June 30), commencing with the Annual Report for the Fiscal Year ended June 30, 2016, and to provide notices of the occurrence of certain enumerated events. The Annual Report and any notices of certain events will be filed by the Department with the MSRB through the EMMA system. The specific nature of the information to be contained in the Annual Report and the notices of certain events is set forth in "APPENDIX D—FORM OF CONTINUING DISCLOSURE CERTIFICATE." These covenants will be made in order to assist the underwriters for the Series 2016 Bonds in complying with Rule 15c2-12.

During the past five calendar years the Department was in compliance with its continuing disclosure undertakings except in the following instances: (i) its Fiscal Year 2012 annual report filing and audited financial statements were filed on December 5, 2012 and November 29, 2012, respectively, and only as they pertain to its Refunding Revenue Bonds 2011 Series A and 2011 Series B (the "2011 Bonds"), were inadvertently filed later than 181 days after the end of Fiscal Year 2012 due to missing 2011 Bonds CUSIP numbers in EMMA's database that resulted in such filings not being properly linked to the 2011 Bonds; and (ii) its Fiscal Year 2013 audited financial statements were filed on December 16, 2013, and only as it pertains to its 2011 Bonds, were inadvertently filed later than 181 days after the end of Fiscal Year 2013 due to missing 2011 Bonds CUSIP numbers in EMMA's database that resulted in such filings not being properly linked to the 2011 Bonds.

TAX MATTERS

Federal Income Taxes

The Internal Revenue Code of 1986, as amended (the "Code"), imposes certain requirements that must be met subsequent to the issuance and delivery of the Series 2016 Bonds for interest thereon to be and remain excluded from gross income for federal income tax purposes. Noncompliance with such requirements could cause the interest on the Series 2016 Bonds to be included in gross income for federal income tax purposes retroactive to the date of issue of the Series 2016 Bonds. Pursuant to the Indenture and the Tax and Nonarbitrage Certificate executed by the Department in connection with the issuance of the Series 2016 Bonds (the "Tax Certificate"), the Department has covenanted to comply with the applicable requirements of the Code in order to maintain the exclusion of the interest on the Series 2016 Bonds from gross income for federal income tax purposes pursuant to Section 103 of the Code. In addition, the Department has made certain representations and certifications in the Indenture and the Tax Certificate. Bond Counsel will not independently verify the accuracy of those representations and certifications of the Department.

In the opinion of Nixon Peabody LLP, Bond Counsel, under existing law and assuming compliance with the aforementioned covenants, and the accuracy of certain representations and certifications made by the Department described above, interest on the Series 2016 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code, except that no opinion is expressed as to the exclusion of interest on the Series 2016A Bonds from gross income for any period during which such Series 2016A Bonds are held by a person who, within the meaning of Section 147(a) of the Code, is a "substantial user" of the facilities refinanced with proceeds of the Series 2016A Bonds, or a "related person."

Bond Counsel is further of the opinion that interest on the Series 2016A Bonds is treated as preference item in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations.

Bond Counsel is also of the opinion that interest on the Series 2016B Bonds and the Series 2016C Bonds is not treated as a preference item in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations. Interest on the Series 2016B Bonds and the Series 2016C Bonds is, however, included in the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax imposed on such corporations.

State Taxes

Bond Counsel is also of the opinion that interest on the Series 2016 Bonds is exempt from personal income taxes of the State of California under present state law. Bond Counsel expresses no opinion as to other state or local tax consequences arising with respect to the Series 2016 Bonds nor as to the taxability of the Series 2016 Bonds or the income therefrom under the laws of any state other than the State of California.

Original Issue Premium

Series 2016 Bonds sold at prices in excess of their principal amounts are "Premium Bonds." An initial purchaser with an initial adjusted basis in a Premium Bond in excess of its principal amount will have amortizable bond premium which is not deductible from gross income for federal income tax purposes. The amount of amortizable bond premium for a taxable year is determined actuarially on a constant interest rate basis over the term of each Premium Bond based on the purchaser's yield to maturity (or, in the case of Premium Bonds callable prior to their maturity, over the period to the call date, based on the purchaser's yield to the call date and giving effect to any call premium). For purposes of determining gain or loss on the sale or other disposition of a Premium Bond, an initial purchaser who acquires such obligation with an amortizable bond premium is required to decrease such purchaser's adjusted basis in such Premium Bond annually by the amount of amortizable bond premium for the taxable year. The amortization of bond premium may be taken into account as a reduction in the amount of tax-exempt income for purposes of determining various other tax consequences of owning such Bonds.

Owners of the Premium Bonds are advised that they should consult with their own advisors with respect to the state and local tax consequences of owning such Premium Bonds.

Ancillary Tax Matters

Ownership of the Series 2016 Bonds may result in other federal tax consequences to certain taxpayers, including, without limitation, certain S corporations, foreign corporations with branches in the United States, property and casualty insurance companies, individuals receiving Social Security or Railroad Retirement benefits, and individuals seeking to claim the earned income credit. Ownership of the Series 2016 Bonds may also result in other federal tax consequences to taxpayers who may be deemed to have incurred or continued indebtedness to purchase or to carry the Series 2016 Bonds. Prospective investors are advised to consult their own tax advisors regarding these rules.

Interest paid on tax-exempt obligations such as the Series 2016 Bonds is subject to information reporting to the Internal Revenue Service (the "IRS") in a manner similar to interest paid on taxable obligations. In addition, interest on the Series 2016 Bonds may be subject to backup withholding if such interest is paid to a registered owner that (a) fails to provide certain identifying information (such as the registered owner's taxpayer identification number) in the manner required by the IRS, or (b) has been identified by the IRS as being subject to backup withholding.

Bond Counsel is not rendering any opinion as to any federal tax matters other than those described in the opinion attached as Appendix E. Prospective investors, particularly those who may be subject to special rules described above, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the Series 2016 Bonds, as well as any tax consequences arising under the laws of any state or other taxing jurisdiction.

Changes in Law and Post Issuance Events

Legislative or administrative actions and court decisions, at either the federal or state level, could have an adverse impact on the potential benefits of the exclusion from gross income of the interest on the Series 2016 Bonds for federal or state income tax purposes, and thus on the value or marketability of the Series 2016 Bonds. This could result from changes to federal or state income tax rates, changes in the structure of federal or state income taxes (including replacement with another type of tax), repeal of the exclusion of the interest on the Series 2016 Bonds from gross income for federal or state income tax purposes, or otherwise. Bond Counsel notes that each year since 2011, President Obama released legislative proposals that would limit the extent of the exclusion from gross income of interest on obligations of states and political subdivisions under Section 103 of the Code (including the Series 2016 Bonds) for taxpayers whose income exceeds certain thresholds. It is not possible to predict whether any legislative or administrative actions or court decisions having an adverse impact on the federal or state income tax treatment of holders of the Series 2016 Bonds may occur. Prospective purchasers of the Series 2016 Bonds should consult their own tax advisors regarding the impact of any change in law on the Series 2016 Bonds. Bond Counsel has not undertaken to advise in the future whether any events after the date of issuance and delivery of the Series 2016 Bonds may affect the tax status of interest on the Series 2016 Bonds. Bond Counsel expresses no opinion as to any Federal, state or local tax law consequences with respect to the Series 2016 Bonds, or the interest thereon, if any action is taken with respect to the Series 2016 Bonds or the proceeds thereof upon the advice or approval of other counsel.

RATINGS

Moody's Investors Service, Inc. ("Moody's"), S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"), and Fitch Ratings ("Fitch") have assigned the Series 2016 Bonds ratings of “Aa2” (stable outlook), “AA” (stable outlook) and “AA” (stable outlook), respectively. Such credit ratings reflect only the views of such organizations and any desired explanation of the meaning and significance of such credit ratings, including the methodology used and any outlook thereon, should be obtained from the rating agency furnishing the same, at the following addresses, which are current as of the date of this Official Statement: Moody’s Investors Service, Inc. 7 World Trade Center, 250 Greenwich Street, 23rd Floor, New York, New York 10007; S&P Global Ratings, 55 Water Street, New York, New York 10041; and Fitch Ratings, One State Street Plaza, New York, New York 10004. Generally, a rating agency bases its credit rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that the ratings will remain in effect for any given period of time or that any such rating will not be revised, either downward or upward, or withdrawn entirely, or a positive, negative or stable outlook announced, by the applicable rating agency, if, in its judgment, circumstances so warrant. The Department undertakes no responsibility to bring to the attention of the Owners of the Series 2016 Bonds any announcement regarding the outlook of any rating agency with respect to the Series 2016 Bonds. Any downward revision or withdrawal or announcement of negative outlook could have an adverse effect on the market price of the Series 2016 Bonds. Maintenance of ratings will require periodic review of current financial data and other updating information by assigning agencies.

UNDERWRITING

The Series 2016 Bonds are being purchased by RBC Capital Markets, LLC, Citigroup Global Markets Inc., Loop Capital Markets LLC (the “Underwriters”) from the Department at a price of $230,123,822.74 (which consists of the principal amount of the Series 2016 Bonds, plus an original issue premium of $28,946,161.50 and less an underwriters’ discount of $382,338.76), subject to the terms of a bond purchase agreement, dated September 14, 2016 (the “Bond Purchase Agreement”), between RBC Capital Markets, LLC as representative of the Underwriters and the Department. The Bond Purchase Agreement provides that the Underwriters will purchase all of the Series 2016 Bonds if any are purchased, and that the obligation to make such purchase is subject to certain terms and conditions set forth in the Bond Purchase Agreement, the approval of certain legal matters by counsel, and certain other conditions. The initial public offering prices of the Series 2016 Bonds set forth on the inside front cover hereof may be changed from time to time by the Underwriters. The Underwriters may offer and sell the Series 2016 Bonds into unit investment trusts or money market funds at prices lower than the public offering prices stated on the cover and the inside of the cover hereof.

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 Department, 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 Department.

Citigroup Global Markets Inc., an Underwriter of the Series 2016 Bonds, has entered into a retail distribution agreement with UBS Financial Services Inc. (“UBSFS”). Under this distribution agreement, Citigroup Global Markets Inc. may distribute municipal securities to retail investors through the financial advisor network of UBSFS. As part of this arrangement, Citigroup Global Markets Inc. may compensate UBSFS for its selling efforts with respect to the Series 2016 Bonds.

Loop Capital Markets LLC. ("Loop Capital"), one of the Underwriters of the Series 2016 Bonds, has entered into a distribution agreement with Deutsche Bank Securities Inc. ("DBS") for the retail distribution of certain securities offerings at the original issue prices. Pursuant to the distribution agreement (if applicable to this transaction), DBS will purchase Series 2016 Bonds from Loop Capital at the original issue prices less a negotiated portion of the selling concession applicable to any Series 2016 Bonds that such firm sells.

LITIGATION

No Litigation Relating to the Series 2016 Bonds

There is no action, suit or proceeding known to be presently pending or threatened restraining or enjoining the execution, issuance or delivery of the Series 2016 Bonds or any of the documents related thereto or in any way contesting or affecting the validity of the foregoing or the action of the Department taken with respect to the issuance or delivery thereof.

Litigation Relating to the Department and the Port

There is no action, suit or proceeding known to be presently pending or threatened against the Department or the Port which singly or together with any other action, suit or proceeding would have a material adverse impact on the ability of the Department to pay the principal of and interest on the Series 2016 Bonds.

LEGAL OPINIONS

The validity of the Series 2016 Bonds and certain other legal matters are subject to the approving opinion of Nixon Peabody LLP, Bond Counsel to the Department. A complete copy of the proposed form of Bond Counsel's opinion is contained in Appendix E hereto. Certain matters will be passed upon for the Department by the City Attorney of the City of Los Angeles. Certain legal matters in connection with the Official Statement will be passed upon by Kutak Rock LLP, Disclosure Counsel to the Department. Certain legal matters will be passed upon for the Underwriters by their counsel, Hawkins Delafield & Wood LLP. All of the fees of Bond Counsel, Disclosure Counsel and Underwriter's Counsel with regard to the issuance of the Series 2016 Bonds are contingent upon the issuance and delivery of the Series 2016 Bonds. Bond Counsel, Disclosure Counsel and Underwriters' Counsel undertake no responsibility for the accuracy, completeness or fairness of this Official Statement.

FINANCIAL ADVISOR

The Department has retained the services of Montague DeRose and Associates, LLC, as Financial Advisor in connection with the issuance of the Series 2016 Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement.

FINANCIAL STATEMENTS

The financial statements of the Department for the Fiscal Years ended June 30, 2015 and 2014 and Independent Auditors' Report thereon are attached hereto as Appendix A. The financial statements for the Department for the Fiscal Year ended June 30, 2015 and 2014 have been audited by Simpson & Simpson, LLP, Certified Public Accountants, as stated in their report.

Simpson & Simpson, LLP, Certified Public Accountants, has not been engaged to perform and has not performed since the date of its report included herein as Appendix A, any procedures on the financial statements addressed in that report. Simpson & Simpson, LLP, Certified Public Accountants, also has not performed any procedures relating to this Official Statement.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

Upon delivery of the Series 2016 Bonds, Grant Thornton LLP, a firm of independent certified public accountants, will deliver a report stating that it has verified the mathematical accuracy of the computations contained in the provided schedules to determine that the amounts to be held in the respective redemption accounts will be sufficient to pay the redemption price of and interest on the Refunded Bonds on the redemption date for the respective Refunded Bonds as further described under "PLAN OF REFUNDING AND APPLICATION OF SERIES 2016 BOND PROCEEDS."

MISCELLANEOUS

The covenants and agreements of the Department for the benefit of the Owners are set forth in the Resolutions and the Indenture and reference is made to those documents for a statement of the rights and obligations of the Department and the Owners. Neither this Official Statement, nor any statements which may have been made orally or in writing, are to be construed as a contract with the Owners of any of the Series 2016 Bonds. Brief descriptions of portions of the Resolutions and the Indenture are included in this Official Statement. Such descriptions do not purport to be comprehensive or definitive; all references herein to the Resolutions and the Indenture are qualified in their entirety by reference to such documents, and all references to the Series 2016 Bonds are qualified in their entirety to the definitive form thereof and the information with respect thereto included in the Resolutions and the Indenture.

The Board has authorized the execution and delivery of this Official Statement by the Executive Director of the Department.

By /s/ Eugene D. Seroka
Executive Director, Harbor Department of the
City of Los Angeles

APPENDIX A

AUDITED FINANCIAL STATEMENTS OF THE HARBOR DEPARTMENT
FOR THE FISCAL YEARS ENDED JUNE 30, 2015 AND 2014

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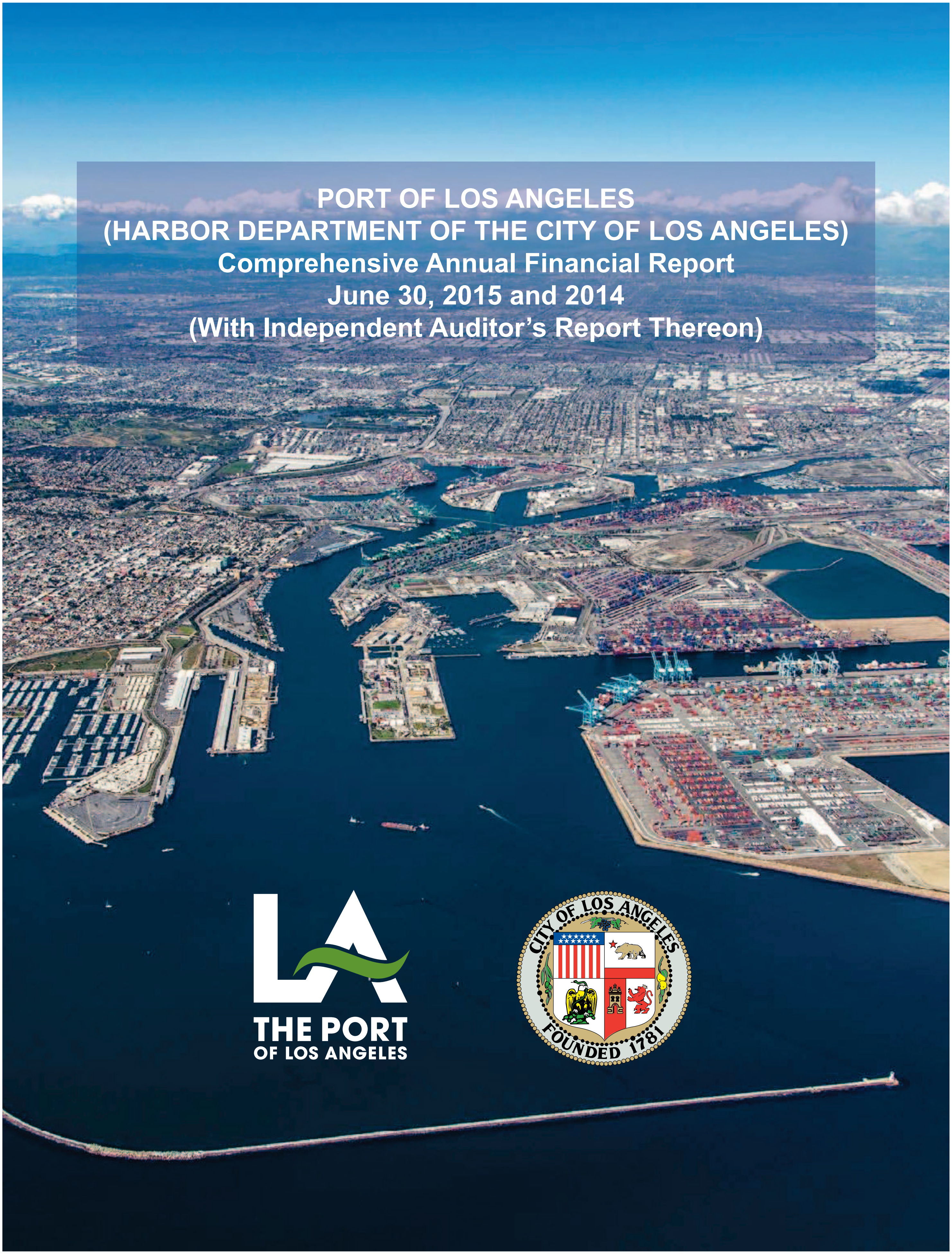
PORT OF LOS ANGELES
(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES)
Comprehensive Annual Financial Report
June 30, 2015 and 2014
(With Independent Auditor's Report Thereon)



THE PORT
OF LOS ANGELES

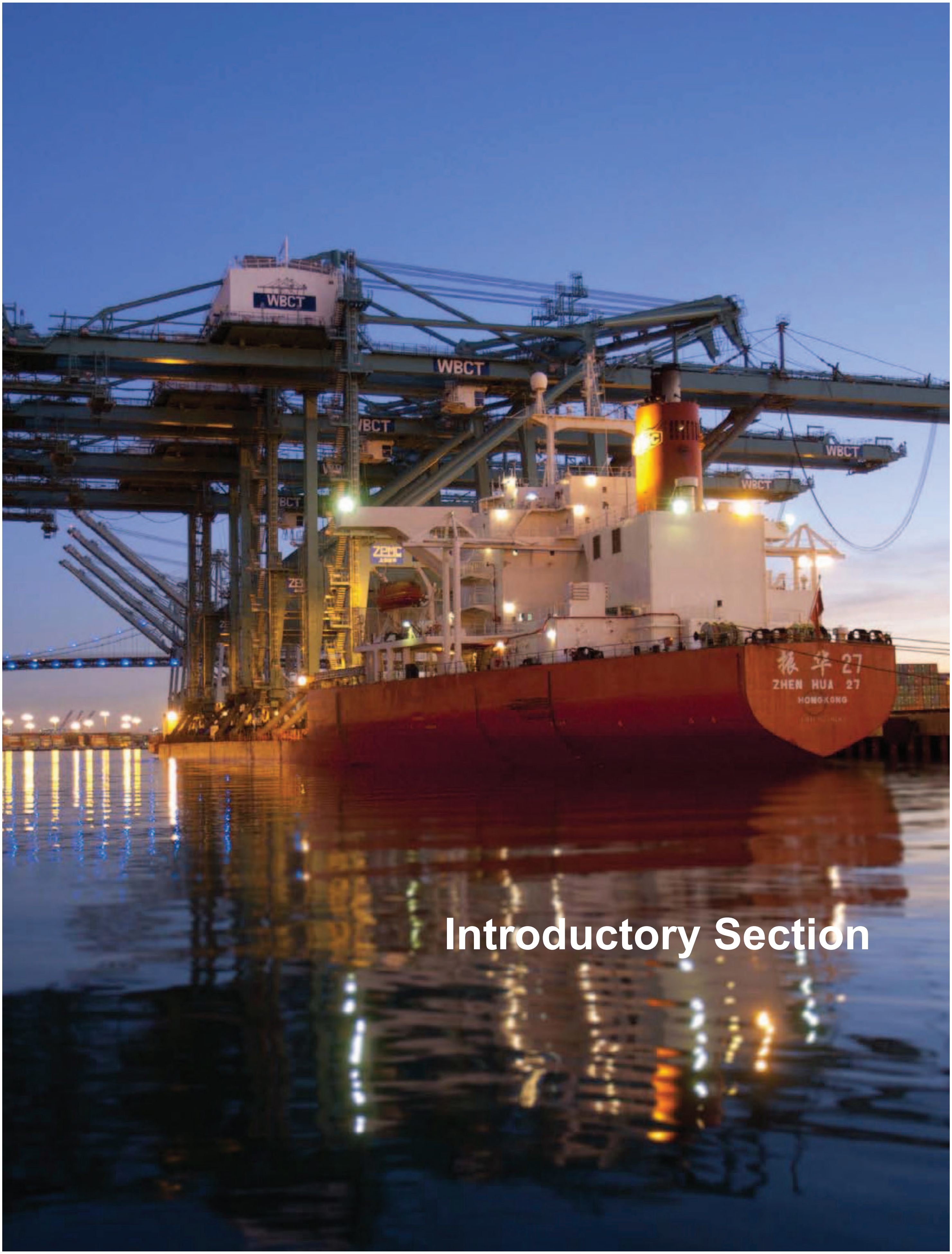
CITY OF LOS ANGELES
FOUNDED 1781

PORT OF LOS ANGELES
(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES)

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2015

Table of Contents



Introductory Section

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THE PORT OF LOS ANGELES
425 S. Palos Verdes Street Post Office Box 151 San Pedro, CA 90733-0151 TEL/TDD 310 SEA-PORT www.portoflosangeles.org

November 23, 2015

Mr. Eugene D. Seroka
Executive Director
Port of Los Angeles
San Pedro, California

This Annual Financial Report of the Port of Los Angeles, Harbor Department of the City of Los Angeles, California, for the years ended June 30, 2015 and 2014, is hereby submitted.

Introduction

The management of the Port of Los Angeles (the Port) has prepared this annual report. The responsibility for both the accuracy of the presented data, and the completeness and fairness of the presentation, including all disclosures, rests with the Port. To the best of management's knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and changes in financial position of the Port. All disclosures necessary to enable the reader to gain an understanding of the Port's financial activities have been included. The report contains the audited financial statements of the Port for the fiscal years ended June 30, 2015 and 2014, which have received an unmodified opinion from the Port's independent auditor and are presented in accordance with generally accepted accounting principles (GAAP). The report is presented in five sections: Introductory, Financial, Management's Discussion and Analysis, Financial Statements, and Supplemental Information.

The Introductory Section outlines the relationship of the Port to the City of Los Angeles and describes the organization and reporting entity. It additionally provides an overview of Port properties, operations, and key personnel.

The Financial Section includes the independent auditor's report. The Management's Discussion and Analysis presents a comparative review of financial position and changes in financial position for fiscal years 2015, 2014, and 2013. Also included in this section are a description of current and proposed capital development plans, a discussion of revenue growth, and an overview of the economic conditions and the competitive environment in which the Port operates.

The financial statements are prepared on an accrual basis and use an economic resources measurement focus. The Financial Statements Section comprise statements of net position that present the financial position as of June 30, 2015 and 2014, statements of revenues, expenses, and changes in net position depicting financial performance for fiscal years 2015 and 2014, statements of cash flows that present the source and application of funds from operations, financing, and investment activities for fiscal years 2015 and 2014, and notes to the financial statements. The accompanying notes to the financial statements explain some of the information in the financial statements and provide more detailed information, generally presented on a multi-year basis that further explain and support the information in the statements.

The Port of Los Angeles

The Port is a proprietary department of the City of Los Angeles (the City) and is held in trust by the City for the people of the State of California pursuant to a series of tidelands grants. The Port is operated independently from the City, generating its own revenues, and administering and controlling its own expenses and fiscal activities. The Port is governed by a five-member Board of Harbor Commissioners (the Board), subject to the oversight by the City Council, which has the duty to provide for the needs of maritime commerce, navigation, fishing and recreation and environmental activities that are water-related and are intended to be of statewide benefit. In accordance with GAAP, the accompanying financial statements are included as an Enterprise Fund of the City, based upon the primary oversight responsibility that the City Council (the Council) and the City have on all matters affecting Port activities.

In addition, based on the foregoing criteria of oversight responsibility and accountability of all Port-related entities, the operations of the Los Angeles Harbor Improvements Corporation, a nonprofit corporation, have been included in the accompanying financial statements. Two joint ventures with the Port of Long Beach have been recorded as investments of the Port in accordance with the equity method of accounting. Additional information regarding these joint ventures and shareholders agreement may be found in the notes to the financial statements for the Port.

The management and operation of the Port are under the direction of the Executive Director, who is responsible for coordinating and directing the activities of several major management groups or bureaus. These bureaus each consist of multiple divisions and fall under the responsibilities of five senior executives who report directly to the Executive Director. The Port's management structure is described in more detail below.

- The Deputy Executive Director & Chief of Staff leads the External Affairs Bureau, which consists of the Communications (including Community Relations and Media Relations), Government Affairs, Trade Development, and Commission Office divisions.

- The Deputy Executive Director & Chief Financial Officer leads the Finance and Administration Bureau, which consists of the Contracts and Purchasing, Human Resources, Accounting, Debt and Treasury Management, Financial Management, Management Audit, and Risk Management divisions.

- The Chief of Public Safety & Emergency Management leads the Public Safety & Emergency Management Bureau, which consists of the Los Angeles Pilot Service, Port Police, and Information Technology divisions.

- The Deputy Executive Director of Marketing & Customer Relations leads the Marketing and Customer Relations Bureau, which consists of the Planning & Strategy, Cargo Marketing, Environmental Management, Waterfront/Commercial Real Estate, Cargo/Industrial Real Estate, and Wharfingers divisions.

- The Deputy Executive Director of Development leads the Development Bureau, which consists of the Construction, Goods Movement, Construction and Maintenance, and Engineering divisions.

The Port is located in San Pedro Bay, approximately 20 miles south of downtown Los Angeles. The Port's facilities lie within the shelter of a nine-mile long breakwater constructed by the federal government in several stages, the first of which commenced in 1899. The breakwater encloses the largest man-made harbor in the Western hemisphere.

The Port operates primarily as a landlord, as opposed to an operating port. Its docks, wharves, transit sheds, and terminals are leased to shipping or terminal companies, agents, and to other private firms.

Although the Port owns these facilities, it has no direct hand in managing the daily movement of cargoes. The Port is a landlord to close to 300 entities. In addition to major terminal operators, other tenants include marinas, fish markets, railroads, restaurants, and shipyards.

The major sources of income for the Port are from shipping services (wharfage, dockage, pilotage, assignment charges, etc.), land rentals, fees, concessions, and royalties. It currently serves approximately 80 shipping companies and agents with facilities that include 270 berthing facilities along 43 miles of waterfront.

In terms of its size and volume, the Port is one of the world's largest and busiest ports. The Port encompasses approximately 4,300 acres of land and 3,200 acres of water. The Port is a deep-water port with a minimum depth of 45 feet below mean low water mark and 53 feet in its main channel and at the bulk loader and supertanker channels. Two major railroads serve the Port.

The Port lies at the terminus of two major freeways within the Los Angeles freeway system. Subsurface pipelines link the Port to major refineries and petroleum distribution terminals within the Los Angeles Basin.

The Port handles the largest volume of containerized cargo of all U.S. ports, and additionally ranks as number one in cargo value for U.S. waterborne foreign traffic. The Port's major trading partners, concentrated along the Pacific Rim, include China/Hong Kong, Japan, South Korea, Taiwan, and Vietnam. Cargo to and from these countries represents the bulk of the total value of all cargo shipped through the Port.

The Port must be financially self-sufficient through the revenues it generates as it has no taxing authority. When appropriate, it seeks to obtain State and Federal funding for defined projects. The Port continues to maintain an AA/Aa2/AA credit ratings with Standard & Poor's, Moody's, and Fitch Investor Services, respectively, with a "stable" outlook. These are the highest credit ratings for any stand-alone U.S. port.

Sincerely,

Marla Bleavins

MARLA BLEAVINS
Deputy Executive Director and Chief Financial Officer

PORT OF LOS ANGELES
(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES)
Organizational Chart
Fiscal Year 2014-2015

PORT OF LOS ANGELES
(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES)

BOARD OF HARBOR COMMISSIONERS

Ambassador Vilma S. Martinez
President

David Arian
Vice President

Patricia Castellanos
Commissioner

Anthony Pirozzi, Jr.
Commissioner

Edward R. Renwick
Commissioner

SENIOR MANAGEMENT

Eugene D. Seroka
Executive Director

Doane Liu
Deputy Executive Director &
Chief of Staff
External Relations

Marla Bleavins
Deputy Executive Director &
Chief Financial Officer
Finance & Administration

Thomas Gazsi
Acting Chief of Public Safety &
Emergency Management

Michael Di Bernardo
Deputy Executive Director
Marketing & Customer Relations

Tony Gioiello
Deputy Executive Director
Development

MANAGEMENT STAFF

Theresa Adams Lopez
Director of Community Relations

Arley Baker
Senior Director of
Communications

Diane Boskovich
Chief Wharfinger

Christopher Cannon
Director of Environmental
Management

Tricia Carey
Director of Contracts &
Purchasing

Eric Caris
Director of Cargo Marketing

Kerry Cartwright
Director of Goods Movement

Capt. Bent Christiansen
Pilot Service

Michael Galvin
Director of Waterfront &
Commercial Real Estate

Annie Gregorio
Director of Accounting

Jack Hedge
Director of Cargo/Industrial Real
Estate

Michael Hillmann
Assistant Chief of Port Police

Julie Huerta
Commission Office

Lance Kaneshiro
Director of Information
Technology

Michael Keenan
Director of Planning & Economic
Development

David Libatique
Senior Director of Governmental
Affairs

Tish Lorenzana
Director of Human Resources

James MacLellan
Director of Business & Trade
Development

Joe Maldonado
Director of Construction &
Maintenance

Kathy Merkovsky
Director of Risk Management

Jim Olds
Director of Management Audits

Capt. Mike Rubino
Pilot Service

Soheila Sajadian
Director of Debt & Treasury
Management

Phillip Sanfield
Director of Media Relations

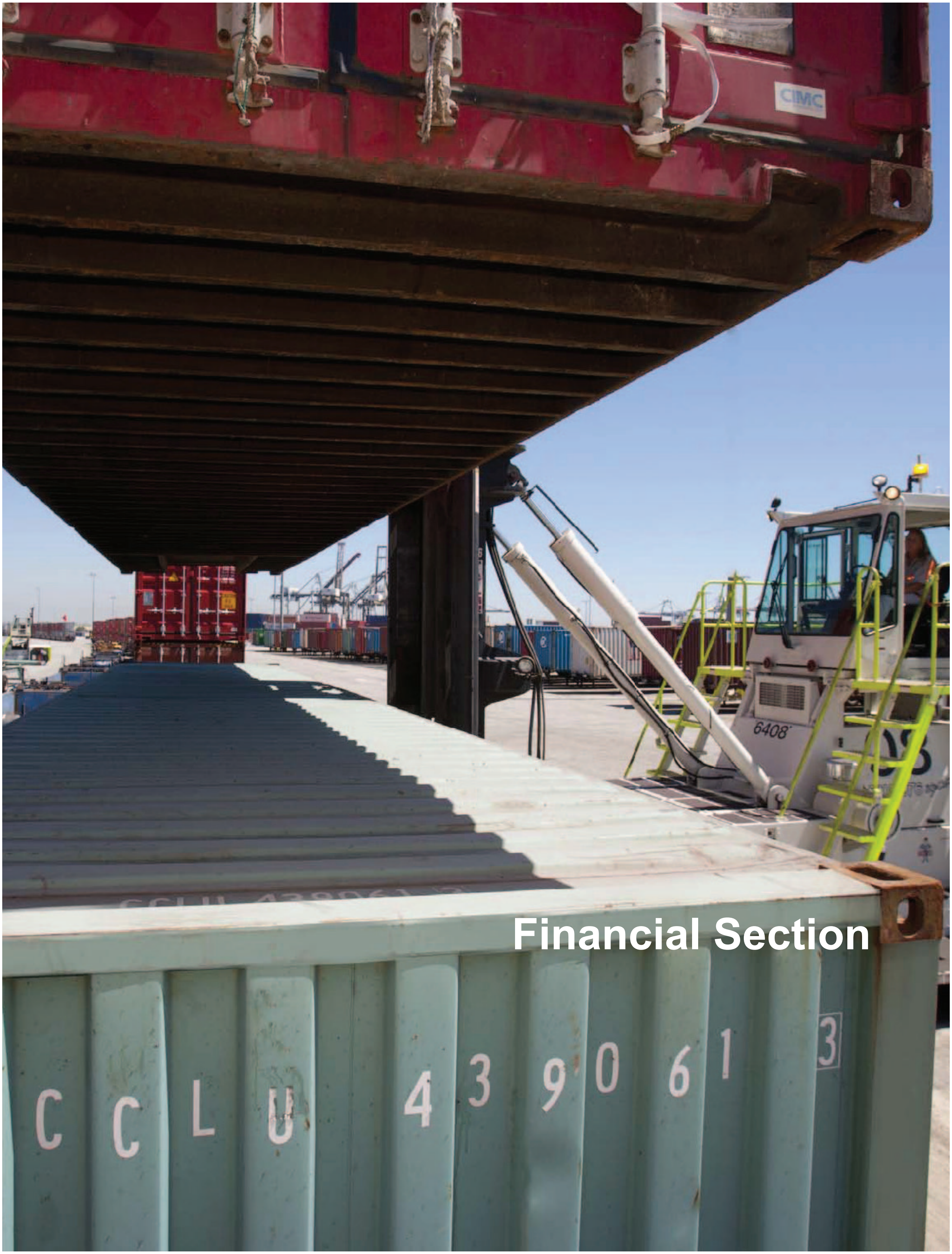
Shaun Shahrestani
Chief Harbor Engineer of
Construction

Dave Walsh
Chief Harbor Engineer of Design

CITY ATTORNEY STAFF

Janna Sidley
General Counsel

Financial Section



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Independent Auditor's Report

The Board of Commissioners
Port of Los Angeles (Harbor Department of the City of Los Angeles):

Report on the Financial Statements

We have audited the accompanying financial statements of the Port of Los Angeles (Harbor Department of the City of Los Angeles) (the Port), an enterprise fund of the City of Los Angeles, California, as of and for the years ended June 30, 2015 and 2014, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; 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.

Auditor's 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 audits to obtain reasonable assurance about whether the financial statements are free of 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 auditor's 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 Port'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 Port'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 Port as of June 30, 2015 and 2014, and respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 1.A, the financial statements of the Port are intended to present the financial position, the changes in financial position and, where applicable, cash flows of only that portion of the business-type activities of the City of Los Angeles, California that is attributable to the transactions of the Port. They do not purport to, and do not, present fairly the financial position of the City of Los Angeles, California as of June 30, 2015 and 2014, the changes in its financial position, or, where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1.B, the Port implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions– an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an Amendment of GASB Statement No. 68* in fiscal year 2015. The beginning net position has been adjusted for this change.

Our opinion is not modified with respect to the aforementioned matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 8 to 39 and schedule of proportionate share of the net pension liability and schedule of contributions on pages 111-112 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 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 Information

Our audit was conducted for the purpose of forming an opinion on the Port's financial statements. The introduction and supplemental information sections as listed in the accompanying table of contents are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Governmental Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our reports dated November 23, 2015, on our consideration of the Port's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of those reports is 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 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 Port's internal control over financial reporting and compliance.

Simpson & Simpson

Los Angeles, California
November 23, 2015

Management's Discussion and Analysis

Using This Financial Report

The management of the Port of Los Angeles (the Port) presents an overview of the Port's financial performance during the years ended June 30, 2015 and 2014. This discussion and analysis should be read in conjunction with the transmittal letter on pages 1-3 and the Port's financial statements starting from page 40.

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

- *Statements of Net Position* – present information of all of the Port's assets, deferred outflows of resources and liabilities as of June 30, 2015 and 2014. The sum of assets and deferred outflows of resources minus the sum of liabilities and deferred inflows of resources is reported as net position, which over time may increase or decrease and, serves as an indicator of the Port's financial position.

- *Statements of Revenues, Expenses, and Changes in Net Position* – present the results of operations during the current and prior fiscal year. These show the sources of the Port's revenues and its expenditures. Revenues and expenses were recorded and reported for some items that will result in cash flows in future periods. Changes in net position were reported when the underlying events occurred, regardless of the timing of the related cash flows.

- *Statements of Cash Flows* – present 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 Financial Statements* – present information that is not displayed on the face of the financial statements. Such information is essential to a full understanding of the Port's financial activities.

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Overview of the Port's Financial Statements

The Port is a fiscally independent department and an enterprise fund of the City. The Port's financial statements are prepared on an accrual basis using the economic resources measurement focus in accordance with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (GASB). The notes to the financial statements on pages 47 to 110 provide additional information that is essential to a full understanding of the data provided in the financial statements.

Financial Highlights for Fiscal Year 2015

- Current assets exceeded current liabilities by $348.1 million.
- Capital assets, net of accumulated depreciation of $1.7 billion amounted to $3.9 billion.
- Total assets and deferred outflows of resources exceeded total liabilities and deferred Inflows of resources by $3.1 billion.
- Bonded debt net of unamortized discounts/premiums of $58.7 million, totaled $1.1 billion.
- Outstanding commercial paper of $125.0 million was refunded.
- Operating revenue amounted to $446.9 million.
- Net operating expenses excluding depreciation of $137.4 million amounted to $234.2 million.
- Capital grants amounted to $111.9 million.

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Financial Highlights for Fiscal Year 2014

- Current assets exceeded current liabilities by $205.5 million.
- Capital assets, net of accumulated depreciation of $1.6 billion amounted to $3.8 billion.
- Application development costs of $ 4.2 million, incurred during the fiscal year, for the design, installation, coding and testing of the Port's new financial system, the Enterprise Resource Planning System (ERP), was capitalized as Intangible Assets.
- Total assets and deferred outflows of resources exceeded total liabilities by $3.1 billion.
- Bonded debt net of unamortized discounts/premiums of $16.5 million, totaled $781.0 million.
- Borrowings in the form of commercial paper totaled $125.0 million.
- Operating revenue amounted to $426.0 million.
- Net operating expenses excluding depreciation of $124.2 million amounted to $205.4 million.
- Capital grants amounted to $80.4 million.

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Analysis of Net Position

Net position is the sum of assets and deferred outflows of resources minus liabilities and deferred inflows of resources. Over time, increases or decreases in net position may serve as an indicator of whether the Port's financial position is improving or deteriorating. The following is a condensed summary of the Port's net position as of June 30, 2015, 2014, and 2013 (in thousands):

Condensed Net Position

				Increase (Decrease) Over Prior Year	
	FY 2015	FY 2014	FY 2013	FY 2015	FY 2014
Assets					
Current and other assets	$ 637,824	$ 422,527	$ 536,621	$ 215,297	$ (114,094)
Capital assets, net	3,912,136	3,764,716	3,551,505	147,420	213,211
Total assets	4,549,960	4,187,243	4,088,126	362,717	99,117
Deferred outflows of resources	50,714	5,073	5,660	45,641	(587)
Liabilities					
Current liabilities	176,498	138,750	188,219	37,748	(49,469)
Long term liabilities	1,317,027	989,012	1,021,216	328,015	(32,204)
Total liabilities	1,493,525	1,127,762	1,209,435	365,763	(81,673)
Deferred inflows of resources	44,250	--	--	44,250	--
Net position					
Net investment in capital assets	2,856,561	2,863,795	2,634,840	(7,234)	228,955
Restricted for debt service	97,461	58,054	57,913	39,407	141
Unrestricted	108,877	142,705	191,598	(33,828)	(48,893)
Total net position	$ 3,062,899	$ 3,064,554	$ 2,884,351	$ (1,655)	$ 180,203

Net Position, Fiscal Year 2015

The largest portion of the Port's net position ($2.9 billion or 93.3%) reflects its investment in capital assets (e.g. land, facilities and equipment, construction in progress and intangible assets). These assets are used for the construction, operation and maintenance of Port facilities. An additional portion of the Port's net position ($97.5 million or 3.2%) represents resources that are restricted for debt service. The remaining balance of $108.9 million or 3.6% are unrestricted resources that may be used to meet the Port's ongoing obligations.

Current and other assets increased by $215.3 million or 51.0% from $422.5 million in fiscal year 2014 to $637.8 million in fiscal year 2015. Fluctuations in current and other assets resulted from an increase in cash and investments of $214.3 million.

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Unrestricted and restricted cash, cash equivalents, and investments consist primarily of cash and pooled investments held by the City Treasury on behalf of the Port. The increase of $214.3 million from $359.8 million at June 30, 2014 to $574.1 million at June 30, 2015 resulted as the Port issued new bonds during the fiscal year 2015. Restricted investments increased by $39.4 million also due to the new issuance of bonds during the fiscal year. At June 30, 2015, the Port's share in the mark to market valuation of the City's pooled investments totaled $1.2 million. The Port reported additional investments of $4.9 million from its share in the City's investment purchases on June 30, 2015, and $2.9 million in securities lending transactions.

Grants receivable increased by $4.6 million mainly due to the higher level of grant contributions in FY 2015 as the Port had received $97.8 million from various agencies of the State of California for the Port's transportation and air quality programs.

Capital assets, net of depreciation increased by $147.4 million due to continued commercial and terminal development, various building and facilities improvements, and acquisition of equipment.

Current liabilities increased by $37.7 million or 27.2% mainly due to the increases of $21.2 million in accounts payable resulting from timing difference in payments and an increase of $15.6 million in the current portion of notes payable and bonded debt due to new issuance of bonds during the fiscal year.

These increases were offset by a $5.7 million decrease in other current liabilities resulting from a $6.8 million payment made for China Shipping and Community Aesthetic Mitigation liabilities and a decrease of $2.6 million in pollution remediation liability. Please refer to page 109 of the notes to the financial statements for additional information on the payments from the China Shipping and Community Aesthetic Mitigation Funds, and page 89 for the decrease in pollution remediation liabilities.

Long-term liabilities increased by $328.1 million mainly due to a new bond issuance of $337.3 million in September 2014 and recognition of $198.8 million in net pension liabilities under the new accounting standards. These increases were offset by a $125.0 million decrease in commercial paper notes which were refunded through issuance of new debt, a $100.9 million decrease in outstanding debt, and a $4.8 million decrease in estimated pollution remediation liabilities. Additional information on the decrease in pollution remediation liabilities is found on page 89 of the notes to the financial statements.

Net Position, Fiscal Year 2014

The largest portion of the Port's net position ($2.9 billion or 93.4%) reflects its investment in capital assets (e.g. land, facilities and equipment, construction in progress and intangible assets). These assets are used for the construction, operation and maintenance of Port facilities. An additional portion of the Port's net position ($58.1 million or 1.9%) represents resources that are restricted for debt service. The remaining balance of $142.7 million or 4.7% are unrestricted resources that may be used to meet the Port's ongoing obligations.

Current and other assets decreased by $114.1 million or 21.3% from $536.6 million in fiscal year 2013 to $422.5 million in fiscal year 2014. Fluctuations in current and other assets resulted from: a decrease in cash and investments of $97.7 million, a net decrease of $11.6 million in accounts and grants receivables, an

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increase of $0.3 million in inventories and prepaid expenses, and a decline of $4.8 million in notes receivable.

Unrestricted and restricted cash, cash equivalents, and investments consist primarily of cash and pooled investments held by the City Treasurer on behalf of the Port. The decrease of $97.7 million from $457.6 million at June 30, 2013 to $359.8 million at June 30, 2014 resulted as the Port used portions of its cash for capital improvement activities and the redemption of bonds. Restricted cash and cash equivalents decreased by $8.8 million due to payments made from the China Shipping Mitigation Funds of $8.0 million to reimburse expenditures for improvement projects and $0.9 million from the Clean Truck Restricted Funds for clean truck program expenses. At June 30, 2014, the Port's share in the mark to market valuation of the City's pooled investments totaled $0.9 million. The Port reported additional investments of $2.1 million from its share in the City's investment purchases on June 30, 2014, and $0.4 million in securities lending transactions.

Higher cargo volume and revenues in fiscal year 2014 contributed to the $7.1 million or 19.6% increase in net accounts receivable. Certain billings pertaining to a TEU rate increase remained uncollected due to ongoing negotiations with a tenant which contributed to the higher outstanding accounts receivable as well. Grants receivable decreased by $18.7 million mainly due to the higher level of grant receipts in FY 2014 as the Port had received $8.5 million from the State of California Emergency Management Agency for the Port and Maritime Security Grant Program and $6.2 million from the U.S. Department of Homeland Security.

Capital assets, net of depreciation increased by $213.2 million due to continued commercial and terminal development, various building and facilities improvements, and acquisition of equipment.

Current liabilities decreased by $49.5 million or 26.3% mainly due to the decreases of $43.9 million in accounts payable resulting from improved efficiency in payments, $1.1 million lower obligations under securities lending transactions, and $11.0 million in other current liabilities. The net decrease of $11.0 million in other current liabilities mainly resulted from decreases of $4.1 million in China Shipping and Community Aesthetic Mitigation liabilities, $3.0 million in federal pass through grant liability, and $1.6 million in pollution remediation liability. Please refer to page 109 of the notes to the financial statements for additional information on the payments from the China Shipping and Community Aesthetic Mitigation Funds, and page 89 for the decrease in pollution remediation liability.

These decreases were offset by $4.8 million increase in accrued construction payable resulting from higher retention liabilities, $1.2 million increase in accrued salaries and benefits and $0.5 million increase in the current portion of notes, bonds payable and interest payable for the redemption of bonds.

Long-term liabilities decreased by $32.2 million mainly due to lower bonds and notes payable of $41.2 million and $16.2 million decrease in other liabilities. These were offset by an increase of $25.0 million obligation for commercial paper notes from additional issuance during the fiscal year. The decrease of $16.2 million in other liabilities was mainly due to lower estimated pollution remediation liability. Additional information on the decrease in pollution remediation liability is found on page 89 of the notes to the financial statements.

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Analysis of the Port's Activities

The following table presents condensed information showing how the Port's net position changed during fiscal years 2015, 2014 and 2013 (in thousands):

Condensed Statement of Net Position

				Increase (Decrease) Over Prior Year	
	FY 2015	FY 2014	FY 2013	FY 2015	FY 2014
Operating revenue	$ 446,895	$ 425,951	$ 397,368	$ 20,944	$ 28,583
Operating expenses	(234,249)	(205,354)	(205,169)	(28,895)	(185)
Operating income before depreciation and amortization	212,646	220,597	192,199	(7,951)	28,398
Depreciation and amortization	(137,384)	(124,221)	(108,037)	(13,163)	(16,184)
Operating income	75,262	96,376	84,162	(21,114)	12,214
Net nonoperating revenue (expenses)	5,293	(22,111)	1,186	27,404	(23,297)
Income before capital contributions	80,555	74,265	85,348	6,290	(11,083)
Capital contributions	111,852	80,374	17,630	31,478	62,744
Special Item	--	15,002	13,387	(15,002)	1,615
Changes in net position	192,407	169,641	116,365	22,766	53,276
Net position, July 1	3,064,554	2,884,351	2,776,128	180,203	108,223
Net adjustment for write off of bond issue costs	--	--	(8,142)	--	8,142
Net adjustment for prior year amortization of bond premium/discount	--	10,562	--	(10,562)	10,562
Cumulative effect of change in accounting principles	(194,062)	--	--	(194,062)	--
Net position, July 1, restated	2,870,492	2,894,913	2,767,986	(24,421)	126,927
Net position, June 30	$ 3,062,899	$ 3,064,554	$ 2,884,351	$ (1,655)	$ 180,203

Fiscal Year 2015

Net position for the Port posted a $1.7 million or 0.1% decrease in fiscal year 2015. Approximately $411.1 million or 92.0% of total operating revenues were derived from fees for shipping services and leasing of facilities to customers. Since the Port operates as a landlord, operating expenses are principally administrative in nature. Operating expenses were higher by $28.9 million in fiscal year 2015 compared to the previous fiscal year.

Depreciation expense increased by $13.2 million to $137.4 million in fiscal year 2015 from $124.2 million in fiscal year 2014, primarily due the net addition of $791.8 million in net depreciable assets in fiscal year 2015.

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Nonoperating revenues for fiscal year 2015 totaled $13.5 million, while nonoperating expenses were $8.2 million, thereby resulting in net nonoperating revenue of $5.3 million. Nonoperating revenues of $13.5 million include: $2.8 million income from the investment in the Intermodal Container Transfer Facility Joint Powers Authority, $5.0 million from interest and investment income from the Port's cash in the City's pooled investments, $4.0 million from noncapital grants, $0.6 million from pass through grant revenue, as well as $1.1 million from various rebates, reimbursements, and miscellaneous other receipts. Nonoperating expenses of $8.2 million include $0.3 million interest on indebtedness, $0.6 million pass through grant expenditures, $3.5 million of expenses resulting from certain capitalized projects being discontinued during the fiscal year, $1.4 million loss on sale of assets, and $2.4 million related to the costs of issuing debts and maintaining liquidity support for the commercial paper program during the fiscal year.

As a result, income before capital contributions increased by $6.3 million or 8.5% to $80.6 million in fiscal year 2015 from $74.3 million in fiscal year 2014.

Capital contributions of $111.9 million represented funds for capital grants obtained in fiscal year 2015, or an increase of $31.5 million compared to the $80.4 million received in fiscal year 2014. Capital grant reimbursements in fiscal year 2015 came from the California Transportation Commission and California Air Resource Board for the Proposition 1B transportation projects ($81.6 million), Metropolitan Transit Authority for the Trade Corridor Improvement project ($16.1 million), U.S. Department of Homeland Security for the Integrated Command and Control Fiber Connectivity and Information Technology Cyber Security projects ($5.4 million), and U.S. Department of Transportation for various transportation projects ($8.7 million).

Fiscal Year 2014

Net position for the Port posted a $180.2 million or 6.2% increase in fiscal year 2014. Approximately $417.4 million or 98.0% of total operating revenues were derived from fees for shipping services and leasing of facilities to customers. Since the Port operates as a landlord, operating expenses are principally administrative in nature. Operating expenses were higher by $0.2 million in fiscal year 2014 compared to the previous fiscal year.

Depreciation expense increased by $16.2 million to $124.2 million in fiscal year 2014 from $108.0 million in fiscal year 2013, primarily due the net addition of $80.1 million in net depreciable assets in fiscal year 2014.

Nonoperating revenues for fiscal year 2014 totaled $21.0 million, while nonoperating expenses were $43.1 million, thereby resulting in net nonoperating expenses of $22.1 million. Net nonoperating revenues of $21.0 million include $2.1 million income from the investment in the Intermodal Container Transfer Facility Joint Powers Authority, $4.7 million from interest and investment income from the Port's cash in the City's pooled investments, $1.4 million from noncapital grants, $6.8 million from pass through grant revenue, $5.0 million from various rebates and reimbursements, and $1.0 million miscellaneous other receipts. Nonoperating expenses of $43.1 million include $1.5 million interest on indebtedness, $6.8 million pass through grant expenditures, $32.9 million of expenses resulting from certain capitalized projects being discontinued during the fiscal year, $0.5 million loss on sale of assets, and $1.2 million related to the costs of issuing commercial paper and maintaining the liquidity support for the commercial paper program during the fiscal year.

Continued…..

As a result, income before capital contributions decreased by $13.0 million or 15.3% to $72.3 million in fiscal year 2014 from $85.3 million in fiscal year 2013.

Capital contributions of $80.4 million represented funds for capital grants obtained in fiscal year 2014, or an increase of $62.7 million compared to the $17.6 million received in fiscal year 2013. Capital grant reimbursements in fiscal year 2014 came from the California Transportation Commission for the Proposition 1B transportation projects ($35.7 million), Metropolitan Transit Authority for the Trade Corridor Improvement project ($17.8 million), U.S. Department of Homeland Security for the Integrated Command and Control Fiber Connectivity project ($4.0 million), and U.S. Department of Transportation for various transportation projects ($22.0 million).

In fiscal year 2014, the Port fully implemented GASB 65 which requires that the effective interest method of amortizing bond premium or discount be used instead of the straight line method. The Port adjusted its beginning net position by $10.6 million to reflect the cumulative effect of applying this change.

An adjustment of $15.0 million for pollution remediation obligations was reflected as Special Item. Additional information on pollution remediation liability adjustment may be found on page 89 of the notes to the Financial Statements.

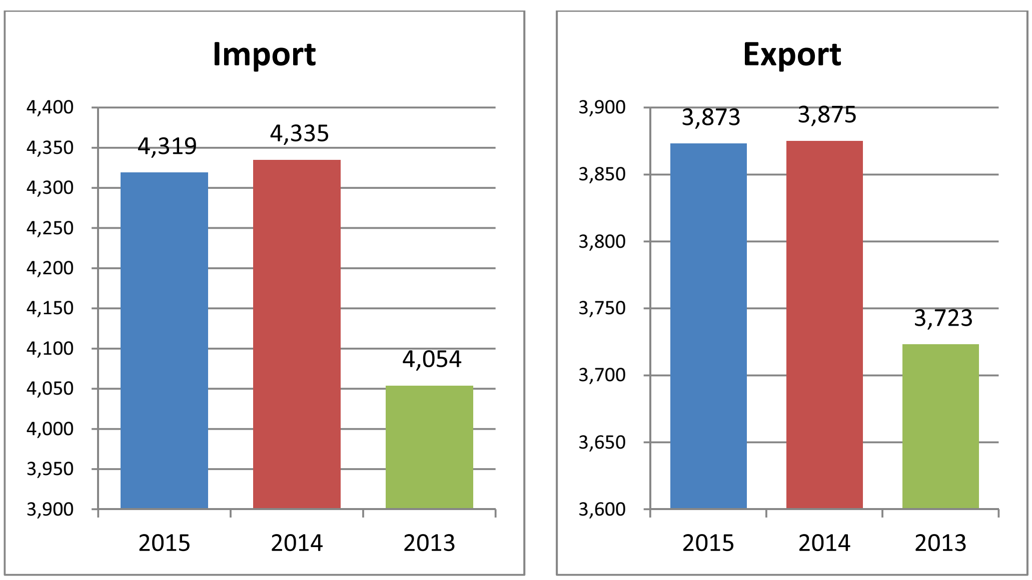
Continued…..

Operating Revenue

Annual container counts for the Port in twenty-foot equivalent units (TEUs) - a standard measurement used in the maritime industry for measuring containers of varying lengths for the last three fiscal years are as follows (in thousands):

	In TEUs			% Change Over Prior Year	
Container Volume	FY 2015	FY 2014	FY 2013	FY 2015	FY 2014
Import	4,319	4,335	4,054	-0.4%	6.9%
Export	3,873	3,875	3,723	-0.1%	4.1%
Total	8,192	8,210	7,777	-0.2%	5.6%

Following is the graphical presentation of the Port's container counts (in thousands TEUs) for fiscal years 2013 to 2015:



In Thousand TEUs

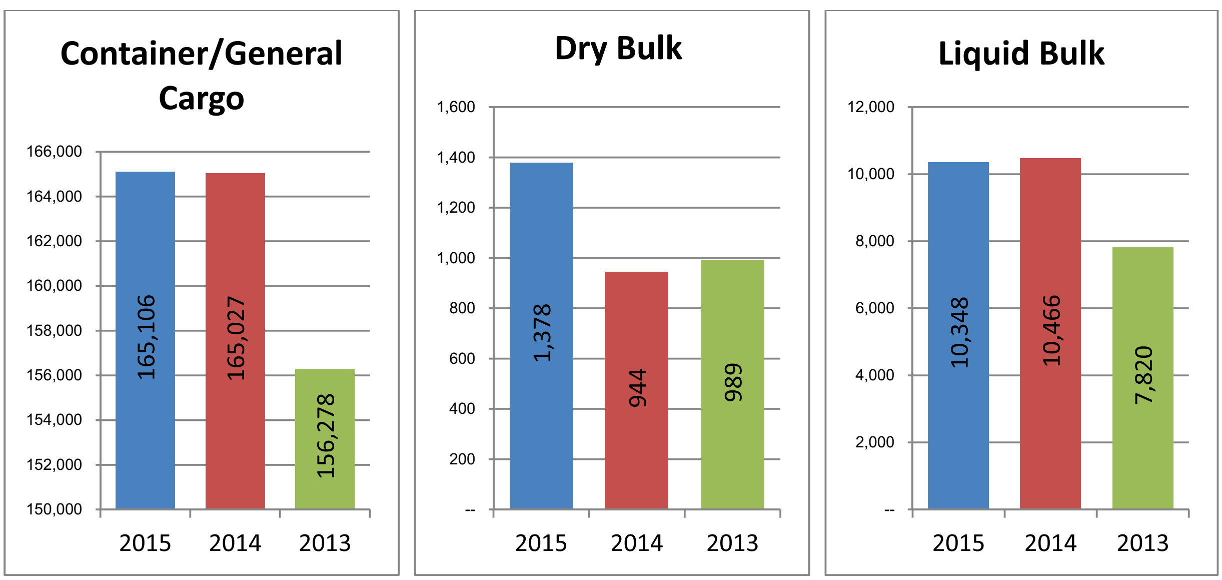
Continued…..

The Port is the leading seaport in North America in terms of shipping container volume. The following presents a summary of cargo volumes by major classification handled by the Port for the last three fiscal years (in thousands):

	In Metric Revenue Tons			% Change Over Prior Year	
Cargo Type	FY 2015	FY 2014	FY 2013	FY 2015	FY 2014
Container/general cargo	165,106	165,027	156,278	0.1%	5.6%
Dry bulk	1,378	944	989	46.0%	-4.6%
Liquid bulk	10,348	10,466	7,820	-1.1%	33.8%
Total	176,832	176,437	165,087		

Information for the cargo volume that moved through the Port for the last ten fiscal years is found in the supplemental information on page 116.

Following is the graphical presentation of the Port's cargo volumes for fiscal years 2013 to 2015 in thousand metric tons:



In Thousand Metric Tons

Continued…..

The Port is the number one port by container volume in North America. Over the course of fiscal year 2015, cargo volumes exhibited significant volatility relative to fiscal year 2014. After the July 1, 2014 expiration of the labor contract between the International Longshore and Warehouse Union (ILWU) and the Pacific Maritime Association (PMA), cargo handling activities continued to occur with the majority of arriving ships proceeding directly to berth. Despite (i) bigger ships bringing larger quantities of cargo in one specific time period, (ii) greater complexity in cargo sorting when discharging large volumes of containers for multiple alliance members, (iii) chassis dislocations and provisioning gaps, and (iv) truck driver gate turn-time challenges at container terminals among other operational issues, first quarter cargo volumes exceeded prior year-to-date cargo volumes by 5.3%.

However, as fiscal year 2015 progressed, the aforementioned operational challenges as well as protracted labor negotiations became more of a factor for congestion not only at the Port, but also at most ports along the U.S. west coast. In each of the three months during the second quarter of fiscal year 2015, the Port's fiscal year-to-date cargo volume growth declined relative to prior year such that by the end of December 2014, cargo volumes were only 3.1% above prior year figures.

By February 20, a tentative agreement between the PMA and ILWU was reached; however, by that point, congestion had impacted operations within San Pedro Bay such that ships that had in the first quarter typically proceeded to berth now had to wait at anchor for several days prior to being unloaded. At the height of the congestion, more than 30 ships sat at anchor in San Pedro Bay awaiting berth availability. Furthermore, the aforementioned operational challenges (bigger ships, cargo sorting complexity, chassis dislocations, etc.) continued to persist once these ships reached berth such that loading and unloading activities took significantly longer than usual. By the end of February 2015 and only 5 months after being 5.3% above prior year figures, fiscal year-to-date cargo volumes had fallen 1.5% below prior year.

Following the tentative agreement reached between the PMA and ILWU as well as the integration of new operational initiatives intended to improve chassis utilization and expedite container pick up, cargo volumes began to rebound such that the Port handled 791,863 TEUs in March , the second highest monthly total in its history. Through the third quarter of fiscal year 2015, cargo volumes rose to 0.6% above prior year.

Over the course of the fourth quarter of fiscal year 2015, congestion throughout the Port continued to ease as: ships once again began proceeding directly to berth rather than anchor; members of the ILWU's rank-and-file voted to approve the tentative agreement with the PMA; and the aforementioned operational initiatives continued to increase the velocity at which cargo moved off of terminal docks and onto their final destinations. However, due to the diversion of non-discretionary cargo to East and Gulf Coast ports at the height of congestion and given that cargo owners had stockpiled inventory in the fiscal year prior to the expiration of the ILWU contract with the PMA (thus inflating prior fiscal year volumes), fiscal year 2015 cargo volumes ultimately fell 0.2% below fiscal year 2014 figures.

Continued…..

The Port's major sources of its operating revenue are derived from shipping services, rental fees, royalties and other concession fees. The following table presents a summary of the Port's operating revenues during fiscal years 2015, 2014 and 2013 (in thousands):

Summary of Operating Revenues

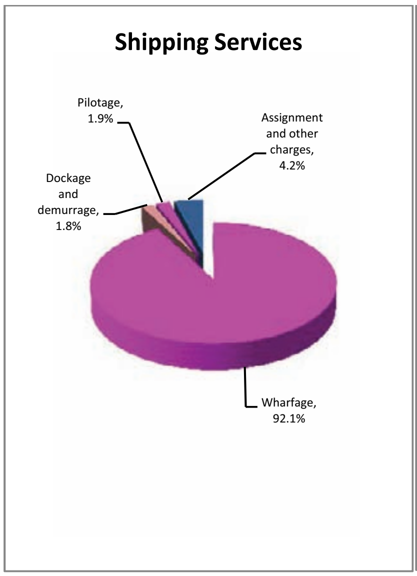
				Increase (Decrease) Over Prior Year	
	FY 2015	FY 2014*	FY 2013*	FY 2015	FY 2014
Shipping services					
Wharfage	$ 336,090	$ 349,953	$ 322,708	$ (13,863)	$ 27,245
Dockage and demurrage	6,426	5,153	4,917	1,273	236
Pilotage	7,110	7,540	6,954	(430)	586
Assignment and other charges	15,273	14,567	13,297	706	1,270
Total shipping services	364,899	377,213	347,876	(12,314)	29,337
Rentals					
Land	45,255	38,189	38,856	7,066	(667)
Others	978	1,967	4,034	(989)	(2,067)
Total rentals	46,233	40,156	42,890	6,077	(2,734)
Royalties and other fees					
Fees, concession and royalties	14,968	2,767	1,744	12,201	1,023
Clean truck program fees	3,520	2,119	1,409	1,401	710
Others	17,275	3,696	3,449	13,579	247
Total royalties and other fees	35,763	8,582	6,602	27,181	1,980
Total operating revenues	$ 446,895	$ 425,951	$ 397,368	$ 20,944	$ 28,583

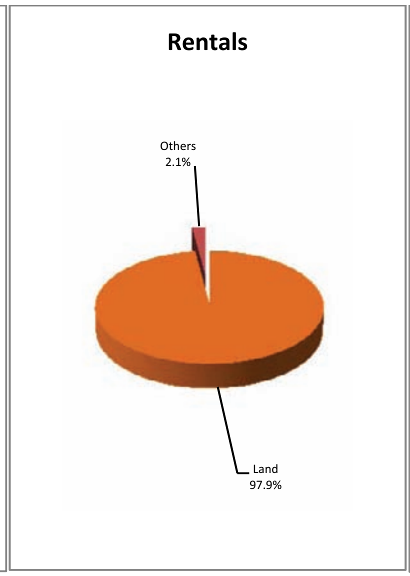
* Certain information was reclassified to conform to current year's presentation.

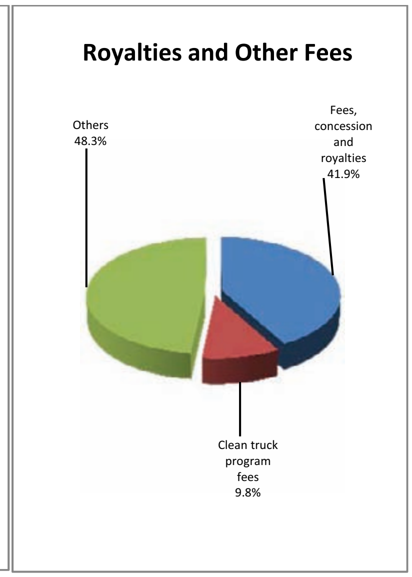
Continued…..

The following charts show the major components of the Port's sources of operating revenue for fiscal years 2015 and 2014:

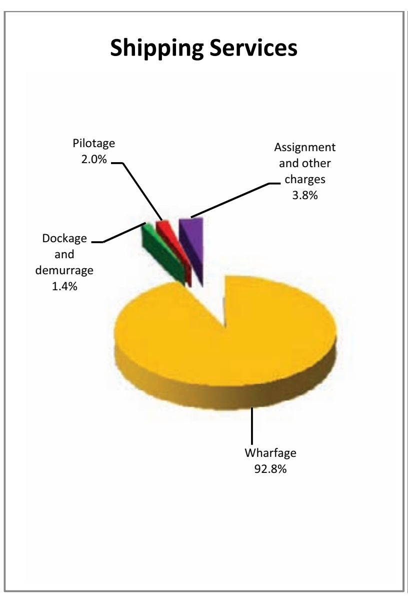
Fiscal Year 2015

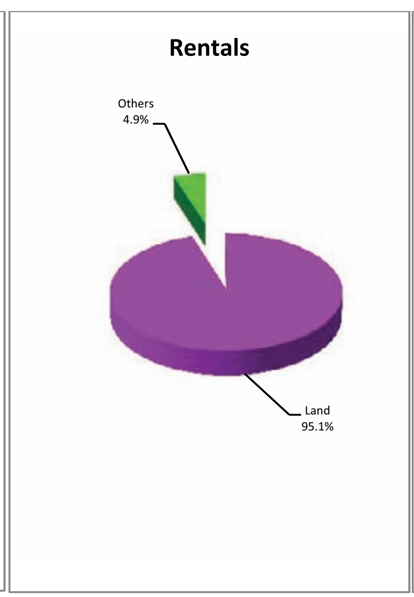


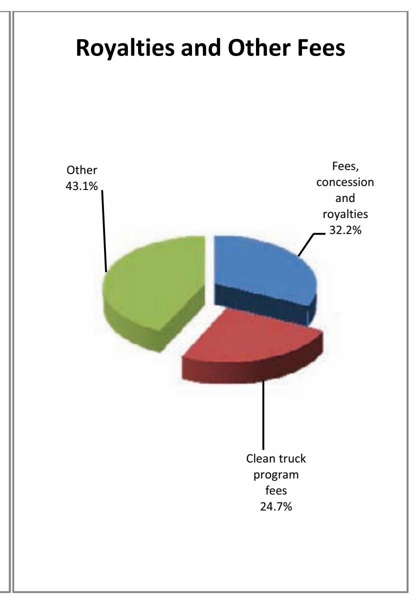




Fiscal year 2014







Continued.....

Operating Revenue, Fiscal Year 2015

Operating revenue for fiscal year 2015 increased to $446.9 million, reflecting a 4.9% increase from the prior year revenue of $426.0 million. As stated earlier, the Port derives its operating revenues primarily from shipping services, rentals, and fees from royalties, concessions and other fees.

Shipping Services

Shipping services revenues consist of several classifications of fees assessed for various activities relating to vessel and cargo movement. Of these fees, wharfage is the most significant and comprised 92.1% of the total shipping service revenues in fiscal year 2015. Wharfage is the fee charged against merchandise for passage over wharf premises, to and from vessels, and barges. Wharfage was $13.9 million lower compared to fiscal year 2014 mainly due to TEUs qualifying for lower rates as higher cargo volumes moved through terminals with lower overall TEU rates and lower cargo volumes moved through terminals with higher overall TEU rates. Net other shipping revenues were $1.5 million higher as dockage, demurrage and assignment revenues increased by $1.2 million, $0.1 million, and $0.8 million, respectively. Increases in net other shipping revenues were due to bigger ships and longer vessel stay at the Port as well as more space assignments provided due to additional areas requested by terminal operators.

Rentals

The Port generates revenues from making available various types of rental properties such as land, buildings, warehouses, wharves, and sheds. Rates are negotiated for these properties based upon two general classifications, waterfront and backland. Independent appraisals are performed periodically to establish benchmark rates for these properties. Rates ultimately set in land rental agreements may be adjusted, within reason, to reflect general market conditions. Rates for other categories of properties are also set taking into account the condition, location, utility, and other aspects of the property.

During fiscal year 2015, rental income at the Port which represented 10.3% of fiscal year 2015 total operating revenues increased by $6.1 million, or 15.1%, over last fiscal year. Rental revenues from land increased by $7.1 million or 18.5% due to a one-time adjustment which recovered higher Minimum Annual Guaranteed rental rates and increased container charges related to the Intermodal Container Transfer Facility retroactive to December 2011.

Royalties, Fees, and Other Operating Revenue

The Port levies fees for a variety of activities conducted on the Port properties. Examples include royalties from the production of oil and natural gas, fees for parking lots, motion picture productions, foreign trade zone operations, miscellaneous concessions, distribution of utilities, and maintenance and repair services conducted by the Port at the request of customers.

Revenues from royalties, fees, and other operating revenues in 2015 was $35.8 million or 8.0% of the total operating revenue. This represented an increase of $27.2 million more in this revenue category compared with fiscal year 2014 due to $10.9 million in higher license fees related to the BNSF/SCIG facility, $9.4 million in higher utility reimbursements, $5.1 million in higher refunds/reimbursements, $1.4 million in higher Clean Truck Program revenues and $0.4 million in higher parking fees.

Continued…..

Operating Revenue, Fiscal Year 2014

Operating revenue for fiscal year 2014 increased to $426.0 million, reflecting a 7.2% increase from the prior year revenue of $397.4 million. As stated earlier, the Port derives its operating revenues primarily from shipping services, rentals, and fees from royalties, concessions and other fees.

Shipping Services

Shipping services revenues consist of several classifications of fees assessed for various activities relating to vessel and cargo movement. Of these fees, wharfage is the most significant and comprised 93.0% of the total shipping service revenues in fiscal year 2014. Wharfage is the fee charged against merchandise for passage over wharf premises, to and from vessels, and barges. Wharfage was $28.1 million higher compared to fiscal year 2013 mainly due to higher container cargo volume as measured in TEUs as both organic growth and, towards the latter part of the fiscal year, uncertainty over labor contract negotiations spurred cargo owners to stockpile goods. A general rate increase of 1.7% from July to November 2013 as well as scheduled TEU rate adjustments also contributed to the higher shipping services revenues. Net other shipping revenues were $1.2 million higher as dockage and demurrage, pilotage and assignment revenues increased by $0.2 million, $0.6 million and $0.4 million respectively. Increases in net other shipping revenues were due to more favorable contract terms to the Port with respect to cruise ships handling, and a 25% increase in the number of cruise vessels that called at the Port as well as more space assignments provided due to additional areas requested by terminal operators.

Rentals

The Port generates revenues from making available various types of rental properties such as land, buildings, warehouses, wharves, and sheds. Rates are negotiated for these properties based upon two general classifications, waterfront and backland. Independent appraisals are performed periodically to establish benchmark rates for these properties. Rates ultimately set in land rental agreements may be adjusted, within reason, to reflect general market conditions. Rates for other categories of properties are also set taking into account the condition, location, utility, and other aspects of the property.

During fiscal year 2014, rental income at the Port which represented 9.4% of fiscal year 2014 total operating revenues decreased by $2.7 million, or 6.4%, over last fiscal year. Rental revenues from land, building, and warehouse facilities declined by $2.8 million or 6.7% due to the cancellation of certain rental agreements. In addition, a one-time fee of $0.7 million billed to the U.S. Customs House in fiscal year 2013 contributed to the higher rental revenue in the prior fiscal year. This decline in fiscal year 2014 was offset by higher rental revenues from wharves and sheds of $0.1 million or 19.0% because of a 1.33% rent adjustment based on an increase in consumer price index.

Continued…..

Royalties, Fees, and Other Operating Revenue

The Port levies fees for a variety of activities conducted on the Port properties. Examples include royalties from the production of oil and natural gas, fees for parking lots, motion picture productions, foreign trade zone operations, miscellaneous concessions, distribution of utilities, and maintenance and repair services conducted by the Port at the request of customers.

Revenues from royalties, fees, and other operating revenues in 2014 was $8.6 million or 2.0% of the total operating revenue. This represented a 30.0% increase or $2.0 million more in this revenue category compared with fiscal year 2013. Revenues from fees and concessions were up by $1.0 million mainly due to higher receipts from Temporary Entry and Use Permits and general engineering permit fees. Income from oil royalties went down because of a refund granted to Tidelands Oil Production Company for overpayment to the Port due to certain billing adjustments. Net other revenues increased by $0.8 million due to higher receipts from utility reimbursements from customers for Alternative Marine Power (AMP) usage.

Operating Expenses

The following table presents a summary of the Port's operating expenses, net of direct and indirect costs allocated to capitalized construction projects for fiscal years 2015, 2014 and 2013. Included in other operating expenses are expenses for workers compensation, clean truck program, pollution remediation, insurance premiums, travel and entertainment, customer incentive payout, and miscellaneous other items.

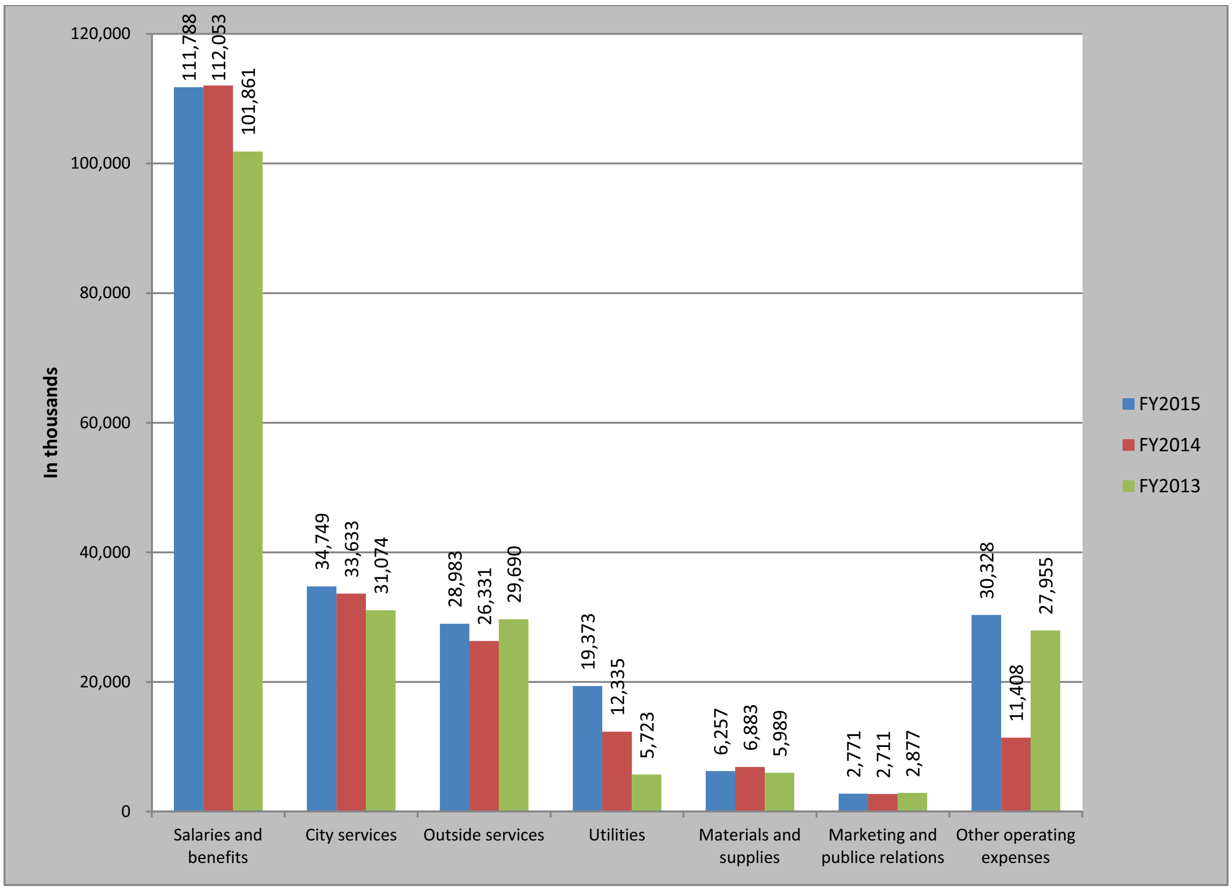
Operating Expenses, Net of Direct and Indirect Costs
(amounts in thousands)

				Increase(Decrease) Over Prior Year	
	FY2015	FY2014	FY2013*	FY2015	FY2014
Salaries and benefits	$ 111,788	$ 112,053	$ 101,861	$ (265)	$ 10,192
City services	34,749	33,633	31,074	1,116	2,559
Outside services	28,983	26,331	29,690	2,652	(3,359)
Utilities	19,373	12,335	5,723	7,038	6,612
Materials and supplies	6,257	6,883	5,989	(626)	894
Marketing and public relations	2,771	2,711	2,877	60	(166)
Other operating expenses	30,328	11,408	27,955	18,920	(16,547)
Total Operating Expenses	$ 234,249	$ 205,354	$ 205,169	$ 28,895	$ 185

*Certain information was reclassified to conform to current year's presentation.

Continued…..

The following chart shows the graphical comparison of the Port's operating expenses, net of direct and indirect costs, for fiscal years 2015, 2014 and 2013:



Fiscal Year 2015

Operating expenses were presented net of direct and indirect costs allocated to capitalized construction projects. Direct costs are costs of materials, labor, and expenses assigned or identified with specific capital projects. Indirect costs are overhead costs not directly identified with a particular capital project such as administrative expenses, maintenance costs and City services, and hence, are allocated based on the average outstanding balance of capitalized construction projects. Information on direct and indirect costs deducted from operating expenses and charged to capitalized construction projects are presented on pages 118-119 of the supplemental information section.

In fiscal year 2015, operating expenses increased by $28.9 million to $234.2 million, a 14.1% increase from prior fiscal year expense of $205.4 million as a GASB-68 pension expense adjustment, higher provisioning for BNSF/SCIG license fees, increased customer incentive payouts and higher AMP-related electricity expenses were only modestly offset by lower average headcounts throughout the Port.

Continued.....

Salaries and benefits expense including pension expense decreased by $0.3 million to $111.8 million, or 0.2% lower than prior year of $112.1 million as declines resulting from lower average full-time filled positions. Average full-time filled positions in fiscal year 2015 were 910 versus 937 in fiscal year 2014 which offset MOU salary increases for employees throughout the Port.

Total payments for City services increased by $1.1 million due to higher street paving service than prior year.

Outside services expenses of $29.0 million represented an increase of $2.7 million, or 10.1%, relative to prior year expenses of $26.3 million. This increase in outside services expenses was primarily attributable to expense increases resulting from the following: lower direct allocations to capital of $3.6 million, higher spending for environmental assessment services of $1.1 million and higher cruise terminal operating expenses of $0.5 million. These increases in outside services were partially offset by: $0.4 million in lower hiring hall salaries, $0.4 million in lower spending on expert witnesses and legal services, $0.3 million in lower public relations spending, $0.2 million in lower spending on grants monitoring and administrative expenses, $0.2 million in lower spending on external audits, $0.2 million in lower spending on miscellaneous professional executive services, and $0.1 million in lower spending on Port Pilot equipment.

Utilities increased by $7.1 million to $19.4 million or 57.1% from prior year of $12.3 million mainly as a result of the additional AMP electricity consumption as fiscal year 2015 represented the first full fiscal year in which all container terminals utilized AMP services over a 12 month period.

Materials and supplies expenses decreased by $0.6 million to $6.3 million or 9.1% from prior year of $6.9 million due primarily to $0.6 million in higher capitalization of materials and supplies expenses relative to prior year.

Other operating expenses of $30.3 million represented an increase of $19.0 million, or 174.5%, relative to prior year expenses of $11.4 million. This increase in other operating expenses was primarily attributable to a charge of $10.9 million for possible non-collection of BNSF/SCIG license fees and $10.5 million in payouts related to the Ocean Common Carrier Incentive Program.

Fiscal Year 2014

Operating expenses were presented net of direct and indirect costs allocated to capitalized construction projects. Direct costs are costs of materials, labor, and expenses assigned or identified with specific capital projects. Indirect costs are overhead costs not directly identified with a particular capital project such as administrative expenses, maintenance costs and City services, and hence, are allocated based on the average outstanding balance of capitalized construction projects. Information on direct and indirect costs deducted from operating expenses and charged to capitalized construction projects are presented on pages 118-119 of the supplemental information section.

Continued…..

In fiscal year 2014, operating expenses increased by $0.2 million to $207.3 million, a 0.1% increase from prior fiscal year expense of $205.2 million as the Port controlled its overall level of operating expenditures in light of rising salaries and benefits costs. Significant drivers in operating expenses include salaries and benefits, outside services, City services, utilities, materials and supplies and pollution remediation obligations.

Salaries and benefits expense increased by $10.2 million to $112.1 million, or 10.0% higher than prior year of $101.9 million despite slightly lower average full-time filled positions of 939. Salaries and benefits rose primarily driven by an increase of $2.8 million in salaries due to increases that ranged from 1.0% to 5.5% in cost of living allowances for employees covered by various MOUs and mandatory step salary increases. The costs of benefits increased as rising costs associated with the City's defined pension plan and health and dental insurance rose by $2.3 million. The increase comprised of $2.0 million or 9.6% in pension contributions, and $0.3 million or 2.4% increase in medical and dental insurance costs. Allocation of salaries and benefits to capital projects decreased by $4.2 million despite higher capital expenditures as Port staff time spent on capital projects declined.

Total payments for City services increased by $2.6 million. The increase in City services payments resulted from $2.2 million in higher salaries costs as the City employees providing services to the Port billed at higher rates in line with negotiated MOUs. Also contributing to the higher costs was $0.9 million in higher payment to the Fire Department for the protection services given slightly higher CAP rates offset by a $0.8 million refund for City Attorney services overbilling given the existence of furlough in the previous year. Indirect allocation to capitalized projects decreased by $10.6 million as the level of indirect allocation is formula based against the level of direct allocation. Offsetting these higher costs were lower payment to the Department of Recreation and Parks of $1.6 million due to completion of various projects, and decreased charges of $3.1 million for utility costs, as well as net decrease of $6.9 million in payments to the Department of Public Works due to reduced services.

Outside services decreased by $3.4 million to $26.3 million or 11.3% from prior year of $29.7 million primarily due to the following: $3.9 million lower spending for maintenance of building and grounds ($1.9 million), open facilities and land ($0.7 million), wharves and other facilities ($1.3 million), $0.6 million decline in maintenance and consulting needs for various computer hardware and software primarily because the ERP continues to stabilize requiring less configuration, $5.0 million decline in expenditures for architectural and engineering design support services, lower hiring hall salaries and benefits payments of $1.5 million given greater reliance on Port staff and found efficiencies in certain maintenance activities, and $5.3 million lower environmental assessment services as the Port reclassified certain projects to capital, fewer emergency hazardous waste response took place, and portions of the Clean Air Action Plan experienced lower costs. These decreases were offset by the following higher payments: $0.7 million for dredging activities, $1.1 million increase in Port security operations, and $0.5 million additional legal services, and $1.3 million for operations at the Cruise Terminal as the number of cruise ship calls increased over the previous fiscal year. Allocation of portions of outside services to capital projects declined by $7.8 million as a result of the reversion of certain capital projects to expense, thereby resulting in higher operating expense charge for outside services.

Utilities increased by $6.6 million to $12.3 million or 115.5% from prior year of $5.7 million mainly as a result of the additional $4.2 million electricity consumption due to the full operation of the AMP program in fiscal

Continued…..

year 2014, and $1.0 million prior fiscal year usage paid in fiscal year 2014. Water and communications usage also increased by $0.9 million during the year as new facilities required additional utility services.

Materials and supplies expenses increased by $0.9 million to $6.9 million or 14.9% from prior year of $6.0 million due to $0.4 million more purchases of equipment for security activity and the tools needed for the maintenance of additional infrastructure. Allocation to capital projects decreased by $0.5 million resulting in higher expense charges.

Marketing and public relations expenses decreased by $0.2 million to $2.7 million or 5.8% from prior year of $2.9 million as the Port refocused its strategy for marketing and public relations.

Other operating expenses decreased by $16.5 million to $11.4 million or 59.2% from prior year of $28.0 million. This $16.5 million decrease comprised of $10.4 million related to pollution remediation as the latest estimation of certain remediation liability turned out to be lower. Other components included $1.6 million for workers compensation as actuarial estimates of such costs, upon which the expense is based, have declined given the Port's improved record of safety, $0.6 million in travel expenses as the Port realigned travel to be more in line with its strategic plan, and $4.2 million miscellaneous other operating expense items. The $4.2 million decline in other operating expense were mainly due to lower provision for doubtful accounts of $1.4 million, and decline of $1.3 million in payments for customer environmental subsidies and incentives and lower amounts of expenses allocated to capital projects.

Additional information regarding pollution remediation for these sites is found on page 89 of the notes to the financial statements.

Nonoperating Revenues and Expenses

Nonoperating revenues and expenses include income from investment in a joint powers authority, interest income, and expenses along with receipts and expenditures related with noncapital grant as well as pass through grant awards. The following table presents a summary of the Port's nonoperating revenues and expenses for fiscal years 2015, 2014 and 2013:

Summary of NonOperating Revenues and Expenses
(amounts in thousands)

				Increase (Decrease) Over Prior Year	
	FY 2015	FY 2014	FY 2013	FY 2015	FY 2014
Nonoperating revenues					
Income from investments in Joint Powers Authorities	$ 2,811	$ 2,129	$ 2,049	$ 682	$ 80
Interest and investment income	5,039	4,654	826	385	3,828
Other nonoperating revenue	5,619	14,176	16,731	(8,557)	(2,555)
Total nonoperating revenues	13,469	20,959	19,606	(7,490)	1,353
Nonoperating expenses					
Interest expense	331	1,530	2,473	(1,199)	(943)
Other nonoperating expenses	7,845	41,540	15,947	(33,695)	25,593
Total nonoperating expenses	8,176	43,070	18,420	(34,894)	24,650
Net nonoperating revenues (expenses)	$ 5,293	$ (22,111)	$ 1,186	$ 27,404	$ (23,297)

Fiscal Year 2015

Net nonoperating revenues (expenses) for fiscal year 2015 increased by $27.4 million from net nonoperating expenses of $22.1 million in fiscal year 2014 to net nonoperating revenues of $5.3 million in fiscal year 2015.

Nonoperating revenues decreased by $7.5 million due to lower pass-through grant receipts by $6.3 million and lower settlement/rebates receipts by $4.9 million. These decreases were offset by higher Federal/State noncapital grant receipts by $2.7 million and higher interest and investment income by $0.4 million.

Nonoperating expenses decreased by $34.9 million in fiscal year 2015 mainly because of $29.5 million decrease in discontinued capital projects together with lower pass-through grant disbursement by $6.3 million and lower interest capitalization by $7.7 million during the year. Partially offsetting this decrease was $6.5 million increase in interest expense, $1.4 million loss on asset sales, and $1.1 million in bond issuance costs.

Continued…..

Fiscal Year 2014

Net nonoperating revenues (expenses) for fiscal year 2014 decreased by $23.3 million from $1.2 million in fiscal year 2013 to $(22.1) million in fiscal year 2014.

Interest and investment income increased by $3.8 million or 463.4% to $4.7 million from the prior fiscal year's $0.8 million due to higher interest earnings on investments.

Other nonoperating revenues mainly include noncapital grant and pass through grant revenues of $1.4 million and $6.8 million respectively, and $2.2 million refund from South Coast Air Quality Management District for uncommitted funds related to the Clean Trucks Program.

Interest expense decreased by $1.0 million to $1.5 million from the prior fiscal year of $2.5 million. The decrease was a result of the adjustment to the current fiscal year interest expense account arising from the change in amortizing bond discount/premium from straight line method to the effective interest method in compliance with the requirements of GASB 65.

Other nonoperating expenses increased by $25.6 million in fiscal year 2014 mainly because $33.7 million in various capital projects were cancelled during the year causing the expenditures previously capitalized to be expensed. Partially offsetting this increase was a $4.7 million decrease in pass through grant expenses and $2.6 million in miscellaneous rebates, refunds and reimbursements.

Long-Term Debt

The Port's long-term debt comprises of senior debt in the form of Harbor Revenue Bonds and commercial paper. As of June 30, 2015 and 2014 the Port's outstanding long-term debt was $1.1 billion and $906.0 million, respectively. For all outstanding bonds, the Port continues to maintain Aa2, AA, and AA credit ratings from Moody's, Standard & Poor's, and Fitch Ratings, respectively. For its commercial paper, the ratings are P-1, A-1+, and F-1+, respectively.

Bonded Debt

Under Section 609 of the City Charter of the City of Los Angeles and the Bond Procedural Ordinance, the Port's capacity to issue debt is not limited. However, the Port's capacity is constrained under covenants of the currently outstanding debt to an aggregate ratio of revenue to annual debt service of at least one hundred twenty-five percent (125%). The Port's financial policy requires that a minimum of 2.0x debt service coverage ratio be maintained at all times. At June 30, 2015, the Port's debt service coverage ratio was 3.2x using the additional bond test method as defined in its bond indentures.

Continued…..

The Port's long-term debt consisted of the following as of June 30, 2015, 2014, and 2013 (in thousands):

	201520142013		
Revenue bonds payable	$ 1,059,603	$ 780,993	$ 821,130
Commercial paper	--	125,000	100,000
Total	$ 1,059,603	$ 905,993	$ 921,130

Capital Assets

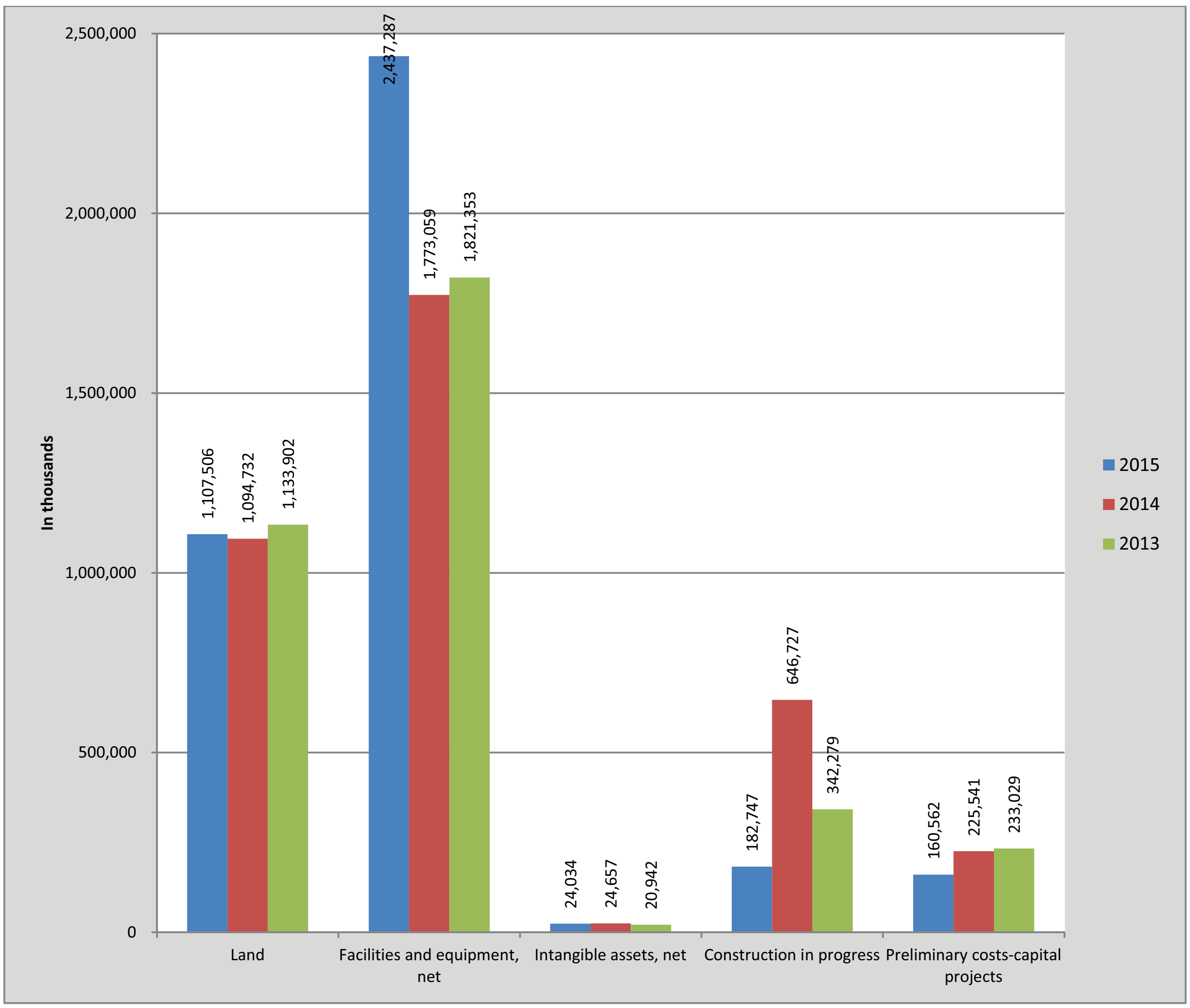
The Port's investment in capital assets, net of accumulated depreciation as of June 30, 2015, 2014 and 2013 amounted to $3.9 billion, $3.8 billion and $3.6 billion, respectively. These accounted for 86.0%, 89.8%, and 86.9% of total assets, respectively. The following table presents the Port's capital assets, net of accumulated depreciation for fiscal years 2015, 2014 and 2014 (in thousands):

Summary of Capital Assets

				Increase(Decrease) Over Prior Year	
	FY 2015	FY 2014	FY 2013	FY 2015	FY 2014
Land	$ 1,107,506	$ 1,094,732	$ 1,133,902	$ 12,774	$ (39,170)
Facilities and equipment, net	2,437,287	1,773,059	1,821,353	664,228	(48,294)
Intangible assets, net	24,034	24,657	20,942	(623)	3,715
Construction in progress	182,747	646,727	342,279	(463,980)	304,448
Preliminary costs-capital projects	160,562	225,541	233,029	(64,979)	(7,488)
Total	$ 3,912,136	$ 3,764,716	$ 3,551,505	$ 147,420	$ 213,211

Continued…..

The following chart shows the graphical presentation of the Port's capital assets for the fiscal years 2015, 2014 and 2013:



Continued…..

Fiscal Year 2015

Major capital assets activities during fiscal year 2015 are as follows:

- $114.3 million - automatic stacking crane infrastructure at the TRAPAC (Berths 135-147) including backland improvements, terminal buildings and main gate, and facility expansion.
- $9.2 million - design and construction of yard site, tracks, yard office building, diesel engine service facility and rail yard track connections at Berth 200 Rail Yard.
- $19.5 million - design and construction of a grade separation in South Wilmington to carry vehicular traffic over railroad tracks to Port terminals.
- $43.8 million – various transportation projects including rail yard track connections, C-Street/I-110 access ramp improvements, South Wilmington grade separation, John S. Gibson Intersection/I-110 access ramp improvements, and I-110/SR-47 connector improvements.

Continued…..

Fiscal Year 2014

Major capital assets activities during fiscal year 2014 are as follows:

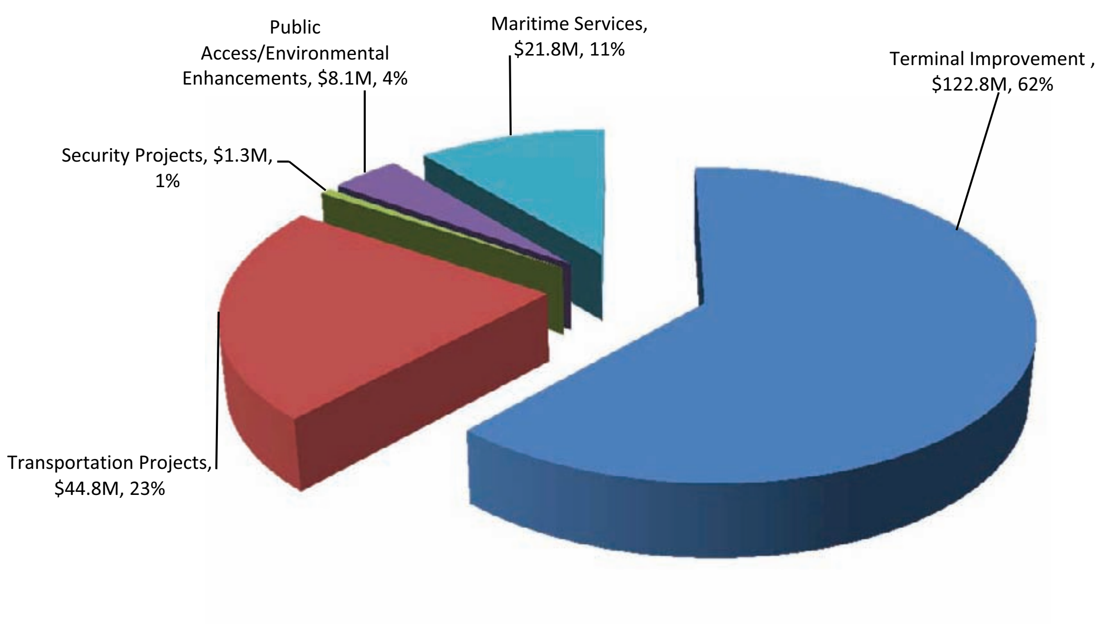
- $50.4 million - Port-wide Alternative Maritime Power (AMP) installations at Yang Ming, YTI, Everport, APL and APMT/CUT terminals.
- $31.1 million - completion of 375 linear feet of expanded wharf, an AMP™ installation at Berth 100, and the development of approximately 37 acres of new backlands at the China Shipping Container Terminal (Berths 100-102).
- $17.7 million - design and construction of a waterfront promenade, plaza and town square from Fire Station 112 to 6th Street at the Downtown Harbor.
- $6.5 million - design and construction of the second phase of a fiber optic network around the Port complex.
- $91.4 million - automatic stacking crane infrastructure at the TRAPAC (Berths 135-147) including backland grading and paving, utilities installation and design, and preliminary construction of the TRAPAC Administration building.
- $61.0 million - design and construction of yard site, tracks, yard office building, diesel engine service facility and rail yard track connections at Berth 200 Rail Yard.
- $33.0 million - design and construction of a grade separation in South Wilmington to carry vehicular traffic over railroad tracks to Port terminals.
- $11.7 million – various transportation projects including C-Street/I-110 access ramp improvements, John S. Gibson Intersection/I-110 access ramp improvements, I-110/SR-47 connector improvements and Terminal Island street improvements.

Continued…..

Capital Improvement Expenditures (CIP) for Fiscal Year 2016

The Port aims to continue to maintain its competitive edge and support the community and local economy by adopting a capital budget of $263.2 million in fiscal year 2016. Comprising 26.0% of its total budget of $1.0 billion, the adopted capital expenditures include $198.8 million of direct costs of capital improvement projects, indirect costs of $60.1 million in allocated capitalized overhead and interest costs, and $4.3 million for capital equipment. The adopted capital expenditures of $198.8 million include $122.8 million for terminal development projects, $44.8 million for transportation and infrastructure projects, $8.1 million for public access/environmental enhancement projects, $1.3 million for security projects, and $21.8 million for maritime services. Below is the graphical presentation of the fiscal year 2016 adopted capital improvement projects budget:

Capital Improvement Program $198.8 Million



Continued…..

The components of the CIP are as follows:

Terminal Development Projects

- Approximately $122.8 million or 61.8% of the total CIP direct cost budget of $198.8 million is dedicated to development projects at various Port terminals.

- $82.7 million for projects at TraPac Terminal, including $39.2 million for backland expansion and improvement projects, $33.1 million for a new semi-automated on-dock rail yard, $6.7 million for multiple buildings improvement at the terminal, and $3.7 million for constructing the crane maintenance building.

- $20.9 million for redevelopment at the YTI Terminal, including $18.0 million for wharf upgrades, berth dredging, crane rail extensions, electrical improvements, expansion of the terminal, and backland improvements, and $2.8 million for improvements at Berth 212 and 220, installation of AMP and fire alarm system replacement.

- $3 million for construction of the marine operations and crane maintenance buildings at the China Shipping Container Terminal.

- $2.3 million for project planning and development at the Everport Terminal including environmental assessment, wharf and backland improvements, and equipment upgrade and installation.

- $1.6 million for AMP installation and continued development of the APL Terminal, $1.4 million for the improvement of Yang Ming Terminal, and $0.3 million for pavement replacement throughout Pier 400.

- $0.9 million for the upgrade and AMP installation, security improvements, and replacement of the water line at the World Cruise Center.

Continued…..

Transportation and Infrastructure Projects

- Approximately $44.8 million or 22.5% of the total CIP direct cost budget of $198.8 million is designated for transportation improvement projects.
- $18.9 million for the C Street/I-110 access ramp improvements which will provide free-flowing right turn lanes to accommodate heavy right-turn truck volumes
- $10.5 million for the John S. Gibson Intersection and Northbound I-100 ramp access improvements which will improve road geometry and allow trucks to make wider turns
- $6.8 million for I-110/SR-47 connector improvements which will add an additional lane to the SR-47 connector to the northbound I-110 freeway.
- $7.5 million for the final close-out phase of the South Wilmington grade separation and Berth 200 Rail Yard projects.
- $1.1 million for various transportation projects such as completion of street improvements on Terminal Island and initial reviews and studies for road, bridge, and interchange configurations.

Public Access and Environmental Enhancement Projects

- $6.2 million for Los Angeles Waterfront projects including the Ports O' Call development, Sampson Way Roadway improvement, wharf retrofit and Signal Street improvement projects.

Port Security Projects

- $1.3 million for the completion of the Information Technology Cyber Security Improvements Phase II which will build upon previously completed projects to expand capabilities and enhance the detection, prevention, response and overall Maritime Domain Awareness capabilities of the Port and its information technology infrastructure.

Maritime Services

- $21.8 million of miscellaneous projects including the Badger Avenue Bridge, the Maritime Museum, Banning's Landing, Liberty Hill Plaza, the Harbor Administrative Building, and other future projects.

Continued…..

Factors That May Affect the Port's Operations

There is significant competition for container traffic among North American ports. The availability of alternate port facilities at competitive prices affects the use of the Port's facilities and therefore the revenues of the Port. The Port cannot predict the scope of such impact.

All of the ports on the West Coast of the U.S. compete for discretionary intermodal cargo destined for locations across the U.S. and Canada. Discretionary cargo makes up approximately 50% of cargo arriving at the Port. Currently, this discretionary cargo moves eastward both by rail and through the Panama Canal. The use of all-water routes primarily through the Panama Canal to the East and Gulf Coasts of the U.S. is an alternative to Asian intermodal cargo moving through U.S. West Coast ports. The Panama Canal is in the process of expanding its locks with reports indicating that the opening of the new locks will take place in early 2016 as the widening and deepening of the lock chambers will allow ships of greater size to transit the Canal. The expansion creates a route to the East and Gulf Coast for ships of greater capacity than the current "Panamax" ships. While the effects of an expanded Canal are unknown, the Port has an existing ability to handle the New Panamax and Super Post-Panamax ships and continues to maintain and improve its strong infrastructure and intermodal capabilities.

The activities at the Port may generate air emissions that are subject to legal and regulatory requirements. Such requirements mandate and offer certain incentives for reductions of air pollution from ships, trains, trucks and other operational activities. Paying for mandated air pollution reduction infrastructure, equipment and other measures may become a significant portion of the Port's capital budget and operating budget. Such expenditures may be necessary even if the Port does not undertake any new revenue-generating capital improvements. The Port cannot provide assurances that the actual cost of the required measures will not exceed the forecasted amount.

Competitive Environment

As of fiscal year ended June 30, 2015, six major container ports controlled 99.1% of the entire U.S. West Coast containerized cargo market: the ports of Los Angeles, Long Beach, and Oakland in California; the ports of Seattle and Tacoma in Washington State; and the port of Portland in Oregon. The ports of Los Angeles and Long Beach together controlled 73.4% of all U.S. West Coast market share based on a loaded TEU basis.

The industry is capital intensive and requires long lead times to plan and develop new facilities and infrastructure. Resources are typically allocated and facilities developed upon the commitment of customers to long-term permits at the Port that currently range from 15 to 30 years before expiry. Occupancy remains high and West Coast ports have limited land areas for expansion. Additionally, the greater Los Angeles area represents not only a large destination market for waterborne goods, but also the most attractive point of origin for trans-shipments to points east as the Port has extensive on-dock rail facilities creating intermodal connections that provide for time-to-market advantages.

Continued…..

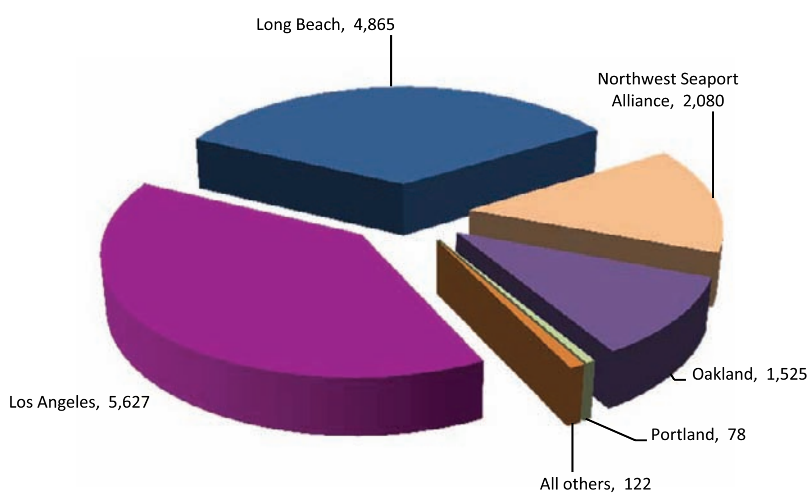
The following presents a summary of the West Coast container market share for fiscal years 2013 to 2015:

	Loaded TEUs (in thousands)			Percentage Market Share		
Ports	FY 2015*	FY 2014*	FY 2013*	FY 2015	FY 2014	FY 2013
Los Angeles	5,627	5,903	5,655	39.4%	39.5%	38.9%
Long Beach	4,865	4,977	4,723	34.0%	33.3%	32.5%
Northwest Seaport Alliance**	2,080	2,197	2,332	14.5%	14.7%	16.0%
Oakland	1,525	1,617	1,572	10.7%	10.8%	10.8%
Portland	78	136	143	0.5%	0.9%	1.0%
All others	122	115	113	0.9%	0.8%	0.8%
	14,297	14,945	14,538	100.0%	100.0%	100.0%

* Source: PIERS

** Northwest Seaport Alliance consists of Seattle and Tacoma, effective August 1, 2015.

Following is the graphical presentation of the West Coast container market share for fiscal year 2015:



Loaded TEUs in Thousands

Request for Information

This financial report is designed to provide a general overview of the Port of Los Angeles' finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Marla Bleavins, Deputy Executive Director and Chief Financial Officer, Port of Los Angeles (Harbor Department of the City of Los Angeles), 425 S. Palos Verdes St., San Pedro, CA 90731.

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Financial Statements

PORT OF LOS ANGELES
(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES)

Statements of Net Position
June 30, 2015 and 2014
(amounts In thousands)

ASSETS	**2015**	**2014**
Current Assets		
Cash and cash equivalents, unrestricted	$ 441,834	$ 262,729
Cash and cash equivalents, restricted	25,035	29,234
Accounts receivable, net of allowance for doubtful accounts:		
2015 - $13,752; 2014 - $3,469	43,763	43,283
Grants receivable	5,025	429
Materials and supplies inventories	2,641	2,606
Prepaid expenses	393	421
Accrued interest receivable	824	599
Current portion of notes receivable	5,095	4,947
Total current assets	524,610	344,248
Noncurrent Restricted Assets		
Restricted investments – bond funds	97,461	58,054
Other restricted cash and investments	9,727	9,826
Accrued interest receivable	--	2
Total noncurrent restricted assets	107,188	67,882
Capital assets		
Land	1,107,506	1,094,732
Facilities and equipment net of accumulated depreciation:		
2015 - $1,742,483; 2014 - $1,614,961	2,437,287	1,773,059
Intangible assets, net of amortization:		
2015 - $1,326; 2014 - $703	24,034	24,657
Construction in progress	182,747	646,727
Preliminary costs – capital projects	160,562	225,541
Total capital assets	3,912,136	3,764,716
Notes receivable	--	5,182
Investment in Joint Powers Authorities	6,026	5,215
TOTAL ASSETS	4,549,960	4,187,243
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charges on debt refunding	4,027	5,073
Deferred outflows of resources - pensions	46,687	--
Total deferred outflows of resources	50,714	5,073

continued…..

PORT OF LOS ANGELES
(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES)

Statements of Net Position
June 30, 2015 and 2014
(amounts In thousands)

	2015	2014
LIABILITIES		
Current Liabilities		
Accounts payable	$ 47,257	$ 26,098
Current maturities of notes payable and bonded debt	42,910	27,270
Accrued interest payable	20,833	16,073
Accrued salaries and employee benefits	16,876	15,625
Obligations under securities lending transactions	2,865	357
Accrued construction cost payable	4,631	6,475
Other current liabilities	41,126	46,852
Total current liabilities	176,498	138,750
Long-term liabilities		
Long-term liabilities payable from unrestricted assets		
Bonds payable, net of unamortized discount/premium:		
2015 - $58,693; 2014 - $16,488	1,016,693	753,723
Commercial paper	--	125,000
Accrued salaries and employee benefits	8,286	11,740
Net pension liabilities	198,762	--
Other liabilities	83,786	88,997
Total long-term liabilities payable from unrestricted assets	1,307,527	979,460
Long-term liabilities payable from restricted assets	9,500	9,552
Total long-term liabilities	1,317,027	989,012
TOTAL LIABILITIES	1,493,525	1,127,762
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources - pensions	44,250	--
NET POSITION		
Net investment in capital assets	2,856,561	2,863,795
Restricted for debt service	97,461	58,054
Unrestricted	108,877	142,705
TOTAL NET POSITION	$ 3,062,899	$ 3,064,554

See accompanying notes to financial statements.

PORT OF LOS ANGELES
(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES)

Statements of Revenues, Expenses, and Changes in Net Position
For the Years ended June 30, 2015 and 2014
(amounts In thousands)

	2015	2014
OPERATING REVENUE		
Shipping services		
Wharfage	$ 336,090	$ 349,953
Dockage	6,097	4,930
Demurrage	329	223
Lay day fees	908	975
Pilotage	7,110	7,540
Assignment charges	14,365	13,592
Total shipping services	364,899	377,213
Rentals		
Land	45,255	38,189
Buildings	237	1,211
Warehouses	115	180
Wharf and shed	626	576
Total rentals	46,233	40,156
Royalties, fees, and other operating revenues		
Fees, concessions, and royalties	14,968	2,767
Clean truck program fees	3,520	2,119
Other	17,275	3,696
Total royalties, fees, and other operating revenues	35,763	8,582
Total operating revenue	446,895	425,951
OPERATING EXPENSES		
Salaries and other benefits	92,786	93,668
Pension expense	19,002	18,385
City services	34,749	33,633
Outside services	28,983	26,331
Utilities	19,373	12,335
Materials and supplies	6,257	6,883
Marketing and public relations	2,771	2,711
Workers' compensation, claims and settlement	2,503	1,959
Clean truck program expenses	949	1,100
Travel and entertainment	512	548
Other operating expenses	26,364	7,801
Total operating expenses before depreciation	234,249	205,354
Operating Income before depreciation - forwarded	212,646	220,597

continued….

PORT OF LOS ANGELES
(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES)

Statements of Revenues, Expenses, and Changes in Net Position
For the Years ended June 30, 2015 and 2014
(amounts In thousands)

	2015	2014
Operating Income before depreciation - forwarded	$ 212,646	$ 220,597
Depreciation	137,384	124,221
OPERATING INCOME	75,262	96,376
NONOPERATING REVENUE (EXPENSES)		
Nonoperating revenue		
Income from investments in Joint Powers Authorities	2,811	2,129
Interest and investment income	5,039	4,654
Non capital grant revenue	4,035	1,368
Pass through grant revenue	550	6,823
Other nonoperating revenue	1,034	5,985
Total nonoperating revenue	13,469	20,959
Nonoperating expenses		
Interest expense	(331)	(1,530)
Pass through grant expenses	(550)	(6,823)
Discontinued capital projects	(3,466)	(32,949)
Other nonoperating expenses	(3,829)	(1,768)
Total nonoperating expenses	(8,176)	(43,070)
Net nonoperating revenue (expenses)	5,293	(22,111)
INCOME BEFORE CAPITAL CONTRIBUTIONS	80,555	74,265
Capital contributions	111,852	80,374
Special item	--	15,002
CHANGES IN NET POSITION	192,407	169,641
NET POSITION, JULY 1	3,064,554	2,884,351
Net adjustment for prior year amortization of bond premium/discount	--	10,562
Cumulative effect of change in accounting principle	(194,062)	--
Net position July 1, restated	2,870,492	2,894,913
NET POSITION, JUNE 30	$ 3,062,899	$ 3,064,554

See accompanying notes to financial statements.

PORT OF LOS ANGELES
(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES)

Statements of Cash Flows
Years ended June 30, 2015 and 2014
(amounts In thousands)

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Shipping service fees collected	$ 364,506	$ 370,942
Rentals collected	46,184	39,488
Royalties, fees, and other operating revenues collected	35,725	8,439
Payments for employee salaries and benefits, net of capitalized amounts: 2015 - $25,069 ; 2014 - $24,199	(111,728)	(110,709)
Payments for goods and services	(121,503)	(176,876)
Net cash provided by operating activities	213,184	131,284
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITY		
Proceeds from noncapital grants	4,035	1,368
Net cash provided by noncapital financing activity	4,035	1,368
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Payments for property acquisitions and construction	(244,519)	(298,149)
Proceeds from sale of capital assets	163	188
Proceeds from capital grants and contributions	107,256	99,106
Payments for refunding of commercial paper notes	(150,000)	--
Net proceeds from issuance of commercial paper notes	25,000	25,000
Net proceeds from issuance of bonds	386,278	--
Principal repayment, redemption, and defeasance – bonds	(100,870)	(26,235)
Payments to bond reserve fund	(39,407)	(141)
Interest paid	(43,454)	(39,246)
Net cash used in capital and related financing activities	(59,553)	(239,477)
CASH FLOWS FROM INVESTING ACTIVITIES		
Receipt of interest	4,655	4,969
Cash collateral received (paid) under the securities lending transactions	2,506	(1,090)
Increase (decrease) in fair value of investments	260	(19)
Sale (purchase) of investments	2,785	(1,755)
Net payments received on notes receivable	5,034	4,824
Distribution from Joint Powers Authorities	2,000	2,000
Net cash provided by investing activities	17,240	8,929
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	174,906	(97,896)
CASH AND CASH EQUIVALENTS, JULY 1	291,963	389,859
CASH AND CASH EQUIVALENTS, JUNE 30	$ 466,869	$ 291,963

continued…..

PORT OF LOS ANGELES
(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES)

Statements of Cash Flows
Years ended June 30, 2015 and 2014
(amounts In thousands)

	2015	2014
CASH AND CASH EQUIVALENTS COMPONENTS		
Cash and cash equivalents, unrestricted	$ 441,834	$ 262,729
Cash and cash equivalents, restricted	25,035	29,234
Total cash and cash equivalents	$ 466,869	$ 291,963
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	$ 75,262	$ 96,376
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	137,384	124,221
Provision for doubtful accounts	10,842	(1,545)
Changes in assets, liabilities, and deferred outflows and inflows of resources		
Accounts receivable	(11,322)	(5,537)
Materials and supplies inventories	(35)	(552)
Prepaid assets	28	250
Deferred outflows of resources - pensions	(46,687)	--
Accounts payable	21,159	(43,868)
Accrued salaries and employee benefits	2,496	1,345
Other liabilities	(20,193)	(39,406)
Deferred inflows of resources - pensions	44,250	--
Total adjustments to reconcile operating income to net cash	137,922	34,908
Net cash provided by operating activities	$ 213,184	131,284
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets with construction payable	$ 4,631	$ 6,475
Acquisition of capital assets with accounts payable	2,310	3,103
Write-off of discontinued construction projects	3,466	33,718
Capitalized interest expense, net	42,130	34,466

See accompanying notes to financial statements.

PORT OF LOS ANGELES
(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES)

Notes to the Financial Statements

June 30, 2015 and 2014

The Notes to the Financial Statements include disclosures considered necessary for a better understanding of the accompanying financial statements. An index to the Notes follows:

Continued…..

1. Organization and Summary of Significant Accounting Policies

The financial statements of the Port of Los Angeles (Harbor Department of the City of Los Angeles), hereafter referred to as "Port of Los Angeles" or "Port," have been prepared in conformity with generally accepted accounting principles (GAAP) as promulgated by the Governmental Accounting Standards Board (GASB). GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Port's significant accounting policies are described below.

A. Organization and Reporting Entity

The Port of Los Angeles is an independent, self-supporting department of the City of Los Angeles (the City), formed for the purpose of providing shipping, fishing, recreational, and other resources and benefits for the enjoyment of the citizens of California. The Port is under the control of a five-member Board of Harbor Commissioners (BHC), who are appointed by the Mayor and approved by the City Council. The Port is administered by an Executive Director, subject to the State of California Tidelands Trust Act.

Most of the property of the Port including land, docks, wharves, transit shed, terminals, and other facilities are owned by the City and administered by the Port, subject to a trust created pursuant to certain tideland grants from the State. All monies arising out of the operation of the Port are limited as to use for the operation and maintenance of Port facilities, the acquisition and construction of improvements, and other such trust considerations under the Tidelands Trust and the Charter of the City.

The Port prepares and controls its own financial plan, administers and controls its fiscal activities, and is responsible for all Port construction and operations. The Port operates as principal landlord for the purpose of assigning or leasing port facilities and land areas. The Port's principal source of revenue is from shipping services under tariffs (dockage and wharfage, etc.), rental of land and facilities, fees (parking and foreign trade zones), and royalties (oil wells). Capital construction is financed by cash from operations, and debt secured by future revenues and federal and state grants. The Port's permanent work force attends to the daily operation of the Port facilities and its regular maintenance. Generally, the Port uses commercial contractors for large construction projects.

Operations of the Port are financed in a manner similar to that of a private business. The Port recovers its costs of providing services and improvements through tariff charges for shipping services and the leasing of facilities to Port customers.

In evaluating how to define the Port for financial reporting purposes, management has considered all potential component units by applying the criteria set forth by the GASB. The financial statements present only the financial activities of the Port in conformity with GAAP and are not intended to present the financial position and results of operations of the City.

Continued…..

Reporting Entity

The Los Angeles Harbor Improvements Corporation (LAHIC) is a nonprofit public benefit corporation organized under the laws of the state of California for public purposes. LAHIC was formed to assist the Port in undertaking financing third party capital expenditures at potentially advantageous terms that the BHC deems necessary for the promotion and accommodation of commerce.

The board of directors of LAHIC consists of five members. Election of the LAHIC board of directors occurs by vote of the BHC. The BHC is financially responsible for LAHIC's activities. Further, although LAHIC is legally separate from the Port, it is reported as if it were part of the Port, because its sole purpose is to help finance and construct facilities and improvements, related to Port activities.

LAHIC is included in the reporting entity of the Port, and accordingly, the operations of LAHIC are blended in the Port's accompanying financial statements.

B. Summary of Significant Accounting Policies

Method of Accounting – The Port activities are accounted for as an enterprise fund, and as such, its financial statements are presented using the economic resources measurement focus and the accrual method of accounting. Under this method of accounting, revenues are recognized when earned and expenses are recorded when the related liabilities are incurred.

Cash, Cash Equivalents, and Investments – The Port pools its available cash with that of the City. All cash and investments pooled with the City, plus any other cash deposits or investments with initial maturities of three months or less are considered cash and cash equivalents.

Interest income and realized gains and losses arising from such pooled cash and investments are apportioned to each participating City department fund based on the relationship of such department fund's respective average daily cash balances to aggregate pooled cash and investments. The change in the fair value of pooled investments is allocated to each participating City department fund based on the aggregate respective cash balances at year-end.

The Port's investments, including its share of the City's Investment Pool, are stated at fair value. Fair value is determined based upon market closing prices or bid/asked prices for regularly traded securities. The fair value of investments with no regular market is estimated based on similar traded investments. The fair value of mutual funds, government-sponsored investment pools, and other similar investments is stated at share value or an allocation of fair value of the pool, if separately reported. Certain money market investments with initial maturities at the time of purchase of less than one year are recorded at cost. The calculation of realized gains is independent of the calculation of the net increase in the fair value of investments. Realized gains and losses on investments that had been held more than one fiscal year and sold in the current year may have been recognized as an increase or decrease in fair value of investments reported in the prior year and the current year.

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Securities Lending – As a participant in the City's Investment Pool, the Port's funds are also part of the City's securities lending program (SLP). The investment collateral received by the City together with the corresponding liability is allocated among the City's participating funds using the same basis as that of allocating interest income and realized gains or losses.

Materials and Supplies Inventories – Inventories of materials and supplies are stated at lower of average cost or market.

Capital Assets – Capital assets are carried at cost or at appraised fair value at the date received, in the case of properties acquired by donation, and by termination of leases for tenant improvements, less allowance for accumulated depreciation. The Port has a capitalization threshold of $5,000. Capital assets include intangible assets for the Port's radio frequency and emission mitigation credits, and capitalized costs of the Port's integrated financial accounting system, the Enterprise Resource Planning System.

Development costs for proposed capital projects that are incurred prior to the finalization of formal construction contracts are capitalized. Upon completion of capital projects, such preliminary costs are transferred to the appropriate property account. In the event the proposed capital projects are abandoned, the associated preliminary costs are charged to expense in the year of abandonment. Preliminary costs - capital projects for fiscal years 2015 and 2014 are $160.6 million and $225.5 million, respectively.

The Port capitalizes interest costs incurred on indebtedness issued in connection with the acquisition, construction or improvement of capital assets, net of interest revenue on reinvested debt proceeds. Interest capitalized in fiscal years 2015 and 2014 were $42.1 million and $34.5 million, respectively.

The Port capitalizes indirect project costs associated with the acquisition, development, and construction of new capital projects. Indirect project costs allocated to construction projects for fiscal years 2015 and 2014 were $18.4 million and $10.5 million, respectively.

Depreciation is computed on the straight-line basis over the estimated useful lives of the assets. The estimated useful lives of the Port's depreciable assets are as follows:

Wharves and sheds	15 to 30 years
Buildings and facilities	10 to 50 years
Equipment	3 to 18 years
Intangible assets	20 years

Investments in Joint Powers Authorities – Investments in joint power authorities are accounted for by the equity method.

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Accrued Salaries and Employee Benefits – Aside from accrued salaries, the Port records as liabilities all accrued employee benefits, including estimated liabilities for certain unused vacation and sick leave in the period the benefits are earned. Port employees accumulate annual vacation and sick leave based on their length of service up to a designated maximum. Upon termination or retirement, employees are paid the cash value of their accumulated leave benefits.

Deferred Outflows and Inflows of Resources – In addition to assets, the Port reports a separate section for deferred outflows of resources. This represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Port has two items that qualified for reporting in this category. They are deferred charges on refunding and deferred outflows of resources related to pensions from the implementation of GASB Statement No. 68. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the Port reports a separate section for deferred inflows of resources. This represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then. The Port has only one item that qualified for reporting in this category – deferred inflows of resources related to pensions from the implementation of GASB Statements No. 68.

Operating and Nonoperating Revenues and Expenses – The Port differentiates between operating revenues and expenses, and nonoperating revenues and expenses. Operating revenues and expenses generally result from the Port's primary ongoing operations. All revenues and expenses other than these are reported as nonoperating revenues and expenses.

Revenues from shipping services, rental fees, and royalties are the major sources of the Port's revenues. Shipping services revenues consist of fees assessed for various activities relating to vessel and cargo movement. Twenty-foot equivalent units (TEUs) and metric tons are the measures used to determine cargo volumes that move through the Port. Rental fees are collected from the lease of various types of rental properties in Port-controlled lands. Rental rates are set using various methodologies, and are appraised periodically to evaluate and establish benchmark rates. Rental rates may be adjusted, within reason, to reflect general market conditions. The Port levies fees for various activities such as royalties from oil and natural gas production, fees for parking lots, and miscellaneous concessions.

Operating Expenses – The Port presents operating expenses at net of direct and indirect overhead costs allocated to capitalized construction projects. Direct costs are costs of materials, labor, and expenses assigned or identified with specific capitalized construction projects. Indirect costs are those that are not directly identifiable with a particular capital project and hence, are allocated to all outstanding construction projects. Indirect overhead costs such as administrative expenses, maintenance costs and City services are allocated to projects based on the average outstanding balance of capitalized construction projects.

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Indirect overhead costs are defined to be the costs not directly attributable to those activities related to a capital project. The overhead rate is calculated based on the ratio of the costs of the direct amount of work assigned to capital projects to the total amount of hours worked by Port staff. The resulting rate is defined as the indirect overhead rate and is applied to the operating expenses of those divisions that participate both directly and indirectly in the activities related to capital projects. The resulting indirect overhead amount is then allocated on a pro-rata basis to capitalized construction projects based on the outstanding balance of each project.

Details of operating expenses net of allocated direct and indirect costs may be found on pages 118-119 of the Supplemental Information Section.

Operating Leases – The Port leases a substantial portion of lands and facilities to others. The majority of these leases provide for cancellation on a 30-day notice by either party and for retention of ownership by the Port or restoration of the property to pre-leased conditions at the expiration of the agreement; accordingly, no leases are considered capital leases.

Pension and Other Postemployment Benefits (OPEB) – All full-time civilian Port employees are eligible to participate in the Los Angeles City Employees' Retirement System (LACERS), a defined benefit single-employer pension plan. All full-time Port police officers are eligible to participate in the City of Los Angeles Fire and Police Pension system (LAFPP), a defined benefit single-employer pension plan. The Port funds fully its entire annual share of LACERS and LAFPP pensions and the respective OPEB contributions. The funding amounts are determined at the start of each fiscal year and are incorporated as part of the Port's payroll to reimburse the City for the Port's pro rata contribution share.

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expenses, information about the fiduciary net positions of LACERS and LAFPP, and additions to/deductions from LACERS and LAFPP's fiduciary net positions have been determined on the same basis as they are reported by LACERS and LAFPP. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Capital Contributions – The Port may receive grants for the purpose of acquisition or construction of property and equipment. These grants are generally structured as reimbursements against expenditures. Grants are recorded as capital contributions when the grant is earned. Grants are generally earned upon expenditure of funds.

Net Position – The statements of net position are designed to display the financial position of the Port. The Port's equity is reported as net position, which is classified into the following categories:

- *Net investment in capital assets* – This category consists of capital assets, net of accumulated depreciation, and is reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

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- *Restricted* – This category consists of restrictions placed on net asset use through external constraints imposed by creditors (such as debt covenants), grantors, contributors, or law or regulations of other governments. Constraints may also be imposed by law or constitutional provisions or enabling legislation.
- *Unrestricted* – This category consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

When both restricted and unrestricted resources are available for use, it is the Port's policy to use unrestricted resources as needed and restricted resources for the purpose for which the restriction exists.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Reclassifications – Certain reclassifications have been made to amounts reported in fiscal year 2014 to conform to the fiscal year 2015 presentation. These reclassifications have no material impact on the Port's financial statements.

Restatement – In fiscal year 2015, the Port implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27,* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an Amendment of GASB Statement No. 68*, which requires the Port to record its proportionate share of the defined benefit pension obligation for pensions provided under LACERS and LAFPP. Restatement of the amounts of pension expense, deferred inflows of resources, and deferred outflows of resources for the prior period presented is not practical due to the unavailability of information from the pension plans; therefore, the provisions of GASB Statements No. 68 and 71 were not applied to the prior period. The cumulative effect of applying the provisions of GASB Statements No. 68 and 71 has been reported as a restatement of beginning net position for the year ended June 30, 2015, in accordance with the Statements. The cumulative effect of this adjustment to net position is $194.1 million and comprises the addition of the net pension liability of $215.1 million and deferred outflows of resources in the amount of $18.4 million and reduction of the net pension obligation of $2.6 million.

In fiscal year 2014, the Port changed the method of amortizing bond premium and discount from straight line method to effective interest method. The effective interest method allocates bond interest expense over the life of the bonds in such a way that it yields a constant rate of interest, which in turn is the market rate of interest at the date of issue of bonds. With effective interest method, the amortization of bond discount/premium is calculated using the effective market interest rate versus the coupon rate used in straight-line method. As a result of this change, the beginning net position at July 1, 2013 was adjusted for the cumulative effect of this change in the amount of $10.6 million and fiscal year interest expense was reduced by $0.9 million.

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2. Adoption of New GASB Pronouncements

GASB Statement No. 68, *"Accounting and Financial Reporting for Pensions."* Issued in June 2012, this statement aims (a) to improve the usefulness of information for decisions made by users of financial reports of governments whose employees, both active and inactive, are provided with pensions, and (b) improve information provided about pension-related financial support from certain non-employer entities that make contributions to pension plans that are used to provide benefits to employees of other entities. The Port implemented this statement in fiscal year 2015.

GASB Statement No. 69, *"Government Combinations and Disposals for Government Operations."* Issued in January 2013, this statement addresses accounting and financial reporting for government combinations and disposals of government operations. Government combinations are arrangements that meet the definition of a government merger, government acquisition, or transfer of operations. The Port implemented this statement in fiscal year 2015. This statement has no impact on the Port's financial statements.

GASB Statement No. 71, *"Pension Transition for Contributions Made Subsequent to the Measurement Date, an amendment of GASB Statement No. 68."* Issued in November 2013, this statement aims to improve accounting and financial reporting by addressing an issue in Statement No. 68, concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of that Statement by employers and nonemployer contributing entities. The Port implemented this statement in fiscal year 2015.

3. Recent GASB Pronouncements for Future Adoption

GASB Statement No. 72, *"Fair Value Measurement and Application."* Issued in February 2015, this Statement will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. This Statement also will enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. This statement will be effective beginning fiscal year 2016.

GASB Statement 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."* Issued in June 2015, this Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, Accounting and Financial Reporting for Pensions, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also amends certain provisions of Statement No. 67, Financial Reporting for Pension Plans, and Statement 68 for pension plans and pensions that are within their respective scopes. This statement will be effective beginning fiscal year 2016.

GASB Statement No. 74, *"Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans."* Issued in June 2015, this Statement establishes new accounting and financial reporting requirements for governments whose employees are provided with postemployment benefits other than pensions (other postemployment benefits or OPEB), as well as for certain

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nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities. This statement will be effective beginning fiscal year 2017.

GASB Statement No. 75, *"Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions."* Issued in June 2015, this Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed. This statement will be effective beginning fiscal year 2018.

GASB Statement No. 76, *"The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments."* Issued in June 2015, this Statement improves financial reporting by (1) raising the category of GASB Implementation Guides in the GAAP hierarchy, thus providing the opportunity for broader public input on implementation guidance; (2) emphasizing the importance of analogies to authoritative literature when the accounting treatment for an event is not specified in authoritative GAAP; and (3) requiring the consideration of consistency with the GASB Concepts Statements when evaluating accounting treatments specified in nonauthoritative literature. This statement will be effective beginning fiscal year 2016.

GASB Statement No. 77, *"Tax Abatement Disclosures."* Issued in August 2015, this Statement improves financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. Disclosure of information about the nature and magnitude of tax abatements will make these transactions more transparent to financial statement users. As a result, users will be better equipped to understand (1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government's financial position and economic condition. This statement will be effective beginning fiscal year 2017.

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4. Cash and Investments

The Port's cash and investments consist of the following (in thousands):

	2015	2014
Cash in bank and certificates of deposit	$ 388	$ 382
Investment in U.S. Treasury money market fund	97,461	58,130
Equity in the City of Los Angeles Investment Pool	476,208	301,331
Total cash and investments	$ 574,057	$ 359,843

Certain of the Port's cash and investments are restricted as to use by reason of bond indenture requirements or similar legal mandate. The Port's unrestricted and restricted cash and investments are as follows (in thousands):

	2015	2014
Unrestricted cash and cash equivalents	$ 441,834	$ 262,729
Restricted cash and cash equivalents		
Current		
China Shipping Mitigation Fund	22,623	26,836
Community Aesthetics Mitigation Fund for Parks	--	--
Community Mitigation Trust Fund – Trapac	108	108
Narcotics/Customs Enforcement Forfeiture Fund	384	394
Clean Truck Program and Fee Fund	227	227
Other	1,693	1,669
Subtotal – Current	25,035	29,234
Noncurrent		
Harbor Revenue Bond Funds	97,461	58,054
Commercial Paper Redemption Fund	--	76
Customer Security Deposits	3,155	3,184
Batiquitos Environmental Fund	6,011	6,006
Harbor Restoration Fund	561	560
Subtotal – Noncurrent	107,188	67,880
Total restricted cash and investments	132,223	97,114
Total cash and investments	$ 574,057	$ 359,843

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A. Deposits

The Port had cash deposits and certificates of deposit with several major financial institutions amounting to $0.3 million for both fiscal years ended June 30, 2015 and 2014. The deposits were entirely covered by federal depository insurance or collateralized by securities held by the financial institutions in the Port’s name in conformance with the State Government Code.

B. Pooled Investments

The cash balances of substantially all funds on deposit in the City Treasury are pooled and invested by the City Treasurer for the purpose of maximizing interest earnings through pooled investment activities but safety and liquidity still take precedence over return. Interest earned on pooled investments is allocated to and recorded in certain participating funds, as authorized by the Los Angeles City Council (City Council) and permitted by the City Charter and the California Government Code, based on each fund's average daily deposit balance. Unless allocation provisions are specifically stipulated in City ordinance, Council action, or funding source, interest earned on certain funds a allocated to and recorded in the General Fund. Investments in the City Treasury are stated at fair value based on quoted market prices except for money market investments that have remaining maturities of one year or less at time of purchase, which are reported at amortized cost.

Pursuant to California Government Code Section 53607 (State Code) and the City Council File No. 94-2160, the City Treasury shall render to the City Council a statement of investment policy (the Policy) annually. City Council File No. 11-1740 was adopted on February 12, 2014, as the City’s investment policy. This Policy shall remain in effect until the City Council and the Mayor approve a subsequent revision. The Policy governs the City’s pooled investment practices. The Policy addresses soundness of financial institutions in which the City Treasurer will deposit funds and types of investment instruments permitted by California Government Code Sections 53600-53638, 16340 and 16429.1. The City Treasury further reports that the current policy allows for the purchase of investments with maturities up to thirty (30) years.

Examples of investments permitted by the Policy are obligations of the U.S. Treasury and agencies, local agency bonds, commercial paper notes, certificates of deposit (CD) placement service, bankers’ acceptances, medium term notes, repurchase agreements, mutual funds, money market mutual funds, and the State of California Local Agency Investment Fund.

The Port had $476.2 million and $301.3 million invested in the City’s General Pool and three Special Investment Pools, representing approximately 5.2% and 3.5% of the City Treasury’s General Pool and Special Investment Pools at June 30, 2015 and 2014, respectively.

The disclosures on “Note 4.B. Pooled Investments” were derived from information prepared by the City and furnished to the Port.

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Fiscal Year 2015

At June 30, 2015, the investments held in the City Treasury's General and Special Investment Pool Programs and their maturities are as follows (in thousands):

		Investment Maturities				
Type of Investments	Amount	1 to 30 Days	31 to 60 Days	61 to 365 Days	366 Days To 5 Years	Over 5 Years
U.S. Treasury Notes	$ 4,713,955	$ --	$ --	$ --	$ 4,682,760	$ 31,195
U.S. Agencies Securities	1,334,695	171,585	75,705	345,657	724,213	17,535
Medium Term Notes	1,645,006	40,001	--	202,001	1,403,004	--
Commercial Paper	1,302,850	939,479	261,856	101,515	--	--
Municipal Bonds	42,496	--	--	--	42,496	--
Supranational Coupons	73,074	7,844	--	--	65,230	--
Short Term Investment Funds	1,678	1,678	--	--	--	--
Securities Lending Short-Term Repurchase Agreement	59,190	59,190	--	--	--	--
Total General and Special Pools	$ 9,172,944	$ 1,219,777	$ 337,561	$ 649,173	$ 6,917,703	$ 48,730

Interest Rate Risk. The Policy limits the maturity of its investments to five years for the U.S. Treasury and government agency securities, medium term notes, CD placement service, negotiable certificates of deposit, collateralized bank deposits, mortgage pass-through securities, and bank/time deposits; one year for repurchase agreements; 270 days for commercial paper; 180 days for bankers' acceptances; and 92 days for reverse repurchase agreements. The Policy also allows City funds with longer-term investments horizons, to be invested in securities that at the time of the investment have a term remaining to maturity in excess of five years, but with a maximum final maturity of thirty years.

Credit Risk. The Policy establishes minimum credit ratings requirement for investments. There is no credit quality requirement for local agency bonds, U.S. Treasury Obligations, State of California Obligations, California Local Agency Obligations, and U.S. Agencies (U.S. government sponsored enterprises) securities. The City's $1.3 billion investments in U.S. government sponsored enterprises consist of securities issued by the Federal Home Loan Bank - $316.2 million, Federal National Mortgage Association (Fannie Mae) - $582.5 million, Federal Home Loan Mortgage Corporation (Freddie Mac) - $317.6 million, Federal Farm Credit Bank - $42.1 million, Federal Agriculture Mortgage Corporation - $56.1 million and Tennessee Valley Authority - $20.2 million. Of the City's $1.3 billion investments in U.S. Agencies securities, $799.5 million were rated "AA+" by S&P and "Aaa" by Moody's; $535.2 million were not rated individually by S&P nor Moody's (issuers of these securities are rated "AA+/A-1+" by S&P and "Aaa/P-1" by Moody's).

Medium term notes must be issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States. Medium term notes must have at least an "A" rating at the time of purchase. The City's $1.6 billion investments in medium term notes consist of securities issued by banks and corporations that comply with these requirements and were

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rated “A” or better by S&P and “A3” or better by Moody’s. Subsequent to purchase, one issuer of $25.1 million medium term notes were downgraded to “BBB+” by S&P and “Baa1” by Moody’s, one issuer of $8.1 million medium term notes was downgraded to “BBB+” by S&P and “Baa2” by Moody’s, one issuer of $8.1 million medium term notes was downgraded to “A-“ by S&P and “Baa1” by Moody’s, one issuer of $5.0 million medium term notes was downgraded to “A-1” by S&P and “Baa2” by Moody’s and one issuer of $7.0 million medium term notes was downgraded to “BBB+” by S&P and “A3” by Moody’s. Of the City’s $1.6 billion investments in medium term notes, one issuer of $25.0 million was not rated by S&P but rated “A3” by Moody’s.

Commercial paper issues must have a minimum of “A-1” or equivalent rating. If the issuer has issued long-term debt, it must be rated “A” without regard to modifiers. Issuing corporation must be organized and operating within the United States and have assets in excess of $500.0 million. The City’s $1.3 billion investments in commercial paper were rated “A-1+/A-1” by S&P and “P-1/P-2” by Moody’s.

Municipal bonds have no minimum rating requirement. The City’s $42.5 million investments in municipal bonds were rated “AA/A+” by S&P and “Aa2/Aa3” by Moody’s.

Investments in supranational coupons must have a minimum rating of "AA". This investment was not included in the Policy effective February 2014, but were authorized for purchase by state municipalities upon revisions made to California Code Section 53601 effective January 1, 2015. The City's investments in supranational coupons of $65.2 million were rated "AAA" by S&P, "Aaa" by Moody's. Investments of $7.8 million were rated "A1+" by S&P and "P1" by Moody's. These short-term securities are backed by the full faith of the issuing entity which is rated AAA/Aaa.

Concentration of Credit Risk. The Policy does not allow more than 40% of its investment portfolio to be invested in commercial paper and bankers’ acceptances, 30% in certificates of deposit and medium term notes, 20% in mutual funds, money market mutual funds and mortgage pass-through securities. The Policy further provides for a maximum concentration limit of 10% in any one issuer including its related entities. There is no percentage limitation on the amount that can be invested in the U.S. Treasury and government agencies. The City’s pooled investments comply with these requirements. GAAP requires disclosure of certain investments in any one issuer that represent 5% or more of total investments. Of the City’s total pooled investments as of June 30, 2015, $582.5 million (6%) was invested in securities issued by Federal National Mortgage Association.

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Fiscal Year 2014

At June 30, 2014, the investments held in the City Treasury's General and Special Investment Pool Programs and their maturities are as follows (in thousands):

		Investment Maturities				
Type of Investments	Amount	1 to 30 Days	31 to 60 Days	61 to 365 Days	366 Days To 5 Years	Over 5 Years
U.S. Treasury Bills	$ 248,766	$ 248,746	$ --	$ 20	$ --	$ --
U.S. Treasury Notes	4,121,579	--	--	--	4,085,830	35,749
U.S. Sponsored Agency Issues	1,915,548	606,056	213,475	352,807	730,202	13,008
Medium Term Notes	1,443,640	--	--	191,976	1,231,654	20,010
Commercial Paper	904,407	867,252	26,998	10,157	--	--
Municipal Bonds	30,207	--	--	--	30,207	--
Certificates of Deposit	7,000	--	--	7,000	--	--
Short Term Investment Funds	5,609	5,609	--	--	--	--
Securities Lending Short-Term Collateral Investment Pool	11,425	11,425	--	--	--	--
Total General and Special Pools	$ 8,688,181	$ 1,739,088	$ 240,473	$ 561,960	$ 6,077,893	$ 68,767

Interest Rate Risk. The Policy limits the maturity of its investments to five years for the U.S. Treasury and government agency securities, medium term notes, CD placement service, negotiable certificate of deposits, collateralized bank deposits, mortgage pass-through securities, and bank/time deposits; one year for repurchase agreements; 270 days for commercial paper; 180 days for bankers' acceptances; and 92 days for reverse repurchase agreements. The Policy also allows City funds with longer-term investments horizons, to be invested in securities that at the time of the investment have a term remaining to maturity in excess of five years, but with a maximum final maturity of thirty years.

Credit Risk. The Policy establishes minimum credit ratings requirement for investments. There is no credit quality requirement for local agency bonds, U.S. Treasury Obligations, State of California Obligations, California Local Agency Obligations, and U.S. Sponsored Agencies (U.S. government sponsored enterprises) securities. The City's $1.9 billion investments in U.S. government sponsored enterprises consist of securities issued by the Federal Home Loan Bank - $896.7 million, Federal National Mortgage Association - $675.8 million, Federal Home Loan Mortgage Corporation - $279.7 million, Federal Farm Credit Bank - $17.3 million, and Tennessee Valley Authority - $46.2 million. Of the City's $1.9 billion investments in U.S. Sponsored Agencies securities, $798.3 million were rated "AA+" by S&P and "Aaa" by Moody's; $1,117.3 million were not rated individually by S&P nor Moody's (issuers of these securities are rated "AA+/A-1+" by S&P and "Aaa/P-1" by Moody's).

Medium term notes must be issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States. Medium term notes must have at least an "A" rating. The City's $1.4 billion investments in medium term notes consist of securities issued by banks and corporations that comply with these requirements and were rated "A" or better by S&P and "A3" or better by Moody's. Subsequent to purchase, two issuers of $38.7 million medium term notes were

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downgraded to “A-1” by S&P and “Baa1” by Moody’s and one issuer of $7.0 million medium term notes was downgraded to “BBB+” by S&P and “A3” by Moody’s.

Commercial paper issues must have a minimum of “A-1” or equivalent rating. If the issuer has issued long-term debt, it must be rated “A” without regard to modifiers. Issuing corporation must be organized and operating within the United States and have assets in excess of $500.0 million. The City’s $904.4 million investments in commercial paper were rated “A-1+/A-1” by S&P and “P-1” by Moody’s.

Municipal bonds have no minimum rating requirement. The City’s $30.2 million investments in municipal bonds were rated “AA/A” by S&P and “Aa2/Aa3” by Moody’s.

The issuers of the certificates of deposit were not rated.

Concentration of Credit Risk. The Policy does not allow more than 40% of its investment portfolio to be invested in commercial paper and bankers’ acceptances, 30% in certificates of deposit and medium term notes, 20% in mutual funds, money market mutual funds and mortgage pass-through securities. The Policy further provides for a maximum concentration limit of 10% in any one issuer including its related entities. There is no percentage limitation on the amount that can be invested in the U.S. government agencies. The City’s pooled investments comply with these requirements. GAAP requires disclosure of certain investments in any one issuer that represent 5% or more of total investments. Of the City’s total pooled investments as of June 30, 2014, $896.7 million (10%) was invested in securities issued by Federal Home Loan Bank, and $675.8 million (8%) was invested in securities issued by Federal National Mortgage Association.

C. Special Investment Pools

The Port currently has three funds that are invested in the City’s Special Investment Pools. They are Emergency/ACTA Reserve Fund 751, Restoration Fund 70L, and Batiquitos Long-term Investment Fund 72W. Investments in the Special Investment Pool are managed in accordance with the California State Government Code Sections 53600-53635 and the City’s Policy. Funds in the three funds were invested in U.S. Treasuries and government agency securities with maturities of 180 days or less.

D. Other Investments

In each issuance of a parity obligation, the Port is required to establish a reserve fund with a trustee pursuant to the indenture. All moneys in the reserve funds or accounts shall be invested by the trustee solely in permitted investments. Permitted investments on deposit in the debt service reserve funds should be valued at fair market value and marked to market at least once per half year to meet the specific requirement under the indenture. Investments held in the debt service reserve funds shall mature no later than the final maturity of the bonds.

The Port evaluates the value of the reserve funds on or at August 1 of each year, in accordance with the Indenture of Trust (Indenture). The common reserve was $68.4 million at June 30, 2015 versus $58.1 million at June 30, 2014. The reserve funds were invested in Federal Agency Securities rated “Aaa” by Moody’s and “AAA” by Standard & Poor’s (S&P), and U.S. Treasuries.

Continued…..

Proceeds from any new money bonds should be invested in the "Permitted Investments" specified as follows: (1) direct obligations of the United States of America or obligations of the principal of and interest on which are unconditionally guaranteed by the United States of America; (2) bonds, debentures, notes, or other evidence of indebtedness issued or guaranteed by the federal or U.S. government agencies identified in the Indenture; (3) money market funds registered under the Federal Securities Act of 1933, and having a rating of AAAm-G, AAA-m, or AA-m by S&P and Aaa, Aa1, or Aa2 by Moody's; (4) certificates of deposit issued by commercial bank, savings and loan associations, or mutual saving banks and secured at all times by collateral held by a third party; (5) certificates of deposits, savings accounts, deposit accounts, or money market deposits, which are fully insured by the Federal Deposit Insurance Corporation (FDIC), including the Bank Insurance Fund (BIF) and the Savings Association Insurance Fund (SAIF); (6) investment agreements including guaranteed investment contracts, forward purchase agreements, and reserve fund agreements with a provider whose long-term unsecured debt is rated not lower than the second highest rating category of Moody's, and S&P; (7) commercial paper rated at the time of purchase, "Prime-1" by Moody's, and "A-1" or better by S&P; (8) bonds or notes issued by any state or municipality, which are rated by Moody's and S&P in one of the two highest rating categories assigned by such agencies; (9) federal funds or bankers acceptances with a maximum term of one year of any bank, which has an unsecured, uninsured, and unguaranteed obligation rating of "Prime-1" or "A3" or better by Moody's and "A-1" or "A" or better by S&P; and (10) repurchase agreements between the department and a dealer bank and securities firm. The term of the repurchase agreement may be up to 30 days and the value of the collateral must be equal to 104% of the amount of cash transferred to the dealer bank plus accrued interest. If the value of securities held as collateral slips below 104% of the value of the cash transferred by the department, then additional cash and/or acceptable securities must be transferred. If, however, the securities used as collateral are the Federal National Mortgage Association (FNMA) or the Federal Home Loan Mortgage Corporation (FHLMC) then the value of collateral must equal to 105%.

E. City of Los Angeles Securities Lending Program

Portions of the Port funds are also used by the City in a Securities Lending Program (SLP) as part of the investment strategy relative to the total pool of funds invested by the City. The SLP is permitted and limited under provisions of California Government Code Section 53601. The City Council approved the SLP on October 22, 1991 under Council File No. 91-1860, which complies with the California Government Code. The objectives of the SLP in priority order are safety of loaned securities and prudent investment of cash collateral to enhance revenue from the investment program. The SLP is governed by a separate policy and guidelines.

The City's custodial bank acts as the securities lending agent. In the event a counterparty defaults by reason of an act of insolvency, the bank shall take all actions which it deems necessary or appropriate to liquidate permitted investment and collateral in connection with such transaction and shall make a reasonable effort for within two business days (Replacement Period) to apply the proceeds thereof to the purchase of securities identical to the loaned securities not returned. If during the Replacement Period, the collateral liquidation proceeds are insufficient to replace any of the loaned securities not returned, the bank shall, subject to payment by the City of the amount of any losses on any permitted investments, pay such additional amounts as necessary to make such replacement.

Continued…..

Under the provisions of the SLP, and in accordance with the California Government Code, no more than 20% of the market value of the General Investment Pool (the Pool) is available for lending. The City loans out U.S. Treasury and U.S. agencies securities, i.e. Fannie Mae, Freddie Mac, Federal Home Loan Bank, Federal Agricultural Mortgage Corporation (Farmer Mac), Federal Farm Credit Bank and Tennessee Valley Authority. The City receives cash as collateral on the loaned securities, which is reinvested in securities permitted under the Policy. In addition, the City receives securities as collateral on loaned securities, which the City has no ability to pledge or sell without borrower default. In accordance with the California Government Code, the securities lending agent marks to market the value of both the collateral and the reinvestments daily. Except for open loans where either party can terminate a lending contract on demand, term loans have a maximum life of 60 days. Earnings from securities lending accrue to the Pool and are allocated on a pro-rata basis to all Pool participants.

During the fiscal year 2015, collateralizations on all loaned securities were compliant with the required 102% of the market value. The City can sell collateral securities only in the event of borrower default. The lending agent provides indemnification for borrower default. There were no violations of legal or contractual provisions and no borrower or lending agent default losses during the fiscal year. There was no credit risk exposure to the City because the amounts owed to the borrowers exceeded the amounts borrowed. Loaned securities are held by the City's agents in the City's name and are not subject to custodial credit risk.

The Port's share in the assets and liabilities from the reinvested cash collateral amounted to $2.9 million in fiscal year 2015.

The above disclosures on "Note 4.E. City of Los Angeles Securities Lending Program" were derived from information prepared by the City and furnished to the Port.

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5. Capital Assets

The Port's capital assets consist of the following activities for fiscal year ended June 30, 2015 (in thousands):

	Balance July 1, 2014	Additions	Retirements and Disposals	Adjustments and Transfers	Balance June 30, 2015
Capital assets not depreciated					
Land	$ 1,094,732	$ --	$ (792)	$ 13,566	$ 1,107,506
Construction in progress	646,727	267,142	--	(731,122)	182,747
Preliminary costs – capital projects	225,541	14,446	--	(79,425)	160,562
Intangible assets	12,900	--	--	--	12,900
Total capital assets not depreciated	1,979,900	281,588	(792)	(796,981)	1,463,715
Capital assets depreciated/amortized					
Wharves and sheds	881,300	--	--	282,442	1,163,742
Buildings/facilities	2,366,180	--	--	491,723	2,857,903
Equipment	140,540	5,172	(10,403)	22,816	158,125
Intangible assets	12,460	--	--	--	12,460
Total capital assets depreciated/amortized	3,400,480	5,172	(10,403)	796,981	4,192,230
Less accumulated depreciation/ amortization					
Wharves and sheds	(410,856)	(26,350)	--	--	(437,206)
Buildings/facilities	(1,119,739)	(93,675)	--	--	(1,213,414)
Equipment	(84,366)	(16,736)	9,239	--	(91,863)
Intangible assets	(703)	(623)	--	--	(1,326)
Total accumulated depreciation/amortization	(1,615,664)	(137,384)	9,239	--	(1,743,809)
Total capital assets depreciated/ amortized, net	1,784,816	(132,212)	(1,164)	796,981	2,448,421
Capital assets, net	$ 3,764,716	$ 149,376	$ (1,956)	$ --	$ 3,912,136

Continued…..

The Port's capital assets consist of the following activities for fiscal year ended June 30, 2014 (in thousands):

	Balance July 1, 2013	Additions	Retirements and Disposals	Transfers	Balance June 30, 2014
Capital assets not depreciated					
Land	$ 1,133,902	$ --	$ --	$ (39,170)	$ 1,094,732
Construction in progress	342,279	347,545	(13,058)	(30,039)	646,727
Preliminary costs – capital projects	233,029	17,387	(20,660)	(4,215)	225,541
Intangible assets	12,900	--	--	--	12,900
Total capital assets not depreciated	1,722,110	364,932	(33,718)	(73,424)	1,979,900
Capital assets depreciated/amortized					
Wharves and sheds	884,284	--	--	(2,984)	881,300
Buildings/facilities	2,300,508	--	--	65,672	2,366,180
Equipment	132,787	6,720	(5,488)	6,521	140,540
Intangible assets	8,245	--	--	4,215	12,460
Total capital assets depreciated/amortized	3,325,824	6,720	(5,488)	73,424	3,400,480
Less accumulated depreciation/ amortization					
Wharves and sheds	(385,240)	(25,616)	--	--	(410,856)
Buildings/facilities	(1,039,304)	(80,435)	--	--	(1,119,739)
Equipment	(71,682)	(17,669)	4,985	--	(84,366)
Intangible assets	(203)	(500)	--	--	(703)
Total accumulated depreciation/amortization	(1,496,429)	(124,220)	4,985	--	(1,615,664)
Total capital assets depreciated/ amortized, net	1,829,395	(117,500)	(503)	73,424	1,784,816
Capital assets, net	$ 3,551,505	$ 247,432	$ (34,221)	$ --	$ 3,764,716

Net interest expense of $42.1 million and $34.5 million was capitalized for fiscal years 2015 and 2014, respectively.

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6. Investment in Joint Powers Authorities and Other Entities

The Port has entered into two joint power agreements as follows:

A. Intermodal Container Transfer Facility Joint Powers Authority

The Port of Los Angeles (POLA) and the Harbor Department of the City of Long Beach, California (POLB) 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 POLA contributed $2.5 million to the ICTF as part of the agreement. The facility, which began operations in December 1986, was developed by Southern Pacific Transportation Company (SPTC, subsequently a wholly owned subsidiary of Union Pacific Corporation), which operates the facility under a long-term lease agreement. The POLA appoints two members of the ICTF's five-member governing board and accounts for its investment using the equity method. Both the POLA and POLB share income and equity distributions equally.

Pursuant to an indenture of trust dated November 1, 1984, the ICTF issued $53.9 million in bonds (1984 Bonds) on behalf of the SPTC to construct the facility. In 1989, the ICTF issued $52.3 million in refunding bonds (1989 Bonds) on behalf of the SPTC to advance refund all of the 1984 Bonds. In 1999, the ICTF, on behalf of the SPTC, again issued $42.9 million of refunding bonds (1999 Bonds) to advance refund all of the 1989 Bonds. The 1999 Bonds are payable solely from payments by the SPTC under the lease agreement for use of the facility. The nature of the bonds is such that the indebtedness is that of the SPTC and not of the ICTF, POLA, or POLB. At June 30, 2015, there were no outstanding bonds.

The ICTF's operations are financed from lease revenues by ICTF activities. The ICTF is empowered to perform those actions necessary for the development of the facility, including acquiring, constructing, leasing, and selling any of its property. The Port's share of the ICTF's net position at June 30, 2015 and 2014 totaled $6.0 million and $5.2 million, respectively. Separate financial statements for ICTF may be obtained from the Executive Director, Port of Long Beach, 4801 Airport Plaza Drive, Long Beach, California 90815.

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B. Alameda Corridor Transportation Authority

In August 1989, the POLA and the Port of Long Beach (the POLB and, together with the POLA, the Ports) entered into a joint powers agreement and formed the Alameda Corridor Transportation Authority (ACTA) for the purpose of establishing a comprehensive transportation corridor and related facilities consisting of street and railroad rights-of-way and an improved highway and railroad network along Alameda Street between the Harbor and Long Beach Freeways and the POLA and POLB in San Pedro Bay linking the two ports to the central Los Angeles area.

The POLA has no share of the ACTA's net assets and income at June 30, 2015 and 2014, and accordingly, they have not been recorded in the accompanying financial statements. If in the future, ACTA is entitled to distribute income or make equity distributions, the Ports shall share such income and equity distributions equally.

Separate financial statements for ACTA may be obtained from the Chief Financial Officer, Alameda Corridor Transportation Authority, One Civic Plaza Drive, Suite 350, Carson, California 90745.

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7. Long-Term Debt

A. Bonded Debt, Commercial Paper and Other Indebtedness

The Port's activities for bonded debt, commercial paper and other indebtedness for fiscal year 2015 are as follows (in thousands):

Parity Bonds	Call Provisions	Date of Issue	Interest Rate	Fiscal Maturity Year	Original Principal	Beginning Balance July 1, 2014	Additions	Deductions	Ending Balance June 30, 2015	Principal Due Within One Year
Issue 2005, Series A	8/1/2015 @ 102%	10/13/2005	3.25% – 5.00%	2027	$ 29,930	$ 25,685	$ --	$ (1,435)	$ 24,250	$ 1,510
Issue 2005, Series B	8/1/2015 @ 102%	10/13/2005	3.00% – 5.00%	2027	30,110	24,095	--	(1,415)	22,680	1,490
Issue 2005, Series C-1	8/1/2015 @ 102%	10/13/2005	4.00% – 5.00%	2018	43,730	7,880	--	(470)	7,410	7,410
Issue 2006, Series A	8/1/2016 @ 102%	5/4/2006	5.00%	2027	200,710	50,130	--	(1,370)	48,760	--
Issue 2006, Series B	8/1/2016 @ 102%	8/3/2006	5.00%	2027	209,815	84,100	--	--	84,100	11,540
Issue 2006, Series C	8/1/2016 @ 102%	8/3/2006	5.00%	2026	16,545	12,815	--	(810)	12,005	850
Issue 2006, Series D	8/1/2014 @ 102%	8/31/2006	4.50% – 5.00%	2037	111,300	75,935	--	(75,935)	--	--
Issue 2009, Series A	8/1/2019 @ 100%	7/9/2009	2.00% – 5.25%	2029	100,000	86,290	--	(3,720)	82,570	3,905
Issue 2009, Series B	8/1/2019 @ 100%	7/9/2009	5.25%	2040	100,000	100,000	--	--	100,000	--
Issue 2009, Series C	8/1/2019 @ 100%	7/9/2009	4.00% – 5.25%	2032	230,160	205,825	--	(15,715)	190,110	9,675
Issue 2011, Series A	8/1/2021 @ 100%	7/7/2011	3.00% – 5.00%	2023	58,930	58,930	--	--	58,930	2,135
Issue 2011, Series B	8/1/2021 @ 100%	7/7/2011	4.00% – 5.00%	2026	32,820	32,820	--	--	32,820	--
Issue 2014, Series A	8/1/2024 @ 100%	9/18/2014	2.00% – 5.00%	2045	203,280	--	203,280	--	203,280	2,275
Issue 2014, Series B	8/1/2024 @ 100%	9/18/2014	3.00% – 5.00%	2045	89,105	--	89,105	--	89,105	1,360
Issue 2014, Series C	8/1/2024 @ 100%	9/18/2014	2.00% – 5.00%	2045	44,890	--	44,890	--	44,890	760
Total parity bonds					$ 1,501,325	764,505	337,275	(100,870)	1,000,910	42,910
Unamortized bond (discount) premium						16,488	49,003	(6,798)	58,693	--
Net parity bonds						780,993	386,278	(107,668)	1,059,603	42,910
Commercial paper notes						125,000	25,000	(150,000)	--	--
Less: current maturities of long-term debt						(27,270)	(42,910)	27,270	(42,910)	--
Total long-term debt net of current maturities						$ 878,723	$ 368,368	$ (230,398)	$ 1,016,693	$ 42,910

Continued…..

The Port's activities for bonded debt, commercial paper and other indebtedness for fiscal year 2014 are as follows (in thousands):

Parity Bonds	Call Provisions	Date of Issue	Interest Rate	Fiscal Maturity Year	Original Principal	Beginning Balance July 1, 2013	Additions	Deductions	Ending Balance June 30, 2014	Principal Due Within One Year
Issue 2005, Series A	8/1/2015 @ 102%	10/13/2005	3.25% – 5.00%	2027	$ 29,930	$ 27,055	$ --	$ (1,370)	$ 25,685	$ 1,435
Issue 2005, Series B	8/1/2015 @ 102%	10/13/2005	3.00% – 5.00%	2027	30,110	25,440	--	(1,345)	24,095	1,415
Issue 2005, Series C-1	8/1/2015 @ 102%	10/13/2005	4.00% – 5.00%	2018	43,730	7,880	--	--	7,880	470
Issue 2006, Series A	8/1/2016 @ 102%	5/4/2006	5.00%	2027	200,710	50,130	--	--	50,130	1,370
Issue 2006, Series B	8/1/2016 @ 102%	8/3/2006	5.00%	2027	209,815	90,100	--	(6,000)	84,100	--
Issue 2006, Series C	8/1/2016 @ 102%	8/3/2006	5.00%	2026	16,545	13,580	--	(765)	12,815	810
Issue 2006, Series D	8/1/2014 @ 102%	8/31/2006	4.50% – 5.00%	2037	111,300	78,160	--	(2,225)	75,935	2,335
Issue 2009, Series A	8/1/2019 @ 100%	7/9/2009	2.00% – 5.25%	2029	100,000	89,870	--	(3,580)	86,290	3,720
Issue 2009, Series B	8/1/2019 @ 100%	7/9/2009	5.25%	2040	100,000	100,000	--	--	100,000	--
Issue 2009, Series C	8/1/2019 @ 100%	7/9/2009	4.00% – 5.25%	2032	230,160	216,775	--	(10,950)	205,825	15,715
Issue 2011, Series A	8/1/2021 @ 100%	7/7/2011	3.00% – 5.00%	2023	58,930	58,930	--	--	58,930	--
Issue 2011, Series B	8/1/2021 @ 100%	7/7/2011	4.00% – 5.00%	2026	32,820	32,820	--	--	32,820	--
Total parity bonds					$ 1,164,050	790,740	--	(26,235)	764,505	27,270
Unamortized bond (discount) premium						30,390	--	(13,902)	16,488	--
Net parity bonds						821,130	--	(40,137)	780,993	27,270
Commercial paper notes						100,000	25,000	--	125,000	--
Less: current maturities of long-term debt						(26,235)	(27,270)	26,235	(27,270)	--
Total long-term debt net of current maturities						$ 894,895	$ (2,270)	$ (13,902)	$ 878,723	$ 27,270

Continued…..

B. Bond Premium and Discount

Original bond premium or discount is amortized over the life of the bonds. At the time of bond refunding, the unamortized discount or premium is amortized over the life of the refunded bonds or the life of the refunding bonds, whichever is shorter.

In fiscal year 2014, the Port changed the method of amortizing bond premium and discount from straight line method to effective interest method. The effective interest method allocates bond interest expense over the life of the bonds in such a way that it yields a constant rate of interest, which in turn is the market rate of interest at the date of issue of bonds. With the effective interest method, the amortization of bond discount/premium is calculated using the effective market interest rate versus the coupon rate used in straight-line method. As a result of this change, the beginning net position at July 1, 2013 was adjusted for the cumulative effect of this change in the amount of $10.6 million and fiscal year 2014 interest expense was reduced by $0.9 million.

The unamortized discount or premium for the outstanding bonds for fiscal years 2015 and 2014 are as follows (in thousands):

Harbor Revenue Bonds	2015 Premium (Discount)	2014 Premium (Discount)
Issue of 2005, Series A	$ 758	$ 895
Issue of 2005, Series B	699	830
Issue of 2005, Series C-1	111	161
Issue of 2006, Series A	924	1,101
Issue of 2006, Series B	1,117	1,476
Issue of 2006, Series C	290	350
Issue of 2006, Series D	--	1,237
Issue of 2009, Series A	969	1,189
Issue of 2009, Series B	(2,043)	(2,098)
Issue of 2009, Series C	3,613	4,298
Issue of 2011, Series A	3,196	4,076
Issue of 2011, Series B	2,721	2,973
Issue of 2014, Series A	26,612	--
Issue of 2014, Series B	13,327	--
Issue of 2014, Series C	6,399	--
Total	$ 58,693	$ 16,488

Continued…..

C. Principal Maturities and Interest

The Port's scheduled annual debt service payments for bonded debt and other indebtedness are as follows (in thousands):

	Principal	Interest	Total
2016	$ 42,910	$ 48,871	$ 91,781
2017	42,095	47,028	89,123
2018	37,155	45,167	82,322
2019	46,830	43,161	89,991
2020	48,690	40,811	89,501
2021 – 2025	282,925	163,830	446,755
2026 – 2030	178,665	97,429	276,094
2031 – 2035	116,425	67,301	183,726
2036 – 2040	128,615	35,203	163,818
2041 – 2045	76,600	9,957	86,557
Subtotal	1,000,910	598,758	1,599,668
Unamortized bond premium (discount), net	58,693	--	58,693
Current maturities of long-term debt	(42,910)	--	(42,910)
Total	$ 1,016,693	$ 598,758	$ 1,615,451

Continued…..

D. Summary of the Port's Bonded Indebtedness and Pledged Revenues

2005 Series A Refunding Bonds

The 2005 Series A Refunding Bonds were issued on October 13, 2005 in the aggregate principal amount of $29.9 million to advance refund, on a crossover basis, $30.9 million of the 1996 Series A Bonds on their call date (the Crossover Date) of August 1, 2006.

Interest on the 2005 Series A Refunding Bonds is payable semiannually on February 1 and August 1 of each year commencing February 1, 2006. The 2005 Series A Bonds with maturity dates ranging from August 1, 2010 to 2026 bear coupon interest rates from 3.25% to 5.00%.

The bonds maturing on or after August 1, 2016 are subject to optional redemption prior to their stated maturities at the redemption price of 102% if they are redeemed during the period from August 1, 2015 to July 31, 2016.

At June 30, 2015 and 2014, the outstanding balances of the 2005 Series A Refunding Bonds, plus the unamortized premium of $0.8 million and $0.9 million, were $25.0 million and $26.6 million, respectively.

Debt service of the Port's 2005 Series A Refunding Bonds are as follows (in thousands):

Fiscal Year	Principal	Interest	Total
2016	$ 1,510	$ 1,175	$ 2,685
2017	1,590	1,097	2,687
2018	1,670	1,016	2,686
2019	1,755	930	2,685
2020	1,850	840	2,690
2021 – 2025	10,755	2,679	13,434
2026 – 2027	5,120	259	5,379
Subtotal	24,250	7,996	32,246
Unamortized premium	758	--	758
Total	$ 25,008	$ 7,996	$ 33,004

Continued…..

2005 Series B Refunding Bonds

The 2005 Series B Refunding Bonds were issued on October 13, 2005 in the aggregate principal amount of $30.1 million, on a crossover basis, to advance refund $31.7 million of the 1996 Series B Bonds on their call date of November 1, 2006 (the Crossover Date).

Interest on the 2005 Series B Bonds is payable semiannually on February 1 and August 1 of each year, commencing February 1, 2006. The 2005 Series B Refunding Bonds with maturity dates ranging from August 1, 2008 to 2026 bear coupon interest rates from 3.00% to 5.00%.

The bonds maturing on or after August 1, 2016 are subject to optional redemption prior to their stated maturities at the redemption price of 102% if they are redeemed during the period from August 1, 2015 to July 31, 2016.

At June 30, 2015 and 2014, the outstanding balances of the 2005 Series B Refunding Bonds, plus the unamortized premium of $0.7 million and $0.8 million, were $23.4 million and $24.9 million, respectively.

Debt service of the Port's 2005 Series B Refunding Bonds are as follows (in thousands):

Fiscal Year	Principal	Interest	Total
2016	$ 1,490	$ 1,097	$ 2,587
2017	1,565	1,020	2,585
2018	1,640	940	2,580
2019	1,725	856	2,581
2020	1,820	768	2,588
2021 – 2025	10,585	2,340	12,925
2026 – 2027	3,855	166	4,021
Subtotal	22,680	7,187	29,867
Unamortized premium	699	--	699
Total	$ 23,379	$ 7,187	$ 30,566

Continued…..

2005 Series C-1 Refunding Bonds

The 2005 Series C-1 Refunding Bonds, associated with the purchase on the open market of the purchased 1996 Bonds, were issued on October 13, 2005 in the aggregate principal amount of $43.7 million.

Interest on the 2005 Series C-1 Refunding Bonds is payable semiannually on February 1 and August 1 of each year, commencing February 1, 2006. The 2005 Series C-1 Bonds with maturity dates ranging from August 1, 2006 to August 1, 2017 bear coupon interest rates from 4.00% to 5.00%.

The bonds maturing on or after August 1, 2017 shall be subject to optional redemption prior to their stated maturities at the redemption price of 102% if they are redeemed during the period from August 1, 2015 to July 31, 2016.

The 2005 Series C-2 Refunding Bonds were issued for $4.1 million to pay certain issuance costs. The 2005 Series C-2 Bonds Refunding Bonds were sold with a coupon rate of 4.75%.

To take advantage of the American Recovery and Reinvestment Act (ARRA) of 2009, the Port issued the 2009 Series C (Non-AMT) Refunding Bonds in an aggregate amount of $230.2 million on July 9, 2009. A portion of the Refunding bond proceeds was to provide funds to refund $2.7 million of the 2005 Series C-1 AMT Bonds.

The outstanding balances of the 2005 Series C-1 Refunding Bonds, plus the unamortized premium of $0.1 million and $0.2 million, were $7.5 million and $8.0 million at June 30, 2015 and 2014, respectively.

Debt service of the Port's 2005 Series C-1 Refunding Bonds are as follows (in thousands):

Fiscal Year	Principal	Interest	Total
2016	$ --	$ 371	$ 371
2017	--	371	371
2018	7,410	185	7,595
Subtotal	7,410	927	8,337
Unamortized premium	111	--	111
Total	$ 7,521	$ 927	$ 8,448

The 2005 Series A, B, and C refunding transactions resulted in an economic gain of $4.0 million and a cash savings of $6.1 million.

Continued…..

2006 Series A Refunding Bonds

The 2006 Series A Refunding Bonds were issued on May 4, 2006 in the aggregate principal amount of $200.7 million, on a forward-delivery basis, to currently refund $202.7 million of the 1996A Bonds. The 2006 Series A refunding transactions resulted in an economic gain of $27.7 million and cash savings of $44.8 million.

Interest on the 2006 Series A Refunding Bonds is payable semiannually on February 1 and August 1 of each year. Principal and interest are payable commencing August 1, 2006. The 2006 Series A Bonds bear a coupon interest rate of 5.00% with maturity dates ranging from August 1, 2006 to August 1, 2026.

The bonds maturing on or after August 1, 2017 shall be subject to optional redemption prior to their maturities at the redemption price of 102% if they are redeemed during the period from August 1, 2016 to July 31, 2017.

To take advantage of the ARRA, the Port issued the 2009 Series C (Non-AMT) Refunding Bonds on July 9, 2009. A portion of the 2009 Refunding Bond proceeds was to provide funds to refund $121.1 million of the 2006 Series A AMT Bonds.

At June 30, 2015 and 2014, the outstanding balances of the 2006 Series A Refunding Bonds, plus the unamortized premium of $0.9 million and $1.1 million, were $49.7 million and $51.2 million, respectively.

Debt service of the Port's 2006 Series A Bonds are as follows (in thousands):

Fiscal Year	Principal	Interest	Total
2016	$ --	$ 2,438	$ 2,438
2017	195	2,433	2,628
2018	8,930	2,205	11,135
2019	9,990	1,732	11,722
2020	--	1,482	1,482
2021-2025	29,645	4,358	34,003
Subtotal	48,760	14,648	63,408
Unamortized premium	924	--	924
Total	$ 49,684	$ 14,648	$ 64,332

Continued…..

2006 Series B Refunding Bonds

The 2006 Series B Refunding Bonds were issued on August 3, 2006 in the aggregate principal amount of $209.8 million, on a forward-delivery basis, to currently refund $211.9 million of the 1996 Series B Bonds. The 2006 Series B refunding transactions resulted in an economic gain of $18.9 million and cash savings of $34.7 million.

Interest on the 2006 Series B Refunding Bonds is payable semiannually on February 1 and August 1 of each year. The 2006 Series B Bonds bear a coupon interest rate of 5.00% with maturity dates ranging from August 1, 2007 to August 1, 2026.

The bonds maturing on or after August 1, 2017 shall be subject to optional redemption prior to their maturities at the redemption price of 102% if they are redeemed during the period from August 1, 2016 to July 31, 2017.

To take advantage of the ARRA, the Port issued the 2009 Series C (Non-AMT) Refunding Bonds on July 9, 2009. A portion of the 2009 Refunding Bond proceeds was to provide funds to refund $94.1 million of the 2006 Series B AMT Bonds.

The outstanding balances of the 2006 Series B Refunding Bonds, plus the unamortized premium of $1.1 million and $1.5 million, were $85.2 million and $85.6 million at June 30, 2015 and 2014, respectively.

Debt service of the Port's 2006 Series B Refunding Bonds are as follows (in thousands):

Fiscal Year	Principal	Interest	Total
2016	$ 11,540	$ 3,917	$ 15,457
2017	12,140	3,325	15,465
2018	3,095	2,944	6,039
2019	12,855	2,545	15,400
2020	13,485	1,886	15,371
2021 – 2025	30,760	1,614	32,374
2026	225	6	231
Subtotal	84,100	16,237	100,337
Unamortized premium	1,117	--	1,117
Total	$ 85,217	$ 16,237	$ 101,454

Continued…..

2006 Series C Refunding Bonds

The 2006 Series C Refunding Bonds were issued on August 3, 2006 in the aggregate principal amount of $16.5 million, on a forward-delivery basis, to currently refund $17.1 million of the 1996 Series C Bonds. The refunding transactions resulted in an economic gain of $1.2 million and cash savings of $1.6 million.

Interest on the 2006 Series C Refunding Bonds is payable semiannually on February 1 and August 1 of each year. The 2006 Series C Refunding Bonds bear coupon interest at a rate of 5.00% with maturity dates ranging from August 1, 2008 to August 1, 2025.

The bonds maturing on or after August 1, 2017 shall be subject to optional redemption prior to their maturities at the redemption price of 102% if they are redeemed during the period from August 1, 2016 to July 31, 2017.

The outstanding balances of the 2006 Series C Refunding Bonds, plus the unamortized premium of $0.3 million and $0.4 million, were $12.3 million and $13.2 million at June 30, 2015 and 2014, respectively.

Debt service of the Port's 2006 Series C Refunding Bonds are as follows (in thousands):

Fiscal Year	Principal	Interest	Total
2016	$ 850	$ 579	$ 1,429
2017	895	535	1,430
2018	930	490	1,420
2019	980	442	1,422
2020	1,035	392	1,427
2021 – 2025	5,955	1,113	7,068
2026	1,360	34	1,394
Subtotal	12,005	3,585	15,590
Unamortized premium	290	--	290
Total	$ 12,295	$ 3,585	$ 15,880

Continued…..

2006 Series D Refunding Bonds

The 2006 Series D Refunding Bonds were issued on August 31, 2006 in the aggregate principal amount of $111.3 million, to refund $113.6 million of Commercial Paper Notes.

Interest on the 2006 Series D Refunding Bonds is payable semiannually on February 1 and August 1 of each year. The 2006 Series D Bonds bear coupon interest at rates ranging from 4.50% to 5.00% with maturity dates from August 1, 2007 to August 1, 2036.

The bonds maturing on or after August 1, 2015 are subject to optional redemption prior to their stated maturities at the redemption price of 101% if they are redeemed during the period from August 1, 2014 to July 31, 2015.

To take advantage of the American Recovery and Reinvestment Act of 2009 (ARRA), the Port issued the 2009 Series C (Non-AMT) Refunding Bonds on July 9, 2009. A portion of the Refunding Bonds was to provide funds to refund $22.5 million of the 2006 Series D AMT Bonds.

All outstanding balances of 2006 Series D Refunding Bonds of $73.6 million were refunded upon the issuance of 2014 Series A Refunding Bonds in September 2014.

Continued…..

2009 Series A New Money Bonds

The 2009 Series A New Money Bonds were issued on July 9, 2009 in the aggregate principal amount of $100.0 million, in accordance with ARRA. The Bonds were issued to (i) finance certain Private Activity Projects; (ii) fund a debt service reserve fund with respect to the 2009A Bonds; and (iii) pay the costs incidental to the issuance of the 2009A Bonds.

Interest on the 2009 Series A Bonds is payable semiannually on February 1 and August 1 of each year, commencing August 1, 2009. The Bonds bear coupon interest at rates ranging from 2.00% to 5.25% with maturity dates from August 1, 2010 to August 1, 2029.

The Bonds with stated maturities on or after August 1, 2020 shall be subject to optional redemption prior to their maturities on or after August 1, 2019 without early redemption premium. The Bonds are not subject to mandatory sinking fund redemption.

The outstanding balances of the 2009 Series A Bonds, plus the unamortized premium of $1.0 million and $1.2 million, were $83.5 million and $87.5 million at June 30, 2015 and 2014, respectively.

Debt service of the Port's 2009 Series A Bonds are as follows (in thousands):

Fiscal year	Principal	Interest	Total
2016	$ 3,905	$ 3,969	$ 7,874
2017	4,095	3,794	7,889
2018	4,255	3,627	7,882
2019	4,425	3,453	7,878
2020	4,605	3,250	7,855
2021 – 2025	26,795	12,354	39,149
2026 – 2030	34,490	4,489	38,979
Subtotal	82,570	34,936	117,506
Unamortized premium	969	--	969
Total	$ 83,539	$ 34,936	$ 118,475

Continued…..

2009 Series B New Money Bonds

Along with the issuance of the 2009 Series A New Money Bonds, the Port issued its 2009 Series B Bonds in the aggregate principal amount of $100.0 million in accordance with the ARRA of 2009. The Bonds were issued to (i) finance certain Governmental Projects in Fiscal Years 2009 and 2010; (ii) fund a debt service reserve fund with respect to the 2009B Bonds; and (iii) pay the costs incidental to the issuance of the 2009B Bonds.

Interest on the 2009 Series B Bonds is payable semiannually on February 1 and August 1 of each year, commencing August 1, 2009. The Bonds bear a coupon interest rate at 5.25% with maturity dates from August 1, 2030 to August 1, 2039.

The Bonds with stated maturities on or after August 1, 2020 shall be subject to optional redemption on or after August 1, 2019 without early redemption premium. The Bonds maturing on August 1, 2034 (the 2009B 2034 Term Bonds) and on August 1, 2039 (the 2009B 2039 Term Bonds) are subject to mandatory sinking fund redemption.

The outstanding balance of the 2009 Series B Bonds, net of unamortized discount of $2.0 million and $2.1 million were $98.0 million and $97.9 million at June 30, 2015 and 2014, respectively.

Debt service of the Port's 2009 Series B Bonds are as follows (in thousands):

Fiscal year	Principal	Interest	Total
2016	$ --	$ 5,250	$ 5,250
2017	--	5,250	5,250
2018	--	5,250	5,250
2019	--	5,250	5,250
2020	--	5,250	5,250
2021 – 2025	--	26,250	26,250
2026 – 2030	--	26,250	26,250
2031 – 2035	43,640	20,756	64,396
2036 – 2040	56,360	7,700	64,060
Subtotal	100,000	107,206	207,206
Unamortized discount	(2,043)	--	(2,043)
Total	$ 97,957	$ 107,206	$ 205,163

Continued…..

2009 Series C Refunding Bonds

Contemporaneously with the issuance of the 2009 Series A and Series B New Money Bonds, the Port issued the 2009 Series C Refunding Bonds in the aggregate principal amount of $230.2 million. The Bonds were issued to provide funds for the purchase of certain maturities of the Department's outstanding (i) Refunding Revenue Bonds 2005 Series C-1 (AMT) of $2.7 million, (ii) Refunding Revenue Bonds 2006 Series A (AMT) of $121.1 million, (iii) Refunding Revenue Bonds 2006 Series B (AMT) of $94.1 million, and (iv) Revenue Bonds 2006 Series D (AMT) of $22.5 million. The refunding transactions resulted in a reduction of $12.7 million in future debt service payments and the net present value benefit of $8.2 million.

Interest on the 2009 Series C Refunding Bonds is payable semiannually on February 1 and August 1 of each year, commencing August 1, 2009. The Bonds bear coupon interest rates ranging from 4.00% to 5.25% with maturity dates from August 1, 2011 to August 1, 2031.

The Bond maturing on August 1, 2021, which bears coupon interest at 5.25% per annum, and the Bonds maturing on or after August 1, 2022 are subject to optional redemption prior to their respective stated maturities without early redemption premium. The Bonds maturing on August 1, 2031 (the Term Bonds) are subject to mandatory sinking fund redemption.

The outstanding balances of the 2009 Series C Refunding Bonds, plus the unamortized premium of $3.6 million and $4.3 million, were $193.7 million and $210.1 million at June 30, 2015 and 2014, respectively.

Debt service of the Port's 2009 Series C Bonds are as follows (in thousands):

Fiscal year	Principal	Interest	Total
2016	9,675	9,500	19,175
2017	8,860	9,055	17,915
2018	2,265	8,786	11,051
2019	--	8,729	8,729
2020	10,000	8,479	18,479
2021-2025	79,795	33,499	113,294
2026-2030	77,095	5,183	82,278
2031-2032	2,420	133	2,553
Subtotal	190,110	83,364	273,474
Unamortized premium	3,613	--	3,613
Total	$ 193,723	$ 83,364	$ 277,087

Continued…..

2011 Series A Refunding Bonds

The 2011 Series A Refunding Bonds were issued in 2011 in the aggregate principal amount of $58.9 million to refund the outstanding principal of $64.9 million of the 2001 Series B Refunding Bonds. The refunding transaction resulted in cash flow savings of $10.7 million and economic gain of $8.6 million over the life of the bonds.

Interest on the 2011 Series A Refunding Bonds is payable semiannually on February 1 and August 1 of each year starting from August 1, 2012. The bonds bear interest at coupon rates from 3.00% to 5.00% with maturity dates ranging from August 2015 to 2022.

The 2011 Series A Refunding Bonds are subject to optional redemption on or after August 1, 2021 without early redemption premium. Principal and interests on these bonds are payable solely from Harbor revenues and other amounts pledged under the indenture.

The outstanding balance of the 2011 Series A Refunding Bonds, plus the unamortized premium of $3.2 million and $4.1 million, were $62.1 million and $63.0 million at June 30, 2015 and 2014, respectively.

Debt service of the Port's 2011 Series A Refunding Bonds are as follows (in thousands):

Fiscal Year	Principal	Interest	Total
2016	$ 2,135	$ 2,872	$ 5,007
2017	7,130	2,662	9,792
2018	7,490	2,296	9,786
2019	7,855	1,912	9,767
2020	8,250	1,510	9,760
2021 – 2023	26,070	1,939	28,009
Subtotal	58,930	13,191	72,121
Unamortized premium	3,196	--	3,196
Total	$ 62,126	$ 13,191	$ 75,317

Continued…..

2011 Series B Refunding Bonds

The 2011 Series B Refunding Bonds were issued in 2011 in the aggregate principal amount of $32.8 million to refund the outstanding principal of $36.2 million of the 2001 Series A Refunding Bonds. The refunding transaction resulted in cash flow savings of $5.7 million and economic gain of $4.0 million.

Interest on the 2011 Series B Refunding Bonds is payable semiannually on February 1 and August 1 of each year starting from February 1, 2012. The bonds bear coupon interest rates from 4.00% to 5.00% with maturity dates ranging from August 2022 to 2025.

The 2011 Series B Refunding Bonds are subject to optional redemption on or after August 1, 2021 without early redemption premium. Principal and interests on these bonds are payable solely from Harbor revenues and other amounts pledged under the indenture.

The outstanding balance of the 2011 Series B Refunding Bonds, plus the unamortized premium of $2.7 million and $3.0 million, were $35.5 million and $35.8 million at June 30, 2015 and 2014, respectively.

Debt service of the Port's 2011 Series B Refunding Bonds are as follows (in thousands):

Fiscal Year	Principal	Interest	Total
2016	$ --	$ 1,618	$ 1,618
2017	--	1,618	1,618
2018	--	1,618	1,618
2019	--	1,618	1,618
2020	--	1,618	1,618
2021 – 2025	21,775	6,954	28,729
2026 – 2027	11,045	271	11,316
Subtotal	32,820	15,315	48,135
Unamortized premium	2,721	--	2,721
Total	$ 35,541	$ 15,315	$ 50,856

Continued…..

2014 Series A Revenue Bonds and Refunding Revenue Bonds

The 2014 Series A Revenue Bonds and Refunding Revenue Bonds were issued on September 18, 2014 in the aggregate principal amount of $203.3 million to cover the construction costs of private activity projects, primarily the Trapac Container Terminal, China Shipping Container Terminal and Alternative Maritime Power (AMP) installation at several berths, as well as to refund all of the outstanding principal of $73.6 million of the 2006 Series D Refunding Bonds, make deposit to the Reserve Fund and pay the cost of issuance of the Series 2014A bonds. The refunding transaction resulted in present value savings of $9.0 million or cash flow savings of $7.3 million over the remaining life of these bonds.

Interest on the 2014 Series A Bonds is payable semiannually on February 1 and August 1 of each year, commencing February 1, 2015. The Bonds bear coupon interest at rates ranging from 2.00% to 5.00% with maturity dates from August 1, 2015 to August 1, 2044. The Bonds with stated maturities on or after August 1, 2025 shall be subject to optional redemption prior to their maturities on or after August 1, 2024 without early redemption premium.

The outstanding balance of the 2014 Series A Bonds, plus the unamortized premium of $26.6 million was $229.9 million at June 30, 2015.

Debt service of the Port's 2014 Series A Bonds are as follows (in thousands):

Fiscal Year	Principal	Interest	Total
2016	$ 2,275	$ 9,993	$ 12,268
2017	3,420	9,902	13,322
2018	4,595	9,741	14,336
2019	4,865	9,528	14,393
2020	5,160	9,277	14,437
2021 – 2025	26,590	42,220	68,810
2026 – 2030	27,450	36,091	63,541
2031 – 2035	47,330	26,749	74,079
2036 – 2040	42,785	14,268	57,053
2041 – 2045	38,810	5,045	43,855
Subtotal	203,280	172,814	376,094
Unamortized premium	26,612	--	26,612
Total	$ 229,892	$ 172,814	$ 402,706

Continued…..

2014 Series B Refunding Revenue Bonds

Included in the 2014 transaction was the issuance of the 2014 Series B Bonds in the aggregate principal amount of $89.1 million, to refund $100.0 million of exempt facility Commercial Paper Notes that were originally issued during the ARRA period (2009-2010) to finance private activity projects such as China Shipping, Trapac, and AMP projects, to make a deposit to the Reserve Fund, and to pay for cost of issuance of the 2014 Series B bonds.

Interest on the 2014 Series B Bonds is payable semiannually on February 1 and August 1 of each year, commencing February 1, 2015. The Bonds bear coupon interest rates ranging from 3.00% to 5.00% with maturity dates from August 1, 2015 to August 1, 2044. The Bonds with stated maturities on or after August 1, 2025 bear interest of 5.00%, and shall be subject to optional redemption prior to their maturities on or after August 1, 2024 without early redemption premium.

The outstanding balance of the 2014 Series B Bonds, plus the unamortized premium of $13.3 million was $102.4 million at June 30, 2015.

Debt service of the Port's 2014 Series B Bonds are as follows (in thousands):

Fiscal Year	Principal	Interest	Total
2016	$ 1,360	$ 4,328	$ 5,688
2017	1,425	4,266	5,691
2018	1,480	4,208	5,688
2019	1,545	4,147	5,692
2020	1,615	4,076	5,691
2021 – 2025	9,400	19,050	28,450
2026 – 2030	12,065	16,385	28,450
2031 – 2035	15,390	13,060	28,450
2036 – 2040	19,645	8,806	28,451
2041 – 2045	25,180	3,273	28,453
Subtotal	89,105	81,599	170,704
Unamortized premium	13,327	--	13,327
Total	$ 102,432	$ 81,599	$ 184,031

Continued…..

2014 Series C Revenue Bonds

Contemporaneous with the issuance of the 2014 Series A Revenue Bonds and Refunding Revenue Bonds and the Series B Refunding Revenue Bonds, the Port issued the 2014 Series C Revenue Bonds in the aggregate principal amount of $44.9 million, to reimburse the construction cost of government projects, mainly the San Pedro Waterfront Landside Improvements project and the in-kind match of transportation projects primarily financed by State and Federal grants, to make deposit into the Reserve Fund, and pay the costs of issuance of the 2014 Series C bonds.

Interest on the 2014 Series C Revenue Bonds is payable semiannually on February 1 and August 1 of each year, commencing February 1, 2015. The Bonds bear coupon interest rates ranging from 2.00% to 5.00% with maturity dates from August 1, 2015 to August 1, 2044. The Bonds with stated maturities on or after August 1, 2025 shall be subject to optional redemption prior to their maturities on or after August 1, 2024 without early redemption premium.

The outstanding balance of the 2014 Series C Bonds, plus the unamortized premium of $6.4 million was $51.3 million at June 30, 2015.

Debt service of the Port's 2014 Series C Bonds are as follows (in thousands):

Fiscal Year	Principal	Interest	Total
2016	$ 760	$ 2,090	$ 2,850
2017	780	2,070	2,850
2018	805	2,046	2,851
2019	835	2,018	2,853
2020	870	1,984	2,854
2021 – 2025	4,800	9,461	14,261
2026 – 2030	5,960	8,295	14,255
2031 – 2035	7,645	6,603	14,248
2036 – 2040	9,825	4,429	14,254
2041 – 2045	12,610	1,639	14,249
Subtotal	44,890	40,635	85,525
Unamortized premium	6,399	--	6,399
Total	$ 51,289	$ 40,635	$ 91,924

Continued…..

E. Commercial Paper

The Port has established a Commercial Paper program (Program) supported by bank credit lines to issue commercial paper notes (Notes) to provide interim financing primarily for the construction, maintenance, and replacement of the Port's structures, facilities, and equipment needs. The total credit available under the credit facilities that support the Program was at $250.0 million. The term of the Program expired at the end of July 2015.

There was no outstanding commercial paper as of June 30, 2015 and total amount outstanding was $125.0 million as of June 30, 2014. Funds were used to finance the China Shipping and TraPac Container Terminal Projects. The 2014 notes issued were remarketed upon maturity and refunded through the issuance of long term bonds. Therefore, these notes were classified as long-term liabilities as of June 30, 2014.

F. Current Year and Prior Years' Defeasance of Debt

The Port defeased those bonds refunded by placing the proceeds of refunding bonds in irrevocable trusts to provide for all future debt service payments on old bonds. Accordingly, the trust account assets and liability for the defeased bonds are not included in the Port's financial statements.

The Port has outstanding bonds in the defeasance escrows held by the trustee at June 30, 2015 and 2014 of $38.8 million and $46.8 million, respectively.

Continued…..

8. Changes in Long-Term Liabilities

The changes in the Port's long-term liabilities for the year ended June 30, 2015 are as follows (in thousands):

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015	Due within one year
Revenue bonds	$ 764,505	$ 337,275	$ (100,870)	$ 1,000,910	$ 42,910
Unamortized (discount)/ premium	16,488	49,003	(6,798)	58,693	--
Net revenue bonds	780,993	386,278	(107,668)	1,059,603	42,910
Commercial paper	125,000	25,000	(150,000)	--	--
Accrued salaries	5,266	108,437	(107,504)	6,199	6,199
Compensated absences	9,543	22,476	(22,400)	9,619	9,619
Accrued employee benefits	9,883	97,998	(98,536)	9,345	1,060
Litigation	333	1,611	(343)	1,601	1,601
Workers compensation	15,826	1,271	(1,762)	15,335	1,783
Pollution remediation	80,832	11,730	(19,159)	73,403	8,227
Deposits	12,925	198	(372)	12,751	--
Net pension obligation/liabilities	2,673	198,762	(2,673)	198,762	--
Others	31,730	215,151	(222,435)	24,446	22,640
Total long-term liabilities	$ 1,075,004	$ 1,068,912	$ (732,852)	$ 1,411,064	$ 94,039

Continued…..

The changes in the Port's long-term liabilities for the year ended June 30, 2014 are as follows (in thousands):

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014	Due within one year
Revenue bonds	$ 790,740	$ --	$ (26,235)	$ 764,505	$ 27,270
Unamortized (discount)/ premium	30,390	--	(13,902)	16,488	--
Net revenue bonds	821,130	--	(40,137)	780,993	27,270
Commercial paper	100,000	25,000	--	125,000	--
Accrued salaries	4,274	85,151	(84,159)	5,266	5,266
Compensated absences	9,386	20,773	(20,616)	9,543	9,543
Accrued employee benefits	9,469	30,975	(30,561)	9,883	816
Litigation	441	--	(108)	333	333
Workers compensation	15,175	2,686	(2,035)	15,826	1,939
Pollution remediation	99,361	6,790	(25,319)	80,832	10,873
Deposits	12,938	1,264	(1,277)	12,925	--
Net pension obligation	2,891	--	(218)	2,673	--
Others	39,130	17,723	(25,123)	31,730	29,951
Total long-term liabilities	$ 1,114,195	$ 190,362	$ (229,553)	$ 1,075,004	$ 85,991

Continued…..

9. GASB 49 Pollution Remediation Obligations

The Port's estimated pollution remediation liability as of June 30, 2015 and 2014 totaled $73.4 million and $80.8 million, respectively. These costs relate mostly to soil and ground water contamination on sites within the Port premises. As certain sites were formerly used for a variety of industrial purposes, legacy contamination or environmental impairments exist. As environmental risks may be managed, the Port has adopted the "Managed Environmental Risk" approach in estimating the remediation liability. The Port uses a combination of in-house specialists as well as outside consultants to perform estimates of potential liability. Certain remediation contracts are included in site development plans as final uses for the sites have been identified.

The changes in the Port's pollution remediation obligations for fiscal year 2015 are as follows (in thousands):

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015	Due Within One Year
Obligating Event					
Named by regulator as a potential party to remediation	$ 74,303	$ 11,730	$ (17,783)	$ 68,250	$ 7,934
Voluntary commencement	6,529	--	(1,376)	5,153	293
Total	$ 80,832	$ 11,730	$ (19,159)	$ 73,403	$ 8,227
Pollution Type					
Soil and or groundwater remediation	$ 80,832	$ 11,730	$ (19,159)	$ 73,403	$ 8,227

The changes in the Port's pollution remediation obligations for fiscal year 2014 are as follows (in thousands):

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014	Due Within One Year
Obligating Event					
Named by regulator as a potential party to remediation	$ 89,444	$ 3,212	$ (18,353)	$ 74,303	$ 10,323
Voluntary commencement	9,917	4,545	(7,933)	6,529	550
Total	$ 99,361	$ 7,757	$ (26,286)	$ 80,832	$ 10,873
Pollution Type					
Soil and or groundwater remediation	$ 99,361	$ 7,757	$ (26,286)	$ 80,832	$ 10,873

In fiscal year 2014, the Port adjusted the outstanding pollution remediation liabilities of $15.0 million and presented this as Special Item in the Port's financial statements. Please see Note 21 on page 110 for more information.

10. Employee-Deferred Compensation Plan

The City offers a deferred compensation plan created in accordance with Internal Revenue Code Section 457 to its employees, in which Port employees participate, allowing them to defer receipt of income. All amounts deferred by the Port's employees are paid to the City, which in turn pays them to the deferred compensation plan administrator. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts are held in such custodial account for the exclusive benefit of the employee participants and their beneficiaries. Information on the Port employees' share of plan assets is not available and is not recorded in the Port's financial statements.

While the City has full power and authority to administer and to adopt rules and regulations for the plan, all investment decisions under the plan are the responsibility of the plan participants. The City has no liability for losses under the plan, but does have the duty of due care that would be required of an ordinary prudent investor. Under certain circumstances, employees may modify their arrangements with the plan to provide for greater or lesser contributions or to terminate their participation. If participants retire under the plan or terminate service with the City, they may be eligible to receive payments under the plan in accordance with the provisions thereof. In the event of serious financial emergency, the City may approve, upon request, withdrawals from the plan by the participants, along with their allocated contributions.

11. Risk Management

The Port purchases insurance for a variety of exposures associated with property, automobiles, vessels, railroad, employment practices, travel, police, pilotage, and terrorism. The City is self-insured for workers compensation, and the Port participates in the City's self-insurance program. Third party general liability exposures are self-insured by the Port for $1.0 million and the excess liability is maintained over the self-insured retention. There have been no settlements in the past three years that have exceeded the Port's insurance coverage.

The actuarially determined accrued liability for workers compensation includes provision for incurred but not reported claims and loss adjustment expenses. The Port's accrued workers compensation liability at June 30, 2015 and 2014 were $15.3 million and $15.8 million, respectively.

A number of lawsuits were pending against the Port that arose in the normal course of operations. The Port recognizes a liability for claims and 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. The City Attorney provides estimates for the amount of liabilities to be probable of occurring from lawsuits. The Port's liability for litigation and other claims at June 30, 2015 and 2014 were $1.6 million and $0.3 million, respectively.

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The changes in the Port’s estimated claims payable are as follows (in thousands):

	2015	2014	2013
Unpaid claims, July 1			
Workers compensation	$ 15,826	$ 15,175	$ 13,639
General liability/litigation	333	441	465
Total unpaid claims, July 1	16,159	15,616	14,104
Provision for current year's events and changes in provision for prior year's events			
Workers compensation	936	2,686	4,700
General liability/litigation	1,567	--	133
Total provision	2,503	2,686	4,833
Claims payments			
Workers compensation	(1,427)	(2,035)	(3,164)
General liability/litigation	(299)	(108)	(157)
Total claims payments	(1,726)	(2,143)	(3,321)
Unpaid claims, June 30			
Workers'compensation	15,335	15,826	15,175
General liability/litigation	1,601	333	441
Total unpaid claims, June 30	$ 16,936	$ 16,159	$ 15,616
Current portion			
Workers compensation	$ 1,783	$ 1,939	$ 1,939
General liability/litigation	1,601	333	441
Total current portion	$ 3,384	$ 2,272	$ 2,380

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12. Leases, Rentals, and Minimum Annual Guarantee (MAG) Agreements

A substantial portion of the Port lands and facilities are leased to others. The majority of these leases provide for cancellation on a 30-day notice by either party and for retention of ownership by the Port or restoration of the property at the expiration of the agreement; accordingly, no leases are considered capital leases for purposes of financial reporting.

MAG agreements relate to shipping services and certain concessions provide for the additional payment beyond the fixed portion, based upon tenant usage, revenues, or volumes.

Agreements relating to terminal operations tend to be long term in nature (as long as 30 years) and are made to provide the Port with a firm tenant commitment. These agreements are subject to periodic review and reset of base amounts. For the years ended June 30, 2015 and 2014, the minimum rental income from such lease agreements was approximately $46.2 million and $40.2 million, respectively. For the years ended June 30, 2015 and 2014, the MAG payments were approximately $248.7 million and $241.6 million, respectively, and were reported under shipping services revenue.

The carrying cost and related accumulated depreciation of property held for operating leases as of June 30, 2015 and 2014 are as follows (in thousands):

	2015	2014
Wharves and sheds	$ 1,163,741	$ 881,299
Cranes and bulk facilities	52,441	52,441
Municipal warehouses	13,578	13,422
Port pilot facilities and equipment	7,363	7,910
Buildings and other facilities	839,816	774,710
Cabrillo Marina	200,804	221,666
Total	2,277,743	1,951,448
Less accumulated depreciation	(1,065,032)	(1,003,238)
Net	$ 1,212,711	$ 948,210

Assuming that current agreements are carried to contractual termination, minimum tenant commitments due to the Port over the next five years are as follows (in thousands):

Fiscal Year Ending	Rental income	MAG income
2016	$ 46,696	$ 248,712
2017	47,163	248,720
2018	47,635	248,727
2019	48,111	248,360
2020	48,592	248,360
Total	$ 238,197	$ 1,242,879

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13. Los Angeles City Employees' Retirement System

A. General Information about the Plan

Plan description. All full-time employees of the Port are eligible to participate in the Los Angeles City Employees' Retirement System (LACERS), a single-employer defined benefit pension plan (the Plan). LACERS serves as a common investment and administrative agent for various City departments and agencies that participate in LACERS. LACERS is under the exclusive management and control of its Board of Administration whose authority is granted by status in Article XVI, Section 17 of the California State Constitution, and Article XI of the Los Angeles City Charter. Changes to the benefit terms require approval of the City Council.

LACERS issues a publicly available financial report that may be obtained by writing or calling: Los Angeles City Employees' Retirement System, 202 W. First Street, Suite 500, Los Angeles, CA 90012, (800) 779-8328. As of the completion date of the Port's financial statements, LACERS' financial statements and the plan's actuarial valuation study for fiscal year 2015 are not yet available.

Benefits provided. LACERS provides retirement, disability, death benefits, postemployment healthcare benefits, and annual cost-of-living adjustments based on the employees' years of service, age, and final compensation. There are two tiers of memberships. Under Tier 1, employees with ten or more years of service may retire if they are at least 55 years old, or if the retirement date is between October 2, 1996 and September 30, 1999 at age 50 or older with at least 30 years of service. Normal retirement allowances are reduced for employees under age 55 with ten or more years of service at the time of retirement, unless they have more than 30 years of service at any age at the time of retirement. Employees aged 70 or above may retire at any time with no required minimum period of service. Membership to Tier 1 is closed to new entrants. Eligible employees hired on or after July 1, 2013 become members of Tier 2. Under Tier 2, employees with ten or more years of service may retire if they are at age 65, or at age 70 or older regardless of length of service. Normal retirement allowances are reduced for employees under age 55 with ten or more years of service at the time of retirement. LACERS does not have a mandatory retirement age.

Benefit terms provide for annual cost-of-living adjustments to each employee's retirement allowance subsequent to the employee's retirement date. The annual adjustment are the change in the Consumer Price Index, to a maximum increase in retirement allowance of 3% per year, excess banked, for Tier 1 members and 2% per year, excess not banked, for Tier 2 member.

LACERS covers all full-time personnel and department-certified part-time employees of the Port, except for sworn employees of certain Port Police officers.

Contributions. The Board of Administration of LACERS establishes and may amend the contribution requirements of System members and the City in accordance with Article XI Sections 1158 and 1160 of the Los Angeles City Charter provides for periodic employer contributions at actuarially-determined rates that, expressed as percentages of annual covered payroll together with certain fixed amounts, are sufficient to accumulate the required assets to pay benefits when due. The employer contribution rate as calculated by LACERS' actuary is 26.56% for Tier 1 members and 19.63% for Tier 2 members.

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Based on the Port's reported covered payroll of $77.1 million for fiscal year 2015, $76.3 million is subject to the 26.56% rate and $0.8 million is subject to the 19.63% rate. The Port's actual contribution to LACERS, including family death benefit, excess benefit, and limited term plans is $20.8 million (100% of the actuarially determined contribution) and $19.0 million (100% of actuarially determined contribution) for the fiscal years ended June 30, 2015 and 2014, respectively. The allocation of contributions between the pension and postemployment healthcare benefits are not available.

All members are required to make contributions to LACERS regardless of the tier in which they are included. Currently, most Tier 1 members contribute at 11% of compensation and all Tier 2 members contribute at 10% of compensation.

B. Pension Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Pension

At June 30, 2015, the Port reported a liability of $188.3 million for its proportionate shares of the net pension liability of LACERS. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Port's proportion of the net pension liability was based on a projection of the Port's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The Port's proportionate share were determined to be 4.224% and 4.248% for fiscal years June 30, 2014 and 2013.

For the year ended June 30, 2015, the Port recognized pension expense of $16.3 million. At June 30, 2015, the Port reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands).

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 15,765	$ --
Changes of assumptions or other inputs	27,274	--
Differences between expected and actual experience in the total pension liability	--	5,621
Changes in proportion and differences between employer's contributions and proportionate share of contributions	--	922
Net difference between projected and actual earnings on pension plan investments	--	34,396
Total	$ 43,039	$ 40,939

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Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (in thousands):

Year ended June 30		
2016	$	(4,112)
2017		(4,112)
2018		(4,112)
2019		(4,112)
2020		2,783
Thereafter		--

Actuarial assumptions. The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25%
Projected salary increases	Ranges from 4.40% to 10.50% based on years of service
Investment rate of return	7.50%, net of pension plan investment expense, including inflation
Cost-of-living adjustments	Tier 1: 3.00%, Tier 2: 2.00%, actuarial increases are contingent upon Consumer Price Index (CPI) increases with a 3.00% maximum for Tier 1 and 2.00% maximum for Tier 2.

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The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and projected arithmetic real rate of return for each major asset class, after deducting inflation, but before deducting investment expenses, used in the derivation of the long-term expected investment rate of return assumption are summarized as follows:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
U.S. Larger Cap Equity	20.4%	20.4%
U.S. Small Cap Equity	3.6%	6.6%
Developed International Equity	21.7%	7.0%
Emerging Market Equity	7.3%	8.5%
Core Bonds	16.5%	0.7%
High Yield Bonds	2.5%	2.9%
Private Real Estate	5.0%	4.7%
Private Equity	12.0%	10.5%
Public Real Assets	5.0%	3.4%
Credit Opportunities	5.0%	3.1%
Cash	1.0%	-0.5%
Total	100.0%	

Postemployment mortality rates for healthy retirees and beneficiaries were based on the RP-2000 Combined Healthy Mortality Table projected with scale BB to the year 2020, set back one year for males and with no setback for females. Postemployment mortality rates for disabled retirees were based on the RP-2000 Combined Healthy Mortality Table projected with scale BB to the year 2020, set forward seven years for males and set forward eight years for females.

For pre-retirement mortality, withdrawal rates, disability rates, and service retirement rates, the rates vary by age, gender, and/or service.

Discount rate. The discount rate used to measure the Total Pension Liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from the employers will be made at contractually required rates, actuarially determined. For this purpose, only employer contributions that are intended to fund benefits for current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability. *Sensitivity of the Port's proportionate share of net pension liability to*

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change in the discount rate. The following presents the Port's proportionate share of the net pension liability, calculated using the discount rate of 7.50%, as well as what the Port's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50%) or one percentage point higher (8.50%) than the current rate (in thousands):

	1% Decrease (6.50%)	Discount rate (7.50%)	1% Increase (8.50%)
Port's proportionate share of the net pension liability	$281,113	$188,299	$111,166

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued LACERS financial report.

C. Other Postemployment Benefits (OPEB)

The Port, as a participant in LACERS, also provides a retiree health insurance premium subsidy. Under Division 4, Chapter 11 of the City's Administrative Code, certain retired employees are eligible for a health insurance premium subsidy. This subsidy is to be funded entirely by the City. Employees with ten or more years of service who retire after age 55, or employees who retire at age 70 with no minimum service requirement, are eligible for a health premium subsidy with a City approved health carrier. LACERS is advance funding the retiree health benefits on an actuarially determined basis.

During fiscal year 2011, the City adopted an ordinance to freeze the maximum medical subsidy at $1,190 for LACERS members who retire on or after July 1, 2011. However, LACERS members who at any time prior to retirement contribute the additional 2% or 4% of pay are exempted from the freeze and obtain a vested right to future increases in the maximum medical subsidy at an amount not less than the dollar increase in the Kaiser two-party non-Medicare Part A and Part B premium. As of June 30, 2013, approximately 97% of non-retired members were making the additional contributions, and therefore are not subject to the medical subsidy freeze.

Projections of benefits include the types of benefits in force at the valuation date. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

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The actuarial valuation for OPEB for fiscal year 2015 is not yet available as of the completion date of the Port's financial statements.

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB asset (obligation) for fiscal years ended June 30, 2014 and the two preceding years for the plan are as follows (in thousands):

Year Ended	Annual OPEB Cost (AOC)	Percentage of OPEB Cost Contributed	Net OPEB Asset (Obligation)
06/30/14	$ 97,841	100%	$ --
06/30/13	72,916	100%	--
06/30/12	115,209	100%	--

D. Funded Status of LACERS OPEB

Actuarial valuations involve the estimate of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the City are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Following is the funded status information of the plan for fiscal years ended June 30, 2014, 2013 and 2012 (in thousands):

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Underfunded AAL (UAAL) (b) – (a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b) – (a)]/(c)
06/30/2014	$ 1,941,225	$ 2,662,853	$ 721,628	72.9%	$ 1,816,171	39.7%
06/30/2013	1,734,733	2,412,484	677,751	71.9%	1,846,970	36.7%
06/30/2012	1,642,374	2,292,400	650,026	71.6%	1,819,270	35.7%

The most recent actuarial valuation methods and assumptions used for LACERS OPEB as of June 30, 2014 were as follows: actuarial cost method used – entry age normal; amortization method - level percent of payroll; amortization period - multiple layers, closed not exceeding 30 years. Initial years range from 5 to 30 years; asset valuation method - 7-year fair value of assets less unrecognized return in each of the last 7 years; investment rate of return - 7.50%; projected salary increases – ranges from 10.50% to 4.40%; inflation rate - 3.25%; and healthcare cost trend rates – for medical, 7.75%, decreasing by 0.25% for each year until it reaches an ultimate rate of 5.00%, and 5.00% for dental.

On October 23, 2012, the LACERS Board modified its funding policy to change the actuarial cost method from the projected unit credit method to entry age normal method beginning with the June 30, 2012 valuation, and to combine and re-amortize all UAAL layers with some exceptions, over 30 years, to mitigate the immediate impact on the employer contributions.

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Information related to the funded status of LACERS for fiscal year 2014 are not yet available as of the completion date of the Port's financial statements. Separate information for the Port is not available.

Notes 13. A to D on LACERS retirement and OPEB plans were derived from information prepared by LACERS and the City.

14. City of Los Angeles Fire and Police Pension System

A. General Information about the Plan

Plan description. The Los Angeles Fire and Police Pension System (LAFPP) operates under the City of Los Angeles Charter and Administrative Code provisions as a single-employer defined benefit pension plan covering all full-time active sworn firefighters, police officers, and certain Harbor Port Police officers of the City of Los Angeles. LAFPP is composed of six tiers.

Tier 6 is the current tier for all Harbor Port Police officers hired on or after July 1, 2011. Tier 5 was the tier for all Harbor Port Police officers hired on or after January 8, 2006 through June 30, 2012. The Los Angeles City Council approved Ordinance No. 177214 that allows Harbor Department's Port police officers (Harbor Port Police Officers) the option to transfer from LACERS to Tier 5 of LAFPP. The election period was from January 8, 2006 to January 5, 2007 and the decision to transfer is irrevocable.

Only "sworn" service with the Port is transferable to LAFPP. Other "non-sworn" services with other City Departments are not eligible for transfer. All new employees hired by the Harbor Department after the effective date of the Ordinance automatically go into either Tier 5 or Tier 6 of LAFPP.

Under provisions of the City Charter, the City Administrative Code and the State Constitution, the Board has the responsibility to administer the plan. Changes to the benefit terms require approval by the City Council.

LAFPP issues a publicly available financial report that may be obtained by writing or calling: Los Angeles Fire and Police Pension system, 360 E. Second Street, Suite 400, Los Angeles, CA 90012, (213) 978-4545. As of the completion date of the Port's financial statements, the LAFPP's financial statements and the plan's actuarial valuation study for fiscal year 2015 are not yet available.

Benefits provided. Information about benefits for Tiers 1 through 4 members is available in the separately issued LAFPP financial report. Tier 5 members must be at least age 50, with 20 or more years of services, to be entitled to a service pension. Annual pension benefit are equal to 50% of their one-year average compensation, increasing for each year of service over 20 years, to a maximum of 3% per year. However, any increase in Consumer Price Index (CPI) greater than 3% per year is placed into a COLA bank for use in years in which the increase in CPI is less than 3%. The City Council may also grant a discretionary ad-hoc COLA no more than every three years, subject to certain conditions. Members who terminate their employment are entitled to a refund of their contributions plus Board-approved interest if they do not qualify for a pension or if they waiver their pension entitlements.

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Tier 6 members must be at least age 50, with 20 or more years of service, to be entitled to a service pension. Annual pension benefits are equal to 40% of their two-year average compensation, increasing for each year of service over 20 years, to a maximum of 90% for 33 years. Tier 6 provides for postemployment COLAs based on the CPI to a maximum of 3% per year. However, any increase in the CPI greater 3% per year is placed into a COLA bank for use in years in which the increase in CPI is less than 3%. The City Council may also grant a discretionary ad-hoc COLA no more than every three years, subject to certain conditions. Members who terminate their employment are entitled to a refund of their contributions plus Board-approved interest if they do not qualify for a pension or if they waiver their pension entitlements.

Contributions. The Board of Administration/Commissioners of LAFPP establishes and may amend the contribution requirements of members and the City. The City's annual contribution for the LAFPP plan is actuarially determined and represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize unfunded actuarial liabilities over a period not to exceed thirty years. The City Administrative Code and related ordinance define member contributions.

All members are required to make contributions to LAFPP regardless of tier in which they are included. However, members are exempt from making contributions when their continuous service exceeds 30 years for Tier 1 through 4, and 33 years for Tier 5 and Tier 6. The average member contribution rate for fiscal year 2014-15 (based on the June 30, 2013 valuation) was 9.46% of compensation paid biweekly.

In fiscal year 2015, the Port's contribution rate for sworn employees that are members of the Harbor Tier 5 plan, as determined by the actuary is 35.68% of covered payroll. The Harbor Tier 6 rate is 33.30%. Based on the Port's reported sworn covered payroll of $12.2 million for Tier 5, and $0.1 million for Tier 6, the Port's pro rata share of the combined actuarially determined contribution for pension and postemployment healthcare benefits, and actual contribution made to LAFPP was $4.4 million (100% of actuarially determined contribution) and $3.9 million (100% of actuarially determined contribution) for the years ended June 30, 2015 and 2014, respectively. The allocation of contributions between the pension and postemployment healthcare benefits is not available.

B. Pension Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Pension

At June 30, 2015, the Port reported a liability of $10.5 million for its proportionate shares of the net pension liability of LAFPP. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Port's proportion of the net pension liability was based on a projection of the Port's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The Port's proportionate share were determined to be 0.559% and 0.400% for fiscal years June 30, 2015 and 2014.

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For the year ended June 30, 2015, the Port recognized pension expense of $2.7 million. At June 30, 2015, the Port reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands).

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 3,648	$ --
Changes of assumptions or other inputs	--	396
Differences between expected and actual experience in the total pension liability	--	175
Net difference between projected and actual earnings on pension plan investments	--	2,740
Total	$ 3,648	$ 3,311

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (in thousands):

Year ended June 30	
2016	$ (806)
2017	(806)
2018	(806)
2019	(806)
2020	(87)
Thereafter	--

Actuarial assumptions. The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25%
Projected salary increases	Ranges from 4.75% to 11.50% based on years of service
Investment rate of return	7.50%, net of pension plan investment expense, including inflation
Cost-of-living adjustments	3.25% of Tiers 1 and 2 retirement income and 3.00% of Tiers 3, 4, 5 and 6 retirement income

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The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and projected arithmetic real rate of return for each major asset class, after deducting inflation, but before deducting investment expenses, used in the derivation of the long-term expected investment rate of return assumption are summarized as follows:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Large Cap U.S. Equity	23.00%	6.03%
Small Cap U.S. Equity	6.00%	6.71%
Developed International Equity	16.00%	6.71%
Emerging Market Equity	5.00%	8.02%
U.S. Core Fixed Income	14.00%	0.52%
High Yield Bonds	3.00%	2.81%
Real Estate	10.00%	4.73%
TIPS	5.00%	0.43%
Commodities	5.00%	4.67%
Cash	1.00%	0.00%
Unconstrained Fixed Income	2.00%	2.50%
Private Equity	10.00%	9.25%
Total	100.00%	

Postemployment mortality rates were based on the RP-2000 Combined Healthy Mortality Table for Males or Females, as appropriate, projected to 2022 with scale BB with different age adjustment (i.e., set back or set forward) for healthy and disabled members, including beneficiaries. For pre-retirement mortality, withdrawal rates, disability rates, and service retirement rates, the rates vary by age, service, gender, membership classification and tier.

The actuarial assumptions used were based on the results of an actuarial experience study as of June 30, 2013 and economic assumptions study as of June 30, 2014.

Discount rate. The discount rate used to measure the Total Pension Liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from the employers will be made at contractually required rates, actuarially determined. For this purpose, only employer contributions that are intended to fund benefits for current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's

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fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Sensitivity of the Port's proportionate share of net pension liability to change in the discount rate. The following presents the Port's proportionate share of the net pension liability, calculated using the discount rate of 7.50%, as well as what the Port's proportionate share of the net pension liability would be if it were calculated using a discount rate what is one percentage point lower (6.50%) or one percentage point higher (8.50%) than the current rate (in thousands):

	1% Decrease (6.50%)	Discount rate (7.50%)	1% Increase (8.50%)
Port's proportionate share of the net pension liability	$19,892	$10,463	$3,527

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued LAFPP financial report.

C. Other Postemployment Benefits (OPEB)

The City Charter, the Administrative Code, and related ordinance define the postemployment healthcare benefits. There are no member contributions for healthcare benefits. The Port, as a participant in LAFPP, also provides a retiree health insurance premium subsidy.

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the LAFPP plan, and the net OPEB asset (obligation) for fiscal years ended June 30, 2014, 2013, and 2012 are as follows (in thousands):

Year Ended	Annual OPEB Cost (AOC)	Percentage of OPEB Cost Contributed	Net OPEB Asset (Obligation)
06/30/14	$ 149,877	99%	$ (148,348)
06/30/13	144,569	99%	(128,780)
06/30/12	159,777	83%	(127,024)

From the most recent data made available by the City, as of June 30, 2014, amounts contributed specifically to the retiree health insurance premium subsidy by the Port alone are not available.

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D. Funded Status of LAFPP OPEB

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the ARC of the City are subject to continual revision as actual results are compared to expectations and new estimates are made about the future. Following is the funded status information for the LAFPP OPEB plan for fiscal years ended June 30, 2014, 2013 and 2012 (in thousands).

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Underfunded AAL (UAAL) (b) – (a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b) – (a)]/(c)
06/30/2014	$ 1,200,874	$ 2,783,283	$ 1,582,409	43.1%	$ 1,402,715	112.8%
06/30/2013	1,013,400	2,633,793	1,620,393	38.5%	1,367,237	118.5%
06/30/2012	927,362	2,499,289	1,571,927	37.1%	1,341,914	117.1%

The most recent actuarial valuation methods and assumptions used for LAFPP OPEB as of June 30, 2014 were as follows: actuarial cost method used - entry age normal; amortization method – closed amortization periods; remaining amortization period – multiple layers, closed, 22 years for prior to June 30, 2012, 18 years on June 30, 2012, and 19 years on June 30, 2013; asset valuation method – market value of assets less unrecognized returns in each of the last seven years; investment rate of return - 7.50%; projected salary increases - 4.00%; inflation rate - 3.25%; medical healthcare cost trend rate of 7.00% in 2014 and 2015, decreasing by 0.25% for each year for eight years until it reaches an ultimate rate of 5.00%; and dental healthcare cost trend of 5.00%.

The LAFPP's financial statements and actuarial study for fiscal year 2015 are not yet available as of the completion date of the Port's financial statements.

Notes 14. A to D on LAFPP retirement and OPEB plans were derived from information prepared by LAFPP and the City.

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15. Notes Receivable

A. Settlement of Dispute on Nexus Study

In 1994, the City undertook a series of studies to determine whether or not the Port received services from the City for which the Port had not been inclusively billed. These studies, collectively referred to as the Nexus Study, were conducted under the auspices of the City Attorney. The studies found that the City could have billed the Port for substantial amounts for services undertaken on behalf of the Port by the City or for City services conducted within the Port's jurisdiction.

It is and has been the policy of the Port to pay the City all of the amounts to which the City is entitled. In light of these studies, the BHC adopted a resolution providing for the reimbursement to the City of certain expenditures incurred by the City on behalf of the Port, but which the City had never inclusively billed the Port. Under its resolution, the BHC authorized the Port to make, and the Port paid to the City, two annual payments of $20.0 million for the 1994/95 and 1995/96 fiscal years. The BHC further authorized the Executive Director to negotiate additional amounts as may be determined to be due, and accordingly, a memorandum of understanding (MOU) with the City was executed on June 27, 1997 (1997 MOU).

The California State Lands Commission (the Commission) is responsible for oversight of the State's Tideland Trust Lands. This Commission, together with the State Office of the Attorney General, has expressed concerns regarding the methodologies employed in the studies and whether such transfers of monies from the Port to the City comply with the criteria for compliance with applicable California State Tidelands Trust Land laws. Prior to the adoption of the above-referenced resolution, the Commission officials and the Office of the Attorney General requested the BHC to postpone any decision involving these trust funds until the Commission and Office of the Attorney General could complete an inquiry into the studies and transfers. Subsequently, various organizations, including the Steamship Association of Southern California, which represents carriers using the Port, together with the Commission and Office of the Attorney General, brought legal action against the City and Port regarding the BHC's action.

On January 19, 2001, the City, along with the Port and the Commission, entered into a settlement and mutual release agreement to resolve their disputes concerning the City's entitlement to historic and future reimbursements for costs the City incurred or would incur providing services to the Port. The settlement agreement provides that the City, as reimbursement for payments made by the Port to the City for retroactive billings for City services provided during the period July 1, 1977 through June 30, 1994, inclusive, pay the Port $53.4 million in principal plus 3% simple interest over a 15-year period.

The settlement agreement also provides that the City reimburse the Port for the payment differential, that amount representing the difference between the actual payments and the amount to which the City would have been entitled to reimbursement during fiscal year 1994–1995 through fiscal year 2000–2001, inclusive, had the reimbursement been computed during each of those fiscal years using the settlement formula. This amount is estimated at $8.4 million. Payment for this period is to be reimbursed to the Port over 15 years, including 3% simple interest. The agreement also states that at any time after five years from January 19,

Continued…..

2001, the City, the Port, and the Commission may negotiate to amend this agreement to account for new or changed circumstances.

The State of California (the State), the City, and the Port agreed to mutually release and discharge the other from any and all claims, demands, obligations, and causes of action, of whatever kind or nature pertaining in any way to the use, payment, transfer, or expenditure for any of the services or facilities identified in the Nexus Study or the 1997 MOU and provided for during the period July 1, 1977 through June 30, 2002.

Accordingly, the Port had recorded the notes receivable due from the City. At June 30, 2015 and 2014, the current portion of notes receivable amounted to $5.0 million and $4.9 million, respectively; while long-term portion was $5.0 million as June 30, 2014. There was no long-term portion at June 30, 2015.

B. Note Receivable – Yusen

In order to settle the then-outstanding $2.4 million terminal construction cost overruns, the Port agreed in 1994 that Yusen, one of the Port container terminal tenants, be permitted to pay over 22 years in equal monthly installments of $0.1million. To record the transaction, an amortization schedule using a 5% interest rate was prepared and the note balance was adjusted to $1.5 million, with the balance of $0.9 million recognized as the Port's capital assets in fiscal year 1995. The note matures in October 2015. At June 30, 2015 and 2014, the current portion of the note receivable is $0.1 million for both fiscal years; while the long-term portion was $0.1 million at June 30, 2014. There was no long-term portion at June 30, 2015.

16. Commitments, Litigations and Contingencies

A. Commitments

Open purchase orders and uncompleted construction contracts amounted to approximately $43.1 million as of June 30, 2015. Such open commitments do not lapse at the end of the Port's fiscal year and are carried forth to succeeding periods until fulfilled.

In 1985, the Port received a parcel of land, with an estimated value of $14.0 million from the federal government, for the purpose of constructing a marina. The Port has agreed to reimburse the federal government up to $14.0 million from excess revenues, if any, generated from marina operations after the Port has recovered all costs of construction. No such payments were made in fiscal years 2015 and 2014.

B. Litigations

The Port is also involved in certain litigation arising in the normal course of business. In the opinion of management, there is no pending litigation or unasserted claims, the outcome of which would materially affect the financial position of the Port.

C. Alameda Corridor Transportation Authority Agreement (ACTA)

In August 1989, the Port and the POLB (the Ports) entered into a joint exercise of powers agreement and formed ACTA for the purpose of establishing a comprehensive transportation corridor and related facilities consisting of street and railroad rights-of-way and an improved highway and railroad network along Alameda Street between the Santa Monica Freeway and

Continued…..

the Ports in San Pedro Bay, linking the Ports to the central Los Angeles area. The Alameda Corridor began operating on April 15, 2002. ACTA is governed by a seven-member board, which comprises of two members from each Port, one each from the Cities of Los Angeles and Long Beach and one from the Metropolitan Transportation Authority. In 2003, ACTA agreed to an expanded mission to develop and support projects that more effectively move cargo to points around Southern California, ease truck congestion, improve air quality, and make roads safer. If in the future, ACTA becomes entitled to distribute income or make equity distributions, the Ports shall share such income and equity distributions equally.

In October 1998, the Ports, ACTA, and the railroad companies, which operate on the corridor, entered into a Corridor Use and Operating Agreement (Corridor Agreement). The Corridor Agreement obligates the privilege of using the corridor to transport cargo into and out of the Ports. ACTA negotiated with BNSF Railway Company (BNSF) and Union Pacific (UP) regarding certain types of cargo movements (transload movements) for which BNSF and UP are not paying use fees. In the Settlement and Release Agreement (the Agreement), dated July 5, 2006, ACTA, BNSF, and UP agreed to resolve the “Transloading Dispute.” ACTA, the Ports, the City of Los Angeles, and the City of Long Beach (the ACTA Releasing Parties) each release, acquit, and discharge BNSF and UP of all liability and costs, as stated in the Agreement, arising from or relating to the Transloading Dispute. BNSF and UP (the Railroad Releasing Parties) each release, acquit, and discharge the ACTA Releasing Parties from any and all liability and costs, as stated in the Agreement, arising from or relating to any claim by the Railroad Releasing Parties. These use fees are used to pay (a) the debt service that ACTA incurs on approximately $1.2 billion of bonds, which ACTA issued in early 1999 and approximately $686.0 million of bonds issued in 2004, and (b) for the cost of funding required reserves and costs associated with the financing, including credit enhancement and rebate requirements, if any (collectively, ACTA Obligations). Use fees end after 35 years or sooner if the ACTA Obligations are paid off earlier.

If ACTA revenues are insufficient to pay ACTA Obligations, the Corridor Agreement obligates each Port to pay up to twenty percent (20%) of the shortfall (Shortfall) on an annual basis. If this event occurs, the Ports’ payments to ACTA are intended to provide cash for debt service payments and to assure that the Alameda Corridor is available to maintain continued cargo movement through the Ports. The Ports are required to include expected Shortfall payments in their budgets, but Shortfall payments are subordinate to other obligations of the Port, including the bonds and commercial paper currently outstanding. The Port does not and is not required to take Shortfall payments into account when determining whether it may incur additional indebtedness or when calculating compliance with rate covenants under their respective bond indentures and resolutions.

In 2012, ACTA obtained a Federal Railroad Administration loan for $83.7 million under Railroad Rehabilitation and Improvement Financing (RRIF) Program. The purpose of the loan which was in the form of 2012 Taxable Senior Lien Revenue Refunding Bonds, was to refinance a portion of ACTA’s outstanding bonds. Furthermore, in 2013, ACTA refunded $288.0 million of its 1999 Series A Bonds in the form of Tax-Exempt Senior Lien Revenue Refunding Bonds of Series 2013A, generating a present value savings of $35.0 million or 12%.

Continued…..

D. TraPac Project and Environmental Impact Report

On December 6, 2007, the Board of Harbor Commissioners (BHC) certified the Final Environmental Impact Report for TraPac, Inc. (TraPac), a terminal operator, and approved the TraPac project. The TraPac project involves the development and improvements to Berths 136-147, currently occupied by TraPac. Subsequent to the project approval, certain entities (Appellants) appealed to the City Council the certification/project approval under the provisions of the California Environmental Quality Act (CEQA).

On April 3, 2008, the BHC approved a Memorandum of Understanding (MOU) between the City and the Appellants to resolve the appeal of the TraPac Environmental Impact Report (EIR). The MOU provides for the revocation of the appeals and the establishment of a Port Community Mitigation Trust Fund (PCMTF) to be operated by a nonprofit entity to pay for off-Port environmental impacts from Port-related operations. The nonprofit created to provide administrative services for this fund is the Harbor Community Benefit Foundation (HCBF).

The Port had provided the first two years funding of $12.0 million and $4.0 million to the PCMTF for the identified TraPac projects in the MOU. Based on the volume of cargo processed in the third year, no additional funding has been necessary.

On October 26, 2010, the BHC approved the Operating Agreement of the TraPac MOU (Operating Agreement) which provided for more detailed procedures for the implementation of the MOU. The Operating Agreement also provided for the management of the PCMTF by California Community Foundation (CCF) or other appropriate independent financial manager. CCF managed the PCMTF funds pursuant to the Operating Agreement from 2011 to 2013.

In fiscal year 2013, the Port and HCBF agreed that a change in financial manager was in the best interest of the PCMTF, and hence, terminated the financial management agreement with CCF. On October 18, 2013, the Board approved the selection of J.P. Morgan Private Bank (JPMorgan) as the new independent financial manager to receive, manage, and disburse funds from the PCMTF. Approximately $7.8 million in PCMTF funds being managed by CCF were transferred to a JPMorgan account in November 2013. Due to disbursements made in accordance with the MOU and Operating Agreement, the balance in the PCMTF account managed by JPMorgan as of July 2014 totaled $6.3 million.

While the five-year MOU expired in April 2013, the Operating Agreement provided that the Port shall continue to fund the PCMTF with contributions on account of certain expansion projects that have environmental impact reports certified within five years after the first HCBF Board of Directors meeting, which time expires in May 2016. The Operating Agreement provides that if the identified MOU expansion projects have EIRs certified and will proceed with construction; the Port will make a one-time additional contribution at a rate of $3.50 per TEU (or $1.50 per cruise passenger, and 0.15 per ton of bulk cargo) per project for growth associated with such expansion projects. Funds will be transferred to the PCMTF within 21 days following award of a construction contract or commencement of construction of each project that had an EIR certified prior to May 19, 2016. There were no contributions made during fiscal years 2015 and 2014.

As of June 30, 2015, a total of $16.8 million has been disbursed from the PCMTF fund held by the Port. The remaining fund balance including interest earned as of June 30, 2015 is $0.1 million.

Continued…..

17. Related-Party Transactions

During the normal course of business, the Port is charged for services provided and use of land owned by the City, the most significant of which is related to fire protection, museum/park maintenance, utilities and legal services. Total amounts charged by the City for services approximate $45.9 million and $41.8 million in fiscal years 2015 and 2014, respectively.

18. Capital Contributions

Amounts either received or to be reimbursed for the restricted purpose of the acquisition, construction of capital assets, or other grant-related capital expenditures are recorded as capital contributions. During the years ended June 30, 2015 and 2014, the Port reported capital contributions of $111.9 million and $80.4 million, respectively, for certain capital construction and grant projects.

19. Natural Resources Defense Council Settlement Judgment

In March 2003, the Port settled a lawsuit entitled: Natural Resources Defense Council, Inc., et al. v. City of Los Angeles, et al., regarding the environmental review of a Port project at the China Shipping Terminal. The settlement called for a total of $50.0 million in mitigation measures to be undertaken by the Port. This $50.0 million charge was recorded as expense in fiscal year 2003.

The terms of the agreement require that the Port fund various mitigation activities in the amount of $10.0 million per year over a five-year term ending in fiscal year 2007. As of June 30, 2009, a total of $50.0 million were transferred from Harbor Revenue Fund to the restricted mitigation funds.

In June 2004, the Port agreed to amend the original settlement to include, and transferred to the restricted mitigation fund, an additional $3.5 million for the creation of parks and open space in San Pedro.

Pursuant to the settlement agreement, the Port is also obligated to expend up to $5.0 million to retrofit customer vessels to receive shore-side power as an alternative to using on-board diesel fueled generators. Through the end of fiscal year 2009, the Port has spent $5.0 million for this program.

The settlement agreement also established a throughput restriction at China Shipping Terminal per calendar year. Actual throughput at the terminal exceeded the cap for calendar years 2008, 2007, 2006, and 2005, and payments of $1.8 million, $6.9 million, $5.8 million, and $3.9 million, respectively, were made for having exceeded the caps. The Port charged to nonoperating expense and deposited in the restricted mitigation fund the said amounts in June 2009, June 2008, May 2007, and April 2006, respectively. Total deposits for the four years were $18.3 million, with the June 2009 deposit for calendar year 2008 being the last payment for excess throughput required under the settlement agreement.

In April 2011, the Port contributed $3.2 million to the restricted mitigation funds as payment for four low profile cranes installed on Berth 102 designed to reduce visual impact by the use of a horizontal boom that does not need to be raised up when the crane is not in use.

As of June 30, 2015, the Port has contributed a total of $75.0 million to the restricted mitigation funds in accordance with the provisions of the settlement.

Continued…..

20. Cash Funding of Reserve Fund

As of June 30, 2015 and 2014, the Port had $1.0 billion and $764.5 million of outstanding parity bonds. The Port holds cash reserves for each Indenture of the outstanding bonds as the BHC, on September 18, 2008, approved the full cash funding of the entire reserve requirement of $61.5 million and transferred it to the Port's bond trustee in December 2008. The cash funding of the reserve took place to reassure bond holders of the strong commitment of the Port to its financial wherewithal as rating agencies had reduced the AAA ratings of the surety companies that had provided insurance for the bonds that the Port had issued. The cash funding of the reserve took place to reassure bond holders of the strong commitment of the Port to its financial wherewithal as rating agencies had reduced the AAA ratings of the bond surety companies that had provided insurance for the bonds that the Port had issued.

As of June 30, 2015, the balance in the Common Reserve fund totaled $68.4 million. Subsequent to the issuance of 2015 Series A Refunding Revenue Bonds in September 2015, the reserve requirement was reduced to $66.0 million. Any excess amounts in the Common Reserve resulting from principal repayments will be transferred to the interest fund and/or redemption fund to be used to pay interest and redeem bonds. The required amount for the reserve fund will be reevaluated on a yearly basis. The funds in the reserve are fully invested in the U.S. Treasury securities.

21. Special Item

In fiscal year 2014, the Port reduced the pollution remediation liabilities by $15.0 million primarily associated with remediation of the Wilmington Waterfront Park and Opp Street/Southerland Avenue sites. The Port completed site development and cleanup at the Wilmington Waterfront Park and there are no additional regulation and remediation requirements from the Regional Water Quality Control Board (RWQCB). The Port also determined that there is a lack of regulatory and remediation requirements from the RWQCB for the Opp Street/Southerland Avenue sites. These adjustments were presented as Special Item in the Port's financial statements.

22. Subsequent Events

On August 25, 2015, the Port renewed its Commercial Paper Program through an extension of the existing Line of Credit (LOC) Agreement with Mizuho Bank, that was previously established in July 2012 for a period of three years. The extension of the LOC provides for $200 million of liquidity support through August 24, 2018 at the rate of 0.29%.

On September 25, 2015, the Port redeemed all of the outstanding 2005 Series C-1 Refunding Bonds. On September 30, 2015, the Port issued $37.05 million Refunding Revenue Bonds 2015 Series A to refund the 2005 Series A and B Bonds. The 2015 Series A Bonds have maturities from August 2016 through August 2027 with interest rates range from 2.0% to 5.0%.

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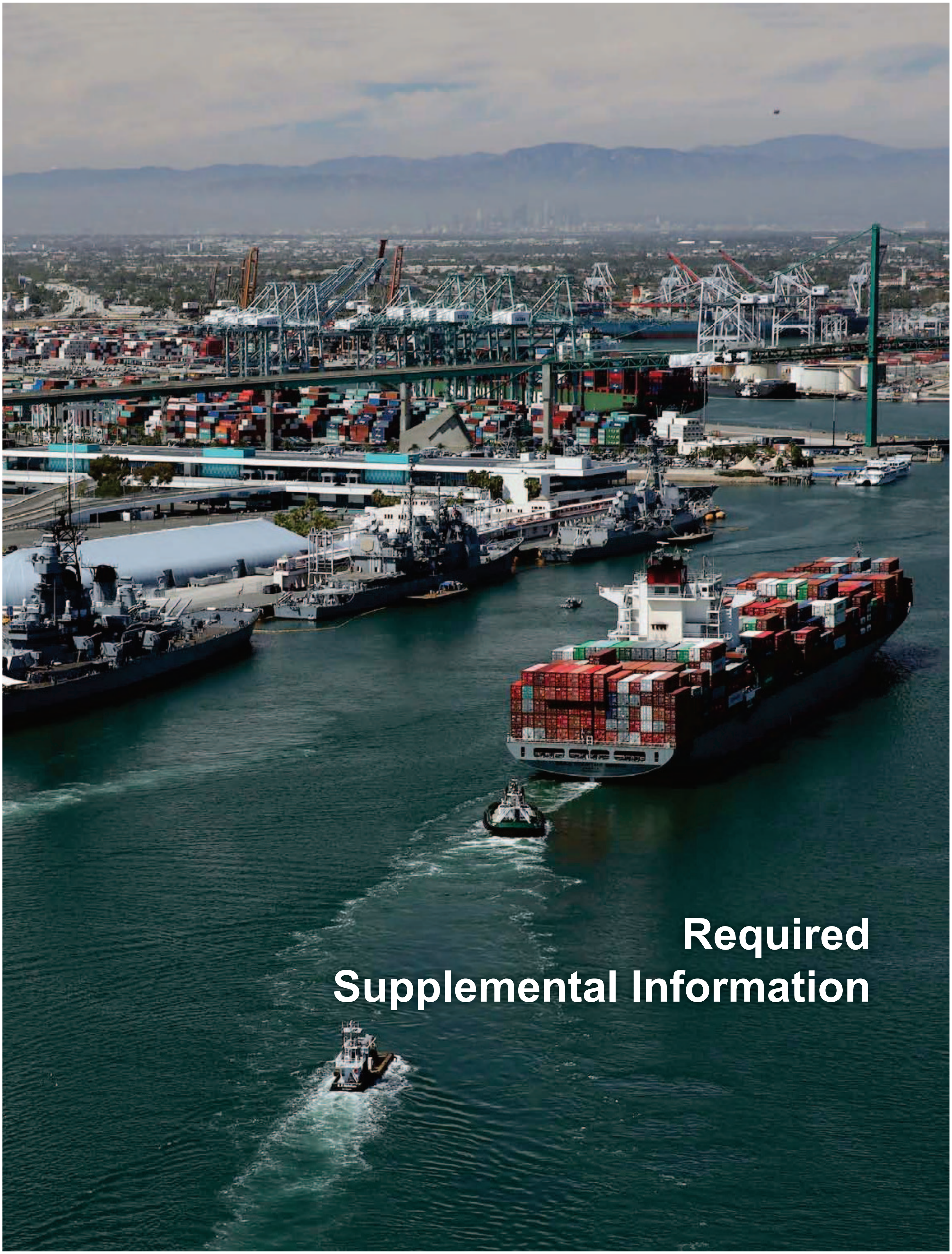


Required Supplemental Information

Required Supplemental Information

Schedule of Proportionate Share of the Net Pension Liability – Last Ten Fiscal Years*

(In Thousands)

(Unaudited)

Los Angeles City Employees' Retirement System (LACERS)

Fiscal Year	Proportion of the Net Pension Liability	Proportionate Share of Net Pension Liability	Covered-employee Payroll (1)	Proportionate Share of Net Pension Liability as a Percentage of Covered-employee Payroll	Plan Fiduciary Net Position as a Percentage of Total Pension Liability
2015	4.224%	$ 188,299	$ 76,040	247.60%	72.57%

(1) Covered-employee payroll represents the collective total of the LACERS eligible wages of all LACERS membership tiers.

Los Angeles Fire and Police Pension Plan (LAFPP)

Fiscal Year	Proportion of the Net Pension Liability	Proportionate Share of Net Pension Liability	Covered-employee Payroll (2)	Proportionate Share of Net Pension Liability as a Percentage of Covered-employee Payroll	Plan Fiduciary Net Position as a Percentage of Total Pension Liability
2015	0.559%	$ 10,463	$ 11,619	90.05%	79.16%

(2) Covered-employee payroll represents the collective total of the LAFPP eligible wages of all LAFPP membership tiers.

* Fiscal year 2015 was the first year of implementation, therefore only one year is shown.

See accompanying independent auditor's report.

PORT OF LOS ANGELES
(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES)

Required Supplemental Information

Schedule of Contributions – Last Ten Fiscal Years *

(In Thousands)

(Unaudited)

Los Angeles City Employees' Retirement System (LACERS)

(Amount in thousands)	2015
Actuarially determined contribution	$ 15,765
Contributions in relation to the actuarially determined contribution	15,765
Contribution deficiency (excess)	$ --
Port's covered-employee payroll	$ 77,126
Contributions as a percentage of covered-employee payroll	20.44%

Los Angeles Fire and Police Pension Plan (LAFPP)

(Amount in thousands)	2015
Actuarially determined contribution	$ 3,648
Contributions in relation to the actuarially determined contribution	3,648
Contribution deficiency (excess)	$ --
Port's covered-employee payroll	$ 12,301
Contributions as a percentage of covered-employee payroll	29.66%

* Fiscal year 2015 was the first year of implementation, therefore only one year is shown.

See Note to Schedule on the following page.

See accompanying independent auditor's report.

Required Supplemental Information

Schedule of Contributions – Last Ten Fiscal Years *

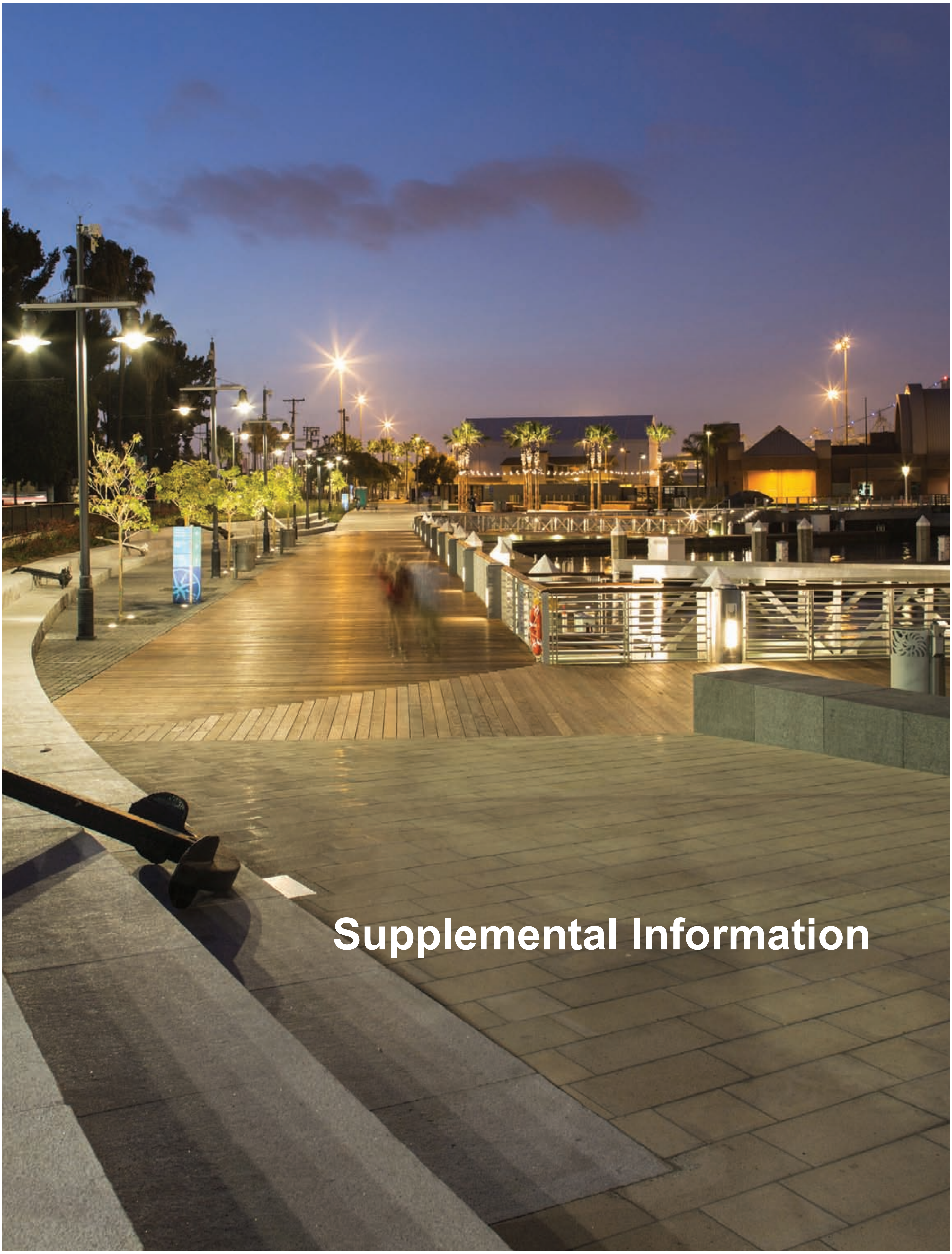
(In Thousands)

(Unaudited)

Notes to Schedule:

	LACERS	LAFPP
Valuation date	As of June 30, two years prior to the end of the fiscal year in which contributions are reported	As of June 30, two years prior to the end of the fiscal year in which contributions are reported
Actuarial cost method	Entry age, level percentage of salary	Entry age, level percentage of salary
Amortization cost method	Level percentage of payroll – assuming a 4% increase in total covered payroll	Level percentage of payroll with multiple layers
Amortization period	15 years for actuarial gains/losses, 20 years for assumption changes, and 15 years for plan changes, 30 years for actuarial surplus	20 years for actuarial gains/losses, 25 years for assumption changes, and 15 years for plan changes
Asset valuation method	Market value. Recognized over 7 years.	Market value. Recognized over 7 years.
Investment rate of return	7.75%	7.50%
Inflation	3.50%	3.25%
Project salary increases	Ranges from 11.25% to 6.50% for members with less than 5 years of service. Range from 6.50% to 4.65% for members with 5 or more years of service.	Ranges from 4.75% to 11.50% based on years of service
Mortality	RP-2000 Combined Healthy Mortality Table	RP-2000 Combined Healthy Mortality Table

See accompanying independent auditor’s report.



Supplemental Information

PORT OF LOS ANGELES
(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES)
Summary of Revenues, Expenses, and Changes in Net Position
Last Ten Fiscal Years
(In Thousands)
(Unaudited)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Operating revenues										
Shipping services	$ 353,390	$ 369,972	$ 374,878	$ 329,347	$ 327,630	$ 343,498	$ 357,716	$ 347,876	$ 377,213	$ 364,899
Rentals	33,876	40,322	45,524	42,368	43,141	45,428	43,143	42,890	205,354	46,233
Royalties, fees, and other operating revenues	4,893	6,867	5,943	30,509	36,047	11,577	8,928	6,602	171,859	35,763
Total operating revenues	392,159	417,161	426,345	402,224	406,818	400,503	409,787	397,368	425,951	446,895
Operating expenses										
Salaries and benefits	64,090	72,183	92,979	95,429	92,930	98,837	98,614	101,861	112,053	111,788
Marketing and public relations	3,251	4,391	5,137	3,531	2,490	2,912	3,177	2,877	2,711	2,771
Travel and entertainment	802	587	1,099	609	546	804	932	1,139	548	512
Outside services	32,845	32,323	36,957	34,977	25,776	29,367	27,660	29,690	26,331	28,983
Materials and supplies	5,267	5,646	8,719	7,800	6,366	6,249	6,314	5,989	6,883	6,257
City services and payments	24,835	32,514	32,129	30,680	37,147	29,964	32,014	31,074	33,633	34,749
Other operating expenses	53,042	16,131	44,732	81,117	44,980	41,562	31,095	32,539	23,195	49,189
Total operating expenses before depreciation	184,132	163,775	221,752	254,143	210,235	209,695	199,806	205,169	205,354	234,249
Operating Income before depreciation	208,027	253,386	204,593	148,081	196,583	190,808	209,981	192,199	220,597	212,646
Depreciation	98,779	88,106	78,295	83,413	87,255	90,468	100,485	108,037	124,221	137,384
Operating Income	109,248	165,280	126,298	64,668	109,328	100,340	109,496	84,162	96,376	75,262
Nonoperating revenues (expenses)										
Income from investments in Joint Powers Authorities	4,302	4,675	4,440	2,980	5,832	(333)	1,851	2,049	2,129	2,811
Interest and investment income	9,582	23,773	34,863	18,824	11,671	6,436	9,486	826	4,654	5,039
Interest expense	(37,787)	(50,038)	(38,052)	(36,979)	(35,663)	(3,704)	(10,538)	(2,473)	(1,530)	(331)
Other income and expenses, net	7,222	11,018	(2,536)	(7,625)	(2,951)	(6,667)	(8,359)	784	(27,364)	(2,226)
Net nonoperating revenues (expenses)	(16,681)	(10,572)	(1,285)	(22,800)	(21,111)	(4,268)	(7,560)	1,186	(22,111)	5,293
Income before capital contributions	92,567	154,708	125,013	41,868	88,217	96,072	101,936	85,348	72,322	80,555
Capital contributions	2,044	4,145	14,161	4,103	16,950	12,059	31,307	17,630	80,374	111,852
Special item	--	(22,291)	--	--	--	--	--	13,387	16,945	--
Changes in net position	94,611	136,562	139,174	45,971	105,167	108,131	133,243	116,365	169,641	192,407
Total net position – beginning of year	2,106,696	2,201,307	2,337,869	2,383,616	2,429,587	2,534,754	2,642,885	2,776,128	2,884,351	3,064,554
Cumulative effect of change in accounting principle	--	--	--	--	--	--	--	--	--	(194,062)
Net adjustment for write off prior period bond issues costs	--	--	--	--	--	--	--	(8,142)	10,562	--
Net Position July 1, restated	2,106,696	2,201,307	2,337,869	2,383,616	2,429,587	2,534,754	2,642,885	2,767,986	2,894,913	2,870,492
Total net assets – end of year	$ 2,201,307	$ 2,337,869	$ 2,477,043	$ 2,429,587	$ 2,534,754	$ 2,642,885	$ 2,776,128	$ 2,884,351	$ 3,064,554	$ 3,062,899
Net position:										
Net investment in capital assets	1,854,468	1,931,037	1,985,653	2,101,396	2,164,885	2,278,052	2,397,744	2,634,840	2,863,795	2,856,561
Restricted	63,917	62	9	61,608	67,844	67,341	67,796	57,913	58,054	97,461
Unrestricted	282,922	406,770	491,381	266,583	302,025	297,492	310,588	191,598	142,705	108,877
Total net position	$ 2,201,307	$ 2,337,869	$ 2,477,043	$ 2,429,587	$ 2,534,754	$ 2,642,885	$ 2,776,128	$ 2,884,351	$ 3,064,554	$ 3,062,899

See accompanying independent auditor's report.

PORT OF LOS ANGELES
(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES)

Summary of Debt Service Coverage (Pledged Revenue)

Last Ten Fiscal Years

(In Thousands)

(Unaudited)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Operating revenues (including investment/interest income and noncapital grant revenues) (1)	$ 406,043	$ 445,609	$ 465,648	$ 424,028	$ 424,306	$ 412,962	$ 435,291	$ 416,974	$ 446,910	$ 460,364
Operating expenses (2)	184,132	163,775	221,752	254,143	210,235	209,695	199,806	205,169	205,354	234,249
Net available revenue	$ 221,911	$ 281,834	$ 243,896	$ 169,885	$ 214,071	$ 203,267	$ 235,485	$ 211,805	$ 241,556	$ 226,115
Debt service, revenue bonds	$ 58,143	$ 58,293	$ 61,318	$ 61,298	$ 66,851	$ 72,736	$ 71,382	$ 72,204	$ 65,323	$ 69,916
Debt service, commercial papers	3,431	792	—	—	—	191	227	194	165	187
Total debt service (3)	$ 61,574	$ 59,085	$ 61,318	$ 61,298	$ 66,851	$ 72,927	$ 71,609	$ 72,398	$ 65,488	$ 70,103
Net available revenue coverage	3.2	3.6	4.8	4.0	2.8	3.2	3.3	2.9	3.7	3.2
Net cash flow from operations	$ 226,037	$ 201,575	$ 246,665	$ 252,898	$ 151,264	$ 185,416	$ 158,228	$ 217,113	$ 131,284	$ 213,184
Net operating cash flow coverage	3.7	3.4	4.0	4.1	2.3	2.5	2.2	3.0	2.0	3.0

(1) Operating revenues include pledged pooled investment/interest income and non-capital grant revenues.

(2) Depreciation and amortization expenses, interest expense, and other nonoperating expenses are not included.

(3) Debt service includes principal and interest payments on issued bonds as well as on commercial paper notes, which are senior debt backed by pledged-revenue. Debt service does not include loans from the California Department of Boating and Waterways, which are not backed by pledged-revenue.

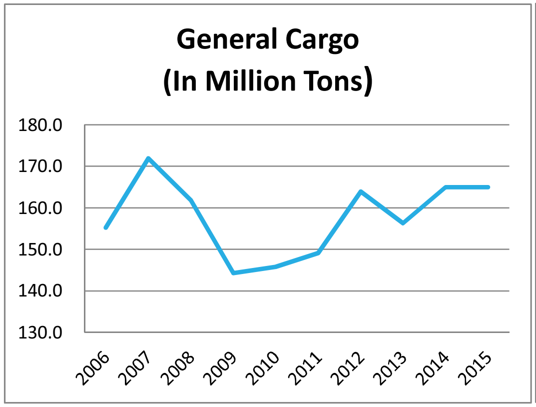
Note: Details regarding the Port of Los Angeles' outstanding debt can be found in the notes to the financial statements.

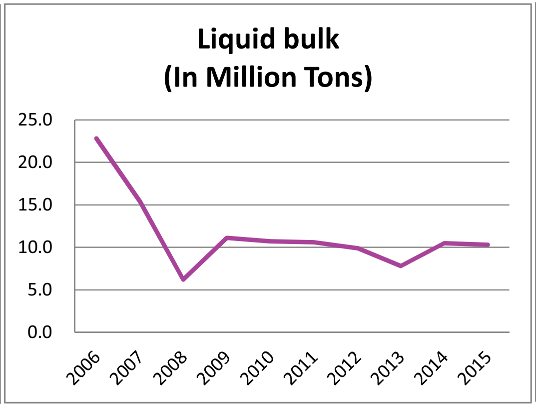
See accompanying independent auditor's report.

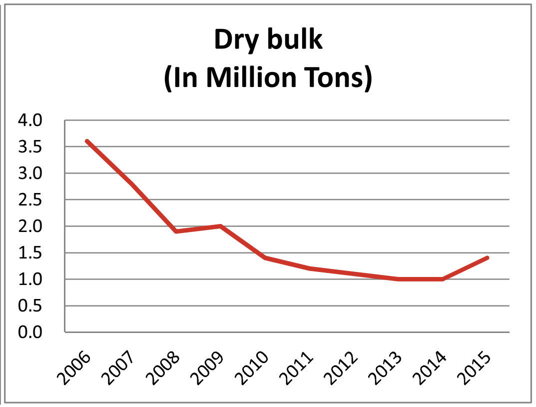
PORT OF LOS ANGELES
(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES)

Revenue Statistics
Last Ten Fiscal Years
(Unaudited)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Revenue Information										
Revenue Rates										
General cargo tariff rate	6.25	6.25	6.25	6.25	6.25	6.25	6.25	6.25	6.25	6.25
Basic dockage (600')	2,465	2,465	2,465	2,465	2,465	2,465	2,465	2,465	2,465	2,465
Required rate of return on improvements	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%
Required rate of return on land	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
Containerized cargo volume										
(in millions of TEUs)	7.8	8.7	8.1	7.3	7.2	7.9	8.2	7.8	8.2	8.2
Inbound tonnage (million tons)	113	118	105	94	88	94	98	93	99	103
Outbound tonnage (million tons)	69	72	65	66	67	68	75	72	74.3	74.6
Revenue tons (million)										
General cargo	155.2	171.9	161.9	144.3	145.8	149.1	163.9	156.3	165.0	165.0
Liquid bulk	22.8	15.4	6.2	11.1	10.7	10.6	9.9	7.8	10.5	10.3
Dry bulk	3.6	2.8	1.9	2.0	1.4	1.2	1.1	1.0	1.0	1.4
Total revenue tons (million)	181.6	190.1	170.0	157.4	157.9	160.9	174.9	165.1	176.5	176.7





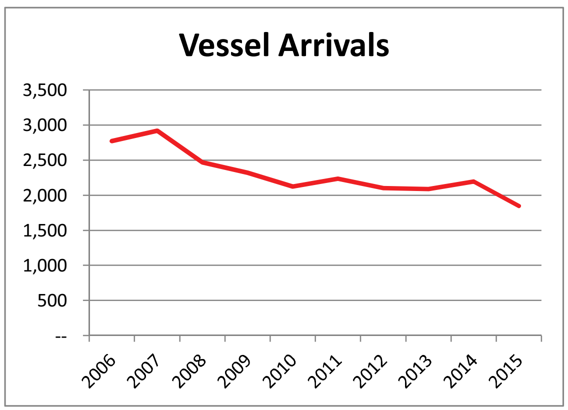


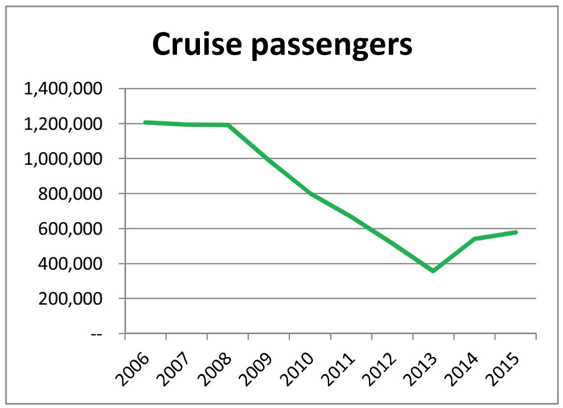
See accompanying independent auditor's report.

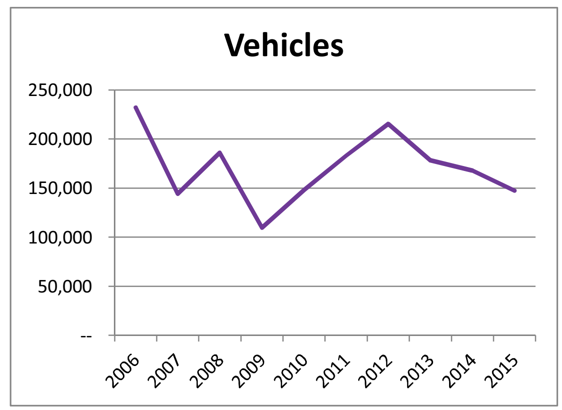
PORT OF LOS ANGELES
(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES)

Other Operating Information
Last Ten Fiscal Years
(Unaudited)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Miles of waterfront	43	43	43	43	43	43	43	43	43	43
Number of major container terminals	8	8	8	8	8	8	8	8	8	8
Number of cargo terminals	27	25	25	25	24	24	24	24	23	23
Vessel arrivals	2,771	2,920	2,467	2,322	2,124	2,236	2,100	2,089	2,196	1,846
Cruise passengers	1,205,947	1,194,984	1,191,449	990,965	802,899	667,434	515,827	355,875	541,418	578,902
Vehicles	232,149	144,068	185,978	109,634	147,935	183,126	215,374	178,252	167,826	147,457
Full time employees	717	806	935	971	948	959	958	947	949	885







See accompanying independent auditor’s report.

PORT OF LOS ANGELES
(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES)

Operating Expenses Net of Direct and Indirect Costs

Fiscal Year Ended June 30, 2015

(In Thousands)

(Unaudited)

	Expenses Before Allocation of Direct and Indirect Costs	Direct Costs Allocated to Projects	Expenses After Allocation of Direct Costs	Indirect Overhead Costs Allocated to Capital Projects	Net Operating Expenses
Salaries and benefits	$ 136,857	$ (15,490)	$ 121,367	$ (9,579)	$ 111,788
City services	45,874	(8,112)	37,762	(3,013)	34,749
Outside services	239,137	(208,214)	30,923	(1,940)	28,983
Utilities	20,772	(93)	20,679	(1,306)	19,373
Materials and supplies	9,849	(3,079)	6,770	(513)	6,257
Marketing and public relations	3,036	(8)	3,028	(257)	2,771
Workers' compensation, claims and settlements	2,503	—	2,503	—	2,503
Clean truck program expenses	949	—	949	—	949
Travel and entertainment	575	(16)	559	(47)	512
Other operating expenses	30,299	(2,145)	28,154	(1,790)	26,364
Total Operating Expenses	$ 489,851	$ (237,157)	$ 252,694	$ (18,445)	$ 234,249

See accompanying independent auditor's report.

PORT OF LOS ANGELES
(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES)

Operating Expenses Net of Direct and Indirect Costs

Fiscal Year Ended June 30, 2014

(In Thousands)

(Unaudited)

	Expenses Before Allocation of Direct and Indirect Costs	Direct Costs Allocated to Projects	Expenses After Allocation of Direct Costs	Indirect Overhead Costs Allocated to Capital Projects	Net Operating Expenses
Salaries and benefits	$ 136,253	$ (18,200)	$ 118,053	$ (6,000)	$ 112,053
City services	41,882	(6,526)	35,356	(1,723)	33,633
Outside services	314,622	(287,009)	27,613	(1,282)	26,331
Utilities	13,264	(338)	12,926	(591)	12,335
Materials and supplies	9,657	(2,407)	7,250	(367)	6,883
Marketing and public relations	2,867	(24)	2,843	(132)	2,711
Workers’ compensation, claims and settlements	1,959	—	1,959	—	1,959
Clean truck program expenses	1,100	—	1,100	—	1,100
Travel and entertainment	610	(6)	604	(56)	548
Other operating expenses	9,682	(1,506)	8,176	(375)	7,801
Total Operating Expenses	$ 531,896	$ (316,016)	$ 215,880	$ (10,526)	$ 205,354

See accompanying independent auditor's report.

PORT OF LOS ANGELES
(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES)

Capital Development Program Expenditures Per Adopted Budget

For Fiscal year 2015-2016

(In Thousands)

(Unaudited)

Project Description		Expenditures per Adopted Budget
Berth 90-93 World Cruise Center	$	868
Berth 100-102 Development - China Shipping Container Terminal		3,029
Berth 121-131 - Yang Ming Container Terminal		1,440
Berth 135-147 Development - TraPac Container Terminal		82,718
Berth 212-224 Development - YTI Container Terminal		20,936
Berth 222-236 Development - Evergreen Container Terminal		2,272
Berth 300-306 Development - APL Container Terminal		1,584
Berth 400-409 Development - Maersk/Cut		336
Motems (Marine Oil Terminal Engineering and Maintenance Standards)		9,434
Miscellaneous Terminal Improvements		187
Transportation Improvement		44,830
Security Projects		1,337
Port-wide Public Enhancements - Community		1,256
Los Angeles Waterfront		6,180
Environmental Enhancement		624
Harbor Department Facilities		3,830
Miscellaneous Projects		2,102
Unallocated Capital Improvement Program Fund		15,874
Total	$	198,837

Note: Schedule above excludes capital equipment.

See accompanying independent auditor's report.

Compliance Section

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Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The Board of Commissioners
Port of Los Angeles (Harbor Department of the City of Los Angeles):

We have audited, in accordance with the 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, the financial statements of the Port of Los Angeles (Harbor Department of the City of Los Angeles) (the Port), an enterprise fund of the City of Los Angeles, California, as of and for the year ended June 30, 2015, and the related notes to the financial statements, and have issued our report thereon dated November 23, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Port's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Port's internal control. Accordingly, we do not express an opinion on the effectiveness of the Port's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Port's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Simpson & Simpson

Los Angeles, California
November 23, 2015

APPENDIX B

CERTAIN INFORMATION REGARDING THE CITY OF LOS ANGELES

The following information has been provided to the Department by the City of Los Angeles. Table numbers in this Appendix B are presented as provided in the information provided by the City of Los Angeles and therefore may not be consecutive. Capitalized terms not defined in this Appendix will have the meanings given to them in the Official Statement.

INTRODUCTION

The City of Los Angeles, California (the "City") is the second most populous city in the United States with an estimated 2015 population of 3.96 million persons. Los Angeles is the principal city of a metropolitan region stretching from the City of Ventura to the north, the City of San Clemente to the south, the City of San Bernardino to the east, and the Pacific Ocean to the west.

Founded in 1781, Los Angeles was for its first century a provincial outpost under successive Spanish, Mexican and American rule. The City experienced a population boom following its linkage by rail with San Francisco in 1876. Los Angeles was selected as the Southern California rail terminus because its natural harbor seemed to offer little challenge to San Francisco, home of the railroad barons. But what the region lacked in commerce and industry, it made up in temperate climate and available real estate, and soon tens and then hundreds of thousands of people living in the Northeastern and Midwestern United States migrated to new homes in the region. Agricultural and oil production, followed by the creation of a deep water port, the opening of the Panama Canal, and the completion of the City-financed Owens Valley Aqueduct to provide additional water, all contributed to an expanding economic base. The City's population climbed to 50,000 persons in 1890, and then swelled to 1.5 million persons by 1940. During this same period, the motor car became the principal mode of American transportation, and the City developed as the first major city of the automotive age. Following World War II, the City became the focus of a new wave of migration, with its population reaching 2.4 million persons by 1960.

The City and its surrounding metropolitan region have continued to experience growth in population and in economic diversity. The City's 470 square miles contain 11.5% of the area and about 39% of the population of the County of Los Angeles, California (the "County"). Tourism and hospitality, professional and business services, direct international trade, entertainment (including motion picture and television production), and wholesale trade and logistics all contribute significantly to local employment. Emerging industries are largely technology driven, and include biomedical, digital information technology, and environmental technology. The County is a top-ranked county in manufacturing in the nation. Important components of local industry include apparel, computer and electronic components, transportation equipment, fabricated metal, and food. Fueled by trade with the Pacific Rim countries, the Ports of Los Angeles and Long Beach combined are the busiest container ports in the nation. As home to the film, television and recording industries, as well as important cultural facilities, the City serves as a principal global cultural center.

SELECTED ECONOMIC AND DEMOGRAPHIC INFORMATION

Although the economic and demographic information provided below has been collected from sources that the City considers to be reliable, the City has made no independent verification of the information provided by non-City sources and the City takes no responsibility for the completeness or accuracy thereof. The information and data in this Appendix B are believed to be the latest data available to the City; however, the current state of the economy of the City, State of California and the

United States of America may not be reflected in the data discussed below, because more up-to-date publicly available information is not available. This information is provided as general background.

Population

The table below summarizes City, County, and State of California (the "State") population, estimated as of January 1 of each year. The population estimates for 2005 and later incorporate 2010 U.S. Census counts as the benchmark and, as a result, are noticeably lower than previously published estimates.

Table B-1
City, County and State Population Statistics

	City of Los Angeles	Annual Growth Rate*	County of Los Angeles	Annual Growth Rate*	State of California	Annual Growth Rate*
2000	3,694,742	-	9,519,330	-	33,873,086	-
2005	3,769,131	0.40%	9,816,153	0.62%	35,869,173	1.15%
2010	3,792,621	0.12	9,818,605	0.00	37,253,956	0.76
2011	3,818,120	0.13	9,847,887	0.06	37,536,835	0.15
2012	3,860,986	0.22	9,956,722	0.22	37,881,357	0.18
2013	3,907,519	0.24	10,023,753	0.13	38,239,207	0.19
2014	3,945,037	0.19	10,093,053	0.14	38,567,459	0.17
2015	3,980,423	0.18	10,155,069	0.12	38,907,642	0.18
2016	4,030,904	0.25	10,241,335	0.17	39,255,883	0.18

* For five-year time series, figures represent average annual growth rate for each of the five years.
Sources: State of California, Department of Finance, E-4 Population Estimates for Cities, Counties and the State, 2001-2010, with 2000 and 2010 Census Counts, Sacramento, California, November 2012. State of California, Department of Finance, E-4 Population Estimates for Cities, Counties, and the State, 2011-2016, with 2010 Census Benchmark. Sacramento, California, May 2016.

Industry and Employment

The following table summarizes the average number of employed and unemployed residents of the City and the County, based on the annual "benchmark," an annual revision process in which monthly labor force and payroll employment data, which are based on estimates, are updated based on detailed tax records. The "benchmark" data is typically released in March for the prior calendar year.

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The California Employment Development Department has reported preliminary unemployment figures for May 2016 of 4.7% statewide, 4.3% for Los Angeles County, and 4.5% for the City (not seasonally adjusted).

Table B-2
Estimated Average Annual Employment and
Unemployment of Resident Labor Force*

Civilian Labor Force	2011	2012	2013	2014	2015
City of Los Angeles					
Employed	1,671,300	1,680,100	1,728,500	1,835,200	1,870,400
Unemployed	261,200	230,900	211,700	175,700	140,300
Total	1,932,600	1,911,000	1,940,200	2,010,900	2,010,700
County of Los Angeles					
Employed	4,326,100	4,378,800	4,495,700	4,610,800	4,674,800
Unemployed	603,400	535,800	486,600	415,100	336,900
Total	4,929,500	4,914,500	4,982,300	5,025,900	5,011,700
Unemployment Rates					
City	13.5%	12.1%	10.9%	8.7%	7.0%
County	12.2	10.9	9.8	8.3	6.7
State	11.7	10.5	8.5	7.5	6.2
United States	8.9	8.1	7.4	6.2	5.3

* March 2015 Benchmark report as of March 18, 2016; not seasonally adjusted.
Note: Based on surveys distributed to households; not directly comparable to Industry Employment data reported in Table B-3. Items may not add to totals due to rounding.
Sources: California Employment Development Department, Labor Market Information Division for the State and County; U.S. Bureau of Labor, Department of Labor Statistics for the U.S.

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The table below summarizes the California Employment Development Department's estimated average annual employment for the County, which includes full-time and part-time workers who receive wages, salaries, commissions, tips, payment in kind, or piece rates. Separate figures for the City are not maintained. Percentages indicate the percentage of the total employment for each type of employment for the given year. For purposes of comparison, the most recent employment data for the State is also summarized.

Table B-3
Los Angeles County Estimated Industry Employment and Labor Force[1]

	County				State of California	
	2000	**% of Total**	**2015**	**% of Total**	**2015**	**% of Total**
Agricultural	7,700	0.2%	5,000	0.1%	423,300	2.6%
Natural Resources and Mining	3,400	0.1	3,900	0.1	29,100	0.2
Construction	131,800	3.2	126,100	2.9	727,400	4.4
Manufacturing	615,200	14.9	360,800	8.4	1,291,900	7.8
Trade, Transportation and Utilities	784,900	19.0	817,800	19.1	2,938,300	17.8
Information	244,300	5.9	202,700	4.7	483,000	2.9
Financial Activities	223,400	5.4	214,200	5.0	797,400	4.8
Professional and Business Services	590,700	14.3	600,300	14.0	2,493,800	15.1
Educational and Health Services	463,100	11.2	742,200	17.3	2,456,200	14.9
Leisure and Hospitality	345,000	8.4	488,100	11.4	1,830,000	11.1
Other Services	140,200	3.4	151,700	3.5	545,700	3.3
Government	581,400	14.1	566,400	13.2	2,458,800	14.9
Total[2]	4,130,900	100.0%	4,279,200	100.0%	16,474,800	100.0%

[1] The California Economic Development Department has converted employer records from the Standard Industrial Classification coding system to the North American Industry Classification System.
[2] Totals may not equal sum of parts due to independent rounding.
Note: Based on surveys distributed to employers; not directly comparable to Civilian Labor Force data reported in Table B-2.
Source: California Employment Development Department, Labor Market Information Division. Based on March 2015 Benchmark report.

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Major Employers

The top 25 major non-governmental employers in the County are listed in the table below. The employees of these non-governmental employers represent approximately 6.5% of the labor force (based on total employment in 2015). In addition, government employment represents approximately 13.2% of the labor force (see Table B-3—Los Angeles County Estimated Industry Employment and Labor Force).

Table B-4
Los Angeles County 2015 Major Non-Governmental Employers

Employer	Product/Service	Employees
Kaiser Permanente	Nonprofit health care plan	35,771
University of Southern California	Private university	18,629
Northrop Grumman Corp.	Defense contractor	17,000
Target Corp.	Retailer	15,000
Ralphs/Food 4 Less (Kroger Co. Division)	Grocery retailer	13,500
Bank of America Corp	Banking and financial services	13,000 [1]
Providence Health & Services Southern California	Health care	13,000
AT&T Inc.	Telecommunications	11,700
UPS	Transportation and freight	10,768
Home Depot	Home improvement specialty retailer	10,600 [1]
Boeing Co.	Integrated aerospace and defense systems	10,500 [1]
Cedars-Sinai Medical Center	Medical center	10,250
Albertsons Nons/Pavilions	Retail grocer	10,200 [1]
Walt Disney Co.	Entertainment	10,200 [2]
Wells Fargo	Diversified financial services	10,000
ABM Industries Inc.	Facilities services, energy solutions, commercial cleaning, maintenance and repair	8,500 [1]
California Institute of Technology	Private university, operator of Jet Propulsion Laboratory	8,100
FedEx Corp.	Shipping and logistics	7,700 [1]
Edison International	Electric utility	7,650
Warner Bros. Entertainment Inc.	Entertainment	7,400 [2]
Universal Services of America	Security professionals	6,554
Dignity Health	Health care	6,100
American Apparel Inc.	Apparel manufacturer and retailer	6,000
Costco Wholesale	Membership chain of warehouse stores	5,800
SoCalGas	Natural gas utility	5,600

[1] *Business Journal* estimate.
[2] Information provided by City of Burbank.
Source: *Los Angeles Business Journal*, Weekly Lists, originally published August 31, 2015.

Personal Income

The U.S. Census Bureau defines personal income as the income received by all persons from all sources, and is the sum of "net earnings," rental income, dividend income, interest income, and transfer receipts. "Net earnings" is defined as wages and salaries, supplements to wages and salaries, and proprietors' income, less contributions for government social insurance, before deduction of personal income and other taxes.

The following table summarizes the latest available estimate of personal income for the County, State and United States.

Table B-5
County, State and U.S. Personal Income

Year and Area	Personal Income (Thousands of Dollars)	Per Capita Personal Income[1] (Dollars)
2011		
County	$ 441,724,254	$44,627
State[2]	1,691,002,503	44,852
United States[2]	13,233,436,000	42,453
2012		
County	$ 475,931,985	$47,713
State[2]	1,812,314,643	47,614
United States[2]	13,904,485,000	44,266
2013		
County	$ 478,371,346	$47,580
State[2]	1,849,505,496	48,125
United States[2]	14,064,468,000	44,438
2014		
County[3]	$ 499,767,889	$49,400
State[2]	1,939,527,656	49,985
United States[2]	14,683,147,000	46,049
2015		
County	n/a	n/a
State[2]	$ 2,061,337,141	$52,651
United States[2]	15,324,108,725	47,669

[1] Per capita personal income was computed using Census Bureau midyear population estimates. Per capita personal income is total personal income divided by total midyear population. Estimates for 2011 to 2015 reflect Census Bureau midyear State population estimates available as of December 2014. Estimates for 2015 are derived from the quarterly State population estimates produced by BEA based on unpublished Census Bureau data.
[2] Last updated: March 24, 2016—new estimates for 2015. In 2015 details may not add to totals because of rounding.
[3] Last updated: November 19, 2015.
Source: U.S. Bureau of Economic Analysis, "Table SA1 Personal Income Summary," (accessed April 21, 2016).

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Retail Sales

As the largest city in the County, the City accounted for $41.7 billion (or 29.8%) of the total $140.0 billion in County taxable sales for 2013. The following table sets forth a history of taxable sales for the City for calendar years 2009 through 2013, 2013 being the last full year for which data is currently available.

The City experienced a 4.1% increase in sales tax receipts during Fiscal Year 2014-15, estimates a 2.1% growth in Fiscal Year 2015-16 (excluding additional receipts from the restoration of the 1% local tax rate) and projects 3.0% growth in taxable sales for the Fiscal Year 2016-17 Adopted Budget.

Table B-6
City of Los Angeles Taxable Sales
(in thousands)

	2009	2010	2011	2012	2013
Motor Vehicle and Parts Dealers	$ 2,760,647	$ 2,865,868	$ 3,224,150	$ 3,662,657	$ 3,983,625
Home Furnishings and Appliance Stores	1,566,716	1,590,667	1,609,905	1,676,926	1,683,805
Bldg. Materials and Garden Equip. and Supplies	1,700,820	1,711,735	1,834,117	1,942,915	2,086,608
Food and Beverage Stores	2,126,677	2,123,626	2,199,481	2,322,695	2,444,701
Gasoline Stations	3,621,498	4,114,016	4,952,984	5,090,496	4,954,380
Clothing and Clothing Accessories Stores	2,404,735	2,551,905	2,715,953	2,884,984	3,032,886
General Merchandise Stores	2,448,694	2,534,482	2,660,830	2,759,578	2,873,530
Food Services and Drinking Places	5,437,781	5,637,405	6,049,187	6,564,652	6,946,625
Other Retail Group	3,425,579	3,451,919	3,599,674	3,716,658	3,943,616
Total Retail and Food Services	25,493,148	26,581,623	28,846,283	30,621,561	31,949,776
All Other Outlets	8,098,716	8,233,833	9,011,361	9,502,364	9,806,938
Total All Outlets*	$33,591,864	$34,815,457	$37,857,643	$40,123,926	$41,756,714

* Items may not add to totals due to rounding.
Source: California State Board of Equalization, Research and Statistics Division.

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Land Use

The following table, derived from data maintained by the Los Angeles County Assessor, indicates various land uses within the City based on assessed valuation and the number of parcels.

Table B-7
City of Los Angeles Assessed Valuation and Parcels by Land Use

	2015-16 Assessed Valuation*	% of Total	No. of Parcels	% of Total
Non-Residential				
Commercial Office	$ 72,067,801,066	14.97%	35,721	4.59%
Vacant Commercial	2,101,642,002	0.44	1,255	0.16
Industrial	36,527,008,296	7.59	20,111	2.58
Vacant Industrial	1,735,544,481	0.36	4,069	0.52
Recreational	1,806,352,224	0.38	780	0.10
Government/Social/Institutional	3,259,017,043	0.68	3,795	0.49
Miscellaneous	386,941,983	0.08	2,815	0.36
Subtotal Non-Residential	$117,884,307,095	24.48%	68,546	8.81%
Residential				
Single Family Residence	$248,906,138,472	50.70%	490,638	63.03%
Condominium/Townhouse	33,412,992,353	6.94	86,129	11.06
Mobile Homes and Lots	108,478,933	0.02	3,304	0.42
Mobile Home Park	164,431,429	0.03	92	0.01
2-4 Residential Units	25,927,464,009	5.38	74,211	9.53
5+ Residential Units/Apartments	52,120,152,106	10.83	34,769	4.47
Vacant Residential	2,955,189,311	0.61	20,741	2.66
Subtotal Residential	$363,594,846,613	75.52%	709,884	91.19%
Total	$481,479,153,708	100.00%	778,430	100.00%

* Local Secured Assessed Valuation, excluding tax-exempt property.
Source: California Municipal Statistics, Inc.

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Residential Value and Construction Activity

The following table indicates the array of assessed valuation for residential properties in the City.

Table B-8
City of Los Angeles
Per Parcel 2015-16 Assessed Valuation of Single Family Residential Properties

	No. of Parcels	2015-16 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
Single-Family Residential Properties	490,638	$248,906,138,472	$507,311	$327,900

2015-16 Assessed Valuation	No. of Residential Parcels *	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
$0 - $49,999	10,420	2.124%	2.124%	$ 404,118,860	0.162%	0.162%
$50,000 - $99,999	39,817	8.115	10.239	3,084,384,088	1.239	1.402
$100,000 - $149,999	32,135	6.550	16.789	4,177,132,245	1.678	3.080
$150,000 - $199,999	41,526	8.464	25.252	7,686,628,704	3.088	6.168
$200,000 - $249,999	47,742	9.731	34.983	11,025,537,480	4.430	10.597
$250,000 - $299,999	46,054	9.387	44.370	12,854,684,588	5.164	15.762
$300,000 - $349,999	46,922	9.563	53.933	15,957,046,072	6.411	22.173
$350,000 - $399,999	41,555	8.470	62.403	16,201,588,065	6.509	28.682
$400,000 - $449,999	28,624	5.834	68.237	12,594,989,360	5.060	33.742
$450,000 - $499,999	20,871	4.254	72.491	10,174,341,177	4.088	37.830
$500,000 - $549,999	17,685	3.604	76.095	9,498,065,265	3.816	41.646
$550,000 - $599,999	14,007	2.855	78.950	8,212,093,995	3.299	44.945
$600,000 - $649,999	13,366	2.724	81.674	8,563,462,540	3.440	48.385
$650,000 - $699,999	11,899	2.425	84.099	8,081,146,355	3.247	51.632
$700,000 - $749,999	8,686	1.770	85.870	6,456,208,254	2.594	54.226
$750,000 - $799,999	8,391	1.710	87.580	6,613,484,124	2.657	56.883
$800,000 - $849,999	6,514	1.328	88.908	5,477,068,910	2.200	59.083
$850,000 - $899,999	6,367	1.298	90.205	6,213,529,832	2.496	61.580
$900,000 - $949,999	5,777	1.177	91.383	5,357,971,082	2.153	63.732
$950,000 - $999,999	4,421	0.901	92.284	4,313,419,386	1.733	65.465
$1,000,000 and greater	37,859	7.716	100.000	85,959,238,090	34.535	100.000
Total	490,638	100.000%		$248,906,138,472	100.000%	

* Improved single family residential parcels. Excludes condominiums and parcels with multiple family units.
Source: California Municipal Statistics, Inc.

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The table below provides a summary of building permits issued by the City by calendar year.

Table B-9
City of Los Angeles
Building Permit Valuations and New Dwelling Units

	2010	2011	2012	2013	2014
Total Valuation[1] ($ in millions)	$3,328	$3,386	$3,671	$4,246	$6,416
Residential[2]	878	1,131	1,407	1,732	2,668
Miscellaneous[3]	15	26	17	48	18
Number of Units:					
Single family[4]	772	726	1,059	1,254	1,852
Multi-family[5]	3,374	5,258	5,615	7,136	9,607
Subtotal Residential	4,146	5,984	6,674	8,390	11,459
Miscellaneous[6]	370	390	477	536	274
Total Units	4,516	6,374	7,151	8,926	11,733

[1] Represents the total valuation of all construction work for which building permits were issued.
[2] Valuation of permits issued for Single-Family Dwellings, Duplexes, Apartment Buildings, Hotel/Motels, and Condominiums.
[3] Valuation of permits issued for "Addition Creating New Units – Residential" and "Alterations Creating New Units – Residential."
[4] Number of dwelling units permitted for Single-Family Dwellings and Duplexes.
[5] Number of dwelling units permitted for new Apartment Buildings, Hotel/Motels, and Condominiums.
[6] Number of dwelling units added includes "Addition Creating New Units – Residential" and "Alterations Creating New Units - Residential."
Source: City of Los Angeles, Department of Building and Safety.

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Commercial Real Estate Markets in Los Angeles

The following table shows the most recent information available regarding vacancy rates for commercial property in the City and the County of Los Angeles.

Table B-10
City of Los Angeles and County of Los Angeles
Commercial Property Vacancy Rates

Year and Area*	Retail	Office	Warehouse	R&D
2011				
City	6.7%	15.9%	9.0%	8.0%
County	6.5	14.3	9.0	6.0
2012				
City	5.2	16.8	7.6	4.3
County	6.3	14.4	8.0	5.6
2013				
City	4.8	16.4	6.7	5.4
County	6.1	14.5	7.7	5.1
2014				
City	4.2	16.5	6.1	4.0
County	6.1	13.6	6.6	3.7
2015				
City	4.0	15.1	5.7	2.9
County	6.5	13.4	6.1	2.4

* Fourth quarter of each year.
Source: Beacon Economics and REIS.

Education

The Los Angeles Unified School District ("LAUSD") administers public instruction for kindergarten through 12th grade ("K-12"), adult, and occupational schools in the City and all or significant portions of a number of smaller neighboring cities and unincorporated areas. The LAUSD, which now encompasses approximately 710 square miles (making it significantly larger than the City at 470 square miles), was formed in 1854 as the Common Schools for the City of Los Angeles, and became a unified school district in 1960. The LAUSD is governed by a seven-member Board of Education, elected by district to serve alternating four-year terms.

There are many public and private colleges and universities located in the City. Major colleges and universities located within the City include the University of California at Los Angeles, the University of Southern California, California State University at Los Angeles, California State University at Northridge, Occidental College and Loyola Marymount University. There are seven community colleges located within the Los Angeles Community College District.

GENERAL INFORMATION REGARDING MUNICIPAL GOVERNMENT

Under the State Constitution, charter cities are generally independent of the State Legislature in matters relating to municipal affairs. Charter cities, however, are subject to State Constitutional restrictions. The City is a charter city originally incorporated in 1850. The most recent charter was adopted in 1999, effective July 1, 2000, and has been amended a number of times by voter approval.

The City is governed by the Mayor and the City Council (the "City Council"). The Mayor is elected at-large for a four-year term. As executive officer of the City, the Mayor has the overall responsibility for administration of the City. The Mayor recommends and submits the annual budget to the Council and passes upon subsequent appropriations and transfers, approves or vetoes ordinances, and appoints certain City officials and commissioners. He supervises the administrative process of local government and works with the Council in matters relating to legislation, budget, and finance. As prescribed by the Charter and City ordinances, the Mayor operates an executive department, of which he is the *ex-officio* head. The current Mayor, Eric Garcetti, assumed office on July 1, 2013.

The Council, the legislative body of the City, is a full time council and enacts ordinances subject to the approval of the Mayor. If the Mayor vetoes, the Council may override the veto of the Mayor by a two-thirds vote. The Council orders elections, levies taxes, authorizes public improvements, approves contracts, adopts zoning and other land use controls, and adopts traffic regulations. The Council adopts or modifies the budget proposed by the Mayor. It authorizes the number of employees in budgetary departments, creates positions and fixes salaries. The Council consists of 15 members elected by district for staggered four-year terms.

The other two elective offices of the City are the Controller and the City Attorney, both elected for four-year terms. The Controller is the chief accounting officer for the City. The current Controller, Ron Galperin, assumed office on July 1, 2013.

The City Attorney is attorney and legal advisor to the City and to all City boards, departments, officers, and entities, and prosecutes misdemeanors and violations of the Charter and City ordinances. The current City Attorney, Mike Feuer, assumed office on July 1, 2013.

All citywide elected officials of the City are subject to term limits of two four-year terms, while Council members are subject to terms limits of three four-year terms.

The City Administrative Officer ("CAO") is the chief fiscal advisor to the Mayor and Council and reports directly to both. The CAO is appointed by the Mayor, subject to Council confirmation, Miguel A. Santana has been serving as CAO since August 2009.

The City Treasurer (the "Treasurer") receives, invests and is the custodian of the City's funds and those of affiliated entities. The Treasurer also serves as the City's Investment Officer. The Treasurer is appointed by the Mayor and confirmed by the Council. On July 1, 2011, the Office of the Treasurer was consolidated into the Office of Finance. Claire Bartels, the Director of Finance, also serves as the City Treasurer.

The City has 36 departments and bureaus for which operating funds are annually budgeted by the Council. In addition, four departments (the Department of Water and Power ("DWP"), the Harbor Department, the Department of Airports, and the Housing Authority of the City) are under the control of boards appointed by the Mayor and confirmed by the Council. The City obtains water and electricity from DWP, the largest municipally-owned utility in the nation. Two departments, the Los Angeles City Employees' Retirement System and the Fire and Police Pension System, are under the control of boards whose membership is comprised of Mayoral appointees and representatives elected by system members.

Public services provided by the City include police; fire and paramedics; residential refuse collection and disposal, wastewater collection and treatment, street maintenance, traffic management, storm water pollution abatement, and other public works functions; enforcement of ordinances and statutes relating to building safety; public libraries; recreation and parks; community development; housing and aging services; and planning.

SELECTED INFORMATION REGARDING THE CITY'S RETIREMENT AND PENSION SYSTEMS AND OTHER POST-EMPLOYMENT BENEFITS

General

The City contributes to three single-employer defined benefit pension plans created by the City Charter: the Los Angeles City Employees' Retirement System ("LACERS"), the City of Los Angeles Fire and Police Pension Plan ("FPPP"), and for the employees of the DWP, the Water and Power Employees' Retirement, Disability and Death Benefit Insurance Plan (the "Water and Power Plan").

Both LACERS and FPPP (collectively, the "Pension Systems") provide retirement, disability, death benefits, post-employment healthcare and annual cost-of-living adjustments to plan members and beneficiaries. Both systems are funded primarily from the City's General Fund. As required by the City Charter, the actuarial valuations for both Pension Systems are prepared on an annual basis and the applicable actuary recommends contribution rates for the fiscal year beginning after the completion of that actuarial valuation. When approved by the respective boards of administration of the Pension Systems, these become the City's contribution rates for such years. The City generally makes its actuarially determined Annual Required Contribution ("ARC"), although phasing-in of assumption changes has resulted in a small net pension obligation for fiscal years ended June 30, 2004 and 2005.

The Pension Systems' annual valuations determine the amount needed to fund the normal retirement costs accrued for current employment and to amortize any unfunded actuarial accrued liability ("UAAL"). The UAAL represents the difference between the present value of estimated future benefits accrued as of the valuation date and the actuarial value of assets currently available to pay these liabilities. The valuation for each plan is an estimate based on relevant economic and demographic assumptions, with the goal of determining the contributions necessary to sufficiently fund over time the accrued costs attributable to currently active, vested former members and retired employees and their beneficiaries. In addition, various actuarial assumptions are used in the valuation process, including the assumed rate of earnings on the assets of the plan in the future, the assumed rates of general inflation, salary inflation, inflation in health care costs, assumed rates of disability, the assumed retirement ages of active employees, the assumed marital status at retirement, and the post-employment life expectancies of retirees and beneficiaries. As plan experience differs from adopted assumptions, the actual liabilities will be more or less than the liabilities calculated based on the assumptions. The contribution rates in the following year's valuations are adjusted to take into account actual performance in the current and prior years. In addition, each plan performs an experience study every three years and further adjusts its assumptions accordingly.

The valuations incorporate a variety of actuarial methods, some of which are designed to reduce the volatility of contributions from year to year. When measuring the value of assets for determining the UAAL, many pension plans, including the Pension Systems, "smooth" market value gains and losses over a period of years to reduce volatility. These smoothing methodologies result in an actuarial value of assets that are lower or higher than the market value of assets. As discussed below, both systems amended their smoothing methodologies to address extraordinary losses or gains in the market value of assets.

Both Pension Systems have adopted asset allocation plans to guide their investments in stocks, bonds, real estate, alternatives and cash equivalents over a three- to five-year period. The asset allocations of the Pension Systems are summarized further below. Market value investment returns for the past 10 fiscal years are shown in the table below. Any return below the actuarial assumed rate of return (currently 7.5% for both of the Pension Systems) represents an actuarial investment loss, while any return above the assumed rate of return represents an actuarial investment gain.

Table B-11
Los Angeles Pension Systems
Historical Market Value Investment Returns

Fiscal Year	LACERS	FPPP
2005-06	12.4%	12.5%
2006-07	19.5	18.5
2007-08	(5.7)	(4.6)
2008-09	(19.5)	(20.0)
2009-10	12.9	13.9
2010-11	22.6	22.1
2011-12	1.1	1.9
2012-13	14.3	13.0
2013-14	18.4	17.9
2014-15	2.8	4.2

Source: City of Los Angeles, the respective Pension Systems.

The City has never issued pension obligation bonds to fund either of its Pension Systems. The City does pre-pay its annual contributions out of the proceeds of its annual issuance of tax and revenue anticipation notes.

This section, "**Selected Information Regarding the City's Retirement and Pension Systems and other Post-Employment Benefits**," and the subsequent section, "**Other Post-Employment Benefits**," contain certain information relating to LACERS and FPPP. The information contained in these sections is primarily derived from information produced by LACERS and FPPP and their independent accountants and their actuaries. The City has not independently verified the information provided by LACERS and FPPP. The comprehensive annual financial reports, actuarial valuations for retirement and health benefits, and other information concerning LACERS and FPPP are available on their websites. Such information is not incorporated by reference herein. For additional information regarding the Pension Systems, see the City's Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2015.

Investors are cautioned that, in considering information on the Pension Systems, including the amount of the UAAL for retirement and other benefits, the funded ratio, the calculations of normal cost, and the resulting amounts of required contributions by the City, this is "forward looking" information. Such "forward looking" information reflects the judgment of the boards of the respective Pension Systems and their respective actuaries as to the value of future benefits over the lives of the currently active employees, vested terminated employees, and existing retired employees and beneficiaries. These judgments are based upon a variety of assumptions, one or more of which may prove to be inaccurate and/or be changed in the future.

Los Angeles City Employees' Retirement System ("LACERS")

LACERS, established in 1937 under the Charter, is a contributory plan covering most City employees except uniformed fire and police personnel and employees of the Department of Water and

Power. As of June 30, 2015, the date of its most recent actuarial valuation, LACERS had 23,895 active members, 17,932 retired members and beneficiaries, and 6,507 inactive members. The number of retired members was significantly increased, and the number of active members significantly decreased, as a result of the City's Early Retirement Incentive Program in Fiscal Year 2009-10. LACERS is funded pursuant to the Entry Age Cost Method, which is designed to produce stable employer contributions in amounts that increase at the same rate as the employer's payroll (i.e., level percent of payroll).

A number of assumptions are made in calculating the actuarial valuation of retirement benefits. The following are some of the key assumptions used by LACERS' actuary, The Segal Company, in preparing LACERS' actuarial report as of June 30, 2015.

Table B-12
Los Angeles City Employees' Retirement System
Actuarial Assumptions
As of June 30, 2015

Investment rate of return	7.50%
Inflation rate	3.25%
Real across-the-board salary increase	0.75%
Projected salary increases	Ranges from 4.4% to 10.5%, based on service
Cost of living adjustments for pensioners	3.00% for Tier 1; 2.00% for Tier 2

Source: Los Angeles City Employees' Retirement System Actuarial Valuation and Review of Retirement and Health Benefits as of June 30, 2015.

Based on the results of its most recent triennial experience study dated October 8, 2014 for the three-year period from July 1, 2011 through June 30, 2014, LACERS adopted new actuarial assumptions, including a reduced assumed investment return from 7.75% to 7.50% and reducing the inflation rate from 3.50% to 3.25%.

As of June 30, 2010, the LACERS' Board adopted a market value corridor of 40%. A "corridor" is used in conjunction with asset smoothing, in order to keep the actuarial value of assets within a certain percentage of the market value of assets. For example, if a system has a 40% corridor, the actuarial value of assets must be between 60% and 140% of the market value of assets. Market losses and gains are recognized under a seven-year asset smoothing period, where only 1/7 of annual market gains or losses are recognized in the actuarial value of assets each year. The remaining gains or losses are spread equally over the next six years.

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As of June 30, 2015, there was a total unrecognized net gain of $229 million. To limit future fluctuations in asset values due to large unrecognized gains reflecting several years of fairly large annual market gains and losses from a volatile market, the LACERS Board adopted a one-time adjustment, as of June 30, 2014, to its current asset smoothing policy by combining the unrecognized gains and losses of the prior years into one layer and spreading it evenly over six years. The following table shows the original market gains and losses, and the unrecognized gains and losses as of June 30, 2015.

Table B-13
Los Angeles City Employees' Retirement System
Calculation of Unrecognized Return Due to Asset Smoothing
As of June 30, 2015

Year Ended June 30	Original Market Gain (Loss)	Percent Not Recognized	Amount Not Recognized
2015	$ (707,760,540)	6/7	$(606,651,891)
2014	1,246,285,581	5/7	890,203,986
2013	(81,571,421)	4/6	(54,380,947) *
Total unrecognized return (loss)			$229,171,148

* Valuation as of June 30, 2014 recognizes 2/6 of $81,571,421 original market loss as of June 30, 2013, with the balance to be recognized over the next four years.

Source: Los Angeles City Employees' Retirement System Actuarial Valuation and Review of Retirement and Health Benefits as of June 30, 2015.

LACERS amortizes components that contribute to its UAAL over various periods of time, depending on how the unfunded liability arose, layering separate, fixed amortization periods. Under current funding policy, actuarial losses and gains are amortized over fixed 15-year periods. Liabilities or surpluses due to assumption changes are funded or credited over 15 or 20 years for retiree health care benefits and retirement benefits, respectively. Liabilities caused by future early retirement incentives will be funded over five years, other benefit changes will be amortized over 15 years. Effective for the June 30, 2012 valuation, most existing liabilities on or before June 30, 2012 were combined under one layer and amortized over 30 years. The LACERS Board implemented this revised amortization policy to mitigate the impact of the change in funding policy from the Projected Unit Credit cost method to Entry Age Normal cost method.

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The table below shows the actuarial value of the City's liability for retirement benefits (excluding retiree health care and other post-employment benefits), the actuarial value of assets available for retirement benefits, and two indicators of funding progress for LACERS, the funded ratio and the ratio of UAAL to annual payroll.

Table B-14
Los Angeles City Employees' Retirement System
Schedule of Funding Progress for Retirement Benefits
Actuarial Value Basis
(Dollars in Thousands)[1]

Actuarial Valuation As of June 30	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL[2]	Funded Ratio[3]	Covered Payroll[4]	Unfunded AAL as a Percentage of Covered Payroll[5]
2006	$ 7,674,999	$ 9,870,662	$ 2,195,663	77.8%	$ 1,733,340	126.7%
2007	8,599,700 [6]	10,526,874	1,927,174	81.7	1,896,609	101.6
2008	9,438,318	11,186,404	1,748,085	84.4	1,977,645	88.4
2009	9,577,747	12,041,984	2,464,237	79.5	1,816,171	135.7
2010	9,554,027	12,595,025	3,040,998	75.9	1,817,662	167.3
2011	9,691,011	13,391,704	3,700,693	72.4	1,833,392	201.9
2012	9,934,959	14,393,959	4,458,999	69.0	1,819,270	245.1
2013	10,223,961	14,881,663	4,657,702	68.7	1,846,970	252.2
2014	10,944,751	16,248,853	5,304,103	67.4	1,898,064	279.5
2015	11,727,161	16,909,996	5,182,835	69.4	1,907,665	271.7

[1] Table includes funding for retirement benefits only. Other Post-Employment Benefits (OPEB) are not included.
[2] Actuarial Accrued Liability minus Actuarial Value of Assets, commonly referred to as UAAL. Positive numbers represent a funded ratio less than 100%.
[3] Actuarial value of assets divided by actuarial accrued liability.
[4] Annual payroll for members of LACERS.
[5] UAAL divided by covered payroll.
[6] Valuation value of assets is after excluding $5,269,481 of discounted Harbor Port Police assets transferred to FPPP in October 2007.
Source: Los Angeles City Employees' Retirement System Actuarial Valuation and Review of Retirement and Health Benefits as of June 30, 2015.

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The actuarial value of assets is different from the market value of assets as gains and losses are smoothed over a number of years. The following table shows the funding progress of LACERS based on the market value of the portion of system assets allocated to retirement benefits.

Table B-15
Los Angeles City Employees' Retirement System
Schedule of Funding Progress for Retirement Benefits
Market Value Basis
(Dollars in Thousands)[1]

Actuarial Valuation As of June 30	Market Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Liability[2]	Funded Ratio (Market Value)[3]	Covered Payroll[4]	Unfunded Liability as a Percentage of Covered Payroll (Market Value)[5]
2006	$ 8,204,603	$ 9,870,662	$ 1,666,059	83.1%	$ 1,733,340	96.1%
2007	9,708,718	10,526,874	818,156	92.2	1,896,609	43.1
2008	9,059,551	11,186,404	2,126,853	81.0	1,977,645	107.5
2009	7,122,911	12,041,984	4,919,073	59.2	1,816,171	270.9
2010	7,804,223	12,595,025	4,790,802	62.0	1,817,662	263.6
2011	9,186,697	13,391,704	4,205,007	68.6	1,833,392	229.4
2012	9,058,839	14,393,959	5,335,120	62.9	1,819,270	293.3
2013	10,154,486	14,881,663	4,727,177	68.2	1,736,113	272.3
2014	11,791,079	16,248,853	4,457,774	72.6	1,802,931	247.3
2015	11,920,570	16,909,996	4,989,426	70.5	1,835,637	261.5

[1] Table includes funding for retirement benefits only. Other Post-Employment Benefits (OPEB) are not included.
[2] Actuarial Accrued Liability minus Market Value of Assets. Positive numbers represent a funded ratio less than 100%.
[3] Market value of assets divided by actuarial accrued liability.
[4] Annual payroll for members of LACERS.
[5] Unfunded liability divided by covered payroll.
Source: Los Angeles City Employees' Retirement System Actuarial Valuation reports.

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The table below summarizes the City's payments to LACERS over the past five years, including the proposed payment for Fiscal Year 2016-17 pending City Council approval. This table includes costs for retirement, as well as for retiree health care, and other miscellaneous benefits.

Table B-16
Los Angeles City Employees' Retirement System
Sources and Uses of Contributions
(Dollars in Thousands)[1]

	2012-13[2]	2013-14	2014-15	2015-16	Adopted Budget 2016-17
Sources of Contributions					
Contributions for Council-controlled Departments	$342,188	$367,772	$411,509	$434,639	$459,400
Airport, Harbor Departments, LACERS, LAFPP	77,917	83,759	94,209	103,120	106,457
Total	$420,105	$451,531	$505,718	$537,759	$565,857
Percent of payroll – Tier 1	24.14%	25.33%	26.56%	28.75%	28.16%
Percent of payroll – Tier 2		18.32%	19.63%	22.62%	
Percent of payroll – Tier 3					24.96%
Uses of Contributions					
Current Service Liability (Normal cost)	$184,202	$185,217	$193,769	$190,777	$206,870
UAAL	234,896	265,081	305,891	363,929	365,975
Adjustments[3,4,5,6]	1,007	1,233	6,058	(16,947)	(6,988)
Total	$420,105	$451,531	$505,718	$537,759	$565,857

[1] Includes funding for OPEB.
[2] A $3.7 million credit from 2011-12 was applied to 2012-13. The actual amount paid for City Council-controlled departments, Airports, and Harbor to LACERS subsequent to this credit was $416.4 million.
[3] Includes the excess benefit plan, the family death benefit plan, and the limited term plan fund. Beginning with the 2014-15 payment, the true-up obligation for the prior year is also reflected in this line item.
[4] Payment for a 2013-14 true-up in the amount of $5,191,511 (all agencies) will be made in 2014-15.
[5] Adjustments for 2015-16 include the 2014-15 true-up which consists of an $18,052,498 credit (all agencies) which is partially offset by $1,105,000 in excess benefit, family death and limited term plan costs.
[6] Adjustments for 2016-17 include the 2015-16 true-up which consists of a $24,031,072 credit (all agencies) which is partially offset by a $15,854,076 one-time lump sum payment for the retroactive upgrade of past Tier 2 members to Tier 1 and $1,189,000 in excess benefit, family death and limited term plan costs.
Source: City of Los Angeles, Office of the City Administrative Officer.

Beginning with the Fiscal Year 2009-10 Adopted Budget, the City has successfully implemented various savings measures to reduce retirement costs, including increasing active member pension contributions from 7% to 11% to help defray the costs of retiree healthcare, freezing retiree health care subsidies for noncontributing employees, deferring cost-of-living adjustments, and reducing the size of the civilian workforce by 5,300 positions. Although such measures were significant in helping to ameliorate the City's fiscal difficulties, the City determined that implementation of a new civilian retirement tier was necessary to further reduce future costs.

In late 2012, the City Council adopted a new civilian retirement tier ("Tier 2"), which applied to all employees hired on or after July 1, 2013. On July 28, 2014, the City Employee Relations Board ruled that the City's unilateral action in creating the new civilian retirement tier did not meet the City's meet and confer obligations. The Board ordered that the City rescind the implementation of the new retirement tier, reinstate the status quo ante, and meet and confer in good faith with labor representatives from affected bargaining units. The City subsequently filed an appeal of the ruling in State court and entered into a mandatory settlement conference phase. As a part of the agreement with the Coalition of Los Angeles City Unions, both the City and the Coalition have agreed to dismiss with prejudice all legal actions. All members of Tier 2 were transferred into Tier 1 effective February 21, 2016. Any new employee hired into a position eligible for LACERS members on or after February 21, 2016 will, unless eligible for Tier 1 membership under specific exemptions, be enrolled in a new Tier 3.

Tier 3 benefits are as follows. Normal retirement age for unreduced benefits is either age 60 with 30 years of service with a 2% retirement factor, or age 60 with 10 years of service with a 1.5% retirement factor. Tier 3 also provides for an enhanced retirement age of 63 with 30 years of service with a 2.1% retirement factor, or age 63 with 10 years of service with a 2% retirement factor. Tier 3 also provides for early retirement prior to age 60 for employees with 30 years of service with a 2% retirement factor. Benefits are unreduced for early retirement between ages 55-59, while the reduction is 10.5% at age 54 and 3% for each year of retirement before age 54. All required years of service include 5 years of continuous service. Tier 3 final compensation is based on the employee's highest 36-month average compensation. Tier 3 benefits, including the enhanced retirement factor, are subject to a maximum of 80% of final compensation. Tier 3 members will vest retiree health benefits in exchange for a 4% salary contribution, which will be subject to future negotiations. Employees will also contribute 7% toward their pension benefits. In total, employees will contribute 11% of their salary for retirement benefits.

In light of the agreement with the Coalition, approximately 3,501 employees hired between July 1, 2013 and February 20, 2016, who were previously in Tier 2, were transferred to Tier 1 at the City's expense. The cost to the City as determined by the LACERS actuary is $15.85 million as of July 15, 2016. These costs are expected to be settled as part of the 2016-17 payment to LACERS on July 15, 2016.

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The following table sets forth LACERS' investments and asset allocation targets.

Table B-17
Los Angeles City Employees' Retirement System
Asset Class Market Value and Allocation
As of December 31, 2015
(Dollars in Billions)

Asset Class	Market Value	Market Value to Total Fund (%)	Target to Total Fund (%)
U.S. Equity	$ 3,679,000	26.3%	24.0%
Non-U.S. Equity	4,008,000	28.7	29.0
Core Fixed Income Sec.	2,675,000	19.2	19.0
Credit Opportunities	639,000	4.6	5.0
Real Assets	1,368,000	9.8	10.0
Private Equity	1,384,000	9.9	12.0
Cash	210,000	1.5	1.0
Total Portfolio	$13,962,000	100.0%	100.0%

Source: LACERS Portfolio Performance Review for the Quarter Ending December 31, 2015.

Fire and Police Pension Plan ("FPPP")

The FPPP, established in 1899 and incorporated into the Charter in 1923, represents contributory plans covering uniformed fire, police, and certain port police (sworn) personnel. As of June 30, 2015, the date of its most recent actuarial valuation, the FPPP had 13,068 active members, 12,593 retired members and beneficiaries, and 112 vested former members. The FPPP is funded pursuant to the Entry Age Normal Cost Method, which is designed to produce stable employer contributions in amounts that increase at the same rate as the employer's payroll (i.e., level percent of payroll).

Within the FPPP, there is a Deferred Retirement Option Plan ("DROP"). This voluntary plan allows members to retire for pension purposes only, after they are eligible to retire and have completed at least 25 years of service. A member entering DROP continues to work and receive salary and benefits as an active employee, but stops accruing additional salary and service credits for retirement purposes. While in DROP, the member's retirement benefit is deposited into an interest-bearing account that is distributed to the member when he or she leaves City service. Participation in DROP is limited to a maximum of five years. As of June 30, 2015, 1,359 active members participated in DROP.

Six tiers of benefits are provided, depending on the date of the member's hiring. For Tier 1, any UAAL is amortized over a fixed term ending on June 30, 2037. For Tiers 2, 3, and 4, level percent of payroll amortization with multiple layers is used as a percent of total valuation payroll from the respective employer (i.e., City or Harbor Port Police). For Tiers 5 and 6, level percent of payroll with multiple layers is used as a percent of combined payroll for these tiers from the respective employer. A Charter amendment adopted by City voters on March 8, 2011 provides the FPPP Board with greater flexibility to establish amortization policies. Under the FPPP Board's actuarial funding policy, adopted in September 2012, actuarial gains or losses are amortized over 20 years; changes in actuarial assumptions and cost methods are amortized over 25 years; plan amendments are amortized over 15 years; and actuarial funding surpluses are amortized over 30 years. That same Charter amendment created a new tier of retirement benefits (Tier 6) for sworn employees hired after July 1, 2011.

A number of assumptions are made in calculating the actuarial valuation of retirement benefits. The following are some of the key assumptions used by the FPPP actuary, The Segal Company, in preparing FPPP's actuarial report.

Table B-18
Los Angeles Fire and Police Pension Plan
Actuarial Assumptions
As of June 30, 2015

Investment rate of return	7.50%
Inflation rate	3.25%
Real across-the-board salary increase	0.75%
Projected salary increases	Ranges from 4.75% to 11.50% based on service
Cost of living adjustments (pensioners)	3.25% for Tiers 1 and 2 and 3.00% for Tiers 3, 4, 5 and 6.

Source: LAFPPP Actuarial Valuation and Review of Pension and Other Postemployment Benefits (OPEB) as of June 30, 2015.

Based on the results of its most recent triennial experience study covering July 1, 2010 through June 30, 2013, the FPPP Board lowered the system's investment return assumption from 7.75% to 7.50%, and also lowered various inflation and salary increase assumptions. The cumulative effect of these changes resulted in an increase in the City's contribution rate of less than 1%.

Similar to LACERS, FPPP has adopted various asset smoothing methods. Generally, market gains or losses are recognized over seven years, so that approximately 1/7 of market losses or gains are recognized each year in the actuarial valuation. Effective July 1, 2008, FPPP adopted a 40% market corridor, so that the actuarial value of assets must be between 60% and 140% of the market value of assets. If the actuarial value falls below 60% or rises above 140%, the system must recognize the excess returns or losses in that year without smoothing. Based on its actuary's recommendation, the FPPP also adopted an ad hoc adjustment, effective July 1, 2013, combining deferred gain and loss layers representing a net deferred investment gain of $77.3 million as of June 30, 2013 into a single six-year smoothing layer in to order to reduce year-to-year contribution rate volatility, similar to the adjustment adopted by LACERS.

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The following table shows unrecognized gains and losses as of June 30, 2015 for retirement and health subsidy benefits. As of the valuation date, approximately $623 million of net investment return was being deferred.

Table B-19
Los Angeles Fire and Police Pension Plan
Calculation of Unrecognized Return
As of June 30, 2015

	Original Market Gain (Loss)	Portion Not Recognized	Amount Not Recognized
Market value of assets (for Retirement and Health Subsidy Benefits)			
Unrecognized return for year ended June 30, 2015	$ (643,447,599)	6/7	$ (551,526,513)
Unrecognized return for year ended June 30, 2014	1,571,818,656	5/7	1,122,727,611
Combined Net Deferred Gain as of June 30, 2013*	77,259,408	4/6	51,506,272
Total unrecognized return			$622,707,370
Deferred return recognized in each of the next 6 years			
Amount recognized on June 30, 2016			145,501,004
Amount recognized on June 30, 2017			145,501,004
Amount recognized on June 30, 2018			145,501,004
Amount recognized on June 30, 2019			145,501,004
Amount recognized on June 30, 2020			132,624,437
Amount recognized on June 30, 2021			(91,921,083)
Subtotal			$ 622,707,370

* Net deferred unrecognized investment gains as of June 30, 2013 have been combined into a single layer to be recognized over the six-year period effective July 1, 2013.
Source: LAFPPP Actuarial Valuation and Review of Pension and Other Post-employment Benefits (OPEB) as of June 30, 2015.

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The table below shows the actuarial value of the City's liability for retirement benefits (excluding retiree health care and other post-employment benefits), the actuarial value of assets available for retirement benefits, and two indicators of funding progress for FPPP, the funded ratio and the ratio of UAAL to annual payroll.

Table B-20
Los Angeles Fire and Police Pension Plan
Schedule of Funding Progress for Retirement Benefits
Actuarial Value Basis
(Dollars in Thousands)[1]

Actuarial Valuation As of June 30	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL[2]	Funded Ratio[3]	Covered Payroll[4]	Unfunded AAL as a Percentage of Covered Payroll[5]
2006	$12,121,403	$12,811,384	$ 689,981	94.6%	$1,092,815	63.1%
2007	13,215,668	13,324,089	108,421	99.2	1,135,592	9.5
2008	14,153,296	14,279,116	125,820	99.1	1,206,589	10.4
2009	14,256,611	14,817,146	560,535	96.2	1,357,249	41.3
2010	14,219,581	15,520,625	1,301,044	91.6	1,356,986	95.9
2011	14,337,669	16,616,476	2,278,807	86.3	1,343,963	169.6
2012	14,251,913	17,030,833	2,778,920	83.7	1,341,914	207.1
2013	14,657,713	17,632,425	2,974,712	83.1	1,367,237	217.6
2014	15,678,480	18,114,229	2,435,749	86.6	1,402,715	173.6
2015	16,770,060	18,337,507	1,567,447	91.5	1,405,171	111.5

[1] Table includes funding for retirement benefits only. Other post-employment benefits not included.
[2] Actuarial Accrued Liability minus Actuarial Value of Assets, commonly referred to as UAAL. Positive numbers represent an actuarial deficit.
[3] Actuarial value of assets divided by actuarial accrued liability.
[4] Annual payroll against which UAAL amortized.
[5] UAAL divided by covered payroll.
Source: The Fire and Police Pension System Actuarial Valuations

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Investment gains and losses are recognized on an actuarial basis over a seven-year period. The following table shows the funding progress of FPPP based on the market value of the portion of system assets allocated to retirement benefits.

Table B-21
Los Angeles Fire and Police Pension Plan
Schedule of Funding Progress for Retirement Benefits
Market Value Basis
(Dollars in Thousands)[1]

Actuarial Valuation As of June 30	Market Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded (Overfunded) Liability[2]	Funded Ratio (Market Value)[3]	Covered Payroll[4]	Unfunded Liability as a Percentage of Covered Payroll (Market Value)[5]
2006	$12,854,086	$12,811,384	(42,702)	100.3%	$1,092,815	(3.9)%
2007	14,766,110	13,324,089	(1,442,021)	110.8	1,135,592	(0.1)
2008	13,622,037	14,279,116	657,079	95.4	1,206,589	54.5
2009	10,379,786	14,817,146	4,437,360	70.1	1,357,249	326.9
2010	11,535,936	15,520,625	3,984,688	74.3	1,356,986	293.6
2011	13,564,904	16,616,476	3,051,572	81.6	1,343,963	227.1
2012	13,268,687	17,030,833	3,762,146	77.9	1,341,914	280.4
2013	14,729,976	17,632,425	2,902,449	83.5	1,367,237	212.3
2014	16,989,705	18,114,229	1,124,525	93.8	1,402,715	80.2
2015	17,346,554	18,337,507	990,953	94.6	1,405,171	70.5

[1] Table includes funding for retirement benefits only. Other post-employment benefits not included.
[2] Actuarial Accrued Liability minus Market Value of Assets. Positive numbers represent a deficit.
[3] Market value of assets divided by actuarial accrued liability.
[4] Annual payroll against which liability is amortized.
[5] UAAL divided by covered payroll.
Source: The Fire and Police Pension System Actuarial Valuations.

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The table below summarizes the General Fund's payments to FPPP over the past five fiscal years. This table includes costs for retirement, retiree health care, and other miscellaneous benefits.

Table B-22
Los Angeles Fire and Police Pension Plan
Sources and Uses of Contributions
(Dollars in Thousands)

	2012-13	2013-14	2014-15	2015-16	Adopted Budget 2016-17
General Fund	$506,086	$575,941	$624,974	$623,415	$616,235
Percent of Payroll	39.94%	44.40%	47.94%	46.51%	44.54%
Current Service Liability	$214,223	$302,040	$306,625	$306,841	$319,458
UAAL/(Surplus)	291,863	273,901	318,349	303,580	283,355
Administrative Costs[1,2]	-	-		12 994	13,422
Total	$506,086	$575,941	$624,974	$623,415	$616,235

[1] Beginning in 2015-16, administrative expenses are separately identified in the contribution rate in conjunction with Governmental Accounting Standards Board (GASB 67) reporting. These costs are inclusive of Health and Pension administrative costs.
[2] Effective FY 2010-11, the Excess Benefit Plan costs are now credited as part of the Annual Required Contribution (i.e., the costs are included in the contribution rate).
Source: City of Los Angeles, Office of the City Administrative Officer.

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The following table sets forth the FPPP's investments and asset allocation targets as of March 31, 2016.

Table B-23
Los Angeles Fire and Police Pension Plan
Asset Class by Market Value and Allocation
As of March 31, 2016
(Dollars in Millions)

	Market Value	Cash Market Allocation	Current Target
Domestic Large Cap Equity	$ 4,698.8	25.51%	23.0%
Domestic Small Cap Equity	1,160.2	6.30	6.0
International Developed Markets	2,913.9	15.82	16.0
International Emerging Markets	723.1	3.93	5.0
Domestic Bonds	3,287.3	17.85	19.0
High Yield Bonds	488.7	2.65	3.0
Unconstrained Fixed Income	372.6	2.02	2.0
Real Estate	1,999.8	10.86	10.0
Private Equity	1,663.6	9.03	10.0
Commodities	654.9	3.56	5.0
Cash House Accounts	453.2	2.46	1.0
Total	$18,416.5	100.00%	

Source: Los Angeles Fire & Police Pensions March 31, 2016 Performance Report.

Accounting and Financial Reporting Standard

In 2012, GASB issued Statement No. 68, Accounting and Financial Reporting for Pensions ("GASB 68"), which applies to governmental entities such as the City, and Statement No. 67, Financial Reporting for Pension Plans ("GASB 67"), which applies to the financial reports of most pension plans such as LACERS and FPPP.

GASB 67 revised existing guidance for the financial reports of most pension plans, including LACERS and FPPP. GASB 67 generally expands the existing framework for financial reports of defined benefit pension plans, which includes a statement of "Fiduciary Net Position" (the amount held in a trust for paying retirement benefits, generally the market value of assets) and a statement of changes in Fiduciary Net Position, and requires additional note disclosures and required supplementary information. LACERS and FPPP complied with the provisions of GASB 67 by its effective date (i.e., financial statements for Fiscal Year 2013-14). Most of the reporting requirements of GASB 68 related to the Net Pension Liability are included in the note disclosures and required supplementary information of the Pension Plans.

GASB 68 revises and establishes new financial reporting requirements for most governments that provide their employees with pension benefits, including the City. GASB 68, among other things, requires governments providing defined benefit pensions to recognize the difference between pension plans' Fiduciary Net Position and their long-term obligation for pension benefits as a liability ("Net Pension Liability"), and provides greater guidance on measuring such obligation, including specific guidelines on projecting benefit payments, use of discount rates and use of the "entry age" actuarial cost method. GASB 68 also addresses accountability and transparency through revised and new note disclosures and required supplementary information. The GASB 68 standards apply to financial reporting but not to the actuarial calculation of annual City employer pension contributions, which continue to be determined actuarially by each plan.

The City complied with the provisions of GASB 68 by its effective date (i.e., its financial statements for Fiscal Year 2014-15). In broad terms, the most significant change contained in GASB 68 is the requirement to report a Net Pension Liability on the employers' Government-Wide Statements of Net Assets when the fair value of pension assets falls short of actuarially calculated liabilities. See "NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — Adoption of New GASB Pronouncements" in the City's CAFR for the Fiscal Year ending June 30, 2015. As a result of GASB 68, the Total Net Position of Governmental Activities fell from $5,171,370,000 as of June 30, 2014 to a deficit of $536,792,000 as of June 30, 2015. As GASB 68 moves pension reporting in the City's government-wide financial statements away from the phased or smoothed asset and liability figures that the City uses in determining its annual pension contribution, the City expects that these changes will increase year-to-year volatility in reported pension assets and liabilities.

GASB 67 and GASB 68 address the disclosure of pension liability only; they do not impose any funding requirements, and the City does not expect to alter the way the City funds these liabilities. The City expects to continue to fully fund the pension at the amount recommended by the Pension Systems and their actuaries to finance annual normal costs and to amortize its unfunded liabilities consistent with current practice.

Other Post-Employment Benefits

Retired members and surviving spouses and domestic partners of LACERS and FPPP members are eligible for certain subsidies toward their costs of medical and other benefits. These benefits are paid by the respective retirement system. These retiree health benefits are accounted for as "Other Post-Employment Benefits" ("OPEB").

The City began making payments to its Pension Systems to pre-fund its OPEB obligations in Fiscal Year 1989-90, in an amount then determined by the Pension Systems and their actuaries. For the four years beginning Fiscal Year 2007-08, less than the ARC was contributed to the FPPP, primarily reflecting the phasing in of increases in assumed medical cost. The calculations of OPEB funding requirements are made by the same actuaries that perform the analysis of the Pension Systems' retirement benefits, and generally rely on the same actuarial assumptions, other than those assumptions such as medical inflation specific to OPEB.

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As of June 30, 2015, the unfunded healthcare benefits liabilities of LACERS and the FPPP are as follows:

Table B-24
Other Post-Employment Benefits
Los Angeles City Employees' Retirement System
(Dollars in Thousands)

Actuarial Valuation As of June 30	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL[1]	Funded Ratio[2]	Covered Payroll[3]	Unfunded AAL as a Percentage of Covered Payroll[4]
2007	$1,185,544	$1,730,400	$544,856	68.5%	$1,896,609	28.7%
2008	1,342,920	1,928,043	585,123	69.7	1,977,645	29.6
2009	1,342,497	2,058,177	715,680	65.2	1,816,171	39.4
2010	1,425,726	2,233,874	808,148	63.8	1,817,662	44.5
2011	1,546,884	1,968,708	421,824	78.6	1,833,392	23.0
2012	1,642,374	2,292,400	650,027	71.6	1,819,270	35.7
2013	1,734,733	2,412,484	677,751	71.9	1,846,970	36.7
2014	1,941,225	2,662,853	721,628	72.9	1,898,064	38.0
2015	2,108,925	2,646,989	538,065	79.7	1,907,665	28.2

[1] Actuarial Accrued Liability minus Actuarial Value of Assets, commonly referred to as UAAL. Positive numbers represent an actuarial deficit.
[2] Actuarial value of assets divided by actuarial accrued liability.
[3] Annual payroll against which UAAL amortized.
[4] UAAL divided by covered payroll.
Source: The City of Los Angeles City Employees' Retirement System Actuarial Valuations.

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Table B-25
Other Post-Employment Benefits
Fire and Police Pension Plan
(Dollars in Thousands)

Actuarial Valuation As of June 30	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL[1]	Funded Ratio[2]	Covered Payroll[3]	Unfunded AAL as a Percentage of Covered Payroll[4]
2008	$ 767,647	$1,836,840	$1,069,193	41.8%	$1,206,589	88.6%
2009	809,677	2,038,659	1,228,982	39.7	1,357,249	90.6
2010	817,276	2,537,825	1,720,549	32.2	1,356,986	126.8
2011	882,890	2,557,607	1,674,716	34.5	1,343,963	124.6
2012	927,362	2,499,289	1,571,927	37.1	1,341,914	117.1
2013	1,013,400	2,633,793	1,620,393	38.5	1,367,237	118.5
2014	1,200,874	2,783,283	1,582,409	43.2	1,402,715	112.8
2015	1,344,333	2,962,703	1,618,370	45.4	1,405,171	115.2

[1] Actuarial Accrued Liability minus Actuarial Value of Assets, commonly referred to as UAAL. Positive numbers represent an actuarial deficit.
[2] Actuarial value of assets divided by actuarial accrued liability.
[3] Annual payroll against which UAAL amortized.
[4] UAAL divided by covered payroll.
Source: The Fire and Police Pension System Actuarial Valuations.

Historically, plan members did not contribute towards healthcare subsidy benefits; all such costs were funded from the employer's contribution and investment returns thereon. The City negotiated bargaining agreements that will reduce the City's contributions for OPEB benefits, which include a 4% active employee contribution toward retiree healthcare for 99% of its civilian workforce and a 2% active employee contribution toward retiree healthcare for 71% of its eligible workforce (representing 64% of the sworn workforce). Employees who elected to contribute will have their current retiree health benefits and any future subsidy increases vested. For those civilian bargaining units and sworn employees that opted not to make an additional contribution toward retiree healthcare, their retiree health subsidy has been frozen and cannot surpass the maximum subsidy level in effect as of July 1, 2011.

Two lawsuits are pending that challenge the City's actions relative to freezing OPEB benefits: *Jack Fry, Gary Cline, Sandra Carlsen, Yvette Moreno, and Los Angeles Retired Fire & Police Association, Inc. v. City of Los Angeles*; and *Los Angeles Police Protective League v. Board of Fire and Police Pension Commissioners v. City of Los Angeles*.

Projected Retirement and Other Post-Employment Benefit Expenditures

The table below illustrates the City's projected contributions to LACERS for the next four fiscal years, assuming no change to the actuarial assumptions used by LACERS' actuary for the actuarial valuation as of June 30, 2015. These contributions illustrate the projected cost of both pension and OPEB under the existing assumptions. These projections reflect the actuarial assumptions described above.

Table B-26
Los Angeles City Employees' Retirement System
Projected Contributions
(Dollars in Thousands)

	Adopted Budget 2016-17	**2017-18**	**2018-19**	**2019-20**	**2020-21**
LACERS					
Contributions for Council-Controlled Departments[1,2]	$459,400	$482,112	$507,205	$528,850	$539,830
Percentage of Payroll[3]	28.13%	28.14%	28.64%	29.08%	29.23%
Incremental Change	$24,761	$22,712	$25,093	$21,645	$10,980
% Change	6%	5%	5%	4%	2%

[1] Includes the General Fund and various special funds.
[2] Assumes 7.50% return on investment.
[3] Reflects combined rates for all benefit tiers.
Source: City of Los Angeles, Office of the City Administrative Officer. Based on information from the LACERS actuary and or City actuary commissioned by the City Administrative Officer.

The table below illustrates the City's projected contributions to FPPP, including the projected cost of pension and other post-employment benefits, for the next four fiscal years, based on an illustration provided by FPPP's actuary using the plan's assumed rate of return of 7.5%. These contributions include the projected cost of other post-employment benefits. These illustrations, which are based on the June 30, 2015 actuarial valuation, reflect the deferred investment gains/losses from the previous years, the actuarial assumptions described above, and certain benefit enhancements implemented with the adoption of the Tier 5 plan in 2002. Future savings from the Tier 6 pension plan for future sworn hires are not reflected in these estimates. Savings will occur as current active employees are replaced by new employees in Tier 6.

Table B-27
Los Angeles Fire and Police Pension Plan
Projected Contributions*
(Dollars in Thousands)

	Adopted Budget 2016-17	**2017-18**	**2018-19**	**2019-20**	**2020-21**
General Fund	$616,234	$643,939	$649,232	$695,070	$699,008
Percentage of Payroll	44.54%	45.03%	44.16%	45.62%	45.13%
Incremental Change	$(7,180)	$27,705	$5,293	$45,838	$3,938
% Change	(1%)	5%	0.8%	7%	0.6%

* Assumes 7.50% return on investment.
Source: City of Los Angeles, Office of the City Administrative Officer. Based on information from the FPPP actuary commissioned by the City Administrative Officer.

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APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

The following is a summary of certain provisions of the Indenture which are not described elsewhere in the Official Statement. This summary does not purport to be comprehensive and reference should be made to the Indenture for a full and complete statement of its provisions. All capitalized terms not defined herein or elsewhere in the Official Statement have the meanings set forth in the Indenture.

DEFINITIONS

Unless the context otherwise requires, the terms defined under this caption will, for all purposes of this Official Statement have the meanings herein specified in the Indenture, to be equally applicable to both the singular and plural forms of any of the terms herein defined.

"Accountant" means any firm of Independent Certified Public Accountants selected by the Department in its sole discretion.

"Agencies" means (1) obligations of any of the following federal agencies which obligations represent full faith and credit of the United States of America, including the Export - Import Bank; Farmers Home Administration; General Services Administration; U.S. Maritime Administration; Small Business Administration; Government National Mortgage Association (GNMA); U.S. Department of Housing & Urban Development (PHAs); and Federal Housing Administration; and (2) bonds, notes or other evidences of indebtedness rated "AAA" and "Aaa" by S&P and Moody's, respectively, and the highest rating by Fitch, if Fitch rates such instruments issued by the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation with remaining maturities not exceeding three years.

"Annual Debt Service" means, for any Fiscal Year, the sum of (1) the interest payable on all Parity Obligations in such Fiscal Year, (2) the principal amount or accreted value of all outstanding serial Parity Obligations maturing by their terms in such Fiscal Year, and (3) the principal amount or accreted value of all outstanding term Parity Obligations required to be redeemed or paid in such Fiscal Year.

"Authorized Representative" means with respect to the Department, its Executive Director, Chief Financial Officer, Director of Debt and Treasury or any other person designated as an Authorized Representative of the Department by a Certificate of the Department signed by its Executive Director and filed with the Trustee.

"Average Annual Debt Service" means, as of any date of calculation, the average of Annual Debt Service for all Fiscal Years on all Bonds and Parity Obligations outstanding as of such date.

"Board" means the Board of Harbor Commissioners of the City of Los Angeles.

"Bond Counsel" means a firm of nationally-recognized attorneys experienced in the issuance of tax-exempt obligations the interest on which is excludable from gross income under Section 103 of the Code.

"Bonds" means the Harbor Department of the City of Los Angeles Refunding Revenue Bonds, 2016 Series A (AMT), Refunding Revenue Bonds, 2016 Series B (Non-AMT) and Refunding Revenue Bonds, 2016 Series C (Non-AMT) (Green Bonds).

"Book-Entry Bonds" means the Bonds registered in the name of the Nominee, or any successor securities depository for the Bonds, as the registered owner thereof pursuant to the terms and provisions of the Indenture.

"Business Day" means (i) a day which is not a Saturday, Sunday or legal holiday on which banking institutions in the State, or in any other state in which the Office of the Trustee is located, are closed or (ii) a day on which the New York Stock Exchange is not closed.

"Certificate," "Direction," "Request," or "Requisition" of the Department means a written certificate, direction, request or requisition signed in the name of the Department by its Authorized Representative. Any such instrument and supporting opinions or representations, if any, may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined will be read and construed as a single instrument.

"Charter" means the Charter of the City of Los Angeles, effective on July 1, 2000, as the same may be amended or supplemented from time to time.

"City" means the City of Los Angeles, California and its successors and assigns.

"Closing Date" means, October 13, 2016, the date on which the Bonds are delivered to the original purchaser thereof.

"Code" means the Internal Revenue Code of 1986, and the regulations issued thereunder, as the same may be amended from time to time, and any successor provisions of law. Reference to a particular section of the Code will be deemed to be a reference to any successor to any such section.

"Common Reserve" means the Reserve Fund established under the Indenture together with all reserve funds established with respect to Parity Obligations which have been designated by the Department to be a part of the Common Reserve in accordance with the Indenture or any Issuing Document for a Common Reserve Parity Obligation.

"Common Reserve Parity Obligation" has the meaning set forth under the caption "REVENUES, FUNDS AND ACCOUNTS; PAYMENT OF PRINCIPAL AND INTEREST – Reserve Fund" in this Appendix C.

"Common Reserve Requirement" means, as of any date of calculation, an amount equal to the least of (a) 125% of average annual principal of and interest on all outstanding Parity Obligations entitled to the benefit of the Common Reserve, determined on a fiscal year basis, (b) the maximum aggregate annual principal of and interest on all outstanding Parity Obligations entitled to the benefit of the Common Reserve, determined on a fiscal year basis, and (c) 10% of the proceeds of all Parity Obligations entitled to the benefit of the Common Reserve; provided, however, that, if, upon issuance of a Parity Obligation entitled to the benefit of the Common Reserve, such amount would require moneys to be credited to the Common Reserve from the proceeds of such Parity Obligations in an amount in excess of the maximum amount permitted under the Code to be funded from the proceeds of tax-exempt bonds, the Common Reserve Requirement will mean an amount equal to the sum of the Common Reserve Requirement immediately preceding issuance of such Parity Obligation and the maximum amount permitted under the Code to be funded from the proceeds of tax-exempt bonds to be deposited therein from the proceeds of such Parity Obligation, as certified in a Certificate of the Department.

"Common Reserve Security Device" has the meaning set forth under the caption "REVENUES, FUNDS AND ACCOUNTS; PAYMENT OF PRINCIPAL AND INTEREST – Reserve Fund" in this Appendix C.

"Consultant's Report" means a report signed by an Independent Financial Consultant or Independent Certified Public Accountant and including (1) a statement that the person or firm making or giving such report has read the pertinent provisions of the Indenture to which such report relates; (2) a brief statement as to the nature and scope of the examination or investigation upon which the report is based; and (3) a statement that, in the opinion of such person or firm, sufficient examination or investigation was made as is necessary to enable said Independent Financial Consultant or Independent Certified Public Accountant to express an informed opinion with respect to the subject matter referred to in the report.

"Continuing Disclosure Certificate" means that certain Continuing Disclosure Certificate executed by the Department, dated the date of delivery of the Bonds, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

"Costs of Issuance" means all items of expense directly or indirectly payable by or reimbursable to the Department and related to the authorization, issuance, sale and delivery of the Bonds, including but not limited to costs of preparation and reproduction of documents, printing expenses, filing and recording fees, initial fees and charges of the Trustee and counsel to the Trustee, legal fees and charges, fees and disbursements of consultants and professionals, rating agency fees, title insurance premiums, letter of credit fees, bond insurance premiums and surety bond premiums (if any), fees and charges for preparation, execution and safekeeping of the Bonds and any other cost, charge or fee in connection with the original issuance of the Bonds.

"Costs of Issuance Account - 2016 Series A" means the account by that name established pursuant to the Indenture.

"Costs of Issuance Account - 2016 Series B" means the account by that name established pursuant to the Indenture.

"Costs of Issuance Account - 2016 Series C" means the account by that name established pursuant to the Indenture.

"Costs of Issuance Fund" means the fund by that name established pursuant to the Indenture.

"Council" means the City Council of the City of Los Angeles.

"Debt Service" means, for any period of calculation, the sum of principal of and interest on the Bonds, other Parity Obligations and other bonds, notes, certificates and other evidences of indebtedness of the Department and bonds, notes, certificates and other evidences of indebtedness of the City payable or serviced out of the Harbor Revenue Fund (as calculated based on the reasonable assumptions of the Department) on a parity with the Bonds during such period.

"Department" means the Harbor Department of the City of Los Angeles and its successors and assigns.

"Depository" or "DTC" means The Depository Trust Company, New York, New York, a limited purpose trust company organized under the laws of the State of New York in its capacity as securities depository for the Bonds.

"Event of Default" means any of the events specified in the Indenture.

"Federal Securities" means any direct, noncallable general obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury of the United States of America), or noncallable obligations the timely payment of principal of and interest on which are fully and unconditionally guaranteed by the United States of America.

"Fiscal Year" means the twelve-month period beginning on July 1 of each year and ending on the next succeeding June 30, both dates inclusive, or any other twelve-month period hereafter selected and designated as the official fiscal year period of the Department.

"Fitch" means Fitch, Inc., or any successor thereto.

"Governmental Bonds" means the 2016 Series B Bonds and the 2016 Series C Bonds.

"Governmental Projects" means improvements, utilities, structures, watercraft, appliances, facilities and services as the Board may deem necessary or convenient for the promotion or accommodation of maritime commerce, navigation or fishery, or for any use in connection therewith, or upon the lands and waters, or interests therein, in the possession and under the management, supervision and control of said Board, or for the payment of the cost of acquiring or taking such real property or any interest therein that the Board may deem necessary or convenient for such purposes. All Governmental Projects (other than projects to the extent the bond-financed cost thereof is not in excess of 10% of the proceeds of the bond issue, or series of bonds, as applicable, from which such costs are financed, net of amounts therefrom deposited in a debt service reserve fund) must not be used in a "private business use" within the meaning of Section 141(b) of the Code and the Treasury Regulations thereunder.

"Harbor District" will have the meaning set forth in the Charter.

"Harbor Revenue Fund" means the Harbor Revenue Fund established pursuant to Section 656(a) of the Charter.

"Indenture" means the Indenture of Trust, as originally executed or as it may from time to time be supplemented, modified or amended by any Supplemental Indenture.

"Independent Certified Public Accountant" means any firm of certified public accountants appointed by the Department, and each of whom is independent pursuant to the Statement on Auditing Standards No. 1 of the American Institute of Certified Public Accountants.

"Independent Financial Consultant" means a financial consultant or firm of such consultants appointed by the Department, and who, or each of whom:

(A) is in fact independent and not under control of the Department;

(B) does not have any substantial interest, direct or indirect, with the Department; and

(C) is not connected with the Department as an officer or employee of the Department, but who may be regularly retained to make reports to the Department.

"Information Services" means the Electronic Municipal Market Access System ("EMMA"), a service of the Municipal Securities Rulemaking Board, or such other service providing information with respect to called bonds as the Department may designate in writing to the Trustee.

"Interest Account – 2016 Series A" means the account by that name established pursuant to the Indenture.

"Interest Account – 2016 Series B" means the account by that name established pursuant to the Indenture.

"Interest Account – 2016 Series C" means the account by that name established pursuant to the Indenture.

"Interest Fund" means the fund by that name established pursuant to the Indenture.

"Interest Payment Date" means each February 1 and August 1, commencing February 1, 2017 with respect to the Bonds.

"Issuing Document" means any indenture, trust agreement or other document pursuant which any Parity Obligations are issued or delivered; provided that, if a trustee is appointed under an Issuing Document, the trustee for all Parity Obligations will be the Trustee.

"Moody's" means Moody's Investors Service, Inc. or any successor thereto.

"Net Revenues" means Revenues less Operation and Maintenance costs.

"Nominee" means the nominee of the Depository, which may be the Depository, as determined from time to time pursuant to the Indenture.

"Office" means with respect to the Trustee, the office of the Trustee at 633 West Fifth Street, 24th Floor, Los Angeles, California 90071, Attention: Global Corporate Trust Services, provided however, for the purposes of maintenance of the Registration Books and surrender of the Bonds for transfer, exchange or payment, such term will mean the office or agency at which the Trustee conducts its corporate agency function or at such other or additional offices as may be specified in writing by the Trustee to the Department.

"Operation and Maintenance" will mean the necessary expenses of conducting the Department, including the operation, promotion and maintenance of all harbor or port improvements, works, utilities, appliances, facilities, services, maritime related recreation facilities and watercraft, owned, controlled or operated by the City for the promotion or accommodation of maritime commerce, navigation or fishery, or used in connection therewith, but will not include any Shortfall Advances, defined in the Official Statement, dated January 29, 1999, with respect to the Alameda Corridor Transportation Authority Taxable Senior Lien Revenue Bonds Series 1999C and Taxable Subordinate Lien Revenue Bonds Series 1999D as the payments by that name are more particularly defined and described in the Alameda Corridor Use and Operating Agreement, dated as of October 12, 1998 (the "Alameda Corridor Use and Operating Agreement"), by and among the Department and the other parties thereto, as amended by any amendments and supplements thereto, which the Department is obligated to pay to the Alameda Corridor Transportation Authority pursuant to such Alameda Corridor Use and Operating Agreement.

"Outstanding," when used as of any particular time with reference to Bonds, means (subject to the provisions of the Indenture relating to Disqualified Bonds) all Bonds theretofore, or thereupon being, authenticated and delivered by the Trustee under the Indenture except (a) Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation; (b) Bonds with respect to which all liability of the Department will have been discharged in accordance with the defeasance provisions of the Indenture, including Bonds (or portions thereof) described under the caption "MISCELLANEOUS – Money Held for Particular Bonds"; and (c) Bonds for the transfer or exchange of or in lieu of or in substitution for which other Bonds will have been authenticated and delivered by the Trustee pursuant to the Indenture.

"Owner" or "Bond Owner," whenever used in the Indenture with respect to a Bond, means the person in whose name the ownership of such Bond is registered on the Registration Books.

"Paired Obligation" means any Parity Obligations (or portion thereof) designated as Paired Obligations in the resolution, indenture or other document authorizing the issuance or execution and delivery thereof, which are simultaneously issued or executed and delivered (i) the principal of which is of equal amount maturing and to be redeemed or prepaid (or cancelled after acquisition thereof) on the same dates and in the same amounts, and (ii) the interest rates which, taken together, result in an irrevocably fixed interest rate obligation of the Department for the term of all or any portion of the term of such Parity Obligation.

"Parity Obligations" means the Bonds and all revenue bonds or notes of the Department authorized, executed, issued and delivered by the Department, and all contracts of the Department authorized and executed by the Department, the payments of which are on a parity with the Bonds and which are secured by a pledge of and lien on the Revenues.

"Participants" means those broker-dealers, banks and other financial institutions from time to time for which the Depository holds Book-Entry Bonds as securities depository.

"Permitted Investments" means any of the following:

(A) Direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury, and CATS and TIGRS) or obligations the principal of and interest on which are unconditionally guaranteed by the United States of America.

(B) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the agency itself):

U.S. Export-Import Bank (Eximbank)
Direct obligations or fully guaranteed certificates of beneficial ownership

Farmers Home Administration (FmHA)
Certificates of beneficial ownership

Federal Financing Bank

Federal Housing Administration Debentures (FHA)

General Services Administration
Participation certificates

Government National Mortgage Association (GNMA or "Ginnie Mae")
GNMA – guaranteed mortgage-backed bonds
GNMA – guaranteed pass-through obligations

U.S. Maritime Administration
Guaranteed Title XI financing

U.S. Department of Housing and Urban Development (HUD)
Project Notes
Local Authority Bonds
New Communities Debentures – U.S. government guaranteed debentures
U.S. Public Housing Notes and Bonds – U.S. government guaranteed public housing notes and bonds

(C) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities are only permitted if they have been stripped by the agency itself):

Federal Home Loan Bank System
Senior debt obligations

Federal Home Loan Mortgage Corporation (FHLMC or "Freddie Mac")
Participation Certificates
Senior debt obligations

Federal National Mortgage Association (FNMA or "Fannie Mae")
Mortgage-backed securities and senior debt obligations

Resolution Funding Corp. (REFCORP) obligations

Farm Credit System
Consolidated systemwide bonds and notes

(D) Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by S&P of AAAm-G; AAA-m; or AA-m and if rated by Moody's rated Aaa, Aa1 or Aa2, including funds for which the Trustee, its parent holding company, if any, or any affiliates or subsidiaries of the Trustee provide investment advisory or other management services.

(E) Certificates of deposit secured at all times by collateral described in (A) and/or (B) above. Such certificates must be issued by commercial banks, savings and loan associations or mutual savings banks which may include the Trustee and its affiliates. The collateral must be held by a third party and the bondholders must have a perfected first security interest in the collateral.

(F) Certificates of deposit, savings accounts, deposit accounts or money market deposits of any bank where the short term obligations are rated "Prime-1" by Moody's and "A-1" or better by S&P.

(G) Investment Agreements, including guaranteed investment contracts, forward purchase agreements and reserve fund put agreements with a provider whose long-term unsecured debt is rated at the time of execution and delivery thereof in not lower than the second highest rating category of Moody's and S&P.

(H) Commercial paper rated, at the time of purchase, "Prime-1" by Moody's and "A-1" or better by S&P.

(I) Bonds or notes issued by any state or municipality which are rated by Moody's and S&P in one of the two highest rating categories assigned by such agencies.

(J) Federal funds or bankers acceptances with a maximum term of one year of any bank which has an unsecured, uninsured and unguaranteed obligation rating of "Prime-1" or "A3" or better by Moody's and "A-1" or "A" or better by S&P.

(K) Repurchase Agreements which meet the following criteria:

Repurchase Agreements must provide for the transfer of securities from a dealer bank or securities firm (seller/borrower) to the Department (buyer/lender), and the transfer of cash from the Department to the dealer bank or securities firm with an agreement that the dealer bank or securities firm will repay the cash plus a yield to the Department in exchange for the securities at a specified date.

Repurchase Agreements must be between the Department and a dealer bank or securities firm.

Primary dealers on the Federal Reserve reporting dealer list which are rated A or better by S&P and Moody's at the time of execution and delivery thereof, or

Banks rated "A" or above by S&P and Moody's at the time of execution and delivery thereof.

The written Repurchase Agreement must include the following:

Securities which are acceptable for transfer are: (1) Direct U.S. governments, or (2) Federal agencies backed by the full faith and credit of the U.S. government (and FNMA & FHLMC).

The term of the Repurchase Agreement may be up to 30 days.

The collateral must be delivered to the Department, the Trustee (if the Trustee is not supplying the collateral) or third party acting as agent for the Trustee (if the Trustee is supplying the collateral) before/simultaneous with payment (perfection by possession of certificated securities).

Valuation of Collateral

The securities must be valued weekly, marked-to-market at current market price plus accrued interest; and

The value of the collateral must be equal to 104% of the amount of cash transferred by the Department to the dealer bank or security firm under the Repurchase Agreement plus accrued interest. If the value of securities held as collateral slips below 104% of the value of the cash transferred by the Department, then additional cash and/or acceptable securities must be transferred. If, however, the securities used as collateral are FNMA or FHLMC, then the value of collateral must equal 105%.

A legal opinion which must be delivered to the Department that the Repurchase Agreement meets the guidelines under State law for legal investment of public funds.

Additional Notes

Any state administered pool investment fund in which the Department is statutorily permitted or required to invest will be deemed a Permitted Investment.

The Trustee will Value the Permitted Investments on deposit in the Common Reserve at least once per year. Permitted Investments on deposit in the Common Reserve may not have maturities extending beyond 5 years, except for Investment Agreements with respect to the Bonds with a provider whose long-term unsecured debt is rated at the time of execution and delivery thereof in not lower than the second highest rating category of Moody's and S&P.

"Principal Account – 2016 Series A" means the account by that name established pursuant to the Indenture.

"Principal Account – 2016 Series B" means the account by that name established pursuant to the Indenture.

"Principal Account – 2016 Series C" means the account by that name established pursuant to the Indenture.

"Principal Fund" means the fund by that name established pursuant to the Indenture.

"Private Activity Bonds" means the 2016 Series A Bonds.

"Private Activity Projects" means improvements, utilities, structures, watercraft, appliances, facilities and services as the Board may deem necessary or convenient for the promotion or accommodation of maritime commerce, navigation or fishery, or for any use in connection therewith, or upon the lands and waters, or interests therein, in the possession and under the management, supervision and control of said Board, or for the payment of the cost of acquiring or taking such real property or any interest therein that the Board may deem necessary or convenient for such purposes. All Private Activity Projects (other than projects to the extent the bond-financed cost thereof is not in excess of 3% of the proceeds of the bond issue, or series of bonds, as applicable, from which such costs are financed, net of amounts therefrom deposited in a debt service reserve fund) must constitute a "dock or wharf" facility, or property functionally related and subordinate thereto, within the meaning of Section 142(a)(2) of the Code and the Treasury Regulations thereunder.

"Procedural Ordinance" means that certain Charter implementation ordinance related to the procedures for issuance and sale of revenue bonds and other obligations by the Department, and amending Sections 11.28.1 through 11.28.9 of Division 11, Chapter 1, Article 6.5 of the Los Angeles Administrative Code to conform the procedures to Charter Sections 609(a) and 610.

"Projects" means, collectively, the Private Activity Projects and the Governmental Projects.

"Rating Agencies" means Fitch, S&P and Moody's.

"Rebate Fund" means the fund by that name established pursuant to the Indenture.

"Record Date" means, with respect to any Interest Payment Date, the fifteenth (15th) day of the calendar month preceding such Interest Payment Date, whether or not such day is a Business Day.

"Redemption Account – 2016 Series B" means the account by that name established pursuant to the Indenture.

"Redemption Account – 2016 Series C" means the account by that name established pursuant to the Indenture.

"Redemption Date" means any date fixed for a redemption prior to maturity of Bonds.

"Redemption Fund" means the fund by that name established pursuant to the Indenture.

"Redemption Price" means, with respect to any Bond (or portion thereof), the principal amount with respect to such Bond (or portion thereof), plus accrued and unpaid interest thereon to the Redemption Date, without premium, payable upon redemption thereof pursuant to the provisions of such Bond and the Indenture.

"Refunded Bonds" means the 2006 Bonds and the 2009B Bonds.

"Registration Books" means the records maintained by the Trustee for the registration of ownership and registration of transfer of the Bonds pursuant to the Indenture.

"Reserve Fund" means the fund by that name established pursuant to the Indenture.

"Resolution" means Resolutions No. 16-7977 and 7978 of the Board adopted on August 4, 2016 and Resolutions No. 16-7985 and 16-7986 of the Board adopted on August 18, 2016.

"Responsible Officer of the Trustee" means any officer within the corporate trust division (or any successor group or department of the Trustee) including any vice president, assistant vice president, assistant secretary or any other officer or assistant officer of the Trustee with administrative responsibility for the Indenture on behalf of the Trustee.

"Revenues" means:

(a) all money received or collected from or arising out of the use or operation of any harbor or port improvement, work, structure, appliance, facility or utility, service, or watercraft, owned, controlled or operated by the City of Los Angeles in or upon or pertaining to the lands and waters, or interests therein, of said City in the Harbor District; all tolls, charges and rentals collected by the Harbor Department; and all compensations or fees required to be paid for franchises or licenses, or otherwise by law or ordinance or order, to the City for the operation of any public service utility upon lands and waters, or interests therein, of the City in the Harbor District; provided that for the avoidance of doubt user fees collected by the Department on behalf of, or required to be transmitted to, third parties pursuant to applicable law and not commingled with Revenues, will not be deemed to be Revenues; and

(b) all interest or gain derived from the investment of amounts in any of the funds or accounts established under the Indenture (except interest and gain derived from the Rebate Fund established and maintained under the Indenture).

"S&P" means S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC, or any successor thereto.

"Securities Depositories" means The Depository Trust Company, 55 Water Street, 50th Floor, New York, New York 10041-0099, Attention: Call Notification Department, Fax: (212) 855-7232; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other securities depositories as the Department may designate in a Request of the Department deliver to the Trustee.

"Separate Reserve Fund" means a reserve fund created pursuant to an Issuing Document for a Parity Obligation that is not a part of the Common Reserve.

"Separate Reserve Fund Requirement" will have the meaning set forth for the term "Reserve Fund Requirement" in the Issuing Documents for the Parity Obligations that are not a part of the Common Reserve.

"Separate Reserve Fund Security Device" will have the meaning set forth for the term "Reserve Fund Security Device" in the Issuing Documents for a Parity Obligation that is not a part of the Common Reserve.

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

"State" means the State of California.

"Subseries" wherever used in the Indenture with respect to Bonds, means all of the Bonds designated as being of the same subseries within a Series, authenticated and delivered in a simultaneous transaction, regardless of variations in maturity, interest rate, redemption and other provisions, and any Bonds thereafter authenticated and delivered upon transfer or exchange of or in lieu of or in substitution for (but not to refund) such Bonds as provided in the Indenture.

"Supplemental Indenture" means any indenture hereafter duly authorized and entered into between the Department and the Trustee, supplementing, modifying or amending the Indenture; but only if and to the extent that such Supplemental Indenture is authorized pursuant to the Indenture.

"Tax Certificate" means the Tax Certificate concerning certain matters pertaining to the use and investment of proceeds of the Bonds, executed by the Department on the date of issuance of the Bonds, including any and all exhibits attached thereto, as such Tax Certificate may be amended or supplemented in connection with the issuance of the Bonds or otherwise.

"Trustee" means U.S. Bank National Association, a national banking association organized and existing under the laws of the United States of America, or its successor, as Trustee under the Indenture as provided in the Indenture.

"2005/06 Indenture" means the Indenture of Trust, dated as of October 1, 2005, by and between the Department and The Bank of New York Trust Company, N.A., as predecessor trustee, and as it may from time to time be supplemented, modified or amended in accordance with the terms thereof.

"2006 Bonds" means collectively the 2006A Bonds, the 2006B Bonds and the 2006C Bonds.

"2006A Bonds" means the Harbor Department of the City of Los Angeles Refunding Revenue Bonds, 2006 Series A (AMT).

"2006B Bonds" means the Harbor Department of the City of Los Angeles Refunding Revenue Bonds, 2006 Series B (AMT).

"2006C Bonds" means the Harbor Department of the City of Los Angeles Refunding Revenue Bonds, 2006 Series C.

"2009 Indenture" means the Indenture of Trust, dated as of July 1, 2009, by and between the Department and U.S. Bank National Association, as trustee, and as it may from time to time be supplemented, modified or amended in accordance with the terms thereof.

"2009B Bonds" means the Harbor Department of the City of Los Angeles Revenue Bonds, 2009 Series B.

"2011 Indenture" means the Indenture of Trust, dated as of July 1, 2011, by and between the Department and U.S. Bank National Association, as trustee, and as it may from time to time be supplemented, modified or amended in accordance with the terms thereof.

"2014 Indenture" means the Indenture of Trust, dated as of September 1, 2014, by and between the Department and U.S. Bank National Association, as trustee, and as it may from time to time be supplemented, modified or amended in accordance with the terms thereof.

"2015 Indenture" means the Indenture of Trust, dated as of October 1, 2015, by and between the Department and U.S. Bank National Association, as trustee, and as it may from time to time be supplemented, modified or amended in accordance with the terms thereof.

"2016 Series A Bonds" means the Harbor Department of the City of Los Angeles Refunding Revenue Bonds, 2016 Series A (AMT).

"2016 Series B Bonds" means the Harbor Department of the City of Los Angeles Refunding Revenue Bonds, 2016 Series B (Non-AMT).

"2016 Series C Bonds" means the Harbor Department of the City of Los Angeles Refunding Revenue Bonds, 2016 Series C (Non-AMT) (Green Bonds).

"Value" means that the value of any investments will be the lower of the initial cost of such investment and value calculated as follows:

(a) as to investments the bid and asked prices of which are published on a regular basis in The Wall Street Journal (or, if not there, then in The New York Times): the average of the bid and asked prices for such investments so published on or most recently prior to such time of determination;

(b) as to investments the bid and asked prices of which are not published on a regular basis in The Wall Street Journal or The New York Times: the average bid price at such time of determination for such investments by any two nationally recognized government securities dealers (selected by the Trustee in its absolute discretion) at the time making a market in such investments or the bid price published by a nationally recognized pricing service;

(c) as to certificates of deposit and bankers acceptances: the face amount thereof, plus accrued interest;

(d) as to any investment not specified above: the value thereof established by the Department and specified to the Trustee; or

(e) as to any investment, in the manner currently employed by the Trustee or any other manner consistent with corporate trust industry standard.

THE BONDS

Transfer of Bonds. Any Bond may, in accordance with its terms, be transferred on the Registration Books by the person in whose name it is registered, in person or by his or her duly authorized attorney, upon surrender of such Bond at the Office of the Trustee for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form approved by the Trustee. The Trustee will not be required to register the transfer of any Bond during the period in which the Trustee is selecting Bonds for redemption and any Bond that has been selected for redemption.

Whenever any Bond or Bonds will be surrendered for transfer, the Department will execute and the Trustee will authenticate and will deliver a new Bond or Bonds of authorized denomination or denominations for a like aggregate principal amount of the same maturity and Series. The Trustee will require the Bond Owner requesting such transfer to pay any tax or other governmental charge required to be paid with respect to such transfer. The cost of printing Bonds and any services rendered or expenses incurred by the Trustee in connection with any such transfer will be paid by the Department.

Exchange of Bonds. Bonds may be exchanged at the Office of the Trustee for a like aggregate principal amount of other authorized denominations of the same maturity and Series. The Trustee will not be required to exchange any Bond during the period in which the Trustee is selecting Bonds for redemption and any Bond that has been selected for redemption. The Trustee will require the Bond Owner requesting such exchange to pay any tax or other governmental charge required to be paid with respect to such exchange. The cost of printing Bonds and any services rendered or expenses incurred by the Trustee in connection with any such exchange will be paid by the Department.

Registration Books. The Trustee will keep or cause to be kept, at the Office of the Trustee, sufficient records for the registration and transfer of ownership of the Bonds, which will upon reasonable notice and at reasonable times be open to inspection during regular business hours by the Department; and, upon presentation for such purpose, the Trustee will, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on such records, the ownership of the Bonds as provided in the Indenture.

ISSUANCE OF BONDS; APPLICATION OF PROCEEDS

Application of Costs of Issuance Fund. The moneys in the Costs of Issuance Account – 2016 Series A, Costs of Issuance Account – 2016 Series B and Costs of Issuance Account – 2016 Series C within the Costs of Issuance Fund will be used and withdrawn by the Trustee to pay the Costs of Issuance only of the related Series of Bonds and only upon submission of Requisitions of the Department stating the person to whom payment is to be made, the amount to be paid, the purpose for which the obligation was incurred, that such payment is proper charge against said account and that payment for such charge has not previously been made. On January 1, 2017, or upon the earlier Request of the Department, all amounts remaining in the Costs of Issuance Fund shall be deposited by the Trustee in the appropriate account within the Interest Fund as is instructed in a Request of the Department. Investment earnings on amounts on deposit in the Costs of Issuance Fund shall be applied in accordance with the Indenture.

REVENUES, FUNDS AND ACCOUNTS; PAYMENT OF PRINCIPAL AND INTEREST

Pledge and Assignment. Subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture, all of the Revenues and any other amounts (including proceeds of the sale of the Bonds) held in any fund or account established pursuant to the Indenture (except the Rebate Fund established and maintained under the Indenture) are, pursuant to the Indenture, irrevocably pledged to secure the payment of the principal of and interest, and the premium, if any, on the Bonds in accordance with their terms and the provisions of the Indenture. Said pledge of the Revenues is on a parity with the lien on and security interest in the Revenues of the Parity Obligations pursuant to the Issuing Documents for such Parity Obligations. Said pledge of amounts held in the Reserve Fund (which the Department has elected pursuant to the Indenture to treat as part of the Common Reserve securing all Common Reserve Parity Obligations) is on a parity with the lien on and security interest in such amounts of the Common Reserve Parity Obligations pursuant to the Issuing Documents for such Common Reserve Parity Obligations. Said pledge will constitute a lien on and security interest in such amounts and will attach, be perfected and be valid and binding from and after the Closing Date, without any physical delivery thereof or further act and will be valid and binding against all parties having claims of any kind in tort, contract or otherwise against the Department, irrespective of whether such parties have notice hereof.

All Revenues will be promptly deposited by the Department upon receipt thereof in the Harbor Revenue Fund in accordance with the Charter. The Trustee will establish and maintain an Interest Fund, which will contain an “Interest Account - 2016 Series A,” an “Interest Account - 2016 Series B,” and an “Interest Account – 2016 Series C” and a Principal Fund, which will contain a “Principal Account – 2016 Series A,” a “Principal Account – 2016 Series B,” and a “Principal Account – 2016 Series C.” All amounts at any time on deposit in the Interest Fund and the Principal Fund will be held by the Trustee in trust separate and apart from other funds held by it.

Application of Interest Fund. The Trustee will, immediately upon receipt of any moneys from the Department for deposit in the Interest Fund, allocate to the Interest Account - 2016 Series A that sum, if any, required to cause the aggregate amount on deposit in the Interest Account - 2016 Series A to be at least equal to the amount of interest becoming due and payable on such date on all 2016 Series A Bonds then Outstanding; to the Interest Account - 2016 Series B that sum, if any, required to cause the aggregate amount on deposit in the Interest Account - 2016 Series B to be at least equal to the amount of interest becoming due and payable on such date on all 2016 Series B Bonds then Outstanding; and to the Interest Account – 2016 Series C that sum, if any, required to cause the aggregate amount on deposit in the Interest Account- 2016 Series C to be at least equal to the amount of interest becoming due and payable on such date on all 2016 Series C Bonds then Outstanding. In the event such moneys are insufficient to fully fund such accounts, the Trustee will, without preference or priority, allocate such moneys to such accounts ratably, in accordance with the amount of interest becoming due and payable on the 2016 Series A Bonds, the 2016 Series B Bonds, and the 2016 Series C Bonds on the next Interest Payment Date and will draw on the Common Reserve in accordance with the Indenture, in amounts sufficient to pay interest becoming due and payable on the Bonds on the next Interest Payment Date.

All amounts in the Interest Account - 2016 Series A will be used and withdrawn by the Trustee solely for the purpose of paying interest on the 2016 Series A Bonds as it will become due and payable (including accrued interest on any 2016 Series A Bonds purchased or redeemed prior to maturity pursuant to the Indenture).

All amounts in the Interest Account - 2016 Series B will be used and withdrawn by the Trustee solely for the purpose of paying interest on the 2016 Series B Bonds as it will become due and payable (including accrued interest on any 2016 Series B Bonds purchased or redeemed prior to maturity pursuant to the Indenture).

All amounts in the Interest Account – 2016 Series C shall be used and withdrawn by the Trustee solely for the purpose of paying interest on the 2016 Series C Bonds as it shall become due and payable (including accrued interest on any 2016 Series C Bonds purchased or redeemed prior to maturity pursuant to the Indenture).

Application of Principal Fund. The Trustee will immediately upon receipt of any money from the Department for deposit in the Principal Fund allocate to the Principal Account – 2016 Series A that sum, if any, required to cause the aggregate amount on deposit in the Principal Account – 2016 Series A to be at least equal to the principal amount of the 2016 Series A Bonds becoming due and payable on such date; to the Principal Account – 2016 Series B that sum, if any, required to cause the aggregate amount on deposit in the Principal Account – 2016 Series B to be at least equal to the principal amount of the 2016 Series B Bonds becoming due and payable on such date; and the Principal Account – 2016 Series C that sum, if any, required to cause the aggregate amount on deposit in the Principal Account – 2016 Series C to be at least equal to the principal amount of the 2016 Series C Bonds becoming due and payable on such date or subject to mandatory sinking fund redemption on the next August 1. In the event such moneys are insufficient to fully fund such accounts, the Trustee will, without preference or priority, allocate such moneys to such accounts ratably, in accordance with the principal amount of the 2016 Series A Bonds, the 2016 Series B Bonds, and the 2016 Series C Bonds becoming due and payable on the next August 1 and will transfer amounts from the Common Reserve in accordance with the Indenture, in amounts sufficient to pay principal when due on the Bonds.

All amounts in the Principal Account - 2016 Series A will be used and withdrawn by the Trustee solely to pay the principal amount of the 2016 Series A Bonds at maturity, purchase or acceleration; provided, however, that at any time prior to selection for redemption of any such 2016 Series A Bonds, upon written direction of the Department, the Trustee will apply such amounts to the purchase of 2016 Series A Bonds at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account - 2016 Series A of the Interest Fund) as will be directed pursuant to a Request of the Department, except that the purchase price (exclusive of accrued interest) may not exceed the Redemption Price then applicable to the 2016 Series A Bonds.

All amounts in the Principal Account - 2016 Series B shall be used and withdrawn by the Trustee solely to pay the principal amount of the 2016 Series B Bonds at maturity, purchase or acceleration; provided, however, that at any time prior to selection for redemption of any such 2016 Series B Bonds, upon written direction of the Department, the Trustee shall apply such amounts to the purchase of 2016 Series B Bonds at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account - 2016 Series B of the Interest Fund) as shall be directed pursuant to a Request of the Department, except that the purchase price (exclusive of accrued interest) may not exceed the Redemption Price then applicable to the 2016 Series B Bonds.

All amounts in the Principal Account - 2016 Series C shall be used and withdrawn by the Trustee solely to pay the principal amount of the 2016 Series C Bonds at maturity, mandatory sinking fund redemption, purchase or acceleration; provided, however, that at any time prior to selection for redemption of any such 2016 Series C Bonds, upon written direction of the Department, the Trustee shall apply such amounts to the purchase of 2016 Series C Bonds at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account - 2016 Series C of the Interest Fund) as shall be directed pursuant to a Request of the Department, except that the purchase price (exclusive of accrued interest) may not exceed the Redemption Price then applicable to the 2016 Series C Bonds.

Application of Redemption Fund. The Trustee will establish a special fund designated as the "Redemption Fund" which will contain a "Redemption Account – 2016 Series B" and a "Redemption Account – 2016 Series C" to be held in trust by the Trustee separate and apart from other funds held by it. The Trustee will, immediately upon receipt of any moneys from the Department to be applied towards the optional redemption of Bonds deposit such moneys into the applicable Redemption Account as directed in writing by the Department.

All amounts in the Redemption Account – 2016 Series B will be used and withdrawn by the Trustee solely for the purpose of paying the Redemption Price of the 2016 Series B Bonds to be redeemed on such Redemption Date pursuant to the Indenture; provided, however, that at any time prior to selection for redemption of any such 2016 Series B Bonds, upon written direction of the Department, the Trustee will apply such amounts to the purchase of 2016 Series B Bonds at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account - 2016 Series B of the Interest Fund) as will be directed pursuant to a Request of the Department, except that the purchase price (exclusive of accrued interest) may not exceed the Redemption Price then applicable to the 2016 Series B Bonds.

All amounts in the Redemption Account – 2016 Series C will be used and withdrawn by the Trustee solely for the purpose of paying the Redemption Price of the 2016 Series C Bonds to be redeemed on such Redemption Date pursuant to the Indenture; provided, however, that at any time prior to selection for redemption of any such 2016 Series C Bonds, upon written direction of the Department, the Trustee will apply such amounts to the purchase of 2016 Series C Bonds at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account - 2016 Series C of the Interest Fund) as will be directed pursuant to a Request of the Department, except that the purchase price (exclusive of accrued interest) may not exceed the Redemption Price then applicable to the 2016 Series C Bonds.

Investments. All moneys in any of the funds or accounts established with the Trustee pursuant to the Indenture will be invested by the Trustee solely in Permitted Investments. Such investments will be directed by the Department pursuant to a Request of the Department filed with the Trustee at least two (2) Business Days in advance of the making of such investments (which directions will be promptly confirmed to the Trustee in writing). The Trustee may conclusively rely on such Request of the Department as a certification that such investments constitute Permitted Investments. In the absence of any such directions from the Department, the Trustee will promptly invest any such moneys in Permitted Investments described in clause (D) of the definition thereof. Obligations purchased as an investment of moneys in any fund will be deemed to be part of such fund or account. Investments held in the Common Reserve will mature no later than the final maturity of the Bonds.

All interest or gain derived from the investment of amounts in any of the funds or accounts established under the Indenture other than the Costs of Issuance Account – 2016 Series A, the Costs of Issuance Account – 2016 Series B, and the Costs of Issuance Account – 2016 Series C will be retained therein and used for the purposes thereof, unless otherwise provided in the Indenture. All interest or gain derived from investments of amounts in the Costs of Issuance Account – 2016 Series A, the Costs of

Issuance Account – 2016 Series B, and the Costs of Issuance Account – 2016 Series C will be deposited, respectively, into the Interest Account – 2016 Series A, the Interest Account – 2016 Series B, and the Interest Account – 2016 Series C. For purposes of acquiring any investments under the Indenture, other than investment of amounts in the Rebate Fund, the Trustee may commingle funds held by it under the Indenture upon the Request of the Department. The Trustee may act as principal or agent in the acquisition or disposition of any investment and may impose its customary charges therefor. The Trustee, or its affiliates, may act as sponsor, advisor, or depositary with regard to any Permitted Investment. The Trustee will incur no liability for losses arising from any investments made pursuant to the Indenture.

The Department acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grants the Department the right to receive brokerage confirmations of security transactions as they occur, the Department specifically waives receipt of such confirmations to the extent permitted by law. The Trustee will furnish the Department periodic cash transaction statements which include detail for all investment transactions made by the Trustee under the Indenture.

Rebate Fund. The Trustee will establish a special fund designated the "Rebate Fund." All amounts at any time on deposit in the Rebate Fund will be held by the Trustee in trust, to the extent required to satisfy the requirement to make rebate payments to the United States (the "Rebate Requirement") pursuant to Section 148 of the Code and the Treasury Regulations promulgated thereunder (the "Treasury Regulations"). Such amounts will be free and clear of any lien under the Indenture and will be governed by this subsection and the tax covenants set forth in the Indenture and by the Tax Certificate. The Trustee will be deemed conclusively to have complied with the Rebate Requirement if it follows the directions of the Department, and will have no independent responsibility to, or liability resulting from its failure to, enforce compliance by the Department with the Rebate Requirement.

Deposits.

(1) Within 45 days of the end of each Bond Year (as such term is defined in the Tax Certificate), (1) the Department will calculate or cause to be calculated with respect to the Bonds the amount that would be considered the "rebate amount" within the meaning of Section 1.148-3 of the Treasury Regulations, using as the "computation date" for this purpose the end of such Bond Year, and (2) upon the Department's written direction, the Trustee will deposit to the Rebate Fund from deposits from the Department, if and to the extent required, amounts sufficient to cause the balance in the Rebate Fund to be equal to the "rebate amount" so calculated.

(2) The Trustee will not be required to deposit any amount to the Rebate Fund in accordance with the preceding sentence if the amount on deposit in the Rebate Fund prior to the deposit required to be made under this subsection of the Indenture equals or exceeds the "rebate amount" calculated in accordance with the preceding sentence. Such excess may be withdrawn from the Rebate Fund to the extent permitted under the subsection of the Indenture described under the subcaption " – Withdrawals of Excess Amounts" below.

(3) The Department will not be required to calculate the "rebate amount," and the Trustee will not be required to deposit any amount to the Rebate Fund in accordance with this subsection of the Indenture, with respect to all or a portion of the proceeds of the Bonds (including amounts treated as proceeds of the Bonds) (1) to the extent such proceeds satisfy the expenditure requirements of Section 148(f)(4)(B), or (2) to the extent such proceeds qualify for the exception to arbitrage rebate under Section 148(f)(4)(A)(ii) of the Code for amounts in a "bona fide debt service fund." In such event, and with respect to such amounts, the Department will provide written direction to the Trustee that the Trustee will not be required to deposit any amount to the Rebate Fund in accordance with this subsection of the Indenture.

Withdrawal Following Payment of Bonds. Any funds remaining in the Rebate Fund after redemption of all the Bonds and any amounts described in the subsection of the Indenture described in paragraph (2) under the subcaption " – Withdrawal for Payment of Rebate" below, or provision made therefor satisfactory to the Trustee, including accrued interest and payment of any applicable fees and expenses to the Trustee, will be withdrawn by the Trustee and remitted to the Department.

Withdrawal for Payment of Rebate. Upon the Department's written direction, but subject to the exceptions contained in the subsection of the Indenture described under the subcaption " – Deposits" above to the requirement to calculate the "rebate amount" and make deposits to the Rebate Fund, the Trustee will pay to the United States, from amounts on deposit in the Rebate Fund,

(1) not later than 60 days after the end of (i) the fifth Bond Year, and (ii) each fifth Bond Year thereafter, an amount that, together with all previous rebate payments, is equal to at least 90% of the "rebate amount" calculated as of the end of such Bond Year in accordance with Section 1.148-3 of the Treasury Regulations; and

(2) not later than 60 days after the payment of all Bonds, an amount equal to 100% of the "rebate amount" calculated as of the date of such payment (and any income attributable to the "rebate amount" determined to be due and payable) in accordance with Section 1.148-3 of the Treasury Regulations.

Rebate Payments. Each payment required to be made pursuant to the subsection of the Indenture described under the subcaption " – Withdrawal for Payment of Rebate" above will be made to the Internal Revenue Service, Ogden Submission Processing Center, Ogden, Utah 84201 on or before the date on which such payment is due, and will be accompanied by Internal Revenue Service Form 8038-T, which will be completed by or on behalf of the Department and provided to the Trustee.

Deficiencies in the Rebate Fund. In the event that, prior to the time any payment is required to be made from the Rebate Fund, the amount in the Rebate Fund is not sufficient to make such payment when such payment is due, the Department will calculate the amount of such deficiency and direct the Trustee to deposit an amount received from the Department equal to such deficiency into the Rebate Fund prior to the time such payment is due.

Withdrawals of Excess Amounts. In the event that immediately following the calculation required by the subsection of the Indenture described under the subcaption " – Deposits" above, but prior to any deposit made under said subsection, the amount on deposit in the Rebate Fund exceeds the "rebate amount" calculated in accordance with such subcaption, upon written instructions from the Department, the Trustee will withdraw the excess from the Rebate Fund and credit such excess to the Interest Fund.

Record Keeping. The Department will retain records of all determinations made under the Indenture until six years after the complete retirement of the Bonds.

Survival of Defeasance. Notwithstanding anything in the Indenture to the contrary, the Rebate Requirement will survive the payment in full or defeasance of the Bonds.

Application of Funds and Accounts When No Bonds are Outstanding. On the date on which all Bonds will be retired under the Indenture or provision made therefor pursuant to the defeasance provisions of the Indenture and after payment of all amounts due the Trustee under the Indenture, all moneys then on deposit in any of the funds or accounts (other than the Rebate Fund) established with the Trustee pursuant to the Indenture will be withdrawn by the Trustee and paid to the Department.

Reserve Fund. In each Issuing Document, the Department may establish a reserve fund with respect to a Parity Obligation or Parity Obligations. With respect to each reserve fund established with respect to a Parity Obligation with interest payment dates on the Interest Payment Dates under the Indenture and with the Trustee as trustee under the related Issuing Document, the Department may elect to treat such reserve fund as a part of the Common Reserve securing all Parity Obligations designated by the Department to participate in the Common Reserve (each, a "Common Reserve Parity Obligation"). Each time that the Department elects to treat a reserve fund as a part of the Common Reserve, it will deposit funds in, and/or provide one or more (i) surety bonds, (ii) insurance policies issued by one or more municipal bond insurance companies, (iii) letters of credit, or (iv) other security devices, and credit to such Reserve Fund to satisfy a portion of the Common Reserve Requirement in the Common Reserve, in each case with ratings in the highest rating category by two of the Rating Agencies as of the date of deposit therein, and with provision that such security device(s) will be available to be drawn upon with respect to all Common Reserve Parity Obligations (each, a "Common Reserve Security Device"), in an amount sufficient to increase the balance in the Common Reserve to the Common Reserve Requirement calculated to take into account such additional Common Reserve Parity Obligations. If the Department establishes a reserve fund for any Parity Obligation but does not elect to make such reserve fund a part of the Common Reserve, then any Reserve Fund so established will be a Separate Reserve Fund and will secure only the Parity Obligations for which such reserve fund was created. The Trustee may withdraw amounts from the Common Reserve in accordance with each Issuing Document for a Common Reserve Parity Obligation to make payments to the owners of the Common Reserve Parity Obligations issued under such Issuing Document when due.

Pursuant to the Indenture, there is established with the Trustee the Reserve Fund with respect to the Bonds which the Trustee will establish and maintain and hold in trust separate and apart from other funds held by it. The Department elects to treat the Reserve Fund established under the Indenture as part of the Common Reserve securing all Common Reserve Parity Obligations. The Trustee will deposit in the Reserve Fund the amounts required to be deposited therein pursuant to the Indenture. The Trustee will apply moneys in the Common Reserve in accordance with this section; provided, however, that, in substitution for all or part of the moneys on deposit in the Common Reserve, the Department may provide for the Common Reserve by one or more Common Reserve Security Devices which will each be available to be drawn on a pro rata basis among all the Common Reserve Security Devices. Upon the expiration of any Common Reserve Security Device prior to the payment in full of all of the Common Reserve Parity Obligations, if the balance in the Common Reserve is less than the Common Reserve Requirement, the Department will either provide a substitute Common Reserve Security Device or deposit cash in the Reserve Fund to which the expired Common Reserve Security Device was credited, in an amount sufficient to increase the balance in the Common Reserve to the Common Reserve Requirement. The Department will not be required to replace any Common Reserve Security Device that is no longer rated in the highest rating category by two of the Rating Agencies.

If and to the extent that cash has also been deposited in the Common Reserve, all such cash will be used (including any Permitted Investments purchased with such cash, which will be liquidated and the proceeds thereof applied as required under the Indenture) prior to any drawing under any Common Reserve Security Device. After first applying all cash and Permitted Investments held in the Common Reserve on a pro rata basis among all reserve funds which the Department has elected to make a part of the Common Reserve, if three Business Days prior to any Interest Payment Date the money in the appropriate accounts in the Interest Fund or the appropriate accounts in the Principal Fund is insufficient to make the payments required by the Indenture on such Interest Payment Date or the money in the appropriate funds and accounts under an Issuing Document is insufficient to make the payments required by such Issuing Document for a Common Reserve Parity Obligation on such Interest Payment Date, the Trustee will draw on the Common Reserve Security Devices on a pro rata basis among all Common Reserve Security Devices in a timely manner in the amount of such insufficiency and in compliance with the applicable payment procedures for each such Common Reserve Security Device set forth in the related Issuing Document. Upon receipt of such funds, the Trustee will transfer said funds to the appropriate accounts in the Interest Fund, the appropriate accounts in the Principal Fund or the appropriate funds or accounts under an Issuing Document for a Common Reserve Parity Obligation, as the case may be, in the amount of such insufficiency, without preference or priority, and in the event of any insufficiency of such moneys ratably without any discrimination or preference.

If amounts on deposit in the Common Reserve consist solely of cash and Permitted Investments, if one Business Day prior to any Interest Payment Date the money in the appropriate accounts in the Interest Fund or the appropriate accounts in the Principal Fund is insufficient to make the payments required by the Indenture on such Interest Payment Date or the money in the appropriate funds and accounts under an Issuing Document is insufficient to make the payments required by an Issuing Document for a Common Reserve Parity Obligation on such Interest Payment Date, the Trustee will transfer from the Common Reserve to the appropriate accounts in the Interest Fund, the appropriate accounts in the Principal Fund or the appropriate funds or accounts under an Issuing Document for a Common Reserve Parity Obligation, as the case may be, the amount of such insufficiency.

In the event that the Trustee has transferred money from the Common Reserve to the Interest Fund or Principal Fund in accordance with the Indenture or to the appropriate funds and accounts under an Issuing Document with respect to a Common Reserve Parity Obligation, upon receipt of the moneys from the Department pursuant to the Indenture, the Trustee will first reimburse the providers of the Common Reserve Security Devices for any draws thereon on a pro rata basis among all the Common Reserve Security Devices and otherwise in accordance with the written direction of the providers thereof, as applicable, so as to cause the reinstatement of the Common Reserve Security Devices, and thereafter, will deposit the remainder of such transferred moneys from the Department in the Common Reserve on a pro rata basis among all reserve funds which the Department has elected to make a part of the Common Reserve.

If the amount available and contained in the Common Reserve exceeds an amount equal to the Common Reserve Requirement, the Trustee will annually on August 1 withdraw the amount of such excess from the Common Reserve on a pro rata basis among all reserve funds which the Department has elected to make a part of the Common Reserve and will, without preference or priority, deposit ratably, in accordance with the amount of interest becoming due and payable on each series or subseries of Common Reserve Parity Obligations, in the applicable account in the Interest Fund and the applicable interest fund or account established and maintained under the related Issuing Document for any other Common Reserve Parity Obligations, and for this purpose the Trustee will determine the Value of the Common Reserve on or before August 1 in each year. Except for such withdrawals and reimbursement of the providers of the Common Reserve Security Devices for any draws thereon described above, all moneys in the Common Reserve will be used and withdrawn by the Trustee solely for the purpose of paying principal of and interest on the Common Reserve Parity Obligations in the event that no other moneys of the Department are applied thereto.

Any money in the Common Reserve in excess of the Common Reserve Requirement after the Department deposits with the Trustee a Common Reserve Security Device as permitted by the Indenture may be allocated ratably, in accordance with the principal amount of Common Reserve Parity Obligations becoming due and payable on the next August 1, into, respectively, the Interest Account – 2016 Series A, the Interest Account – 2016 Series B, and Interest Account – 2016 Series C.

In the event the Department has determined to obtain one or more Common Reserve Security Devices pursuant to the Indenture, the Trustee will be required to keep adequate records, verified with any of the providers thereof in the form of statements customarily provided to such provider, as to the amount available to be drawn at any time under the Common Reserve Security Devices and as to the amounts paid and owing to any of the providers thereof.

PARTICULAR COVENANTS

No Priority. No bonds or other obligations of the Department payable out of the Harbor Revenue Fund will be issued having any priority with respect to payment of principal or interest out of the Harbor Revenue Fund over Parity Obligations; no transfer of money will be made out of the Harbor Revenue Fund in any one Fiscal Year for the purpose of paying the principal of or interest on any bonds or other obligations of the City serviced out of the Harbor Revenue Fund unless and until the principal of and interest on the Parity Obligations, due and payable in that Fiscal Year, have been paid or set aside in a separate fund held in trust and charged with such payments.

Sale of Property. The property of the City which is under the management, supervision and control of the Board will not be sold or otherwise disposed of, as a whole or substantially as a whole, unless such sale or other disposition will provide for a continuance of payments into the Harbor Revenue Fund sufficient in amount to permit payment therefrom of principal of and interest on or with respect to Parity Obligations, or to provide for such payments into some other fund or account charged with such payments.

Audits. The Department will cause its books and accounts to be audited annually by an Independent Certified Public Accountant and will make available for inspection by the Bond Owners and the Trustee, at the office of the Department, a copy thereof, or a summary financial statement, upon request, to any Bond Owner.

Exempt Facilities. The Department covenants and agrees that it will not expend the proceeds of the Bonds for any purpose or purposes, in any amount or amounts, or permit any user of the improvements to be financed with the proceeds from the sale of the Private Activity Bonds or any earnings thereon to undertake, or permit, any act or use of such improvements which has the effect of causing or allowing such improvements to be or become facilities which are not included within those set forth and described in Section 142(a) of the Code and the regulations and rulings applicable thereto.

Waiver of Depreciation and Investment Tax Credit. The Department covenants and agrees that it will require any nongovernmental person which, so long as Private Activity Bonds are Outstanding, is granted the right to use any of the improvements to be financed or refinanced with the proceeds from the sale of the Private Activity Bonds or any earnings thereon which Private Activity Bonds are obligations excepted from the definition of private activity bonds pursuant to Section 141(b) of the Code (collectively, "Public Improvements") pursuant to any written lease, permit or other arrangement, to execute an election not to claim on such person's federal income tax return (or any consolidated federal income tax return which includes such person) any investment tax credit or deduction for depreciation with respect to (1) any of the Public Improvements and (2) any land, building, structural components of a building (including heating or air conditioning units) or other structure which is physically supported by, physically supports, or is physically connected to any of the Public Improvements, other than (i) property not financed with the proceeds of obligations the interest on which is or was excluded from gross income for federal income tax purposes, (ii) property that was part of the site for such Public Improvement on or before October 5, 1984, and (iii) tangible personal property (other than air conditioning or heating units).

Each such election will be executed not later than the later of the original delivery date of such Private Activity Bonds or the execution of the lease, permit or other arrangement pursuant to which such nongovernmental person is granted the right to use a Public Improvement, and will be binding upon such person and upon all successors in interest to such person. Each election will be in substantially the form as is attached to the Indenture as Exhibit D which is by reference incorporated therein and made a part thereof. The Department further covenants and agrees that it will retain copies of each such election in its records for the entire term of any such lease, permit or other arrangement, and will require the nongovernmental person to retain the election in its records for the same period. Each such election will be publicly recorded so as to be binding on any successor in interest to the initial nongovernmental person.

Insurance.

(a) The Department will procure and maintain or cause to be procured and maintained insurance on its properties, facilities and equipment with responsible insurers in such amounts and against such risks (including accident to or destruction of its properties, facilities and equipment) as are usually covered in connection with harbor facilities similar to those of the Department owned by harbor departments similar to the Department so long as such insurance is available from reputable insurance companies at a reasonable cost.

(b) The Department will procure and maintain such other insurance which it will deem advisable or necessary to protect its interests and the interests of the Owners of the Bonds, which insurance will afford protection in such amounts and against such risks as are usually covered in connection with harbor facilities similar to those of the Department owned by harbor departments similar to the Department.

Any insurance required by paragraph (a) or (b) above may be maintained under a self-insurance program so long as such self-insurance is maintained in the amounts and manner usually maintained in connection with harbor facilities similar to those of the Department owned by harbor departments similar to the Department and is, in the opinion of an accredited actuary, actuarially sound.

Punctual Payment. The Department will punctually pay or cause to be paid the principal and interest to become due in respect of all the Bonds, in strict conformity with the terms of the Bonds and of the Indenture, according to the true intent and meaning thereof, but only out of Revenues and other amounts pledged for such payment as provided in the Indenture.

Extension of Payment of Bonds. The Department will not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any claims for interest by the purchase of such Bonds or by any other arrangement, and in case the maturity of any of the Bonds or the time of payment of any such claims for interest will be extended, such Bonds or claims for interest will not be entitled, in case of any default under the Indenture, to the benefits of the Indenture, except subject to the prior payment in full for the principal of all of the Bonds then Outstanding and of all claims for interest thereon which will not have been so extended. Nothing in the Indenture will be deemed to limit the right of the Department to issue Bonds for the purpose of refunding any Outstanding Bonds, and such issuance will not be deemed to constitute an extension of maturity of Bonds.

Against Encumbrances. The Department will not create, or permit the creation of, any pledge, lien, charge or other encumbrances upon the Revenues and other amounts pledged or assigned under the Indenture while any of the Bonds are Outstanding, except the pledge and assignment created by the Indenture or with respect to Parity Obligations. Subject to this limitation, the Department expressly reserves the right to enter into one or more other indentures for any of its corporate purposes and reserves the right to issue other obligations for such purposes.

Power to Issue Bonds and Make Pledge and Assignment. The Department is duly authorized pursuant to law to issue the Bonds and to enter into the Indenture and to pledge and assign the Revenues and other amounts purported to be pledged and assigned under the Indenture in the manner and to the extent provided in the Indenture. The Bonds and the provisions of the Indenture are and will be the legal, valid and binding special obligations of the Department in accordance with their terms, and the Department and the Trustee will at all times, subject to the provisions of the Indenture and to the extent permitted by law, defend, preserve and protect said pledge and assignment of Revenues and other amounts and all the rights of the Bond Owners under the Indenture against all claims and demands of all persons whomsoever.

Tax Covenants. The Department covenants with the owners of the Bonds that, notwithstanding any other provisions of the Indenture, it will not 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 interest on the Bonds under Section 103 of the Code.

The Department will not take any action, or fail to take any action, if any such action or failure to take action would cause the Private Activity Bonds to be other than "exempt facility bonds" within the meaning of Section 142(a)(2) of the Code, and in furtherance thereof, will not make any use of the proceeds of the Private Activity Bonds or any earnings thereon, or of the portion of the Private Activity Projects refinanced with the proceeds of the Private Activity Bonds, or any portion thereof, as would cause the Private Activity Bonds not to qualify under Section 142(a)(2) of the Code as "exempt facility bonds." The Department will not, directly or indirectly, use or permit the use of proceeds of the Governmental Bonds or any earnings thereon or portion thereof, by any person other than a governmental unit (as such term is used in Section 141 of the Code) in such manner or to such extent as would result in the loss of exclusion from gross income for federal income tax purposes of interest on the Governmental Bonds. To these ends, so long as any Bonds are Outstanding, the Department, with respect to such proceeds, earnings thereon and property and such other funds, will comply with applicable requirements of the Code and all regulations of the United States Department of the Treasury issued thereunder and under Section 103 of the Internal Revenue Code of 1954, as amended (the "1954 Code"), to the extent such requirements are, at the time, applicable and in effect. The Department will establish reasonable procedures necessary to ensure continued compliance with the aforementioned Sections of the Code and the continued qualification of the portion of the Projects financed or refinanced with the proceeds of the Bonds.

The Department will not, directly or indirectly, use or permit the use of any proceeds of any Bonds, or of any property refinanced thereby, or other funds of the Department, or take or omit to take any action, that would cause the Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code. To that end, the Department will comply with all requirements of Section 148 of the Code and all regulations of the United States Department of the Treasury issued thereunder to the extent such requirements are, at the time, in effect and applicable to the Bonds.

The Department will not make any use of the proceeds of the Bonds or any other funds of the Department, or take or omit to take any other action, that would cause the Bonds to be "federally guaranteed" within the meaning of Section 149(b) of the Code.

In furtherance of the foregoing tax covenants, the Department covenants that it will comply with the instructions and requirements of the Tax Certificate, which is incorporated in the Indenture. These covenants will survive the payment in full or defeasance of the Bonds.

Further Assurances. The Department will make, execute and deliver any and all such further indentures, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the Indenture and for the better assuring and confirming unto the Owners of the Bonds of the rights and benefits provided in the Indenture.

Continuing Disclosure. The Department will comply with and carry out all of the provisions of the Continuing Disclosure Certificate to be executed by the Department in substantially the form approved by the Resolution, as originally executed and as it may be amended from time to time in accordance with the terms thereof. Any holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Department to comply with its obligations under this provision. Noncompliance with this provision will not be considered an "Event of Default" and will not result in acceleration of the Bonds, and the sole remedy under the Continuing Disclosure Certificate (or the Indenture) in the event of any failure of the Department to comply with the Continuing Disclosure Certificate will be an action to compel performance. For the purposes of this provision, "Beneficial Owner" means any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

No holder or Beneficial Owner of Bonds may institute such action, suit or proceeding to compel performance unless they will have first delivered to the Department satisfactory written evidence of their status as such, and a written notice of and request to cure such failure and the Department will have refused to comply therewith within a reasonable time.

EVENTS OF DEFAULT AND REMEDIES OF BOND OWNERS

Events of Default. The following events will be Events of Default under the Indenture:

(a) Default by the Department in the due and punctual payment of the principal of any Bonds or any Parity Obligation (of such default relating to any Parity Obligations the Department agrees to notify the Trustee) when and as the same will become due and payable, whether at maturity as therein expressed, by proceedings for redemption, by acceleration, or otherwise.

(b) Default by the Department in the due and punctual payment of any installment of interest on any Bonds or any Parity Obligation (of such default relating to any Parity Obligations the Department agrees to notify the Trustee) when and as the same will become due and payable.

(c) Default by the Department in the observance of any of the other covenants, agreements or conditions on its part in the Indenture or in the Bonds contained, if such default will have continued for a period of sixty (60) days after written notice thereof, specifying such default and requiring the same to be remedied, will have been given to the Department by the Trustee or by the Owners of not less than 25 percent in aggregate principal amount of Bonds Outstanding; provided, however, that if in the reasonable opinion of the Department the default stated in the notice can be corrected, but not within such sixty (60) day period and corrective action is instituted by the Department within such sixty (60) day period and diligently pursued in good faith until the default is corrected.

(d) The Department will file a petition or answer seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if a court of competent jurisdiction will approve a petition filed with or without the consent of the Department seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if under the provisions of any other law for the relief or aid of debtors any court of competent jurisdiction will assume custody or control of the Department or of the whole or any substantial part of its property.

Remedies Upon Event of Default. If any Event of Default will occur, then, and in each and every such case during the continuance of such Event of Default, the Trustee may, and will, at the direction of the Owners of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding, upon notice in writing to the Department, will declare the principal of all of the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same will become and will be immediately due and payable, anything in the Indenture or in the Bonds contained to the contrary notwithstanding.

Any such declaration is subject to the condition that if, at any time after such declaration and before any judgment or decree for the payment of the moneys due will have been obtained or entered, the Department will deposit with the Trustee a sum sufficient to pay all the principal of and installments of interest on the Bonds payment of which is overdue, with interest on such overdue principal at the rate borne by the respective Bonds to the extent permitted by law, and the reasonable charges and expenses of the Trustee, including fees and expenses of its attorneys, and any and all other Events of Default known to the Trustee (other than in the payment of principal of and interest on the Bonds due and payable solely by reason of such declaration) will have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate will have been made therefor, then, on behalf of the Owners of all of the Bonds, rescind and annul such declaration and its consequences and waive such Event of Default; but no such rescission and annulment will extend to or will affect any subsequent Event of Default, or will impair or exhaust any right or power consequent thereon.

Application of Revenues and Other Funds After Default. If an Event of Default will occur and be continuing, all Revenues will be applied by the Department or the Trustee, as the case may be, and any amounts then held by the Trustee or thereafter received by the Trustee will be applied by the Trustee as follows and in the following order:

(i) To the payment of any expenses necessary in the opinion of the Trustee to protect the interests of the Owners of the Bonds and payment of reasonable charges and expenses of the Trustee (including reasonable fees and disbursements of its counsel or advisors) incurred in and about the performance of its powers and duties under the Indenture; and

(ii) To the payment of the Operation and Maintenance costs; and

(iii) To the payment of the principal of and interest then due on the Bonds (upon presentation of the Bonds to be paid, and stamping or otherwise noting thereon of the payment if only partially paid, or surrender thereof if fully paid) in accordance with the provisions of the Indenture (on a parity with the payment of principal of and interest then due on any Parity Obligations in accordance with the provisions of the documents pursuant to which such Parity Obligations were issued or incurred), in the following order of priority:

First: To the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, and, if the amount available will not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference;

Second: To the payment to the persons entitled thereto of the unpaid principal of any Bonds which will have become due, whether at maturity or by acceleration or redemption, with interest on the overdue principal at the rate of eight percent (8%) per annum, and, if the amount available will not be sufficient to pay in full all the Bonds, together with such interest, then to the payment thereof ratably, according to the amounts of principal due on such date to the persons entitled thereto, without any discrimination or preference; and

Third: For any lawful purpose.

Trustee to Represent Bond Owners. If an Event of Default will occur and be continuing, the Trustee is irrevocably appointed pursuant to the Indenture (and the successive respective Owners of the Bonds, by taking and holding the same, will be conclusively deemed to have so appointed the Trustee) as trustee and true and lawful attorney-in-fact of the Owners of the Bonds for the purpose of exercising and prosecuting on their behalf such rights and remedies as may be available to such Owners under the provisions of the Bonds or the Indenture and applicable provisions of any other law. Upon the occurrence and continuance of an Event of Default or other occasion giving rise to a right in the Trustee to represent the Bond Owners, the Trustee in its discretion may, and upon the written request of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding, and upon being indemnified to its satisfaction therefor, will, proceed to protect or enforce its rights or the rights of such Owners by such appropriate action, suit, mandamus or other proceedings as it will deem most effectual to protect and enforce any such right, at law or in equity, either for the specific performance of any covenant or agreement contained in the Indenture, or in aid of the execution of any power in the Indenture granted, or for the enforcement of any other appropriate legal or equitable right or remedy vested in the Trustee or in such Owners under the Bonds or the Indenture or any other law; and upon instituting such proceeding, the Trustee will be entitled, as a matter of right, to the appointment of a receiver of the Revenues and other amounts pledged under the Indenture, pending such proceedings. All rights of action under the Indenture or the Bonds or otherwise may be prosecuted and enforced by the Trustee without the possession of any of the Bonds or the production thereof in any proceeding relating thereto, and any such suit, action or proceeding instituted by the Trustee will be brought in the name of the Trustee for the benefit and protection of all the Owners of such Bonds, subject to the provisions of the Indenture.

Bond Owners' Direction of Proceedings. Anything in the Indenture to the contrary notwithstanding, the Owners of a majority in aggregate principal amount of the Bonds then Outstanding will have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, to direct the method of conduct in all remedial proceedings taken by the Trustee under the Indenture, provided that such direction will not be otherwise than in accordance with law and the provisions of the Indenture, and that the Trustee will have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Bond Owners not parties to such direction or in its judgment expose the Trustee to liability.

Suit by Owners. No Owner of any Bonds will have the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under the Indenture or any other applicable law with respect to such Bonds, unless (a) such Owners will have given to the Trustee written notice of the occurrence of an Event of Default; (b) the Owners of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds then Outstanding will have made written request upon the Trustee to exercise the powers granted pursuant to the Indenture or to institute such suit, action or proceeding in its own name; (c) such Owner or Owners will have tendered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; (d) the Trustee will have failed to comply with such request for a period of sixty (60) days after such written request will have been received by, and said tender of indemnity will have been made to, the Trustee; and (e) no direction inconsistent with such written request will have been given to the Trustee during such sixty (60) day period by the Owners of a majority in aggregate principal amount of the Bonds then Outstanding.

Such notification, request, tender of indemnity and refusal or omission are declared pursuant to the Indenture, in every case, to be conditions precedent to the exercise by any Owner of Bonds of any remedy under the Indenture or under law; it being understood and intended that no one or more Owners of Bonds will have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the Indenture or the rights of any other Owners of Bonds, or to enforce any right under the Bonds, the Indenture or other applicable law with respect to the Bonds, except in the manner provided in the Indenture, and that all proceedings at law or in equity to enforce any such right will be instituted, had and maintained in the manner provided in the Indenture and for the benefit and protection of all Owners of the Outstanding Bonds, subject to the provisions of the Indenture.

Absolute Obligation of Department. Nothing in the Indenture or in the Bonds contained will affect or impair the obligation of the Department, which is absolute and unconditional, to pay the principal of and interest on the Bonds to the respective Owners of the Bonds at their respective dates of maturity, or upon call for redemption, as provided in the Indenture, but only out of the Revenues and other amounts pledged therefor, or affect or impair the right of such Owners, which is also absolute and unconditional, to enforce such payment by virtue of the contract embodied in the Bonds.

Remedies Not Exclusive. No remedy in the Indenture conferred upon or reserved to the Trustee or to the Owners of the Bonds is intended to be exclusive of any other remedy or remedies, and each and every such remedy, to the extent permitted by law, will be cumulative and in addition to any other remedy given under the Indenture or now or hereafter existing at law or in equity or otherwise.

No Waiver of Default. No delay or omission of the Trustee or of any Owner of the Bonds to exercise any right or power arising upon the occurrence of any Event of Default will impair any such right or power or will be construed to be a waiver of any such Event of Default or an acquiescence therein.

THE TRUSTEE

Duties, Immunities and Liabilities of Trustee. The Trustee will, prior to an Event of Default, and after the curing of all Events of Default which may have occurred, perform such duties and only such duties as are expressly and specifically set forth in the Indenture and no implied covenants or duties will be read into the Indenture against the Trustee. The Trustee will, during the existence of any Event of Default (which has not been cured), exercise such of the rights and powers vested in it by the Indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

Appointment, Removal and Resignation of the Trustee. The Department may remove the Trustee at any time, unless an Event of Default has occurred and then be continuing, and will if at any time requested to do so by an instrument or concurrent instruments in writing signed by the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding (or their attorneys duly authorized in writing) or if at any time the Trustee ceases to be eligible in accordance with the Indenture, or becomes incapable of acting, or is adjudged a bankrupt or insolvent, or a receiver of the Trustee or its property is appointed, or any public officer takes control or charge of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation, in each case by giving written notice of such removal to the Trustee and thereupon will promptly appoint a successor Trustee by an instrument in writing.

The Trustee may at any time resign by giving written notice of such resignation to the Department and by giving the Bond Owners notice of such resignation by mail at the addresses shown on the Registration Books. Upon receiving such notice of resignation, the Department will promptly appoint a successor Trustee by an instrument in writing.

Any removal or resignation of the Trustee and appointment of a successor Trustee will become effective upon acceptance of appointment by the successor Trustee. If no successor Trustee 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 Trustee or any Bond Owner (on behalf of himself and all other Bond Owners) may petition any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Trustee. Any successor Trustee appointed under the Indenture will signify its acceptance of such appointment by executing and delivering to the Department and to its predecessor Trustee a written acceptance thereof, and thereupon such successor Trustee, without any further act, deed or conveyance, will become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Trustee, with like effect as if originally named Trustee in the Indenture; but, nevertheless at the Request of the Department or the request of the successor Trustee, such predecessor Trustee will execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Trustee all the right, title and interest of such predecessor Trustee in and to any property held by it under the Indenture and will pay over, transfer, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions set forth in the Indenture. Upon request of the successor Trustee, the Department will execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor Trustee all such moneys, estates, properties, rights, powers, trusts, duties and obligations. Upon acceptance of appointment by a successor Trustee as provided in the Indenture, the Department will mail or cause the successor Trustee to mail a notice of the succession of such Trustee to the trusts under the Indenture to each Rating Agency which is then rating the Bonds and to the Bond Owners at the addresses shown on the Registration Books. If the Department fails to mail such notice within fifteen (15) days after acceptance of appointment by the successor Trustee, the successor Trustee will cause such notice to be mailed at the expense of the Department.

Any Trustee appointed under the provisions of the Indenture in succession to the Trustee will be a trust company, a national banking association or bank having the powers of a trust company having a corporate trust office in San Francisco or Los Angeles, California, having a combined capital and surplus of at least Seventy-Five Million Dollars ($75,000,000), and subject to supervision or examination for federal or state authority. If such bank, national banking association or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purpose of the Indenture the combined capital and surplus of such bank, national banking association or trust company will be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Trustee will cease to be eligible in accordance with the provisions of the Indenture, the Trustee will resign immediately in the manner and with the effect specified in the Indenture.

Merger or Consolidation. Any bank, national banking association or trust company into which the Trustee may be merged or converted or with which it may be consolidated or any bank, national banking association or trust company resulting from any merger, conversion or consolidation to which it will be a party or any bank, national banking association or trust company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided such bank, national banking association or trust company will be eligible under the Indenture will be the successor to such Trustee, without the execution or filing of any paper or any further act, anything in the Indenture to the contrary notwithstanding.

Liability of Trustee.

(a) The recitals of facts in the Indenture and in the Bonds contained will be taken as statements of the Department, and the Trustee will not assume responsibility for the correctness of the same, or make any representations as to the validity, sufficiency or priority of the Indenture or the Bonds, nor will the Trustee incur any responsibility in respect thereof, other than as expressly stated in the

Indenture in connection with the respective duties or obligations in the Indenture or in the Bonds assigned to or imposed upon it. The Trustee will, however, be responsible for its representations contained in its certificate of authentication on the Bonds. The Trustee will not be liable in connection with the performance of its duties under the Indenture, except for its own negligence or willful misconduct. The Trustee may become the Owner of Bonds with the same rights it would have if it were not Trustee, and, to the extent permitted by law, may act as depository for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Bond Owners, whether or not such committee will represent the Owners of a majority in principal amount of the Bonds then Outstanding.

(b) The Trustee will not be liable for any error of judgment made in good faith by a responsible officer or employee, unless it will be proved that the Trustee was negligent in ascertaining the pertinent facts.

(c) The Trustee will not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Owners of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under the Indenture.

(d) The Trustee will not be liable for any action taken by it in good faith and believed by it to be authorized or within the discretion or rights or powers conferred upon it by the Indenture.

(e) The Trustee will not be deemed to have knowledge of any Event of Default under the Indenture or any other event which, with the passage of time, the giving of notice, or both, would constitute an Event of Default under the Indenture unless and until a Responsible Officer of the Trustee will have actual knowledge of such event or the Trustee will have been notified in writing, in accordance with the Indenture, of such event by the Department or the Owners of not less than 25% of the Bonds then Outstanding. Except as otherwise expressly provided in the Indenture, the Trustee will not be bound to ascertain or inquire as to the performance or observance by the Department of any of the terms, conditions, covenants or agreements in the Indenture of any of the documents executed in connection with the Bonds, or as to the existence of an Event of Default thereunder or an event which would, with the giving of notice, the passage of time, or both, constitute an Event of Default thereunder. The Trustee will not be responsible for the validity, effectiveness or priority of any collateral given to or held by it.

(f) No provision of the Indenture will require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of its duties under the Indenture, or in the exercise of any of its rights or powers.

(g) The Trustee will be under no obligation to exercise any of the rights or powers vested in it by the Indenture at the request or direction of Owners pursuant to the Indenture, unless such Owners will have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities (including reasonable attorneys' fees) which might be incurred by it in compliance with such request or direction. No permissive power, right or remedy conferred upon the Trustee under the Indenture will be construed to impose a duty to exercise such power, right or remedy.

(h) Whether or not expressly provided in the Indenture, every provision of the Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee will be subject to the provisions of the Indenture. The immunities and exceptions from liability of the Trustee will extend to its officers, directors, employees and agents.

(i) In the performance of its duties under the Indenture, the Trustee may employ attorneys, agents and receivers and will not be liable for any action of such attorneys, agents and receivers to the extent selected by it with due care.

(j) The Trustee will have no responsibility with respect to any information, statement or recital whatsoever in any official statement, offering memorandum or other disclosure material prepared or distributed with respect to the Bonds. The Trustee will not be accountable for the use or application by the Department or any other party of any funds which the Trustee has released under the Indenture.

(k) In accepting the trust created by the Indenture, the Trustee acts solely as Trustee for the Owners and not in its individual capacity and all persons, including without limitations the Owners and the Department having any claim against the Trustee arising from the Indenture will look only to the funds and accounts held by the Trustee under the Indenture for payment except as otherwise provided in the Indenture. Under no circumstances will the Trustee be liable in its individual capacity for the obligations evidenced by the Bonds.

(l) The Trustee will not be considered in breach of or in default in its obligations under the Indenture or progress in respect thereto in the event of enforced delay ("unavoidable delay") in the performance of such obligations due to unforeseeable causes beyond its control and without its fault or negligence, including, but not limited to: Acts of God or of the public enemy or terrorists; acts of a government; fires; floods; epidemics; quarantine restrictions; strikes; freight embargoes; earthquakes; explosion; mob violence; riot; inability to procure or general sabotage or rationing of labor, equipment, facilities, sources of energy, materials or supplies in the open market; litigation or arbitration relating to zoning or other governmental action or inaction pertaining to the Trust Estate; malicious mischief; condemnation; and unusually severe weather or delays of suppliers or subcontractors due to such causes or any similar event and/or occurrences beyond the control of the Trustee.

(m) The Trustee agrees to accept and act upon facsimile transmissions of written instructions and/or directions pursuant to the Indenture; provided, however, that: (a) subsequent to any such facsimile transmission of written instructions and/or directions, the Trustee will forthwith receive the originally executed instructions and/or directions, (b) such originally executed instructions and/or directions will be signed by a person as may be designated and authorized to sign for the party signing such instructions and/or directions, and (c) the Trustee will have on file a current incumbency certificate containing the specimen signature of such designated person.

Right to Rely on Documents. The Trustee will be protected in acting upon any notice, resolution, direction, requisition, request, consent, order, certificate, report, opinion, notes or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Trustee will determine to make such further inquiry or investigation, it will be entitled to examine the books, records and premises of the Department, personally or by agent. The Trustee may consult with counsel, who may be counsel of or to the Department, with regard to all matters concerning the trust created by the Indenture or the duties of the Trustee under the Indenture, and the opinion or advice of such counsel will be full and complete authorization and protection in respect of any action taken or suffered by it under the Indenture in good faith and in accordance therewith.

The Trustee may treat the Owners of the Bonds appearing in the Trustee's Registration Books as the absolute owners of the Bonds for all purposes and the Trustee will not be affected by any notice to the contrary.

Whenever in the administration of the trusts imposed upon it by the Indenture the Trustee will deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action under the Indenture, such matter (unless other evidence in respect thereof be specifically prescribed in the Indenture) may be deemed to be conclusively proved and established by a Certificate, Request or Requisition of the Department, and such Certificate, Request or Requisition will be full warrant to the Trustee for any action taken or suffered in good faith under the provisions of the Indenture in reliance upon such Certificate, Request or Requisition, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as it may deem reasonable.

All moneys received by the Trustee will, until used or applied or invested as provided in the Indenture, be held in trust for the purposes for which they were received but need not be segregated from other funds except to the extent required by law. The Trustee will not be under any liability for interest on any moneys received under the Indenture except such as may be agreed upon.

Preservation and Inspection of Documents. All documents received by the Trustee under the provisions of the Indenture will be retained in its possession and will be subject at all reasonable times upon reasonable prior notice to the inspection of the Department and any Bond Owner, and their agents and representatives duly authorized in writing, at reasonable hours and under reasonable conditions.

Compensation and Indemnification. The Department will pay to the Trustee from time to time all reasonable compensation for all services rendered under the Indenture, and also all reasonable expenses, charges, legal and consulting fees and other disbursements and those of their attorneys, agents and employees, incurred in and about the performance of their powers and duties under the Indenture.

The Department will indemnify, defend and hold harmless the Trustee its officers, employees, directors and agents against any loss, cost, liability or expense (including legal fees and expenses) incurred without negligence, misconduct or bad faith on its part, arising out of or in connection with the execution of the Indenture, acceptance or administration of this trust, including costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers under the Indenture or the enforcement of any of its rights or remedies. The rights of the Trustee and the obligations of the Department under the Indenture will survive removal or resignation of the Trustee and the discharge of the Bonds and the Indenture.

MODIFICATION OR AMENDMENT OF THE INDENTURE

Amendments Permitted.

(a) The Indenture and the rights and obligations of the Department and of the Owners of the Bonds and of the Trustee may be modified or amended from time to time and at any time by an indenture or indentures supplemental thereto, which the Department and the Trustee may enter into when the written consent of the Owners of a majority in aggregate principal amount of (i) if all of the Outstanding Bonds of all Series are affected, the Bonds of all Series then Outstanding or (ii) if less than all of the Outstanding Bonds of all Series are affected, the Bonds of each affected Series (excluding, in each case, from such consent, and from the Outstanding Bonds, the Bonds of any specified Series and maturity if such amendment by its terms will not take effect so long as any of such Bonds remain Outstanding); provided, however, that in either case the Trustee will exclude Bonds disqualified as provided in the Indenture, if proof of such disqualification will have been filed with the Trustee. No such modification or amendment will (1) extend the fixed maturity of any Bonds, or reduce the amount of principal thereof or premium (if any) thereon, or extend the time of payment, or change the method of computing the rate of interest thereon, or extend the time of payment of interest thereon, without the consent of the Owner of each Bond so affected, or (2) reduce the aforesaid percentage of Bonds the consent of the Owners of which is required to affect any such modification or amendment, or permit the creation of any lien on the Revenues and other assets pledged under the Indenture prior to or on a parity with the lien created by the Indenture except as permitted in the Indenture, or deprive the Owners of the Bonds of the lien created by the Indenture on such Revenues and other assets (except as expressly provided in the Indenture), without the consent of the Owners of all of the Bonds then Outstanding. It will not be necessary for the consent of the Bond Owners to approve the particular form of any Supplemental Indenture, but it will be sufficient if such consent will approve the substance thereof. Promptly after the execution by the Department and the Trustee of any Supplemental Indenture pursuant to this subsection, the Department will mail a notice, setting forth in general terms the substance of such Supplemental Indenture, to each Rating Agency and the Owners of the Bonds at the respective addresses shown on the Registration Books. Any failure to give such notice, or any defect therein, will not, however, in any way impair or affect the validity of any such Supplemental Indenture.

(b) The Indenture and the rights and obligations of the Department, of the Trustee and the Owners of the Bonds may also be modified or amended from time to time and at any time by a Supplemental Indenture, which the Department and the Trustee may enter into without the consent of any Bond Owners, if the Trustee will receive an opinion of Bond Counsel to the effect that the provisions of such Supplemental Indenture will not materially adversely affect the interests of the Owners of the Outstanding Bonds, including, without limitation, for any one or more of the following purposes:

(1) to add to the covenants and agreements of the Department in the Indenture contained other covenants and agreements thereafter to be observed, to pledge or assign additional security for the Bonds (or any portion thereof), or to surrender any right or power reserved to or conferred upon the Department;

(2) 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 Indenture, or in regard to matters or questions arising under the Indenture, as the Department may deem necessary or desirable;

(3) to modify, amend or supplement the Indenture in such manner as to permit the qualification under the Trust Indenture Act of 1939, as amended, or any similar federal statute under the Indenture in effect, and to add such other terms conditions and provisions as may be permitted by said act or similar federal statute;

(4) to modify, amend or supplement the Indenture in such manner as to cause interest on the Bonds to remain excludable from gross income under the Code;

(5) to modify, amend or supplement the Indenture in such manner as to permit the deposit of a surety bond, an insurance policy, a letter of credit or any other security device in the Reserve Fund; or

(6) to modify, amend or supplement the Indenture in such manner as does not materially, adversely affect the Owners.

(c) The Trustee may in its discretion, but will not be obligated to, enter into any such Supplemental Indenture authorized by subsections (a) or (b) above which materially adversely affects the Trustee's own rights, duties or immunities under the Indenture or otherwise.

(d) Prior to the Trustee entering into any Supplemental Indenture under the Indenture, there will be delivered to the Trustee an opinion of Bond Counsel stating, in substance, that such Supplemental

Indenture has been adopted in compliance with the requirements of the Indenture and that the adoption of such Supplemental Indenture will not, in and of itself, adversely affect the exclusion of interest on the Bonds from federal income taxation and from state income taxation.

Effect of Supplemental Indenture. Upon the execution of any Supplemental Indenture pursuant to the Indenture, the Indenture will be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under the Indenture of the Department, the Trustee and all Owners of Bonds Outstanding will thereafter be determined, exercised and enforced thereunder subject in all respects to such modification and amendment, and all the terms and conditions of any such Supplemental Indenture will be deemed to be part of the terms and conditions of the Indenture for any and all purposes.

Endorsement of Bonds; Preparation of New Bonds. Bonds delivered after the execution of any Supplemental Indenture pursuant to the Indenture may, and if the Department so determines will, bear a notation by endorsement or otherwise in form approved by the Department and the Trustee as to any modification or amendment provided for in such Supplemental Indenture, and, in that case, upon demand on the Owner of any Bonds Outstanding at the time of such execution and presentation of his or her Bonds for the purpose at the Office of the Trustee or at such additional offices as the Trustee may select and designate for that purpose, a suitable notation will be made on such Bonds. If the Supplemental Indenture will so provide, new Bonds so modified as to conform, in the opinion of the Department and the Trustee, to any modification or amendment contained in such Supplemental Indenture, will be prepared and executed by the Department and authenticated by the Trustee, and upon demand on the Owners of any Bonds then Outstanding will be exchanged at the Office of the Trustee, without cost to any Bond Owner, for Bonds then Outstanding, upon surrender for cancellation of such Bonds, in equal aggregate principal amount of the same maturity and Series.

Amendment of Particular Bonds. The provisions of the Indenture will not prevent any Bond Owner from accepting any amendment as to the particular Bonds held by such Bond Owner.

DEFEASANCE

Discharge of Indenture. Bonds of one or more Series may be paid by the Department in any of the following ways, provided that the Department also pays or causes to be paid any other sums payable under the Indenture by the Department:

(a) by paying or causing to be paid the principal of and interest and redemption premiums (if any) on such Bonds, as and when the same become due and payable;

(b) by depositing with the Trustee, in trust, at or before maturity, money or securities in the necessary amount (as provided under the subcaption " – Deposit of Money or Securities with Trustee") to pay or redeem such Bonds then Outstanding; or

(c) by delivering to the Trustee, for cancellation by it, such Bonds then Outstanding.

If the Department will also pay or cause to be paid all other sums payable under the Indenture by the Department, then and in that case, at the election of the Department (evidenced by a Certificate of the Department, filed with the Trustee, signifying the intention of the Department to discharge all such indebtedness and the Indenture), and notwithstanding that any such Bonds will not have been surrendered for payment, the Indenture and the pledge of Revenues and other amounts made under the Indenture and all covenants, agreements and other obligations of the Department under the Indenture other than certain obligations with respect to transfer and exchange of Bonds and mutilated, lost, destroyed or stolen Bonds pursuant to the Indenture, certain obligations with respect to the Trustee and any amount required to be paid to any provider of any Common Reserve Security Device or Separate Reserve Fund Security Device under the Indenture, will cease, terminate, become void and be completely discharged and satisfied with respect to such Bonds. In such event, upon the Request of the Department, the Trustee will execute and deliver to the Department all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Trustee will pay over, transfer, assign or deliver all moneys or securities or other property held by them pursuant to the Indenture which are not required for the payment or redemption of such Bonds not theretofore surrendered for such payment or redemption to the Department.

Discharge of Liability on Bonds. Upon the deposit with the Trustee, in trust, at or before maturity, of money or securities in the necessary amount (as provided under the subcaption " – Deposit of Money or Securities with Trustee") to pay or redeem any Outstanding Bonds of one or more Series (whether upon or prior to the maturity or the redemption date of such Bonds) and any amounts owing to the provider of any Common Reserve Security Device or Separate Reserve Fund Security Device under the Indenture; provided that, if such Outstanding Bonds are to be redeemed prior to maturity, notice of such redemption will have been given as provided in the Indenture or provisions satisfactory to the Trustee will have been made for the giving of such notice, then all liability of the Department in respect of such Bonds will cease, terminate and be completely discharged, and the Owners thereof will thereafter be entitled only to payment out of such money or securities deposited with the Trustee as aforesaid for their payment, subject however, to the provisions under the subcaption " – Payment of Bonds After Discharge of Indenture."

The Department may at any time surrender to the Trustee for cancellation by it any Bonds previously issued and delivered, which the Department may have acquired in any manner whatsoever, and such Bonds, upon such surrender and cancellation, will be deemed to be paid and retired.

Deposit of Money or Securities with Trustee. Whenever in the Indenture it is provided or permitted that there be deposited with or held in trust by the Trustee money or securities in the necessary amount to pay or redeem any Bonds, the money or securities so to be deposited or held may include money or securities held by the Trustee in the funds and accounts established pursuant to the Indenture and will be:

(a) lawful money of the United States of America in an amount equal to the principal amount of such Bonds and all unpaid interest thereon to maturity, except that, in the case of Bonds which are to be redeemed prior to maturity and in respect of which notice of such redemption will have been given as provided in the Indenture or provisions satisfactory to the Trustee will have been made for the giving of such notice, the amount to be deposited or held will be the principal amount of such Bonds and all unpaid interest and premium, if any, thereon to the redemption date; or

(b) Federal Securities and Agencies the principal of and interest on which when due will, based upon a Consultant's Report filed with the Department and the Trustee, provide money sufficient to pay the principal of and all unpaid interest to maturity, or to the redemption date (with premium, if any), as the case may be, on the Bonds to be paid or redeemed, as such principal, interest and premium, if any, become due, provided that in the case of Bonds which are to be redeemed prior to the maturity thereof, notice of such redemption will have been given as provided in the Indenture or provision satisfactory to the Trustee will have been made for the giving of such notice;

provided, in each case, that (i) the Trustee will have been irrevocably instructed (by the terms of the Indenture or by Request of the Department) to apply such money to the payment of such principal, interest and premium, if any, with respect to such Bonds and (ii) the Department will have delivered to the Trustee an opinion of Bond Counsel addressed to the Department and the Trustee to the effect that such Bonds have been discharged in accordance with the Indenture (which opinion may rely upon and assume the accuracy of the Accountant's opinion referred to above).

Payment of Bonds After Discharge of Indenture. Notwithstanding any provisions of the Indenture, any moneys held by the Trustee in trust for the payment of the principal of, or interest and premium, if any, on any Bonds and remaining unclaimed for two (2) years after such payment has become due and payable (whether at maturity or upon call for redemption or by acceleration as provided in the Indenture), if such moneys were so held at such date, or two (2) years after the date of deposit of such moneys if deposited after said date, will be repaid to the Department free from the trusts created by the Indenture and all liability of the Trustee with respect to such moneys will thereupon cease; provided, however, that before the repayment of such moneys to the Department as aforesaid, the Trustee will at the written direction of the Department (at the cost of the Department) first mail to the Owners of Bonds which have not yet been paid, at the addresses shown on the Registration Books, a notice, in such form as may be deemed appropriate by the Trustee with respect to the Bonds so payable and not presented and with respect to the provisions relating to the repayment to the Department of the moneys held for the payment thereof. Pursuant to the Indenture, the Department indemnifies the Trustee against any claims of owners of Bonds which were not paid prior to the repayment of moneys to the Department in accordance with this section of the Indenture.

MISCELLANEOUS

Liability of Department Limited to Revenues; Not Indebtedness of Any Other Subdivision of the City. Notwithstanding anything in the Indenture or the Bonds, the Department will not be required to advance any moneys derived from any source other than the Revenues and other amounts pledged under the Indenture for any of the purposes in the Indenture mentioned, whether for the payment of the principal of or interest on the Bonds or for any other purpose of the Indenture. Nevertheless, the Department may, but will not be required to, advance for any of the purposes of the Indenture any funds of the Department which may be made available to it for such purposes.

The Bonds do not constitute or evidence an indebtedness of the City, the State of California or any subdivision thereof other than the Department, or a lien or charge on any property or the general revenues of the City, the State of California or any subdivision thereof other than the Department, and in any event the Bonds will not be payable out of any funds or properties of the City or the Department other than the Revenues deposited into the Harbor Revenue Fund as provided in the Indenture and other amounts pledged therefor under the Indenture. The Bonds do not constitute an indebtedness of the Department in contravention of any charter, statutory or constitutional debt or other limitation or restriction and do not constitute an obligation for which the Department or the City is obligated to levy or pledge any form of taxation or for which the Department or the City has levied or pledged any form of taxation.

Successor Is Deemed Included in All References to Predecessor. Whenever in the Indenture either the Department or the Trustee is named or referred to, such reference will be deemed to include the successors or assigns thereof, and all the covenants and agreements in the Indenture contained by or on behalf of the Department or the Trustee will bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

Limitation of Rights to Parties and Bond Owners. Nothing in the Indenture or in the Bonds expressed or implied is intended or will be construed to give to any person other than the Department, the Trustee and the Owners of the Bonds, any legal or equitable right, remedy or claim under or in respect of the Indenture or any covenant, condition or provision therein or contained in the Indenture; and all such covenants, conditions and provisions are and will be held to be for the sole and exclusive benefit of the Department, the Trustee and the Owners of the Bonds.

Waiver of Notice; Requirement of Mailed Notice. Whenever in the Indenture the giving of notice by mail or otherwise is required, the giving of such notice may be waived in writing by the person entitled to receive such notice and in any such case the giving or receipt of such notice will not be a condition precedent to the validity of any action taken in reliance upon such waiver. Whenever in the Indenture any notice will be required to be given by mail, such requirement will be satisfied by the deposit of such notice in the United States mail, postage prepaid, by first-class mail.

Evidence of Rights of Bond Owners. Any request, consent or other instrument required or permitted by the Indenture to be signed and executed by Bond Owners may be in any number of concurrent instruments of substantially similar tenor and will be signed or executed by such Bond Owners in person or by an agent or agents duly appointed in writing. Proof of the execution of any such request, consent or other instrument or of a writing appointing any such agent, or of the holding by any person of Bonds transferable by delivery, will be sufficient for any purpose of the Indenture and will be conclusive in favor of the Trustee and the Department if made in the manner provided in this section of the Indenture.

The fact and date of the execution by any person of any such request, consent or other instrument or writing may be proved by the certificate of any notary public or other officer of any jurisdiction, authorized by the laws thereof to take acknowledgments of deeds, certifying that the person signing such request, consent or other instrument acknowledged to him the execution thereof, or by an affidavit of a witness of such execution duly sworn to before such notary public or other officer.

The ownership of Bonds will be proved by the Registration Books.

Any request, consent, or other instrument or writing of the Owner of any Bond will bind every future Owner of the same Bond and the Owner of every Bond issued in exchange therefor or in lieu thereof, in respect of anything done or suffered to be done by the Trustee or the Department in accordance therewith or in reliance thereon.

Disqualified Bonds. In determining whether the Owners of the requisite aggregate principal amount of Bonds have concurred in any demand, request, direction, consent or waiver under the Indenture, Bonds which are known by the Trustee to be owned or held by or for the account of the Department, or by any other obligor on the Bonds, or by any person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the Department or any other obligor on the Bonds, will be disregarded and deemed not to be Outstanding for the purpose of any such determination. Bonds so owned which have been pledged in good faith may be regarded as Outstanding for the purposes of this section of the Indenture if the pledgee will establish to the satisfaction of the Trustee the pledgee's right to vote such Bonds and that the pledgee is not a person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the Department or any other obligor on the Bonds. In case of a dispute as to such right, any decision by the Trustee taken upon the advice of counsel will be full protection to the Trustee. Upon request the Department will certify to the Trustee those Bonds that are disqualified pursuant to this section of the Indenture.

Money Held for Particular Bonds. The money held by the Trustee for the payment of the interest, principal or premium due on any date with respect to particular Bonds (or portions of Bonds in the case of registered Bonds redeemed in part only) will, on and after such date and pending such payment, be set aside on its books and held in trust by it for the Owners of the Bonds entitled thereto, subject, however, to the provisions described under the caption "DEFEASANCE – Payment of Bonds After Discharge of Indenture" above but without any liability for interest thereon.

Funds and Accounts. Any fund or account required by the Indenture to be established and maintained by the Trustee may be established and maintained in the accounting records of the Trustee, either as a fund or an account, and may, for the purposes of such records, any audits thereof and any reports or statements with respect thereto, be treated either as a fund or as an account; but all such records with respect to all such funds and accounts will at all times be maintained in accordance with corporate trust industry standards to the extent practicable, and with due regard for the requirements of the Indenture and for the protection of the security of the Bonds and the rights of every Owner thereof.

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APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the Harbor Department of the City of Los Angeles (the "Department") in connection with the issuance by the Department of its Refunding Revenue Bonds, 2016 Series A, in the aggregate principal amount of $97,970,000 (the "Series 2016A Bonds"), its Refunding Revenue Bonds, 2016 Series B, in the aggregate principal amount of $68,385,000 (the "Series 2016B Bonds") and its Refunding Revenue Bonds, 2016 Series C (Green Bonds) in the aggregate principal amount of $35,205,000 (the "Series 2016C Bonds," and together with the Series 2016A Bonds and the Series 2016B Bonds, the "Series 2016 Bonds"). The Series 2016 Bonds are being issued pursuant to an Indenture of Trust, dated as of October 1, 2016 (the "Indenture"), by and between the Department and U.S. Bank National Association, as trustee (the "Trustee"). The Department hereby covenants and agrees as follows:

Section 1. Purpose of this Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Department for the benefit of the Owners and beneficial owners of the Series 2016 Bonds and in order to assist the Participating Underwriter in complying with the Rule.

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

"Annual Report" shall mean any Annual Report provided by the Department pursuant to, and as described in, Sections 3 and 4 hereof.

"Beneficial Owner" shall mean any person that (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Series 2016 Bonds (including persons holding Series 2016 Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Series 2016 Bonds for federal income tax purposes.

"Dissemination Agent" shall mean the Department, acting in its capacity as Dissemination Agent hereunder, or any other successor Dissemination Agent designated in writing by the Department.

"EMMA System" shall mean the MSRB's Electronic Municipal Market Access system, or such other electronic system designated by the MSRB.

"Fiscal Year" shall mean the one-year period ending on June 30 of each year or such other period of 12 months designated by the Department as its Fiscal Year.

"GASB" shall mean the Governmental Accounting Standards Board.

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

"MSRB" shall mean the Municipal Securities Rulemaking Board, or any successor thereto.

"Obligated Person" means the Department, and any successor thereto.

"Official Statement" shall mean the final official statement of the Department relating to the Series 2016 Bonds.

"Owner" shall mean a registered owner of the Series 2016 Bonds.

"Participating Underwriter" shall mean any of the original underwriters of the Series 2016 Bonds required to comply with the Rule in connection with offering of the Series 2016 Bonds.

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

"SEC" shall mean the Securities and Exchange Commission.

"State" shall mean the State of California.

Section 3. Provision of Annual Reports.

(a) The Department shall, or shall cause the Dissemination Agent, if the Dissemination Agent is other than the Department, to, not later than six months following the end of each Fiscal Year of the Department (which Fiscal Year currently ends on June 30), commencing with the report for Fiscal Year 2016, provide to the MSRB through the EMMA System, in an electronic format and accompanied by identifying information all as prescribed by the MSRB, an Annual Report relating to the immediately preceding Fiscal Year that is consistent with the requirements of Section 4 hereof, which Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 hereof; provided that any audited financial statements may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the Fiscal Year for the Department changes, the Department shall give notice of such change in the same manner as for a Listed Event under Section 5(e) hereof.

(b) If in any year, the Department does not provide the Annual Report to the MSRB by the time specified above, the Department shall instead file a notice with the MSRB through the EMMA System in substantially the form attached as Exhibit A hereto.

(c) If the Dissemination Agent is not the Department, the Dissemination Agent shall:

1. file a report with the Department certifying that the Annual Report has been filed pursuant to this Disclosure Certificate and listing the date(s) of the filing(s); and

2. take any other actions mutually agreed to between the Dissemination Agent and the Department.

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

(a) The Department's audited financial statements for the prior Fiscal Year, prepared in accordance with generally accepted accounting principles as promulgated from time to time by GASB and all statements and interpretations issued by the Financial Accounting Standards Board which are not in conflict with the statements issued by GASB. If the 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 and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) Information in form and substance similar to Tables 1, 2A, 2B, 3, 5, 9, 10, 11, 12, 13 and 14 set forth in the Official Statement for the most recently completed Fiscal Year.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Department or related public entities, that have been submitted to the MSRB through the EMMA System.

In the event that information necessary to prepare the tables listed above becomes unavailable due to changes in accounting practices, legislative changes or organizational changes, the Department shall state in its Annual Report that such table will no longer be included in the Annual Report and the reason therefore. Comparable information shall be provided if available.

Section 5. Reporting of Significant Events.

(a) The Department shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Series 2016 Bonds not later than ten 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, issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB);

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 subparagraph (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 governing 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.

(b) The Department shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Series 2016 Bonds, if material, not later than ten business days after the occurrence of the event:

1. Non-payment related defaults;

2. Unless described in paragraph 5(a)(5), other notices or determinations by the Internal Revenue Service with respect to the tax status of the Series 2016 Bonds or other material events affecting the tax status of the Series 2016 Bonds;

3. Modifications to rights of the Owners of the Series 2016 Bonds;

4. Series 2016 Bond calls;

5. Release, substitution or sale of property securing repayment of the Series 2016 Bonds;

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 or the change of name of a trustee.

(c) The Department 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 Department obtains knowledge of the occurrence of a Listed Event described in Section 5(b) hereof, the Department shall determine if such event would be material under applicable federal securities laws.

(e) If the Department 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 Department shall within ten business days of 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 subsections (a)(7) or (b)(4) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Owners of affected Series 2016 Bonds pursuant to the Indenture.

Section 6. Customarily Prepared and Public Information. Upon request, the Department shall provide to any person financial information and operating data regarding the Department which is customarily prepared by the Department and is publicly available at a cost not exceeding the reasonable cost of duplication and delivery.

Section 7. Termination of Obligation. The Department's obligations under this Disclosure Certificate shall terminate upon the maturity, legal defeasance, prior redemption or payment in full of all of the Series 2016 Bonds. In addition, in the event that the Rule shall be amended, modified or repealed such that compliance by the Department with its obligations under this Disclosure Certificate no longer shall be required in any or all respects, then the Department's obligations hereunder shall terminate to a like extent. If such termination occurs prior to the final maturity of the Series 2016 Bonds, the Department shall give notice of such termination in the same manner as for a Listed Event under Section 5(e) hereof.

Section 8. Dissemination Agent. The Department may, from time to time, appoint or engage a dissemination agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such dissemination agent, with or without appointing a successor dissemination agent. If at any time there is not any other designated dissemination agent, the Department shall be the dissemination agent. The initial dissemination agent shall be the Department.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Department may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that, in the opinion of nationally recognized bond counsel, such amendment or waiver is permitted by the Rule. The Department shall give notice of any amendment in the same manner as for a Listed Event under Section 5(e) hereof.

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Department from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Department chooses to include any information in any notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Department shall not thereby have any obligation under this Disclosure Certificate to update such information or include it in any future notice of occurrence of a Listed Event.

Section 11. Default. In the event of a failure of the Department to comply with any provision of this Disclosure Certificate, any Owner or Beneficial Owner of the Series 2016 Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Department to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed a default under the Indenture and the sole remedy under this Disclosure Certificate in the event of any failure of the Department to comply with this Disclosure 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 Department to comply with this Disclosure Certificate.

No Owner or Beneficial Owner of the Series 2016 Bonds may institute such action, suit or proceeding to compel performance unless they shall have first delivered to the Department satisfactory written evidence of their status as such, and a written notice of and request to cure such failure, and the Department shall have refused to comply therewith within a reasonable time.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. Any Dissemination Agent appointed hereunder shall have only such duties as are specifically set forth in this Disclosure Certificate, and shall have such rights, immunities and liabilities as shall be set forth in the written agreement between the Department and such Dissemination Agent pursuant to which such Dissemination Agent agrees to perform the duties and obligations of Dissemination Agent under this Disclosure Certificate.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Department, the Dissemination Agent, if any, the Participating Underwriter, and the Owners and beneficial owners from time to time of the Series 2016 Bonds, and shall create no rights in any other person or entity. This Disclosure Certificate is not intended to create any monetary rights on behalf of any person based upon the Rule.

Section 14. Notices. Any notices or communications to the Department may be given as follows:

Harbor Department of the City of Los Angeles
425 South Palos Verdes Street
San Pedro, California 90731
Attention: Executive Director
Fax: (310) 831-6936
Telephone: (310) 732-3827

Section 15. 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 Department 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 2016 Bonds shall retain all the benefits afforded to them hereunder. The Department hereby declares that it would have executed and delivered this Disclosure 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 16. Governing Law. This Disclosure Certificate was made in the City of Los Angeles and shall be governed by, interpreted and enforced in accordance with the laws of the State and the City of Los Angeles, without regard to conflict of law principles. Any litigation, action or proceeding to enforce or interpret any provision of this Disclosure Certificate or otherwise arising out of, or relating to this Disclosure Certificate, shall be brought, commenced or prosecuted in a State or Federal court in the County of Los Angeles in the State. 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 and waives any defense of forum non conveniens.

IN WITNESS WHEREOF, the undersigned has executed this Disclosure Certificate this 13th day of October, 2016.

HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES

By: ____________________________________
Eugene D. Seroka, Executive Director

EXHIBIT A

NOTICE TO MUNICIPAL SECURITIES RULEMAKING BOARD
OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer:	Harbor Department of the City of Los Angeles
Name of Bond Issue:	Harbor Department of the City of Los Angeles Refunding Revenue Bonds, 2016 Series A; Harbor Department of the City of Los Angeles Refunding Revenue Bonds, 2016 Series B; Harbor Department of the City of Los Angeles Refunding Revenue Bonds, 2016 Series C (Green Bonds)
Date of Issuance:	October 13, 2016
CUSIP:	544552____

NOTICE IS HEREBY GIVEN that the Harbor Department of the City of Los Angeles (the "Department") has not provided an Annual Report with respect to the above referenced Bonds as required by Section 3 of the Continuing Disclosure Certificate, dated October 13, 2016, executed by the Department for the benefit of the Owners and beneficial owners of the above referenced Series 2016 Bonds. The Department anticipates that the Annual Report will be filed by _________, 20__.

Dated:___________________________

HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES

By: ____
Authorized Representative

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APPENDIX E

FORM OF OPINION OF BOND COUNSEL

[Closing Date]

Harbor Department of the City of Los Angeles
425 South Palos Verdes Street
San Pedro, California 90731

Re: $201,560,000 Harbor Department of the City of Los Angeles Refunding Revenue Bonds, 2016 Series A (AMT); Refunding Revenue Bonds, 2016 Series B (Non-AMT); and Refunding Revenue Bonds, 2016 Series C (Non-AMT) (Green Bonds)

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the Harbor Department of the City of Los Angeles (the "Department") of $97,970,000 aggregate principal amount of its Refunding Revenue Bonds, 2016 Series A (AMT) (the "Series 2016A Bonds"), $68,385,000 aggregate principal amount of its Refunding Revenue Bonds, 2016 Series B (Non-AMT) (the "Series 2016B Bonds"), and $35,205,000 aggregate principal amount of its Refunding Revenue Bonds, 2016 Series C (Non-AMT) (Green Bonds) (the "Series 2016C Bonds, and together with the Series 2016A Bonds and the Series 2016B Bonds, the "Series 2016 Bonds"). The Series 2016 Bonds are being issued under and pursuant to Section 609 of the Charter of the City of Los Angeles, California (the "City") and Section 11.28.1 et seq. of the Los Angeles Administrative Code (collectively, the "Charter"); Resolution Nos. 16-7977 and 16-7978 adopted by the Board of Harbor Commissioners of the City on August 4, 2016, approved by the City Council of the City on September 7, 2016 and approved by the Mayor of the City on September 8, 2016, respectively, and Resolution Nos. 16-7985 and 16-7986, adopted by the Board of Harbor Commissioners of the City on August 18, 2016 (collectively, the "Resolution"); and the Indenture of Trust, dated as of October 1, 2016 (the "Indenture"), by and between the Department and U.S. Bank National Association, as trustee (the "Trustee"). All capitalized terms not otherwise defined herein have the meanings assigned to them in the Indenture.

As bond counsel, we have examined the Indenture, the Charter, the Resolution, the Tax and Nonarbitrage Certificate of the Department dated the date hereof (the "Tax Certificate"), the opinion of the City Attorney, opinion of counsel to the Trustee, certificates of the Department, the Trustee and others, copies, certified to us as being true and complete, of the proceedings of the Department for the issuance of the Series 2016 Bonds, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein, although in doing so, we have not undertaken to verify independently the accuracy of the factual matters represented, warranted or certified therein, and 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 Department thereto.

The opinions expressed herein are based upon 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 neither undertaken to determine, nor 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 rights and obligations under the Series 2016 Bonds, the Indenture and the Tax Certificate may be subject to (i) any applicable bankruptcy, reorganization, insolvency, reorganization, arrangement, moratorium or similar laws affecting creditors' rights generally (including, without limitation, fraudulent conveyance laws), (ii) general principles of equity, including without limitation, concepts of materiality, reasonableness, good faith and fair dealing and the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or at law, (iii) the exercise of judicial discretion in appropriate cases, (iv) the limitations on legal remedies imposed on actions against public entities in the State of California, and (v) the application of California laws relating to conflicts of interest to which public entities are subject. We express no opinion as to any provision in the Indenture, the Tax Certificate or the Series 2016 Bonds with respect to the priority of any pledge or security interest, indemnification, or governing law. We undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Series 2016 Bonds and express no opinion with respect thereto in this letter.

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 2016 Bonds constitute the valid and binding limited obligations of the Department.

2. The Indenture has been duly executed and delivered by, and constitutes the valid and binding obligation of, the Department and is enforceable in accordance with its terms.

3. The obligation of the Department to pay the principal of and interest on the Series 2016 Bonds is a limited obligation of the Department payable from all of the Revenues and certain amounts on deposit in certain funds and accounts established pursuant to the Indenture, subject to the provisions of the Indenture permitting the application thereof for the purposes, and on the terms and conditions, set forth in the Indenture. The Series 2016 Bonds do not constitute or evidence indebtedness of the City, the State of California or any political subdivision thereof other than the Department, or a lien or charge on any property or the general revenues of the City, the State of California or any political subdivision thereof other than the Department.

4. The Internal Revenue Code of 1986, as amended (the "Code") sets forth certain requirements which must be met subsequent to the issuance and delivery of the Series 2016 Bonds for interest thereon to be and remain excluded from gross income for federal income tax purposes. Noncompliance with such requirements could cause the interest on the Series 2016 Bonds to be included in gross income for federal income tax purposes retroactive to the date of issue of the Series 2016 Bonds. Pursuant to the Indenture and the Tax Certificate, the Department has covenanted to comply with the applicable requirements of the Code in order to maintain the exclusion of the interest on the Series 2016 Bonds from gross income for federal income tax purposes pursuant to Section 103 of the Code. In addition, the Department has made

certain representations and certifications in the Indenture and the Tax Certificate. We have not independently verified the accuracy of those certifications and representations.

Under existing law, assuming compliance with the tax covenants described herein and the accuracy of the aforementioned representations and certifications, interest on the Series 2016 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code, except that no opinion is expressed as to the exclusion of interest on the Series 2016A Bonds from gross income for any period during which such Series 2016A Bonds are held by a person who, within the meaning of Section 147(a) of the Code, is a "substantial user" of the facilities refinanced with proceeds of the Series 2016A Bonds, or a "related person." We are also of the opinion that interest on the Series 2016A Bonds is treated as an item of tax preference for purposes of calculating the alternative minimum tax that may be imposed under the Code with respect to individuals and corporations. We are further of the opinion that interest on the Series 2016B Bonds and the Series 2016C Bonds is not treated as an item of tax preference for purposes of calculating the alternative minimum tax that may be imposed under the Code with respect to individuals and corporations. Interest on the Series 2016B Bonds and the Series 2016C Bonds is, however, included in the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax imposed on such corporations.

5. We are of the opinion that the interest on the Series 2016 Bonds is exempt from personal income taxes of the State of California under present state law.

Except as stated in the paragraphs 4 and 5, we express no opinion as to any other federal, state or local tax consequences of the ownership or disposition of the Series 2016 Bonds. Furthermore, we express no opinion as to any federal, state or local tax law consequences with respect to the Series 2016 Bonds, or the interest thereon, if any action is taken with respect to the Series 2016 Bonds or the proceeds thereof upon the advice or approval of other counsel.

The opinion set forth in paragraph 1 above assumes that the Trustee has duly authenticated the Series 2016 Bonds.

No opinion is expressed herein on the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Series 2016 Bonds. This opinion is expressly limited to the matters set forth above and we render no opinion, whether by implication or otherwise, as to any other matters.

Our opinions are limited to matters of California law and applicable federal law, and we assume no responsibility as to the applicability of laws of other jurisdictions. We call attention to the fact that the opinions expressed herein and the exclusion of interest on the Series 2016 Bonds from gross income for federal income tax purposes may be affected by actions taken or omitted or events occurring or failing to occur after the date hereof. We have not undertaken to determine, or inform any person, whether any such actions are taken, omitted, occur or fail to occur. We assume no obligation to updated or supplement this opinion to reflect any facts or circumstances which may hereafter come to our attention or any changes in laws which may hereafter occur.

Very truly yours,

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APPENDIX F

BOOK-ENTRY-ONLY SYSTEM

Introduction

Unless otherwise noted, the information contained under the caption "—General" below has been provided by DTC. The Department makes no representations as to the accuracy or the completeness of such information. The Beneficial Owners of the Series 2016 Bonds should confirm the following information with DTC, the Direct Participants or the Indirect Participants.

NEITHER THE DEPARTMENT NOR THE TRUSTEE 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 2016 BONDS UNDER THE INDENTURE, (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 2016 BONDS; (D) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OR INTEREST DUE TO THE OWNERS OF THE SERIES 2016 BONDS; (E) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNERS OF SERIES 2016 BONDS; OR (F) ANY OTHER MATTER REGARDING DTC.

General

DTC will act as securities depository for the Series 2016 Bonds. The Series 2016 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered Series 2016 Bond certificate will be issued for each maturity of the Series 2016 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC or held by the Trustee.

DTC 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 Bonds 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 Direct Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org. The Department has not undertaken any responsibility for and makes no representations as to the accuracy or the completeness of the content of such material contained on the websites described in the preceding sentence including, but not limited to, updates of such information or links to other Internet sites accessed through the aforementioned websites.

Purchases of the Series 2016 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2016 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2016 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2016 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2016 Bonds, except in the event that use of the book-entry system for the Series 2016 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2016 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2016 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2016 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2016 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

While the Series 2016 Bonds are in the book-entry-only system, redemption notices will be sent to DTC. If less than all of the Series 2016 Bonds 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 prepaid.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2016 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Trustee 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 2016 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Series 2016 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Department, the Trustee on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Direct and Indirect 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 Direct and

Indirect Participant and not of DTC, the Trustee or the Department, 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 Department or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2016 Bonds at any time by giving reasonable notice to the Department. Under such circumstances, in the event that a successor depository is not obtained, certificates representing the Series 2016 Bonds are required to be printed and delivered.

The Department 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 2016 Bonds will be printed and delivered to the registered holders of the Series 2016 Bonds.

The information in this Appendix F concerning DTC and DTC's book-entry system has been obtained from sources that the Department believes to be reliable, but neither the Department nor the Underwriters take any responsibility for the accuracy thereof.

BENEFICIAL OWNERS WILL NOT RECEIVE PHYSICAL DELIVERY OF SERIES 2016 BONDS AND WILL NOT BE RECOGNIZED BY THE TRUSTEE 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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THE PORT
OF LOS ANGELES

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