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

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the Department, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Series 2019 Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), except that no opinion is expressed as to such exclusion of interest on any Series 2019 Bond for any period during which the Series 2019 Bond is held by a person who, within the meaning of Section 147(a) of the Code, is a "substantial user" of the facilities financed or refinanced with the proceeds of the Series 2019 Bonds or a "related person" (ii) interest on the Series 2019B Bonds and the Series 2019C-2 Bonds is not treated as a preference item in calculating the alternative minimum tax under the Code, and (iii) interest on the Series 2019A Bonds and the Series 2019C-1 Bonds, however, is treated as a preference item in calculating the alternative minimum tax under the Code. In addition, in the opinion of Bond Counsel to the Department, under existing statutes, interest on the Series 2019 Bonds is exempt from personal income taxes imposed by the State of California. See "TAX MATTERS" herein.

$163,080,000
HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES
(Private Activity)

$115,065,000	$32,340,000	$4,995,000	$10,680,000
Refunding Revenue Bonds	**Refunding Revenue Bonds**	**Refunding Revenue Bonds**	**Refunding Revenue Bonds**
2019 Series A	**2019 Series B**	**2019 Series C-1**	**2019 Series C-2**
(AMT)	**(Non-AMT)**	**(AMT) (Green Bonds)**	**(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, 2019 Series A (the "Series 2019A Bonds"), the Harbor Department of the City of Los Angeles Refunding Revenue Bonds, 2019 Series B (the "Series 2019B Bonds"), the Harbor Department of the City of Los Angeles Refunding Revenue Bonds, 2019 Series C-1 (Green Bonds) (the "Series 2019C-1 Bonds") and the Harbor Department of the City of Los Angeles Refunding Revenue Bonds, 2019 Series C-2 (Green Bonds) (the "Series 2019C-2 Bonds," and together with the Series 2019A Bonds, the Series 2019B Bonds and the Series 2019C-1 Bonds, the "Series 2019 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 2019 Bonds. The Series 2019 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. 19-9497 and 19-9498 adopted by the Board of Harbor Commissioners of the City of Los Angeles (the "Board") on June 20, 2019, and approved by the City Council of the City of Los Angeles (the "City Council") and the Mayor of the City (the "Mayor") on August 7, 2019 and August 12, 2019, respectively; Resolution Nos. 19-9510 and 19-9511, adopted by the Board on July 25, 2019; and an Indenture of Trust, to be dated as of September 1, 2019 (the "Indenture"), by and between the Department and U.S. Bank National Association, as trustee (the "Trustee").

The Series 2019 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 2019 Bonds may be made in book-entry form only in denominations of $5,000 and integral multiplies thereof. Interest on the Series 2019 Bonds will be payable on February 1 and August 1, commencing on February 1, 2020. So long as the Series 2019 Bonds are held by DTC, the principal of and interest on the Series 2019 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 2019 Bonds, as more fully described herein. See "APPENDIX F—BOOK-ENTRY-ONLY SYSTEM."

The Series 2019 Bonds are not subject to redemption prior to maturity. See "DESCRIPTION OF THE SERIES 2019 BONDS—No Redemption Prior to Maturity."

Maturity Schedule on Inside Front Cover

Principal of and interest on the Series 2019 Bonds are payable solely from the Revenues and other amounts pledged under the Indenture. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2019 BONDS—Source of Payment" and "—Harbor Revenue Fund." The Series 2019 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 2019 BONDS—Outstanding Parity Obligations" herein.

THE SERIES 2019 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 2019 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 2019 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 2019 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 2019 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 2019 Bonds are offered when, as, and if issued and received by the Underwriters, subject to the approval of validity by Hawkins Delafield & Wood 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, Stradling Yocca Carlson & Rauth, a Professional Corporation. KNN Public Finance, LLC has served as Municipal Advisor to the Department. It is expected that the delivery of the Series 2019 Bonds will be made through the facilities of DTC on or about September 18, 2019.

Jefferies

Siebert Cisneros Shank & Co. L.L.C. **UBS**

Date of Official Statement: August 28, 2019.

MATURITY SCHEDULE

$163,080,000
HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES
(Private Activity)

$115,065,000
Refunding Revenue Bonds
2019 Series A
(AMT)

Maturity Date (August 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP Numbers*
2020	$ 1,950,000	5.000%	1.080%	103.381	544552ZZ8
2021	6,225,000	5.000	1.120	107.156	544552A28
2022	25,070,000	5.000	1.160	110.805	544552A36
2023	29,245,000	5.000	1.200	114.324	544552A44
2024	18,280,000	5.000	1.250	117.660	544552A51
2025	31,065,000	5.000	1.300	120.842	544552A69
2026	3,230,000	5.000	1.370	123.719	544552A77

$32,340,000
Refunding Revenue Bonds
2019 Series B
(Non-AMT)

Maturity Date (August 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP Numbers*
2026	25,455,000	5.000%	0.930%	127.022	544552A85
2027	1,450,000	5.000	0.980	130.373	544552A93
2028	1,080,000	5.000	1.040	133.467	544552B27
2029	4,355,000	5.000	1.090	136.490	544552B35

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MATURITY SCHEDULE

$4,995,000
Refunding Revenue Bonds
2019 Series C-1
(AMT) (Green Bonds)

Maturity Date (August 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP Numbers*
2025	$4,995,000	5.000%	1.300%	120.842	544552B43

$10,680,000
Refunding Revenue Bonds
2019 Series C-2
(Non-AMT) (Green Bonds)

Maturity Date (August 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP Numbers*
2026	$10,680,000	5.000%	0.930%	127.022	544552B50

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HARBOR DEPARTMENT
OF THE CITY OF LOS ANGELES

425 South Palos Verdes Street
San Pedro, CA 90731

BOARD OF HARBOR COMMISSIONERS

Jaime L. Lee, President
Diane Middleton
Lucia Moreno-Linares
Anthony Pirozzi, Jr.
Edward Renwick

OFFICERS AND EXECUTIVES

Eugene D. Seroka, Executive Director
Marla Bleavins, Deputy Executive Director, Finance and Administration and Chief Financial Officer
Thomas Gazsi, Deputy Executive Director, Chief of Public Safety and Emergency Management
Michael DiBernardo, Deputy Executive Director, Marketing and Customer Relations
Antonio Gioiello, Deputy Executive Director, Development
David Libatique, Deputy Executive Director, Stakeholder Engagement
Soheila Sajadian, Director of Debt and Treasury

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U.S. Bank National Association

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KNN Public Finance, LLC

Verification Agent

Causey Demgen and Moore P.C.

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 2019 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 2019 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 2019 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 2019 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 2019 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 2019 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 2019 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.

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OFFICIAL STATEMENT

$163,080,000
HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES
(Private Activity)

$115,065,000	$32,340,000	$4,995,000	$10,680,000
Refunding Revenue Bonds	Refunding Revenue Bonds	Refunding Revenue Bonds	Refunding Revenue Bonds
2019 Series A	2019 Series B	2019 Series C-1	2019 Series C-2
(AMT)	(Non-AMT)	(AMT) (Green Bonds)	(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 $115,065,000 Refunding Revenue Bonds, 2019 Series A (the "Series 2019A Bonds"), its $32,340,000 Refunding Revenue Bonds, 2019 Series B (the "Series 2019B Bonds"), its $4,995,000 Refunding Revenue Bonds, 2019 Series C-1 (Green Bonds) (the "Series 2019C-1 Bonds") and its $10,680,000 Refunding Revenue Bonds, 2019 Series C-2 (Green Bonds) (the "Series 2019C-2 Bonds," and together with the Series 2019A Bonds, the Series 2019B Bonds and the Series 2019C-1 Bonds, the "Series 2019 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 2019 Bonds to potential investors is made only by means of the entire Official Statement.

Changes Since the Date of the Preliminary Official Statement

After the date of the Preliminary Official Statement, the Department obtained Fiscal Year 2019 data for Table 3 herein captioned "Port of Los Angeles, TEUs by Country, Fiscal Year 2019" under the heading "THE PORT AND THE DEPARTMENT—Operating Data". The Official Statement has been updated to incorporate such information. Additionally, the information under the heading "CERTAIN INVESTMENT CONSIDERATIONS—Seismic Activity" has been updated to reflect the recent publication of an article in a seismological journal that posits the existence of an additional active earthquake fault in the area in which the Port is located.

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 2019, the Port handled 9,688,252 TEUs, as compared to 9,169,780 TEUs in Fiscal Year 2018. 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 the latest available statistics compiled by the Journal of Commerce, during calendar year 2018, 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 25 terminals, including seven 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 one multi-use facility. 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 2019 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. 19-9497 and 19-9498 (collectively, the "Authorizing Resolutions") adopted by the Board of Harbor Commissioners of the City of Los Angeles (the "Board") on June 20, 2019 and approved by the City Council of the City (the "City Council") and the Mayor of the City (the "Mayor") on August 7, 2019 and August 12, 2019, respectively; Resolution Nos. 19-9510 and 19-9511 (collectively, the "Document Resolutions," and together with Authorizing Resolutions, the "Resolutions") adopted by the Board on July 25, 2019; and an Indenture of Trust, to be dated as of September 1, 2019 (the "Indenture"), by and between the Department and U.S. Bank National Association, as trustee (the "Trustee").

Purpose of the Series 2019 Bonds

Proceeds from the sale of the Series 2019 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 2019 Bonds, all as further described herein. See "PLAN OF REFUNDING AND APPLICATION OF SERIES 2019 BOND PROCEEDS."

Security for the Series 2019 Bonds

The principal of and interest on the Series 2019 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 2019 BONDS—Source of Payment" and "—Harbor Revenue Fund."

THE SERIES 2019 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 2019 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 2019 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, 2019, the Department has $763,595,000 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 2019 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 2019 Bonds. As of June 30, 2018, the Department could issue its commercial paper notes from time to time to finance a portion of its capital improvement program on a short-term basis. The Department's commercial paper program expired in August 2018. However, pursuant to an Indenture of Trust, dated as of June 1, 2019, by and between the Department and U.S. Bank National Association, and the Credit Agreement, dated as of June 1, 2019, by and between the Department and PNC Bank, National Association, the Department is authorized to issue and to have outstanding, from time to time, up to $150 million aggregate principal amount of its Harbor Department of the City of Los Angeles Revenue Revolving Obligations (the "Revolving Obligations") which constitute Parity Obligations. The Department currently has no Revolving Obligations outstanding. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2019 BONDS-Outstanding Parity Obligations–*Revolving Obligations*." 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 2019 Bonds) are prohibited. The Department has no such senior obligations outstanding. Certain indentures previously entered into by the Department ("Prior Indentures") do not permit the Department to enter into obligations secured by a pledge of and lien on Revenues ranking junior and subordinate to the payment of principal of and interest on the Parity Obligations issued pursuant to such Prior Indentures. However, the Indenture, subject to the provisions set forth in the Indenture, permits the Department to enter into obligations secured by a pledge of and lien on Revenues ranking junior and subordinate to the pledge of and lien on the Revenues securing the Series 2019 Bonds and any future Parity Obligations. It is the Department's intent that any future obligations entered into will also provide the Department with such flexibility. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2019 BONDS—Outstanding Parity Obligations" and "APPENDIX C—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—Restrictions on Additional Indebtedness".

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 2019 BONDS—Rate Covenant"

Continuing Disclosure

In connection with the issuance of the Series 2019 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 2019 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 2019 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 2019 Bonds.

PLAN OF REFUNDING AND APPLICATION OF SERIES 2019 BOND PROCEEDS

Plan of Refunding

The Series 2019 Bonds are being issued to (a) current refund all of the Department's outstanding Revenue Bonds, 2009 Series A (the "Refunded Series 2009A Bonds"), (b) current refund all of the Department's outstanding Refunding Revenue Bonds, 2009 Series C ("Series 2009C Bonds") maturing on and between August 1, 2021 (bearing interest at 5.250% per annum) and August 1, 2031 (both dates inclusive) (the "Refunded Series 2009C Bonds" and together with the Refunded Series 2009A Bonds, the "Refunded Bonds"), and (c) pay the costs of issuance of the Series 2019 Bonds.

The Department's Series 2009C Bonds with a stated maturity date of August 1, 2021 and bearing interest at 5.000% per annum are not subject to optional redemption prior to their stated maturity date and will not be refunded with proceeds of the Series 2019 Bonds.

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

Refunded Series 2009A Bonds

Maturity Date (August 1)	Principal Amount	Redemption Date[1]	CUSIP Number[2]
2020	$4,835,000	September 19, 2019	544552TK8
2021	5,075,000	September 19, 2019	544552TL6
2022	5,340,000	September 19, 2019	544552TM4
2023	5,625,000	September 19, 2019	544552TN2
2024	5,920,000	September 19, 2019	544552TP7
2025	6,230,000	September 19, 2019	544552TQ5
2026	6,555,000	September 19, 2019	544552TR3
2027	6,885,000	September 19, 2019	544552TS1
2028	7,230,000	September 19, 2019	544552TT9
2029	7,590,000	September 19, 2019	544552TU6

[1] The Refunded Series 2009A Bonds will be redeemed on September 19, 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.

Refunded Series 2009C Bonds

Maturity Date (August 1)	Principal Amount	Redemption Date[1]	CUSIP Number[2]
2021	$5,240,000	September 19, 2019	544552UU4
2022	3,965,000	September 19, 2019	544552UG5
2022	20,090,000	September 19, 2019	544552UV2
2023	28,220,000	September 19, 2019	544552UH3
2024	17,280,000	September 19, 2019	544552UJ9
2025	500,000	September 19, 2019	544552UK6
2025	34,555,000	September 19, 2019	544552UW0
2026	38,390,000	September 19, 2019	544552UL4
2027	425,000	September 19, 2019	544552UM2
2031	5,645,000	September 19, 2019	544552UN0

[1] The Refunded Series 2009C Bonds will be redeemed on September 19, 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 Refunded Bonds will be refunded with a portion of the proceeds of the Series 2019 Bonds together with certain available moneys of the Department, which will be deposited in the applicable redemption account established and maintained for the Refunded Bonds. Such amounts will be applied to pay the interest on the Refunded Bonds through their redemption date (September 19, 2019) and the redemption price of 100% of the principal amount thereof.

Upon delivery of the Series 2019 Bonds, Causey Demgen & Moore P.C. (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 their redemption date (September 19, 2019). See "VERIFICATION OF MATHEMATICAL COMPUTATIONS."

Application of Series 2019 Bond Proceeds

Proceeds from the sale of the Series 2019 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 2019 Bonds. The following table sets forth the sources and uses of funds in connection with the issuance of the Series 2019 Bonds.

Sources	Series 2019A Bonds	Series 2019B Bonds	Series 2019C-1 Bonds	Series 2019C-2 Bonds	Total
Par Amount	$115,065,000.00	$32,340,000.00	$4,995,000.00	$10,680,000.00	$163,080,000.00
Original Issue Premium	17,878,196.80	9,269,441.70	1,041,057.90	2,885,949.60	31,074,646.00
Other Available Moneys[1]	16,210,350.26	5,071,839.14	735,785.58	1,653,850.02	23,671,825.00
Total Sources	$149,153,547.06	$46,681,280.84	$6,771,843.48	$15,219,799.62	$217,826,471.00
Uses					
Payment on the Refunded Bonds	$148,627,670.00	$46,530,185.00	$6,746,191.67	$15,172,778.33	$217,076,825.00
Costs of Issuance[2]	352,977.55	102,500.96	18,146.21	30,973.25	504,597.97
Underwriters' Discount	172,899.51	48,594.88	7,505.60	16,048.04	245,048.03
Total Uses	$149,153,547.06	$46,681,280.84	$6,771,843.48	$15,219,799.62	$217,826,471.00

[1] Includes a release of funds allocable to the Refunded Bonds from within the Common Reserve, and a release of funds from the Interest Funds applicable to the Refunded Bonds.
[2] Includes Trustee fees, Verification Agent fees, municipal advisor fees and expenses, rating agency fees, bond and disclosure counsel fees and expenses, printing costs, other costs of issuing the Series 2019 Bonds and a rounding amount.

GREEN BONDS DESIGNATION

The Department engaged Sustainalytics to review the Department's Green Bond Framework (the "Framework") and provide a second-party opinion on the Framework's environmental credentials, as well as the alignment of the Framework with the *Green Bond Principles 2018* (the "GBP 2018"), which are administered by the International Capital Market Association. As part of this engagement, Sustainalytics held conversations with various members of the Department's management team to understand the sustainability impact of their business processes and use of proceeds of the Series 2019C-1 Bonds and the Series 2019C-2 Bonds, as well as management of proceeds and reporting aspects of the Framework, and reviewed relevant public documents and non-public information. Sustainalytics is of the opinion that the Framework, pursuant to which the Department has labeled the Series 2019C-1 Bonds and the Series 2019C-2 Bonds as "Green Bonds," is credible and impactful, and aligns with the four core components of the GBP 2018. Sustainalytics conclusions were due, in part, to the use of the proceeds of the Series 2019C-1 Bonds and the Series 2019C-2 Bonds to refund the portion of the respective Refunded Bonds which were issued to finance projects that fall under the eligible categories defined under the GBP 2018

("Green Projects"). The purpose of designating the offered bonds as "Green Bonds" is to allow investors to invest directly in bonds which refinance existing Green Projects. Construction of such Green Projects has been completed, and details on allocated amounts and impact indicators are discussed within the Framework, and therefore, 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 2019C-1 Bonds the Series 2019C-2 Bonds are entitled to any security other than that described under the heading, "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2019 BONDS.

DESCRIPTION OF THE SERIES 2019 BONDS

General

The Series 2019 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 2019 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, 2020. Interest due and payable on the Series 2019 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 2019 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, 2020, 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 2019 Bond, interest thereon is in default, such Series 2019 Bond will bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

The Series 2019 Bonds will be issued in denominations of $5,000 or integral multiples thereof. The Series 2019 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 2019 Bonds. Individual purchases may be made in book-entry form only. Purchasers will not receive certificates representing their interest in the Series 2019 Bonds purchased. So long as Cede & Co., as a nominee of DTC, is the registered owner of the Series 2019 Bonds, references herein to the Owners or registered owners means Cede & Co., and does not mean the beneficial owners of the Series 2019 Bonds.

So long as Cede & Co. is the registered owner of the Series 2019 Bonds, principal of and interest on the Series 2019 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."

No Redemption Prior to Maturity

The Series 2019 Bonds are not subject to redemption prior to maturity.

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2019 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 2019 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, and the premium, if any, on the Series 2019 Bonds in accordance with their terms and the provisions of the Indenture. The pledge of the 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.

No debt service reserve fund will be established to secure the payment of principal of and interest on the Series 2019 Bonds. The Series 2019 Bonds will not be secured by amounts held in the Common Reserve (defined herein) that secure all Common Reserve Parity Obligations (defined herein). See also "—No Reserve Fund Established for Series 2019 Bonds Reserve Fund; Reserve Fund Established for Certain Parity Obligations Not Available for Series 2019 Bonds" for additional information.

"*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 2019 Bonds and all revenue bonds, Revolving Obligations and related Bank Notes, 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 2019 Bonds and which are secured by a pledge of and lien on the Revenues. See "—Outstanding Parity Obligations" below.

THE SERIES 2019 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 2019 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 2019 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, 2019, the Department has $763,595,000 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 2019 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 2019 Bonds. 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 2019 Bonds) are prohibited. The Department has no such senior obligations outstanding. Certain indentures previously entered into by the Department ("Prior Indentures") do not permit the Department to enter into obligations secured by a pledge of and lien on Revenues ranking junior and subordinate to the payment of principal of and interest on the Parity Obligations issued pursuant to such Prior Indentures. However, the Indenture, subject to the provisions set forth in the Indenture, permits the Department to enter into obligations secured by a pledge of and lien on Revenues ranking junior and subordinate to the pledge of and lien on the Revenues securing the Series 2019 Bonds and any future Parity Obligations. It is the Department's intent that any future obligations entered into will also provide the Department with such flexibility. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2019 BONDS—Outstanding Parity Obligations" and "APPENDIX C—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—Restrictions on Additional Indebtedness".

"*Issuing Document*" means any indenture of trust, trust agreement, credit agreement or other document pursuant to 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 Costs of Issuance Fund (the "Costs of Issuance Fund"); and (d) 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 2019 Bonds becomes due and payable under the Indenture, 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 2019 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 2019 Bonds becomes due and payable under the Indenture, that sum, if any, required to cause the aggregate amount on deposit in the Principal Fund to equal the principal amount of the Series 2019 Bonds coming due and payable 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, 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 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. No debt service reserve fund will be established to secure the payment of principal of and interest on the Series 2019 Bonds. See "—No Reserve Fund Established for Series 2019 Bonds Reserve Fund; Reserve Fund Established for Certain Parity Obligations Not Available for Series 2019 Bonds" below for additional information.

(d) Subject to the provisions of the Indenture contained under the caption "—Additional Debt" below, the Department shall, from the remaining moneys in the Harbor Revenue Fund, thereafter, without preference or priority, from time to time, pay all debt service on any Subordinate Obligations issued or incurred in compliance with the provisions of the Indenture contained under the caption "—Additional Debt" below as it becomes due and payable and in the event of any insufficiency of such moneys ratably without any discrimination or preference and thereafter, to the replenishment of any reserve funds for any such Subordinate Obligations.

(e) Subject to the provisions of the Indenture contained under the caption "—Additional Debt" below, 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 2019 Bonds, 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 Series 2019 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."

No Reserve Fund Established for Series 2019 Bonds; Reserve Funds Established for Certain Parity Obligations Not Available for Series 2019 Bonds

No debt service reserve fund will be established to secure the payment of principal of and interest on the Series 2019 Bonds. The Series 2019 Bonds will not be secured by amounts held in the Common Reserve that secure all Common Reserve Parity Obligations.

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"). The Department has elected to treat the reserve funds established for its Revenue Bonds, 2009 Series A (the "Series 2009A Bonds"), Series 2009C 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"), Refunding Revenue Bonds, 2015 Series A (the "Series 2015 Bonds"), Refunding Revenue Bonds, 2016 Series A (the "Series 2016A Bonds"), the Refunding Revenue Bonds, 2016 Series B (the "Series 2016B Bonds") and Refunding Revenue Bonds, 2016 Series C (the "Series 2016C Bonds," and collectively with the Series 2016A Bonds and the Series 2016B Bonds, the "Series 2016 Bonds") as part of the Common Reserve. The Series 2009A Bonds, the Series 2009C Bonds, the Series 2011 Bonds, the Series 2014 Bonds, the Series 2015 Bonds and the Series 2016 Bonds and any additional Parity Obligations issued in the future for which the Department elects to participate in the Common Reserve are referred to herein as the "Common Reserve Parity Obligations".

Certain amounts on deposit in the Common Reserve relating to the Refunded Series 2009A Bonds and the Refunded Series 2009C Bonds will be released upon delivery of the Series 2019 Bonds and used to current refund and defease a portion of the Refunded Bonds. See "—PLAN OF REFUNDING APPLICATION OF SERIES 2019 BOND PROCEEDS—Application of Series 2019 Bond Proceeds".

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 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 from all reserve funds which the Department has elected to make a part of the Common Reserve on a pro rata basis to meet the funding requirements of the Common Reserve Parity Obligations.

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.

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 such election, the Department is required to deposit cash and/or securities in 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 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 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 2019 Bonds, the Common Reserve is expected to contain $41,291,438 of cash and securities, which will satisfy the Common Reserve Requirement. The Series 2019 Bonds are not secured by the Common Reserve.

In addition to the cash and securities, the Common Reserve contains two Common Reserve Security Devices, one 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, and the other issued by Financial Guaranty Insurance Company (in the principal amount of

$18,942,500), 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 an amount equal to 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 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 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 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 2019 Bonds) are secured by a Separate Reserve Fund.

Under the Issuing Document for the Revolving Obligations the Department did not establish a reserve fund for the Revolving Obligations. The Revolving Obligations are not secured by the Common Reserve.

Additional Debt

No Priority. The Indenture provides that no revenue bonds, revolving obligations and related bank notes, notes, 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 2019 Bonds). No revenue bonds, revolving obligations and related bank notes, notes or other obligations of the Department payable out of the Harbor Revenue Fund will be issued with payment of principal or interest out of the Harbor Revenue Fund on a basis subordinate to or on a parity with Parity Obligations (including the Series 2019 Bonds), except in compliance with the provisions of the Indenture set forth below.

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 Subordinate Obligations unless and until the principal of and interest on the Parity Obligations (including the Series 2019 Bonds) issued or incurred in compliance with the provisions of the Indenture contained under this caption, 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 as set forth in the provisions of the Indenture contained under the caption "—Flow of Funds" above and unless and until the replenishment of any reserve fund for any such Parity Obligations required pursuant to the provisions of the Indenture contained under the caption "—Flow of Funds" above are then current.

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 revenue bonds, revolving obligations and related bank notes, notes or other obligations of the Department (other than the Parity Obligations (including the Series 2019 Bonds) and Subordinate Obligations) serviced out of the Harbor Revenue Fund unless and

until the principal of and interest on the Subordinate Obligations issued or incurred in compliance with the provisions of the Indenture contained under this caption, 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 as set forth in the provisions of the Indenture contained under the caption "—Flow of Funds" above and unless and until the replenishment of any reserve fund for any such Subordinate Obligations required pursuant to the provisions of the Indenture contained under the caption "—Flow of Funds" above are then current.

Additional Indebtedness. Pursuant to the Indenture, no revenue bonds, revolving obligations and related bank notes, notes or other obligations of the Department will be created or incurred by the Department, and no contracts of the Department will be created or executed by the Department, the payments of which are secured by a pledge of and lien on the Revenues senior to the pledge of and lien on the Revenues securing the Parity Obligations (including the Series 2019 Bonds).

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 the Series 2019 Bonds or other 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 Revolving Obligations, 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 Parity Obligations for the purpose of refunding at or prior to maturity the principal of Parity Obligations and paying any premium upon redemption of any thereof so refunded will not be limited or restricted by the provisions of this paragraph (b), if the Debt Service for such Parity Obligations in each year will be lower than the Debt Service on the Parity Obligations being refunded.

(c) No Subordinate Obligations will be created or incurred, unless: (i) any issuing document authorizing the issuance of any such Subordinate Obligations will specifically state that such pledge of and lien on the Revenues is junior and subordinate to the pledge of and lien on the Revenues securing the Parity Obligations (including the Series 2019 Bonds); and (ii) payment of principal and interest on such Subordinate Obligations is permitted only if all deposits required to be made to the Trustee to be used to pay debt service on the Parity Obligations (including the Series 2019 Bonds) and to replenish any reserve funds for Parity Obligations are then current in accordance with the provisions of the Indenture contained under the caption "—Flow of Funds" above.

(d) No revenue bonds, revolving obligations and related bank notes, notes or other obligations of the Department, nor any contracts, the payments of which are secured by a pledge of and lien on the Revenues (other than the Parity Obligations (including the Series 2019 Bonds) and Subordinate Obligations) will be created or incurred.

(e) Nothing in the Indenture will limit the ability of the Department to issue or incur any bonds, notes or other evidences of indebtedness, or certificates of participation payable solely from and/or secured solely by a pledge of and lien on certain revenues of the Department which do not constitute Revenues, or which bonds, notes or other evidences of indebtedness, or certificates of participation are unsecured obligations of the Department.

Outstanding Parity Obligations

General. As of September 1, 2019, the Department has $763,595,000 of Parity Obligations (including the Refunded Bonds) outstanding, which consisted of the Department's revenue bonds (no Revolving Obligations have yet been incurred by the Department). The Parity Obligations are secured by Revenues on parity with the Series 2019 Bonds.

The following table sets forth the Parity Obligations that have been issued and are outstanding as of September 1, 2019.

Outstanding Parity Obligations
(as of September 1, 2019)

Bonds	Original Principal Amount	Principal Amount Outstanding [1]	Issuing Document
Series 2009A [2]	$100,000,000	$61,285,000	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 2009C [2]	230,160,000	159,310,000	Series 2009 Indenture
Series 2011A	58,930,000	26,070,000	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	182,965,000	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	81,680,000	Series 2014 Indenture
Series 2014C	44,890,000	40,840,000	Series 2014 Indenture
Series 2015A	37,050,000	25,410,000	Indenture of Trust, dated as of October 1, 2015, by and between the Department and U.S. Bank National Association, as trustee
Series 2016A	97,970,000	52,205,000	Indenture of Trust, dated as of October 1, 2016, by and between the Department and U.S. Bank National Association, as trustee (the "Series 2016 Indenture")
Series 2016B	68,385,000	65,805,000	Series 2016 Indenture
Series 2016C	35,205,000	35,205,000	Series 2016 Indenture
Total	$997,795,000	$763,595,000	

[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 2019 BOND PROCEEDS" for a discussion of the refunding and defeasance of the Refunded Bonds.
Source: Harbor Department of the City of Los Angeles

Revolving Obligations. Pursuant to an Indenture of Trust, dated as of June 1, 2019, by and between the Department and U.S. Bank National Association and a Credit Agreement, dated as of June 1, 2019 (the "Credit Agreement"), by and between the Department and PNC Bank, National Association (the "Revolving Obligations Bank"), the Department is authorized to issue and to have outstanding, from time to time, up to $150 million in aggregate principal amount of its Harbor Department of the City of Los Angeles Revenue Revolving Obligations (referred to herein as, the "Revolving Obligations"). As of the date of this Official Statement, the Department has no Revolving Obligations outstanding. All of the Revolving Obligations issued by the Department are purchased by the Revolving Obligations Bank in accordance with the terms of the Credit Agreement. The Revolving Obligations 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 2019 Bonds) and constitute Parity Obligations.

Pursuant to the Credit Agreement, the Revolving Obligations Bank has agreed to make advances from time to time to the Department for the purposes of providing money to finance and refinance projects of the Department and for other financing needs of the Department (including, but not limited to,

the refunding and restructuring of indebtedness of the Department). The Credit Agreement may be terminated prior to its expiration date (June 10, 2022) upon the occurrence of certain events. Furthermore, upon the occurrence and continuation of an event of termination under the Credit Agreement, the Revolving Obligations Bank does not have the right or remedy to accelerate or declare the principal and interest due under the Credit Agreement to be immediately due and payable, except in the case of events of termination under the Credit Agreement that are also events of default under the indentures relating to the Parity Obligations. Subject to the terms of the Credit Agreement, the Department can convert any outstanding Revolving Obligations to a term loan that will be payable in accordance with the Credit Agreement. The Department's obligation to repay the Revolving Obligations Bank for advances made under the Credit Agreement is secured by a pledge of and lien on Revenues on parity with the other Parity Obligations (including the Series 2019 Bonds) and constitute Parity Obligations. A redacted copy of the Credit Agreement is available on the EMMA website at https://emma.msrb.org/ES1297881-ES1015639-ES1416973.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 (including oil terminals) and other facilities (including cruise and auto 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 2018, the Department administered over 250 active leases throughout Port property with its various tenants. 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 the latest available statistics compiled by the Journal of Commerce, during calendar year 2018, 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 in the United States, Canada and Mexico. 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 include 25 terminals, including seven 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 one multi-use facility.

With 83 ship-to -shore containers cranes, all Port container terminals feature on-dock rail access and shore power connections, with access to nearly 2 billion square feet of warehouse and distribution center space across Southern California. See "THE PORT AND THE DEPARTMENT—Digitizing the Supply Chain" for more information relating to the Port Optimizer™.

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
Jaime L. Lee	Real Estate	June 30, 2021
Diane Middleton	Retired Attorney	June 30, 2024
Lucia Moreno-Linares	Retired Credit Union Executive	June 30, 2023
Edward R. Renwick	Business Person	June 30, 2022
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, leading a team of more than 900 employees, advancing major capital projects, growing trade

volumes and promoting innovative, sustainable practices that improve Southern California's economy and quality of life. His duties involve interacting with a wide range of stakeholders, including Port customers worldwide, supply chain partners, labor and community members and elected and appointed officials at all levels.

Mr. Seroka brings more than 30 years of experience in shipping, global logistics and executive management to the Port. 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. Prior to his current position, Mr. Seroka was President of the American Region for American President Line ("APL") Limited's Liner Shipping business, where he led more than 1,000 employees and was responsible for all commercial, port terminal, intermodal and labor activities throughout the region. Prior to that, Mr. Seroka held various key overseas positions for APL. 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.

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. He is a member of the U.S. Department of Commerce Advisory Committee on Supply Chain Competitiveness, U.S. Department of Transportation Bureau of Transportation Port Performance Freight Statistics Working Group, U.S. Maritime Administration Marine Transportation System National Advisory Committee, and Federal Maritime Commission Supply Chain Innovation Team. Mr. Seroka earned a Bachelor's Degree in Marketing and an MBA from the University of New Orleans.

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 planning and analysis, debt and treasury, risk management, audit, human resources, and contracts and purchasing functions. Ms. Bleavins also serves as acting Executive Director of the Department in the event Mr. Seroka is unable to serve in such capacity. 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.

David Libatique, Deputy Executive Director, Stakeholder Engagement. In April 2018, David Libatique was appointed to be the Deputy Executive Director of Stakeholder Engagement at the Department. In his role, Mr. Libatique oversees and manages all communications on behalf of Department via the Community Relations, Media Relations, Government Affairs, Trade Development, and Labor Relations and Workforce Development Divisions. In this role, Mr. Libatique works with diverse stakeholders, including local communities, a dedicated and organized workforce, beneficial cargo owners, terminal operators, international customers, shipping and cruise lines, railroads, the trucking industry, media, and regulatory, environmental agencies to advance the Department's goals and initiatives for the Port. Mr. Libatique also interacts on a broader scale with an array of local, regional, statewide, and national elected officials and stakeholders. Mr. Libatique first joined the Department in January 2011 as Senior Director of Government Affairs. Prior to joining the Department, Mr. Libatique served as former Mayor Antonio Villaraigosa's Director of Energy Policy, where he was responsible for advancing the former Mayor Antonio Villaraigosa's environmental policies at the Los Angeles Department of Water and Power. Before assuming that role, Mr. Libatique served as a senior policy analyst for former Mayor Antonio Villaraigosa, and acted as a liaison with the Port, where he advanced the former Mayor Antonio Villaraigosa's "Green Growth" policies, including the Clean Air Action Plan and Clean Truck Program. Before joining the Villaraigosa Administration, Mr. Libatique served as Senior Deputy for Councilmember Martin Ludlow, where he led policy development and legislative strategies to reform City of Los Angeles anti-gang efforts. Mr. Libatique has conducted extensive experience in economic research, including working as a research analyst at the World Health Organization in Geneva, Switzerland. There, he was a part of Working Group VI of the Commission on Macroeconomics and Health that analyzed the economic impact of investment in improved health outcomes for poor and middle-income countries. Mr. Libatique holds a bachelor of arts in economics from the University of California, Berkeley and a master of public policy from Harvard University's Kennedy School of Government.

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 the 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 Board and 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 $17.8 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 2018, the Port handled approximately 9,169,780 TEUs. According to the latest available statistics compiled by the Journal of Commerce, during calendar year 2018, the Port was the busiest container port in the United States, and the Port and the Port of Long Beach combined, ranked as the ninth 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 2009 through 2019 (unaudited). See also "FINANCIAL INFORMATION CONCERNING THE DEPARTMENT—Summary of Revenues, Expenses and Net Assets—Container-Shipping Industry Generally."

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[2]	Liquid Bulk	Dry Bulk[3]	Total[4]	Percent Increase/(Decrease) in Total Tonnage over Prior Year
2009	144,400	11,100	2,000	157,500	(7.4)[5]
2010	145,800	10,700	1,300	157,800	0.2
2011[6]	149,100	10,600	1,200	160,900	2.0
2012[6]	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	167,300	14,300	1,200	182,800	3.4
2017	184,300	13,200	600	198,100	8.4
2018	178,000	15,500	1,000	194,500	(1.8)[8]
2019[9]	193,100	13,400	900	207,400	6.6

[1] Numbers are rounded.
[2] General Cargo tonnage comprised of both TEU tonnage and non-TEU tonnage.
[3] Dry bulk cargo includes steel slabs, pipe, beams, scrap metal and cement.
[4] Computed on an accrual basis, adjusted for unverified amounts.
[5] Due to the global economic downturn that began in December 2007, the Department experienced declines in total revenue tonnage in the fiscal years ended June 30, 2008 and June 30, 2009.
[6] Tonnage changes due to post-close adjustments.
[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—Container-Shipping Industry Generally" herein.
[8] Decline is attributed to realignment and consolidation of vessel services among the shipping alliances.
[9] Unaudited.
Source: Harbor Department of the City of Los Angeles

The following Table 2A summarizes revenues per ton for Fiscal Years 2009 through 2019 (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, 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
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[4]	347,900	165,100	2.11
2014	377,200	176,400	2.14
2015	364,900	176,800	2.06
2016	368,500	182,800	2.02
2017	398,300	198,100	2.01
2018	405,300	194,500	2.08
2019[5]	410,300	207,400	1.98

[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—Container-Shipping Industry Generally" 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**
2009	$329,300	$293,100	7,262	$40.36	$36,200	14,500	$2.50
2010	327,600	296,500	7,228	41.02	31,100	12,500	2.49
2011	343,500	306,300	7,935	38.60	37,200	14,900	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	368,500	324,100	8,391	38.62	44,400	18,500	2.40
2017	398,300	351,800	9,206	38.21	46,500	17,300	2.69
2018	405,300	353,600	9,170	38.56	51,800	19,500	2.66
2019[3]	410,300	358,900	9,688	37.05	51,500	17,000	3.03

[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—Container-Shipping Industry Generally" 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, Indonesia and Vietnam. China alone was the destination for approximately 25.3% of the Department's Fiscal Year 2019 exports, and approximately 61.9% of the Department's Fiscal Year 2019 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—Container-Shipping Industry Generally" below.

Table 3
Port of Los Angeles
TEUs by Country
Fiscal Year 2019

Exports Country	TEUs	% of Total	Imports Country	TEUs	% of Total
China	409,085	25.3%	China	3,015,339	61.9%
Japan	218,453	13.5	Vietnam	351,704	7.2
Taiwan	152,862	9.4	Taiwan	232,269	4.8
South Korea	149,613	9.2	Japan	208,925	4.3
Indonesia	113,063	7.0	South Korea	208,465	4.3
Vietnam	105,309	6.5	Thailand	174,852	3.6
Malaysia	70,637	4.4	Indonesia	136,010	2.8
Singapore	55,985	3.5	Hong Kong	86,717	1.8
Hong Kong	49,987	3.1	Malaysia	82,494	1.7
Thailand	36,899	2.3	India	60,563	1.2
All Others	257,246	15.9	All Others	311,135	6.4
Total Exports	1,619,138	100.0%	Total Imports	4,868,472	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, 2018. See "CERTAIN INVESTMENT CONSIDERATIONS—Port Competition."

Table 4
Top Container Ports in North America
Total TEUs
Calendar Year 2018

Port	Total TEUs[1]
Port of Los Angeles	9.459 million
Port of Long Beach	8.031 million
Port of New York and New Jersey	7.180 million
Port of Savannah	4.352 million
Ports of Seattle and Tacoma[2]	3.797 million
Port of Vancouver (Canada)	3.396 million
Port of Manzanillo (Mexico)	3.079 million
Port of Virginia (Norfolk)	2.856 million
Port of Houston	2.700 million
Port of Oakland	2.546 million
Port of Charleston	2.316 million

[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; Port of Vancouver and Port of Manzanillo data, American Association of Port Authorities; and 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 2019 Bonds. The Department has no direct role in managing the daily movement of cargo. In 2018, the Department administered over 250 active leases throughout Port property with its various tenants. 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, 2019 are shown in the following Table 5.

Table 5
Port of Los Angeles
Major Permittees (Tenants)
As of June 30, 2019

APM Terminals Pacific LLC / Maersk Pacific, Ltd. / Maersk Line A/S
China Shipping Holding Co., Ltd.
Eagle Marine Services, Ltd. / American President Lines*
Everport Terminal Services Inc. / Evergreen America Corporation
Kinder Morgan Liquids Terminals LLC / Kinder Morgan West Coast Terminals
Ocean Network Express
Parking Concepts, Inc.
PBF Energy Western Region, LLC
Phillip 66 / Phillips 66 Company
Ports America Cruise, Inc.
Rio Doce Pasha Terminal
SA Recycling LLC
Shell Oil Company
Trapac, LLC
Union Pacific Railroad Company
Vopak Terminal Los Angeles Inc.
Westrec Marina Management, Inc. / Cathay Bank
WWL Vehicle Services Americas, Inc.
Yang Ming Marine Transport Corporation / Yang Ming Transport LTD.
Yusen Terminal, Inc. / N.Y.K. (North America) Inc.

* Eagle Marine Services, Ltd. was rebranded to Fenix Marine Services, Ltd. in late 2018.
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 82% of unaudited Fiscal Year 2019 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) for Fiscal Years 2020 through 2024.

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

Fiscal Year Ended June 30	Minimum Permit Revenue ($000s)
2020	$363,302
2021	364,577
2022	365,259
2023	365,494
2024	366,180

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 66 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 Divisions conduct 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 2024. 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, Travel and Tourism 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 July 2018. 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.

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The following Table 7 sets forth the Department's projected capital improvement program expenditures and funding sources for Fiscal Years 2020 through 2024 (data as of June 2019). 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)

Fiscal Year Ending June 30	Total Capital Improvement Plan Expenditures[2]	Source of Funding		
		Port Cash	Government Grants[3]	Debt[4]
2020	$144.4	$134.7	$ 9.7	$ –
2021	243.3	226.8	16.5	–
2022	102.4	90.3	12.1	–
2023	56.6	56.6	–	–
2024	27.0	27.0	–	–
Total[5]	$573.7	$535.3	$ 38.4	$ –

[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] Projected grant receipts are based upon those provided within the most recently adopted fiscal year budget.
[4] The Department may issue Revolving Obligations from time to time to finance a portion of its capital improvement program on a short-term basis. See "SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2019 BONDS—Outstanding Parity Obligations—Revolving Obligations" for additional information.
[5] May not add due to rounding.
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 requested and reimbursed to 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 the date of this Official Statement, 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 was awarded $62.9 million of Proposition 1B funds for the TraPac Terminal expansion project, which was completed in May 2017.

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).

In December 2018, the Department approved the State Proposition 1B Trade Corridors Improvement Fund ("TCIF") Program Baseline Agreement for the Everport Terminal Efficiency Enhancement and Truck Trip Reduction Project. As of March 2019, the Department had been awarded $5.43 million of Proposition 1B Proposition 1B TCIF for such project, however no portion of such grant amount has been requested by or reimbursed to the Department.

As of May 31, 2019, a total of approximately $207.1 million of Proposition 1B funding had been awarded to the Department and approximately $191.4 million had been requested by and reimbursed to 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 2019 were approximately $44.8 million comprised of: Terminal Projects (a total of approximately $13.9 million), Transportation Projects (a total of approximately $5.1 million), Security Projects (a total of approximately $0.8 million), Public Access/Environmental Enhancement Projects (a total of approximately $11.6 million), and Maritime Services Projects (a total of approximately $13.4 million).

For Fiscal Year 2020 the Department has budgeted $144.4 million for capital improvement projects in the following categories: Terminal Projects (approximately $64.7 million), Transportation Projects (approximately $11.7 million), Security Projects (approximately $8.5 million), Public Access/Environmental Enhancements (approximately $21.5 million), and Maritime Services Projects (approximately $38.0 million). The largest of these projects is expected to be the Everport Redevelopment at Berths 226 through 236. 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 2020 through 2024. 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 2020-2024

Project Category	Estimated Total Cost ($ millions)
Terminal Projects	$223.9
Transportation Projects	53.8
Security Projects	19.3
Public Access/Environmental Enhancements	120.4
Maritime Projects	156.4
Total[1]	$573.7

[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*.**

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 (with the installation of sheet piles), dredging 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, electrical infrastructure for three additional cranes, panzerbelt trench upgrades, fender and bollard upgrades, wharf repairs and the installation of a water line. In total, the Everport Redevelopment is expected to cost approximately $69 million. The Department intends to use cash from operations to finance costs of the Everport Redevelopment. Environmental studies and the design of the Everport Redevelopment improvements have been completed with construction expected to begin in August 2019.

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 2019, remaining design and construction work on this project has been temporarily suspended while negotiations with the tenant take place and the final scope of work for the Yang Ming Terminal Project is pending the outcome of such negotiations. The Department intends to use cash from operations to finance costs of the Yang Ming Terminal Project.

Cruise Terminal. Since 2008, the Department has invested more than $55 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 and recent customs and border protection improvements. As of June 2019, the Department expects to spend approximately $6 million over the next five years to upgrade elevators, escalators, vehicular and pedestrian ramps, and improve passenger access to the Cruise Terminal. The Department also intends to distribute a request for proposals in 2019 for an additional cruise ship terminal at Berth 46 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 modern fleet of cruise ships that are over 1,000 feet long and which carry more than 4,000 passengers. 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 Program. 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, 187-190, and 238-239. As a result of these initial audits, Kinder Morgan's marine oil terminal at Berths 118-120 was found to not be in compliance with the MOTEMS code. As a result, Kinder Morgan's operations at Berths 118-120 will be vacated by 2023 and the Department intends to re-purpose the site for container operations.

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 2019, aggregate costs of the upgrade or replacement of liquid bulk wharves are estimated to be approximately $209 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 $60.0 million in the aggregate). The Department intends to use cash from operations to finance costs of the MOTEMS implementation.

Berth 171-181 Development. The development at Berths 171-181 (the "Berth 171-181 Development") consist of replacing a fire-damaged timber wharf with a new, higher capacity concrete wharf that meets the Port's current seismic code. The Department received a gross settlement of $14.5 million from its insurance carrier in connection with such fire damage. In addition, the wharf and bollards at Berths 179–181 will be repaired and the warehouse at these berths will receive window upgrades and roll-up door replacements. Furthermore, the electrical infrastructure at Berths 179-181 will also be upgraded. The Berth 171-181 Development improvements are budgeted at $15.4 million and are scheduled to start construction in 2020. The Department intends to use cash from operations to finance the cost of these projects.

Pier 400 Corridor Storage Tracks Expansion Project. The Pier 400 corridor storage tracks expansion project (the "Pier 400 Expansion Project") will increase the capacity of on-dock railyards on Terminal Island resulting in an overall increase of approximately 10% in rail capacity for the Port. The Pier 400 Expansion Project will result in approximately 525,275 TEUs of cargo a year being transported from the Port via train instead of truck, resulting in a reduction in emissions and traffic congestion. The

Pier 400 Expansion Project consists of the addition of five new tracks to the existing storage yard on Pier 400 and includes a new rail bridge over water. The Final Initial Study/Mitigated Negative Declaration for the Pier 400 Expansion Project was approved in October 2018. The California Department of Transportation is currently reviewing the National Environmental Policy Act documentation for this project. The Pier 400 Expansion Project is currently in the design phase and construction is expected to start in early 2020 and be completed in the winter of 2021. The Pier 400 Expansion Project has a budget of approximately $34 million, of which the Department is responsible for approximately $12.4 million (a federal grant generated by the State of California Trade Corridor Enhancement Program will fund the remaining $21.6 million). The Department has used or intends to use cash from operations to finance its portion of the costs of the Pier 400 Expansion Project.

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, relocation of the Catalina Express Terminal and installation of AMP improvements. In addition to the three main phases, the China Shipping Project also anticipates the construction of an operations building and crane maintenance building at Berths 100-102. 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 was completed in August 2018, and implementing a beautification plan along area corridors and landscaping along Front Street which runs parallel to the terminal perimeter.

The remaining components of the China Shipping Project and the preparation of the Supplemental EIR for the China Shipping Project are expected to cost $21.9 million. The Department intends to use cash from operations to finance such costs 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.

Transportation Projects.

State Route 47 (SR-47)/Vincent Thomas Bridge & Front Street/Harbor Boulevard Interchange Reconfiguration Project. This project is designed to improve safety as well as access to and from the Port. Furthermore, goods movement and traffic circulation in the area will also benefit from the improved operation of the redesigned on- and-off-ramps for the Vincent Thomas Bridge. This project is expected to 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 are working together to implement the proposed improvements.

A Negative Declaration for the project was previously approved and National Environmental Policy Act clearance occurred in March 2019. Project construction is scheduled to begin in fall 2021 and to be completed in fall 2023. The cost of the proposed improvements is approximately $31 million, of which the Department is responsible for approximately $13 million at this time. The remaining $18 million of funding for the proposed improvements is expected to come from grants obtained from various authorities including the Los Angeles County Metropolitan Transportation Authority and South Bay Cities Council of Governments. The Department has used or intends to use cash from operations to finance its portion of the costs of the project but at the same time is seeking a federal source of funding.

The Alameda Corridor Southern Terminus Gap Closure Project. The Alameda Corridor Southern Terminus Gap Closure project (the "ACSTGC Project") will improve efficiency of on-dock rail operations at two terminals by providing separate rail access to two adjacent on-dock railyards. The new double track segment will eliminate the short gap in trackage between the West Basin area in the Port and the Alameda Corridor and will reduce moving train blockages at two nearby at-grade rail crossings which reduces the potential for train-vehicular collisions. The ACSTGC Project has been developed in conjunction with other projects that improve transportation, emissions, and community access in the Wilmington Community. The California Environmental Quality Act documentation for the ACSTGC Project was approved by the Board in September 2018. The California Department of Transportation is currently reviewing the National Environmental Policy Act documentation for the ACSTGC Project. Construction is expected to begin in the fall of 2019 and be completed in the fourth quarter of 2020. The ACSTGC Project is expected to cost approximately $10 million, of which the Department is responsible for approximately $4 million. The remaining $6 million of funding for the ACSTGC Project is expected to come from a federal grant generated by the State of California Trade Corridor Enhancement Program. The Department has used or intends to use cash from operations to finance its portion of the costs of the ACSTGC Project.

Security Projects.

Port Police Radio System. The Port Police radio system project (the "Port Police Radio System Project") will develop and install a new 700 megahertz radio system for the Port Police. The Port Police Radio System Project includes implementing upgraded radio system infrastructure (including enhancing resiliency, redundancy and interoperability), enhancing mission critical radio system microwave communications, the addition of three repeaters, controllers, antennas, cabling, IP Network interfaces and support equipment. The legacy ultra-high frequency radio system will be deactivated. The Port Police Radio System Project in budgeted to cost $18.7 million. The Project Police Radio System was awarded the Urban Area Security Initiative grant from the City Mayor's Office in the amount of $6,958,841. The Department intends to use cash from operations to finance the remainder of the Port Police Radio System Project costs. The Port Police Radio System Project is expected to be completed in the summer of 2021.

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 locations, the Wilmington Waterfront and the San Pedro Waterfront. The Wilmington Waterfront project includes a 1,200 foot waterfront promenade, a public plaza and parking. One of the complementary improvements at the Wilmington Waterfront, the

Wilmington Youth Sailing and Aquatic Center, includes 3,800 square foot community building and an 8,000 square foot boat storage area at Berth 183, and will be completed in the fall of 2019. The EIR for the 94-acre Wilmington Waterfront project was approved by the Board in June 2009. The five-year total cost (Fiscal Years 2019-20 through 2023-24) of the Wilmington Waterfront project is estimated to be approximately $66.4 million. The Department intends to use cash from operations to finance the costs of the Wilmington Waterfront project.

The San Pedro Waterfront is generally located along the west side of the Port's main channel from the Vincent Thomas Bridge to Cabrillo Beach. The EIR for the San Pedro Waterfront project was approved by the Board in September 2009. The San Pedro Waterfront project 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 and electrical infrastructure, and surface and structured parking to accommodate project development within the proposed project area. The five-year cost (Fiscal Years 2019-20 through 2023-24) of the San Pedro Waterfront project is estimated to be approximately $32.5 million. The Department intends to use cash from operations to finance the costs of the San Pedro Waterfront project.

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.

***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, pilot boat replacement, equipment operations building renovation, demolition of the former Star-Kist cannery, refurbishment of the interior work space and improvements to the Department's construction and maintenance yard located in Wilmington, among others. Such projects are anticipated to cost $156.4 million. 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 2018, the Department expended approximately $8.4 million on environmental remediation at the Port. In Fiscal Year 2019, the Department expended approximately $2.8 million (unaudited) on environmental remediation. The Department estimates that in Fiscal Year 2020 and beyond it will spend $58.6 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 eight NDs/MNDs and two EIRs prepared by the Environmental Management Division. The Environmental Management Division is currently preparing five NDs/MNDs and six 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 and again in 2017. The CAAP addresses the five primary categories of Port-related emission sources (ships, trucks, trains, cargo handling equipment and harbor craft), and outlines specific, detailed strategies to reduce emissions from each category, The CAAP is the Department's comprehensive plan to address air pollution emissions from Port-related sources. Pursuant to the CAAP, the Department has undertaken several programs to lower air pollution levels at the Port. Through implementation of the CAAP, since 2005, there has been an 87% reduction in diesel particulate matter, a 98% reduction in sulfur oxides and a 60% reduction in nitrogen oxides emissions from Port-related sources. The 2017 update to the CAAP includes several updates, including goals of achieving zero emission cargo handling equipment by 2030 and zero emission drayage truck fleets by 2035. The CAAP and its associated various measures have cost the Port and the Port's tenants approximately $2.0 billion 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 2019, fees related to the Clean Truck Program amounted to approximately $2.0 million (unaudited). For Fiscal Year 2020, the Department has budgeted approximately $2.0 million for fees related to the Clean Truck Program.

Recent Developments Relating to TraPac Terminal EIR. Out of the 52 environmental mitigation measures set forth in the TraPac Terminal Environmental Impact Report (the "TraPac Terminal EIR"), 51 are in compliance, and one measure, as initially noted in 2015 and more recently in a 2019 self-audit of the Department, is delayed. The delayed measure, a road improvement project, has been funded and is in process according to the timetable set by the City of Los Angeles Bureau of Engineering. The Department's Environmental Management Division continues to monitor and track the status of compliance of all environmental mitigation measures contained in the TraPac Terminal lease and the TraPac 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, transportation and various other environmental impact categories. 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 initially 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 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. The 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 Board certified the Final Environment Impact Report (the "TraPac EIR") and approved the project for the development of various improvements to Berths 136-147 at the Port, currently occupied by TraPac, Inc. ("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. Subsequent to the project approval, certain entities (the "Appellants") filed appeals to the City Council challenging the TraPac EIR certification/project approval under provisions of the California Environmental Quality Act ("CEQA"). On April 3, 2008, the Board approved a Memorandum of Understanding (the "MOU") with the Appellants that provides for the release of all claims relating to the TraPac EIR certification/project approval and the establishment of a Port Community Mitigation Trust Fund (the "Fund") that will be operated by a nonprofit organization in order to fund grants that will address off-Port impacts from Port operations. The nonprofit organization created to provide administrative services for the Fund is the Harbor Community Benefit Foundation (the "HCBF"). 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. Pursuant to the MOU, an additional contribution of approximately $4 million was made by the Department to the Fund in June 2010. On October 26, 2010, the Board approved an operating agreement with the Appellants and the HCBF (the "Operating Agreement") which served to clarify many terms of the MOU, including adding an extension of time for

the Department's contributions to the Fund. In order to off-set the three-year delay in forming the HBCF, the Operating Agreement provided for an extension of time for certain Fund contributions to be made beyond the MOU expiration date (April 2, 2013). In addition, the Operating Agreement extended the Department's obligation to make contributions to the Fund for certain Department expansion projects that are certified prior to May 19, 2016. Under the MOU, there is no funding obligation for projects certified after May 19, 2016, however, the MOU and the Operating Agreement will remain in effect until all monies in the Fund are fully distributed.

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, 2019, 20 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 "PMA") and the International Longshore and Warehouse Union (the "ILWU"). PMA represents most of the steamship lines, marine terminal operators, car loading bureaus and cargo companies on the Pacific Coast. Most of the ILWU employees work under contract with the PMA. The current contract between the PMA 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. On April 28, 2017, the ILWU caucus approved a five-year contract extension. The current contract expires on July 1, 2022.

The previous contract between the PMA and the ILWU expired on June 30, 2014. The PMA 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 increased slightly by 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 PMA 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 PMA 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. In addition, the supply chain group meets regularly to improve the performance of the supply chain. Recently, such meetings have been focused on chassis provisioning and meetings with chassis providers, shipping lines and marine terminal operators.

In addition, the environmental teams and stakeholders of both the Department and the Port of Long Beach continue to meet as the implementation of the CAAP continues into the next stage. See "Environmental and Regulatory Matters—Clean Air Action Plan" herein.

Digitizing the Supply Chain

There have been discussions in the shipping industry focused on the need to digitize the global supply chain to enhance secure transactions and the flow of cargo movement through the supply chain. The Port launched its own digital strategy and supply chain solution when it entered into an agreement with GE Transportation (a Wabtech company) to develop a visibility tool called the Port Optimizer™, providing supply chain stakeholders an advanced view on container cargoes scheduled to arrive at the Port. With container information being available earlier in the process, supply chain stakeholders are able to plan the movement of containers better, thus enhancing cargo velocity through the Port's marine terminals. All but one of the major container shipping lines, and all of the Port's marine terminals, provide information to the Port Optimizer. Beneficiaries of the information are cargo owners, trucking companies, railroads and chassis providers.

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 benefits, City 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 annual 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 171 separate fixed-rent permits, leases or 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 2015 through 2019 (unaudited).

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

	2015	2016	2017	2018	Unaudited 2019
Revenues					
Shipping Services					
Wharfage	$ 336,997	$ 342,703	$ 369,715	$ 376,165	$ 383,548
Dockage	6,097	5,629	4,113	4,532	4,348
Demurrage	329	216	213	219	202
Pilotage	7,110	7,064	9,558	10,502	10,985
Assignment Charges	14,365	12,858	14,657	13,861	11,244
Total Shipping Services	$ 364,899	$ 368,470	$ 398,256	$ 405,279	$ 410,327
Rentals					
Land	$ 45,255	$ 45,763	$ 50,554	$ 60,746	$ 65,291
Other	979	808	704	672	674
Total Rentals	$ 46,233	$ 46,571	$ 51,258	$ 61,419	$ 65,966
Royalties, Fees and Other Operating Revenues [1, 2]	35,763	21,085	25,019	24,062	30,134
Total Operating Revenues	$ 446,895	$ 436,126	$ 474,532	$ 490,760	$ 506,426
Expenses					
Operating and Administrative Expenses					
Salaries and Benefits	$ 92,786	$ 94,281	$ 94,677	$ 96,208	$ 119,655[5]
Pension Expense Adjustment	19,002	20,438	23,905	20,843	--
OPEB Expense [3]	--	--	--	4,482	--
City Services and Payments	34,749	37,421	39,554	42,749	45,223
Outside Services	28,983	28,970	25,022	29,904	33,418
Utilities [1]	19,373	15,060	15,573	15,642	19,941
Materials and Supplies	6,257	6,340	5,314	6,960	6,593
Pollution Remediation Expenses	(211)	5,194	(536)	(3,795)	(3,592)
Marketing and Public Relations	2,771	2,567	2,583	2,784	2,510
Workers' Compensation, Claims and Settlement	2,503	245	4,977	4,009	(553)
Clean Truck Program Expenses	949	897	704	831	3,120
Travel and Entertainment	512	611	536	749	724
Other Operating Expenses	26,575	14,238	15,367	15,590	9,630
Total Operating and Administrative Expenses	$ 234,249	$ 226,261	$ 227,675	$ 236,955	$236,668
Income from Operations before Depreciation	212,646	209,865	246,857	253,805	269,758
Depreciation	137,384	163,933	172,895	167,984	161,977
Operating Income	$ 75,262	$ 45,932	$ 73,962	$ 85,821	$ 107,781
Nonoperating Revenues/(Expenses)					
Income from Investments in JPAs and Other Entities	$ 2,811	$ 2,544	$ 2,162	$ 2,001	$ 2,596
Interest and Investment Income	5,039	9,326	1,118	618	15,540
Interest Expense	(330)	(507)	(604)	(1,612)	(1,290)
Other Income and Expenses, net	(2,226)	(3,850)	(1,145)	1,999	27,151
Net Nonoperating Revenues/(Expenses)	5,293	7,512	1,531	3,006	43,997
Income Before Capital Contributions	$ 80,555	$ 53,444	$ 75,492	$ 88,827	$ 151,778
Capital Contributions	111,852	40,489	18,801	4,524	3,523
Special Item [2]	--	5,123	9,150	--	--
Changes in Net Assets	192,407	99,056	103,443	93,351	155,301
Total Net Assets – Beginning of Year	3,064,554	3,062,899	3,161,955	3,265,398	3,334,871
Net Adjustment for Prior Year Amortization of Bond Premium/Discount	--	--	--	--	--
Cumulative effect of change in accounting principle [3]	--	--	--	(23,879)	--
Net Adjustment for Prior Year Pension Expense [4]	(194,062)	--	--	--	--
Total Net Assets – End of Year	$3,062,899	$3,161,955	$3,265,398	$3,334,871	$3,490,172

[1] Royalties, Fees and Other Operating Revenues in fiscal year ended June 30, 2015 and thereafter increased relative to prior years due in part to tenant reimbursements related to the alternative maritime power ("AMP") program at the Port. 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" expense by the Department.

[2] Royalties, Fees and Other Operating Revenues in the fiscal year ended June 30, 2016 were restated within the subsequent fiscal year-end financial statements due to a reclassification of approximately $5.1 million in one-time insurance reimbursements which have now been presented as a "Special Item" for the fiscal year ended June 30, 2016. At fiscal year ended June 30, 2017, $9.2 million was recognized as a one-time insurance reimbursement, which was in addition to the prior fiscal year's $5.1 million insurance reimbursements.

[3] GASB "Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" ("GASB 75") establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources and expenses/expenditures. The Department implemented GASB 75 in fiscal year ended June 30, 2018. OPEB expenses incurred in prior fiscal years were recorded within "Salaries and Benefits" expense. The net position at July 1, 2017 was restated by $23.9 million to adjust for the cumulative change in accounting principle as a result of GASB 75.

[4] One-time adjustment required by GASB 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 ended June 30, 2014 must be reflected as a "Deferred Outflows of Resources" rather than being expensed.

[5] Pension and OPEB expenses currently included in Salaries and Benefits pending actuarial valuation.

Source: Harbor Department of the City of Los Angeles

Management Discussion and Analysis—Fiscal Years 2018 and 2019. In Fiscal Year 2019, total cargo volumes increased by 6.6% relative to Fiscal Year 2018. The Port handled approximately 9.673 million TEUs in Fiscal Year 2019 as compared to approximately 9.170 million TEUs in Fiscal Year 2018. Total operating revenues were approximately $506.43 million (unaudited) in Fiscal Year 2019, an increase of approximately $15.67 million, or 3.19%, over Fiscal Year 2018. Total operating and administrative expenses for Fiscal Year 2019 were approximately $236.67 million (unaudited), a decrease of approximately 0.12% over the same period in Fiscal Year 2018. Overall, operating income, before depreciation, for Fiscal Year 2019 increased to approximately $269.76 million (unaudited), an increase of approximately 6.29% from Fiscal Year 2018.

Tariffs. Shipping revenues are comprised of wharfage, dockage, demurrage, 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 2009 through 2019.

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]
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
2017	6.25	2,465
2018	6.25	2,465
2019	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

Container-Shipping Industry Generally. 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. The economy and trade showed signs of recovery in 2010 and the Port regained its lost container volume over the subsequent fiscal years. In Fiscal Year 2013, container volume dropped primarily due to the transfer

of a service route to the Port of Long Beach, however, the Department regained the lost cargo volume by offering cargo incentives in calendar year 2014. In Fiscal Year 2015, container cargo movements through the Port were temporarily affected as a result of protracted negotiations between the PMA and the ILWU and certain other congestion issues, however, the Department regained lost cargo volume in Fiscal Year 2016 and 2017 as it continued to recover from the congestion issues experienced in mid-Fiscal Year 2015. In Fiscal Year 2017, the Port experienced a 8.4% increase in container volume as compared to Fiscal Year 2016. In Fiscal Year 2018, the Port experienced a 1.8% decrease in container volume as compared to Fiscal Year 2017 as a result of realignment and consolidation of vessel services among the shipping alliances. In Fiscal Year 2019, the Port experienced a 6.6% increase in container volume as compared to Fiscal Year 2018. See "Table 1—Revenue Tonnage by Cargo Type" for additional information.

Incentive Programs. The Department currently has three incentive programs in place to increase market share aimed at positively impacting revenue. In Fiscal Year 2019, the Board approved the updated Ocean Common Carrier ("OCC") Program, which was last active in calendar year 2014. Similar to the last iteration of the OCC Program, the updated OCC Program is designed to capture a larger portion of the Asia trade market share and maintain the Port's position as the busiest container port in the United States (by container volume). The updated OCC Program rewards eligible OCCs with $10 per TEU on every incremental loaded and empty TEU that such OCC delivers to the Port during the fiscal year (known as the incentive period). The OCC will be rewarded with this incentive if 1) TEUs delivered during the incentive period exceed the Transpacific Market growth in TEU volumes delivered relative to the fiscal year that immediately preceded the incentive period (the baseline year), 2) the TEUs delivered during the baseline year must be equal to or exceed the TEUs delivered during the fiscal year immediately preceding the baseline year (known as the qualifying year), and 3) the qualifying year TEUs must be greater than zero. The maximum payout per OCC per incentive period will not exceed $2.0 million. The Department has budgeted $5.8 million for the OCC Program in Fiscal Year 2020 for the first payouts under the updated OCC Program.

To help evaluate the future feasibility of deploying Ultra-Large Container Vessels, the Department introduced the Ultra-Large Container Vessel ("ULCV") Program in Fiscal Year 2019, which provides a financial incentive to OCCs that bring into the Port a ULCV it operates. To qualify, the container vessel needs to be a minimum of 398 meters in length and 54 meters in width, and deliver a minimum of 24,000 TEUs to the Port. The ULCV Program rewards OCCs with $10 per loaded TEU on its TEU volume delivered to the Port. The ULCV program would be limited to only one ULCV that an OCC operates and limited to only one of that ULCV's visits to the Port. The maximum incentive amount an OCC could earn is $150,000. The Department has budgeted approximately $1.2 million in Fiscal Year 2020 for the ULCV Program.

Although the cruise industry is not a primary revenue contributor at the Port, it plays an important role in increasing economic activity in the region, providing new visitors to the LA Waterfront and maintaining a diversified portfolio of land uses that serve the maritime needs of the citizens of California. With this in mind, the Department introduced two Cruise Vessel Incentive programs (the "Cruise Vessel Programs") in Fiscal Year 2017 aimed at increasing business at the cruise terminal. The first incentive rewards cruise vessel operators based on the yearly passenger volume through the Port with a payment made to the cruise vessel operator per vessel call (ranging from $5,000 to $12,000). The second incentive rewards cruise vessel operators that have more than 10 vessel calls during the low-season summer months with a $5,000 payment made to the cruise vessel operator per vessel call. In Fiscal Years 2018 and 2019, the Department spent $1.1 million and $990,000, respectively to fund the Cruise Vessel Programs. The Department has budgeted approximately $1.2 million in Fiscal Year 2020 for the Cruise Vessel Programs.

The Department funds a series of programs that encourages Port tenants to conduct their operations in a more environmentally friendly manner. For example, the Vessel Speed Reduction

Incentive Program (introduced in calendar year 2001), 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 to reduce air pollution within the San Pedro Bay area. In Fiscal Years 2018 and 2019, the Department expended approximately $2.4 million and $1.9 million, respectively, to fund the Vessel Speed Reduction Incentive Program. The Department has budgeted approximately $1.7 million to fund the Vessel Speed Reduction Incentive Program in Fiscal Year 2020. Another program the Department funds, the Technology Advancement Program (introduced in calendar year 2007), seeks to accelerate commercial availability of new, clean technologies, through evaluation and testing, to reduce air pollution in and around the Port and the Port of Long Beach. In Fiscal Years 2018 and 2019, the Department expended approximately $229,247 and $566,747, respectively, to fund the Technology Advancement Program. The Port has budgeted approximately $1.0 million in Fiscal Year 2020 to fund the Technology Advancement Program.

Another program the Department funds, the Environmental Ship Index ("ESI") Program (introduced in Fiscal Year 2013), rewards Port vessel operators for reducing diesel particulate matter ("DPM"), greenhouse gasses, and nitrogen oxide ("NOx") emissions from their ocean-going vessels ("OGVs"). The ESI Program rewards operators that use cleaner technology and practices that reduce emissions beyond the regulatory requirements set by the International Maritime Organization, as well as rewards operators with the cleanest ship engines and those with OGVs that demonstrate emission technology reducing NOx and/or DPM under a Technology Advancement Program technology demonstration agreement approved by the Board. In Fiscal Years 2018 and 2019, the Department expended approximately $396,000 and $610,250, respectively, to fund the ESI Program. The Port has budgeted approximately $450,000 in Fiscal Year 2020 to fund the ESI Program.

For Fiscal Year 2018, the Department expended approximately $1.107 million in total customer incentives and approximately $2.991 million in total environmental incentives (which includes $27,199 for the Marine Engine Exchange Incentive Program that ended on December 31, 2017). For Fiscal Year 2019, the Department incurred $990,000 in total customer incentives and approximately $3.3 million in total environmental incentives. For Fiscal Year 2020, the Department has budgeted $8.2 million in total customer incentives, and has budgeted approximately $3.2 million for total environmental incentives.

Debt Service Coverage. The total 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 2014 through 2019 (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	Total Revenues [1]	Operating Expenses [2]	Available Revenues	Debt Service [3]	Debt Service Coverage [4]
2014	$446,910	$205,354	$241,556	$65,488	3.7x
2015	460,364	234,249	226,115	69,988	3.2
2016	452,398	226,261	226,136	91,831	2.5
2017	487,806	227,675	260,131	87,570	3.0
2018	501,663	236,955	264,708	80,147	3.3
2019[5]	561,529	236,668	324,860	84,884	3.8

[1] Total Revenues include operating revenues, income from investments and interest, and non-capital grant 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 debt. Debt service for the fiscal year ended June 30, 2016 was $84.4 million plus $7.4 million related to the early redemption of the Department's Refunding Revenue Bonds 2005 Series C-1. Furthermore, the principal amortization for the 2011 Series A Bonds and the 2014 Bonds started in the fiscal year ended June 30, 2016. No new money debt was incurred in the fiscal years ended June 30, 2017 through June 30, 2019.
[4] Available Revenues divided by Debt Service.
[5] Unaudited.
Source: Harbor Department of the City of Los Angeles

Fiscal Year 2020 Budget

The Adopted Fiscal Year 2020 Budget represents a fiscal plan with resources dedicated in order to deliver value for the Department's customers. The Department plans to accomplish this by providing superior infrastructure, promoting efficient operations as well as forging strong and lasting relationship with its stakeholders. Furthermore, the Adopted Fiscal Year 2020 Budget represents a purposed and measured approach to operating the Port in a time of uncertainty from the ongoing trade dispute between the United States and China. The Adopted Fiscal Year 2020 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.

The Adopted Fiscal Year 2020 Budget is comprised of three primary components, which includes $499.7 million in operating revenues, $278.0 million in operating expenses and $173.1 million in capital expenditures. The Adopted Fiscal Year 2020 Budget includes a 1.9% decline in operating revenues as compared to the Adopted Budget for Fiscal Year 2019, driven primarily by lower shipping services revenue and lower royalties & fees revenue being only partially offset by increases in rentals revenue, fees related to the Clean Truck Program and other operating revenue. Despite an expected increase in cargo volumes in Fiscal Year 2020, revenues from shipping services (such category is projected to comprise 81.8% of operating revenues) are expected to decline due to lower expected rates per TEU (attributable to a specific limited-duration terminal agreement amendment which allows vessels controlled by the parent of one terminal to call at other terminals, and, in so doing, allows both terminals to potentially achieve lower TEU rates associated with the additional TEU volume).

The Adopted Fiscal Year 2020 Budget includes a 0.8% decrease in total operating expenses as compared to the Adopted Budget for Fiscal Year 2019, due primarily to lower outside services, other operating expenses, and material & supplies expenses and an increase in allocation to capital projects, which are partially offset by increases in salaries & benefits expense and City services expense. The

increase in salaries & benefits expense (such expense category is projected to comprise more than 52% of total operating expenses) is primarily attributable to higher pension and health care contributions and mandated adjustments for filled full-time positions. The Fiscal Year 2020 capital budget, is projected to increase by 12.7% as compared to the Fiscal Year 2019 capital budget, primarily due to a 58.8% increase in the Department's Capital Improvement Program (as defined herein, which comprises the largest category in the Fiscal Year 2020 capital budget) in Fiscal Year 2020, due to increased spending in all of the Capital Improvement Plan's categories, particularly for Terminal Projects, Public Access/Environmental Enhancement Projects and Maritime Services Projects.

For planning purposes, the Department has developed and uses financial projections based on assumptions the Department believes to be conservative, allowing the Department to monitor 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 2019 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[1,2]

Fiscal Year Ended June 30	Series 2019A Bonds Principal	Series 2019A Bonds Interest	Series 2019B Bonds Principal	Series 2019B Bonds Interest	Series 2019C-1 Bonds Principal	Series 2019C-1 Bonds Interest	Series 2019C-2 Bonds Principal	Series 2019C-2 Bonds Interest	Total Debt Service Requirements for Series 2019 Bonds	Total Debt Service Requirements on Other Parity Obligations	Total Debt Service Requirements
2020	$ -	$ 2,125,506	$ -	$ 597,392	$ -	$ 92,269	$ -	$ 197,283	$ 3,012,450	$ 81,275,119	$ 84,287,569
2021	1,950,000	5,704,500	-	1,617,000	-	249,750	-	534,000	10,055,250	69,014,600	79,069,850
2022	6,225,000	5,500,125	-	1,617,000	-	249,750	-	534,000	14,125,875	64,431,825	78,557,700
2023	25,070,000	4,717,750	-	1,617,000	-	249,750	-	534,000	32,188,500	46,535,475	78,723,975
2024	29,245,000	3,359,875	-	1,617,000	-	249,750	-	534,000	35,005,625	44,785,575	79,791,200
2025	18,280,000	2,171,750	-	1,617,000	-	249,750	-	534,000	22,852,500	54,830,675	77,683,175
2026	31,065,000	938,125	-	1,617,000	4,995,000	124,875	-	534,000	39,274,000	40,650,950	79,924,950
2027	3,230,000	80,750	25,455,000	980,625	-	-	10,680,000	267,000	40,693,375	27,004,825	67,698,200
2028	-	-	1,450,000	308,000	-	-	-	-	1,758,000	27,210,825	28,968,825
2029	-	-	1,080,000	244,750	-	-	-	-	1,324,750	27,736,200	29,060,950
2030	-	-	4,355,000	108,875	-	-	-	-	4,463,875	24,498,475	28,962,350
2031	-	-	-	-	-	-	-	-	-	34,364,000	34,364,000
2032	-	-	-	-	-	-	-	-	-	33,943,725	33,943,725
2033	-	-	-	-	-	-	-	-	-	35,512,700	35,512,700
2034	-	-	-	-	-	-	-	-	-	35,501,450	35,501,450
2035	-	-	-	-	-	-	-	-	-	35,497,750	35,497,750
2036	-	-	-	-	-	-	-	-	-	35,482,925	35,482,925
2037	-	-	-	-	-	-	-	-	-	35,469,300	35,469,300
2038	-	-	-	-	-	-	-	-	-	28,850,650	28,850,650
2039	-	-	-	-	-	-	-	-	-	28,839,300	28,839,300
2040	-	-	-	-	-	-	-	-	-	28,829,675	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	$115,065,000	$24,598,381	$32,340,000	$11,941,642	$4,995,000	$1,465,894	$10,680,000	$3,668,283	$204,754,200	$926,823,269	$1,131,577,469

[1] Total debt service on the Series 2019 Bonds and the other Parity Obligations (excluding the Refunded Bonds). As of the date of this Official Statement, the Department did not have any Revolving Obligations outstanding. Numbers may not total due to rounding to nearest dollar.

[2] Includes Fiscal Year 2020 debt service payment made on August 1, 2019, 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 2018, City Services payments totaled approximately $42.7 million. For Fiscal Year 2019, unaudited City Services payments totaled approximately $45.2 million. For Fiscal Year 2020, the Department has budgeted approximately $55 million for City Services payments.

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 require Shortfall Advances (as defined herein) from the San Pedro Bay Ports; any such payments or Shortfall Advances will be shared equally. As of March 31, 2019, ACTA had outstanding approximately $2.075 billion aggregate principal/accreted value of taxable and tax-exempt bonds (collectively, the "ACTA Obligations"). As of June 30, 2018, the Department has no share of ACTA's assets and income. See Note 15C 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, 2018 AND 2017."

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 (which was subsequently amended and restated on December 15, 2016) (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 June 30, 2018 outstanding amount of the ACTA Obligations, the San Pedro Bay Ports are potentially liable for a maximum of approximately $1.5 billion (the Department and the Port of Long Beach each being liable for approximately $750 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. Since the 2012 payment, the San Pedro Bay Ports have not been required to pay 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 $6.1 million to the debt service reserve fund for the Series 2012 ACTA Bonds, thereby reducing the Surety Obligation Payments to a maximum of approximately $550,000 each for the Department and the Port of Long Beach. 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 expects that it (and the Port of Long Beach) may be required to make one or more additional Shortfall Advances between 2026 and 2037, however, as of the date of this Official Statement, the Department cannot predict either the amount or timing of any such Shortfall Advances.

The Department's obligation to make Shortfall Advance payments and Surety Obligation Payments is subordinated to other obligations of the Department, including the Series 2019 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 2015 through 2019 (unaudited).

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

	2015	2016	2017	2018	Unaudited 2019
Unrestricted Funds					
Harbor Revenue Fund [1]	$ 230,429	$227,483	$ 406,992	$ 454,318	$602,842
Harbor Special Operating Fund	160,449	161,808	159,716	157,399	157,399
Emergency/ACTA Reserve Fund	47,511	47,704	47,928	48,582	49,606
Others	3,445	8,294	4,777	11,867	12,160
Total Unrestricted Funds	$441,834	$445,289	$619,413	$672,166	$822,007
Restricted Funds					
China Shipping Mitigation Fund	$22,623	$19,168	$13,439	$11,928	$11,885
Community Mitigation Trust Fund—TraPac	109	112	112	112	114
Clean Truck Fee Fund	226	30	5	5	5
Batiquitos L/T Investment Fund [2]	6,011	6,032	6,250	6,277	6,452
Bond Funds	97,461	95,769	62,283	62,230	62,275
Customer Security Deposits	3,159	3,166	3,024	2,990	2,990
Other	2,638	2,832	2,925	2,748	3,013
Total Restricted Funds	$132,224	$127,109	$88,038	$ 86,289	$ 86,735
Total Unrestricted and Restricted Funds	$574,058	$572,398	$707,451	$758,456	$908,741

[1] In fiscal year ended June 30, 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 funded with cash on deposit in the Harbor Revenue Fund. In fiscal years ended June 30, 2016, 2017 and 2018 capital improvement expenditures were relatively lower compared to prior years resulting in a higher Harbor Revenue Fund balance.

[2] 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, 2019 are shown in the following Table 14:

Table 14
City of Los Angeles Pooled Investment Fund Investments
As of June 30, 2019

	Market Value (millions)	Percent of Total
Treasury Notes	$5,798	53.14%
Commercial Paper	2,432	22.29
Corporate Notes	1,489	13.64
U.S. Agencies/Munis/Supras	842	7.72
Asset-Back Securities	241	2.21
Bank Deposits	50	0.46
Money Market Funds	59	0.54
Total	$10,910	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 https://finance.lacity.org/monthly-investment-reports-council.

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, 2019 was 1.8 years.

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, 2018 AND 2017" 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 $1.2 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 various insurers providing the all-risk property insurance policy are rated "A-" or better 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 $48.6 million as of June 30, 2019. 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 $1.0 million per occurrence for damages including death, personal injury, bodily injury, or property damage which includes a $500,000 deductible. Department tenants, vendors and contractors are required to provide a minimum of $1.0 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, the Port directly and indirectly is responsible for generating 148,000 jobs in Los Angeles (1 in 13), 526,000 jobs in the five-county southern California

region (1 in 17) and 1.6 million jobs throughout the United States. 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 23 different bargaining units, which are represented by 11 different unions. The City is in negotiations with one bargaining unit, which is represented by the Municipal Construction Inspectors Association. The following is a list of all agreements with collective bargaining units and their expiration dates as of the date of this Official Statement.

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Union	Bargaining Units	Agreement Period*
American Federation of State, County and Municipal Employees, AFL-CIO ("AFSCME")	Clerical and Support Employees	July 1, 2018 through June 30, 2021**
AFSCME	Executive Administrative Assistants	July 1, 2018 through June 30, 2021**
Engineers and Architects Association	Administrative; Supervisory Administrative; Technical; Supervisory Technical	July 1, 2019 through June 30, 2022
International Union of Operating Engineers, Local 501	Plant Equipment Operation and Repair	July 1, 2018 through June 30, 2021**
Los Angeles City Supervisors and Superintendents Association/Laborer's International Union of North America, Local 777	Supervisory Blue Collar	July 1, 2018 through June 30, 2021**
Los Angeles County Building and Construction Trades Council, AFL-CIO	Building Trades; Supervisory Building Trades	July 1, 2018 through June 30, 2021**
Los Angeles Port Pilots Association ILWU, Local 68	Port Pilots	June 25, 2017 through July 3, 2021
Los Angeles Port Police Association	Harbor Peace Officers	June 24, 2018 through June 18, 2022
Los Angeles Port Police Command Officers Association	Port of Los Angeles Command Officers	June 24, 2018 through June 18, 2022
Los Angeles Professional Managers Association ("LAPMA")	Managers	July 1, 2018 through June 30, 2021**
LAPMA	Personnel Directors	July 1, 2018 through June 30, 2021**
LAPMA	Confidential Senior Personnel Analysts	July 1, 2018 through June 30, 2021**
Municipal Construction Inspectors Association, Inc.	Inspectors	July 1, 2014 to June 22, 2019. New contract still being negotiated. Expired agreement still binding.
Service Employees International Union ("SEIU") AFL-CIO, Local 721	Equipment, Operation and Labor; Safety and Security; Service Employees; Service and Crafts	July 1, 2018 through June 30, 2021**
SEIU	Professional Engineering and Scientific; Supervisory Professional Engineering and Scientific	July 1, 2018 through June 30, 2021**

* The City and respective unions continue to honor the terms of expired employment contracts so long as negotiations are on-going.
** 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.
Source: Harbor Department of the City of Los Angeles

Retirement Plans. Approximately 87.0% of the Department's full-time employees participate in the Los Angeles City Employees' Retirement System ("LACERS"), administered by the City. The

remaining 13.0% 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 and LAFPP 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, 2018 (the "LACERS Valuation Report"), LACERS had an unfunded actuarial accrued liability ("UAAL") of approximately $5.962 billion with respect to retirement benefits and approximately $628 million with respect to health subsidy benefits. As of June 30, 2017, LACERS had an UAAL of approximately $5.280 billion with respect to retirement benefits and approximately $567 million with respect to health subsidy benefits. The LACERS Valuation Report also indicated that as of June 30, 2018, LACERS had a funded ratio (based on the actuarial value of the assets of LACERS) of 70.1% with respect to retirement benefits and 80.7% with respect to health subsidy benefits. As of June 30, 2017, LACERS had a funded ratio (based on the actuarial value of the assets of LACERS) of 71.4% with respect to retirement benefits and 81.1% 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, 2018, LACERS had a funded ratio (based on the market value of the assets of LACERS) of 71.4% with respect to retirement benefits and 82.2% with respect to health subsidy benefits. As of June 30, 2017, LACERS had a funded ratio (based on the market value of the assets of LACERS) of 71.4% with respect to retirement benefits and 81.1% with respect to health subsidy benefits.

According to the LAFPP's Actuarial Valuation and Review of Retirement and Other Postemployment Benefits ("OPEB") as of June 30, 2018 (the "LAFPP Valuation Report"), LAFPP had a UAAL of approximately $1.525 billion with respect to retirement benefits and approximately $1.728 billion with respect to health subsidy benefits. As of June 30, 2017, LAFPP had an UAAL of approximately $1.732 billion with respect to retirement benefits and approximately $1.685 billion with respect to health subsidy benefits. The LAFPP Valuation Report also indicated that, as of June 30, 2018, LAFPP had a funded ratio (based on the actuarial value of the assets of LAFPP) of 92.9% with respect to retirement benefits and 51.3% with respect to health subsidy benefits. As of June 30, 2017, LAFPP had a funded ratio (based on the actuarial value of the assets of LAFPP) of 91.5% with respect to retirement benefits and 49.3% 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, 2018, LAFPP had a funded ratio (based on the market value of the assets of LAFPP) of 95.9% with respect to retirement benefits and 52.9% with respect to health subsidy benefits. As of June

30, 2017, LAFPP had a funded ratio (based on the market value of the assets of the LAFPP) of 93.1% with respect to retirement benefits and 50.1% with respect to health subsidy benefits.

The Department contributed approximately $21.2 million and $22.1 million to LACERS in Fiscal Years 2018 and 2019, 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 expects to contribute approximately $23.1 million to LACERS for Fiscal Year 2020, its annual required contribution as calculated by LACERS and its actuaries.

The Department contributed approximately $4.7 million and $5.0 million to LAFPP in Fiscal Years 2018 and 2019, 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 expects to contribute approximately $5.2 million to LAFPP for Fiscal Year 2020, 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, 2018 AND 2017."

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 are described below and the full Financial Policies are posted on the Port's website at https://www.portoflosangeles.org/business/finance. 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 and administration 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 2019 Bonds involves investment risk and may not be suitable for all investors. Prospective purchasers of the Series 2019 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 2019 Bonds. However, the following does not purport to be an exhaustive listing of all considerations which may be relevant to investing in the Series 2019 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 2019 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.

No Reserve Fund Established for Series 2019 Bonds; Reserve Funds Established for Certain Parity Obligations Not Available for Series 2019 Bonds

No debt service reserve fund will be established to secure the payment of principal of and interest on the Series 2019 Bonds. The Series 2019 Bonds will not be secured by amounts held in the Common Reserve that secure all Common Reserve Parity Obligations.

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.

In the past, most recently being in late 2014 and early 2015, another factor 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 "—Consolidation, Alliance and Bankruptcy within the Containerized Cargo 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. Between October 2014 and March 2015, cargo throughput at the San Pedro Bay Ports decreased by 1.8% as compared to the period between October 2013 and March 2014. The Department cannot predict if congestion again will result in decreased demand of the Port's facilities.

Marine terminals continue to adjust to the deployment of 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. Today, vessels carrying up 13,000 TEUs call weekly and larger vessels have made calls, including the 19,500 TEU-capacity *MSC Eloane*, 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 (8.031 million TEUs handled in calendar year 2018), the Port of Oakland (2.546 million TEUs handled in calendar year 2018), the Ports of Seattle and Tacoma (3.797 million TEUs handled in calendar year 2018; 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 (3.396 million TEUs handled in calendar year 2018) and the Port of Prince Rupert (1.036 million TEUs handled in calendar year 2018), 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 30% 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. 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).

For example, in April of 2019, Orient Overseas Container Line LLC ("OOCL") announced that it would sell its interest in the Port of Long Beach Container Terminal (the "LBCT"), to a consortium led by Macquarie Infrastructure Partners. Such sale was a requirement to COSCO's acquisition of OOCL. OOCL calls at the LBCT and is also a member of the OCEAN Alliance (see "Consolidation, Alliance and Bankruptcy within the Containerized Cargo Industry" herein) that provides access to four major container terminals at the San Pedro Bay Ports (Eagle Marine Services, Ltd. (which was rebranded to Fenix Marine Services, Ltd. in late 2018) and Everport Terminal Services at the Port, and LBCT and Pacific Container Terminal at the Port of Long Beach). The LBCT is a fully automated facility and it is expected that going forward there will be a major focus by LBCT to maximize terminal capacity. The Department cannot predict at this time if such events will impact cargo volumes at the Port due to agreements between container shipping lines and its affiliated terminals at the Port. Reduced market share ultimately could impact the Department's revenues.

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) that would allow larger ships to traverse the Panama Canal, are currently in planning phases, in construction or recently opened and operating. Furthermore, a variety of factors may influence port tenants to alter their shipping practices. Improvements completed in 2016 to the Panama Canal allow larger ships to traverse the canal and some diversion of Asian imports from West Coast ports to the U.S. East and Gulf Coast ports may increase. In addition, there may be longer-term competition from the West Coast ports of Mexico. In addition, 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 through the Suez Canal, also compete for the same cargos. Demand for these all-water services increased following the 2002, 2008 and 2014 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). Historically, constraints to all-water routes included 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 was mitigated by an expansion of the Panama Canal, the completion of which occurred in 2016 and allows larger vessels to navigate the isthmus in order to reach Gulf and East Coast ports. 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, the first phase of APM Terminals Port of Lazaro Cardenas (Mexico) terminal facility opened in 2017 as part of a $900-million-dollar investment in Mexico's first semi-automated and technologically advanced container terminal. The final phase of development is expected between 2027 and 2030. 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. In calendar year 2018, the Port of Lazaro Cardenas handled 1.036 million TEUs.

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

As illustrated by the bankruptcy of Hanjin in 2016, 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.

For example, in 2014, Maersk and Mediterranean Shipping Company established the 2M Alliance (a 10-year agreement for Asia-Europe, trans-Atlantic and trans-Pacific routes). In 2017, Hyundai Merchant Marine Shipping ("HMM") became a partner in 2M Alliance through a strategic cooperation agreement, and the name of the alliance changed to 2M+H. Additionally, in 2018, ZIM also became a partner in this agreement adding a "Z" to name and changing the alliance to 2M+H+Z (however, ZIM is not a player in the San Pedro Bay Ports market). According to the Journal of Commerce and subject to necessary regulatory approvals, HMM will depart from the 2M Alliance in April 2020 and join Hapag-Lloyd, Ocean Network Express (ONE) and Yang-Ming as a member of THE Alliance as part of a 10-year agreement starting April 1, 2020. THE Alliance was established in 2017 and currently consists of ONE (which formed in April 2018 when NYK Line, MOL and "K" Line became one company), Hapag-Lloyd and Yang Ming. The OCEAN Alliance, which was established in 2017, consists of CMA CGM, Evergreen, OOCL and China Ocean Shipping Company ("COSCO"). According to the OCEAN Alliance, the pact will be for ten years and will include Asia-Europe, Asia-Mediterranean, trans-Pacific to United States West Coast and East Coast ports, trans-Atlantic, Asia-Red Sea and Asia-Middle East routes. According to IHS Markit/PIERS, during calendar year 2017, these three alliances shipped over 85% of all imports from Asia to the United States. In addition, according to IHS Markit/PIERS, from January 2019 to May 2019, the OCEAN Alliance, THE Alliance and 2M+H accounted for 28.6%, 24.7% and 22.6%, respectively, of the market share of United States imports from Asia. However, with HMM's United States import volume shifting from 2M to THE Alliance, is it expected that such alliances' market share will change.

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, Ltd. ("EMS"). However, in 2017, it was announced that 90% of CMA-CGM shares of EMS were sold off to EQT Infrastructure Fund III. The Department cannot predict the consequences of this or other realignments and consolidations or how long they will persist. In late 2018, EMS, a tenant at the Port, was rebranded to Fenix Marine Services, Ltd.

Additional alliances and mergers could occur in the future. Although, at this time, the Department cannot predict what effect 2M+H+Z, THE Alliance and OCEAN Alliance, will have on

container traffic at the Port or the Revenues of the Department, alliances and consolidation in the container-shipping industry could impact container traffic at the Port and affect Revenues.

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

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

Since January 2018, President Trump has applied a significant amount of new tariffs to a wide variety of products imported from China and other nations, including aluminum, steel and consumer goods. Furthermore, the Trump administration continues to review the imposition of additional tariffs. In response to the tariffs imposed by the United States, numerous countries around the world (including China) have imposed tariffs on goods produced in the United States, and have publicly indicated additional tariffs may be imposed in the future. While tariffs imposed by the United States, China and other nations may have a financial impact upon the Department's Revenues and/or the Port's tenants, as of the date of this Official Statement, insufficient information is available to estimate the magnitude of such potential impacts. There can be no assurances that extended continuation of current tariffs and/or imposition of additional tariffs will not materially adversely affect the financial condition of the Department.

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 2019 Bonds and the Department's other obligations. See "THE PORT AND THE DEPARTMENT—Introduction and Organization—Port Security."

Cybersecurity

In 2014, the Department established its Cybersecurity Operations Center (the "Center"), operated by a dedicated cybersecurity team, as a centralized location to monitor network traffic in order to prevent, detect and respond to cyber incidents under the Department's control. The Center prevents approximately

20 million cyber-intrusion attempts per month. Since 2015, the Department also continues to maintain its ISO 27001 certification for the Center. ISO 27001 certification demonstrates that the Department is following information security best practice and delivers an independent, expert assessment of whether the Department's information security management system complies with this international cybersecurity standard.

In June 2017, A.P. Moller-Maersk A/S, was directly infected by the NotPetya cyberattack. Maersk's network was severely damaged, including the systems used by Maersk's terminal operator, APM Terminals, which operates the largest container terminal at the Port. The damage caused a complete closure of the facility for three days, after which it reopened with partial functionality. The attack revealed the degree to which the Port's facilities are increasingly relying on advanced technology systems to guide container handling, vessel planning, yard operations and scheduling. With the core technology components offline, the facility was shut down for three days and then forced to perform all operations manually, resulting in a significant decline in efficiency during which it was moving about 10% of the cargo it normally would on any given day.

In April 2019, the Department determined to form a cross-sector Cyber Resilience Center (the "CRC") in order to further reduce the risks of cybersecurity threats that could disrupt the flow of cargo at the Port. The CRC will expand the scope of stakeholder engagement to encompass the key parties operating in the Port complex: shipping lines, marine terminal operators, railroad companies, labor and representatives from the trucking industry. The CRC will enable key stakeholders to share cyber threat indicators and defensive measures with each other as a means to reduce the potential of a cyber incident experienced by any one of the Port's stakeholders to disrupt multiple operations within the Port.

Cybersecurity incidents could result from unintentional events, or from deliberate attacks by unauthorized entities or individuals attempting to gain access to the Port's and the Department's networks and systems for the purposes of misappropriating assets or information or causing operational disruption and damage. No assurances can be given that the Department's and the Port's security and operational control measures will ensure against any and all cybersecurity threats and attacks. A cybersecurity incident or breach could damage the Department's and the Port's networks and systems and cause disruption to the Department's and the Port's operations and finances. The Department carries cyber liability insurance with a policy limit of $2 million and such coverage includes cyber incident response assistance, business interruption loss, digital data recovery and network extortion. Although the Department carries cyber liability insurance, the costs of remedying any such damage or protecting against future attacks could be substantial. In addition, cybersecurity breaches could expose the Department and the Port to material litigation and other legal risks, which could cause the Department to incur material costs related to such legal claims or proceedings. The Department will continue to assess cyber threats and protect its data and systems. The Port's tenants also face cybersecurity threats that could affect their operations and finances.

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 2019 Bonds will be outstanding.

In March 2015, the Uniform California Earthquake Rupture Forecast (the "2015 Earthquake Forecast") was issued by the Working Group on California Earthquake Probabilities. Organizations sponsoring the Working Group on California Earthquake Probabilities include the U.S. Geological Survey, the California Geological Survey, the Southern California Earthquake Center and the California

Earthquake Authority. According to the 2015 Earthquake Forecast, the probability of a magnitude 6.7 or larger earthquake over the next 30 years (from 2014) striking the greater Los Angeles area is 60%. From the Uniform California Earthquake Rupture Forecast published in April 2008 (the "2008 Earthquake Forecast"), the estimated rate of earthquakes around magnitude 6.7 or larger decreased by about 30%. However, the estimate for the likelihood that California will experience a magnitude 8.0 or larger earthquake in the next 30 years (from 2014) increased from about 4.7% in the 2008 Earthquake Forecast to about 7.0% in the 2015 Earthquake Forecast. The 2015 Earthquake Forecast considered more than 250,000 different fault-based earthquakes, including multifault ruptures, whereas the 2008 Earthquake Forecast considered approximately 10,000 different fault-based earthquakes.

The Port could sustain extensive damage to its facilities in a major seismic event from ground motion and liquefaction of underlying soils, which damage could include slope failures along the shoreline, 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, 2019 contained approximately $49.6 million (market value), 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."

In August 2019, a research article published by a seismological journal posited the existence of an additional active earthquake fault, the Wilmington Blind-Thrust fault, in the area in which the Port is located.

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 Clean Air Action Plan 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.

Climate Change

Numerous scientific studies on global climate change show that, among other effects on the global ecosystem, sea levels will rise, extreme temperatures will become more common and extreme weather events will become more frequent as a result of increasing global temperatures attributable to atmospheric pollution. Coastal infrastructure may be threatened by the continued increase in the frequency and extent of high-tide flooding due to sea level rise.

In January 2019, the Board was presented with the "Port of Los Angeles Sea Level Rise Adaptation Plan" (the "SLR Plan") which was prepared by the Department for informational purposes in connection with Assembly Bill 691, which sets forth an assessment of how the Department proposes to address sea level rise. See "THE PORT AND THE DEPARTMENT—Introduction and Organization—Tidelands Trust Properties". Pursuant to Assembly Bill 691, the SLR Plan sets forth: maps showing the areas that may be affected by sea level rise in the years 2030, 2050, and 2100 (including, the potential impacts of 100-year storm events); provides a qualitative estimate (low/medium/high) of the financial impact of such sea level rise, including, but not limited to, the potential cost of repair of damage to and the value of lost use of improvements and land, and the anticipated cost to prevent or mitigate potential damage; and a description of how the Department proposes to protect and preserve natural and manmade resources and facilities located, or proposed to be located, on the tidelands trust properties and operated in connection with the use of the trust lands (including, how wetlands restoration and habitat preservation would mitigate impacts of sea level rise). The Department will continue to monitor the impact of sea-level rise.

Although the SLR Plan posits that sea-level rise could be significant, as much as 12 inches in sea-level rise in 2030 to 66 inches in sea-level rise in 2100 (which includes the potential impact of a 100-year storm event), the Department is unable to predict whether sea-level rise or other impacts of climate change will occur while the Series 2019 Bonds are outstanding, and if any such events occur, whether there will be an adverse impact, material or otherwise, on the Department's 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 2019 Bonds. See "THE PORT AND THE DEPARTMENT—Operating Data—Rental Property."

Effect of Tenant Bankruptcy

A bankruptcy of a tenant of the Port could result in delays and/or reductions in payments to the Department which could affect the Department's ability to pay debt service on the Series 2019 Bonds and other Parity Obligations.

A tenant that has executed an agreement or other executory contract and seeks protection under the U.S. bankruptcy laws must assume or reject (a) its agreement within 120 days after the bankruptcy filing (subject to court approval, a one-time 90-day extension is allowed, and further extensions are allowed with the consent of the Department), and (b) its other executory contracts with the Department prior to the confirmation of a plan of reorganization. In the event of assumption and/or assignment of any agreement to a third party, the tenant would be required to cure any pre- and post-petition monetary defaults and provide adequate assurance of future performance under the applicable agreement. Rejection of an agreement or executory contract will give rise to an unsecured claim of the Department for damages, the amount of which in the case of an agreement or other executory contract is limited by the United States Bankruptcy Code generally to the amounts unpaid prior to bankruptcy plus the greater of (i) one year of rent or (ii) 15% of the total remaining lease payments, not to exceed three years. However, the amount ultimately received in the event of a rejection of an agreement could be considerably less than the maximum amounts allowed under the United States Bankruptcy Code. In addition, payments made by a tenant in bankruptcy within 90 days of filing a bankruptcy case could be deemed to be an "avoidable preference" under the United States Bankruptcy Code and thus subject to recapture by the debtor or its trustee in bankruptcy.

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

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

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

Should a significant number of the parties to the major revenue producing property agreements file for bankruptcy protection, Revenues received by the Department could be materially adversely impacted and this could have an adverse impact on the Department's ability to pay debt service on the Series 2019 Bonds. There may be other possible effects of a bankruptcy of a tenant that could result in delays or reductions in payments on the Series 2019 Bonds. Regardless of any specific adverse determinations in a tenant bankruptcy proceeding, the fact of a tenant bankruptcy proceeding could have an adverse effect on the liquidity and value of the Series 2019 Bonds.

Effect of City Bankruptcy

The City is able to file for bankruptcy under Chapter 9 of the United States Bankruptcy Code. Should the City become the debtor in a bankruptcy case, the holders of the Series 2019 Bonds will not have a lien on Revenues received by the Department after the commencement of the bankruptcy case unless the bankruptcy court determines that Revenues constitute "special revenues" within the meaning of the United States Bankruptcy Code. "Special revenues" are defined to include receipts from the ownership, operation, or disposition of projects or systems that are primarily used or intended to be used primarily to provide transportation, utility or other services, as well as other revenues or receipts derived from particular functions of the debtor. While the Department believes that Revenues should be treated as "special revenues," no assurance can be given that a bankruptcy court would not find otherwise. If Revenues are not "special revenues," there could be delays or reductions in payments on the Series 2019 Bonds. Even if a court determines that Revenues are not "special revenues," the Department will be able to use Revenues to pay operation and maintenance costs of the Port, notwithstanding any provision of the Indenture or any other agreement to the contrary.

There may be other possible effects of a bankruptcy of the City that could result in delays or reductions in payments on the Series 2019 Bonds. The Department cannot predict what types of orders and/or relief may be granted by a bankruptcy court that could have a material adverse effect on the Department's receipt or application of Revenues. Regardless of any specific adverse determinations in a City bankruptcy proceeding, the fact of a City bankruptcy proceeding or of City financial difficulties could have an adverse effect on the liquidity and market value of the Series 2019 Bonds.

Impact of Labor Negotiations

Protracted negotiations in 2014 and 2015 between the ILWU and the PMA, 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 from September 2014 through February 2015. The PMA 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. On April 28, 2017, the ILWU caucus approved a five-year contract extension. The current contract expires on July 1, 2022. The protracted negotiations in late 2014 and early 2015 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 increased slightly by 0.23%.

Enforceability of Remedies

The remedies available to the Owners of the Series 2019 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 2019 Bonds will be qualified to the extent that the enforceability of certain legal rights related to the Series 2019 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 2019 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, 2019, 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 2019 Bonds in complying with Rule 15c2-12.

TAX MATTERS

Opinion of Bond Counsel

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the Department, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Series 2019 Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code") except that no opinion is expressed as to such exclusion of interest on any Series 2019 Bond for any period during which the Series 2019 Bond is held by a person who, within the meaning of Section 147(a) of the Code, is a "substantial user" of the facilities financed or refinanced with the proceeds of the Series 2019 Bonds or a "related person," (ii) interest on the Series 2019B Bonds and the Series 2019C-2 Bonds is not treated as a preference item in calculating the alternative minimum tax under the Code, and (iii) interest on the Series 2019A Bonds and the Series 2019C-1 Bonds, however, is treated as a preference item in calculating the alternative minimum tax under the Code. In rendering its opinion, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Department in connection with the Series 2019 Bonds, and Bond Counsel has assumed compliance by the Department with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Series 2019 Bonds from gross income under Section 103 of the Code.

In addition, in the opinion of Bond Counsel to the Department, under existing statutes, interest on the Series 2019 Bonds is exempt from personal income taxes imposed by the State of California.

Bond Counsel expresses no opinion as to any other federal, state or local tax consequences arising with respect to the Series 2019 Bonds, or the ownership or disposition thereof, except as stated above. Bond Counsel renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update, revise or supplement its opinion to reflect any action thereafter taken or not taken, any fact or circumstance that may thereafter come to its attention, any change in law or interpretation thereof that may thereafter occur, or for any other reason. Bond Counsel expresses no opinion as to the consequence of any of the events described in the preceding sentence or the likelihood of their occurrence. In addition, Bond Counsel expresses no opinion on the effect of any action taken or not taken in reliance upon an opinion of other counsel regarding federal, state or local tax matters, including, without limitation, exclusion from gross income for federal income tax purposes of interest on the Series 2019 Bonds.

Certain Ongoing Federal Tax Requirements and Covenants

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the Series 2019 Bonds in order that interest on the Series 2019 Bonds be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Series 2019 Bonds, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the federal government. Noncompliance with such requirements may cause interest on the Series 2019 Bonds to become included in gross income for federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. The Department has covenanted to comply with certain applicable requirements of the Code to assure the exclusion of interest on the Series 2019 Bonds from gross income under Section 103 of the Code.

Certain Collateral Federal Tax Consequences

The following is a brief discussion of certain collateral federal income tax matters with respect to the Series 2019 Bonds. It does not purport to address all aspects of federal taxation that may be relevant to a particular owner of a Series 2019 Bond. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the Series 2019 Bonds.

Prospective owners of the Series 2019 Bonds should be aware that the ownership of such obligations may result in collateral federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for federal income tax purposes. Interest on the Series 2019 Bonds may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

Bond Premium

In general, if an owner acquires a bond for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the bond after the acquisition date (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates), that premium constitutes "bond premium" on that bond (a "Premium Series 2019 Bond"). In general, under Section 171 of the Code, an owner of a Premium Series 2019 Bond must

amortize the bond premium over the remaining term of the Premium Series 2019 Bond, based on the owner's yield over the remaining term of the Premium Series 2019 Bond determined based on constant yield principles (in certain cases involving a Premium Series 2019 Bond callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such bond). An owner of a Premium Series 2019 Bond must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner's regular method of accounting against the bond premium allocable to that period. In the case of a tax-exempt Premium Series 2019 Bond, if the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Series 2019 Bond may realize a taxable gain upon disposition of the Premium Series 2019 Bond even though it is sold or redeemed for an amount less than or equal to the owner's original acquisition cost. Owners of any Premium Series 2019 Bonds should consult their own tax advisors regarding the treatment of bond premium for federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of bond premium on, sale, exchange, or other disposition of Premium Series 2019 Bonds.

Information Reporting and Backup Withholding

Information reporting requirements apply to interest paid on tax-exempt obligations, including the Series 2019 Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, "Request for Taxpayer Identification Number and Certification," or if the recipient is one of a limited class of exempt recipients. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to "backup withholding," which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a "payor" generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a Series 2019 Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Series 2019 Bonds from gross income for federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner's federal income tax once the required information is furnished to the Internal Revenue Service.

Miscellaneous

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the federal or state level, may adversely affect the tax-exempt status of interest on the Series 2019 Bonds under federal or state law or otherwise prevent beneficial owners of the Series 2019 Bonds from realizing the full current benefit of the tax status of such interest. In addition, such legislation or actions (whether currently proposed, proposed in the future, or enacted) and such decisions could affect the market price or marketability of the Series 2019 Bonds.

Prospective purchasers of the Series 2019 Bonds should consult their own tax advisors regarding the foregoing matters.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

Upon delivery of the Series 2019 Bonds, Causey Demgen & Moore P.C., 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 Refunded Bonds as further described under "PLAN OF REFUNDING AND APPLICATION OF SERIES 2019 BOND PROCEEDS."

RATINGS

Moody's Investors Service, Inc. ("Moody's"), S&P Global Ratings ("S&P"), and Fitch Ratings ("Fitch") have assigned the Series 2019 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 2019 Bonds any announcement regarding the outlook of any rating agency with respect to the Series 2019 Bonds. Any downward revision or withdrawal or announcement of negative outlook could have an adverse effect on the market price of the Series 2019 Bonds. Maintenance of ratings will require periodic review of current financial data and other updating information by assigning agencies.

UNDERWRITING

The Series 2019 Bonds are being purchased by Jefferies LLC, Siebert Cisneros Shank & Co. L.L.C. and UBS Financial Services Inc. (the "Underwriters") from the Department at a price of $193,909,597.97 (which consists of the principal amount of the Series 2019 Bonds, plus an original issue premium of $31,074,646.00 and less an underwriters' discount of $245,048.03), subject to the terms of a bond purchase agreement, dated August 28, 2019 (the "Bond Purchase Agreement"), between Jefferies LLC, as representative of the Underwriters and the Department. The Bond Purchase Agreement provides that the Underwriters will purchase all of the Series 2019 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 2019 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 2019 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.

Jefferies LLC, an underwriter of the Series 2019 Bonds, has entered into an agreement (the "Agreement") with E*TRADE Securities LLC ("E*TRADE") for the retail distribution of municipal securities. Pursuant to the Agreement, Jefferies LLC will sell the Series 2019 Bonds to E*TRADE and will share a portion of its selling concession compensation with E*TRADE.

UBS Financial Services Inc. ("UBS FSI") has entered into a distribution and service agreement with its affiliate UBS Securities LLC ("UBS Securities") for the distribution of certain municipal securities offerings. Pursuant to such agreement, UBS FSI will share a portion of its underwriting compensation with UBS Securities. UBS FSI and UBS Securities are each subsidiaries of UBS Group AG.

LITIGATION

No Litigation Relating to the Series 2019 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 2019 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 2019 Bonds.

LEGAL OPINIONS

The validity of the Series 2019 Bonds and certain other legal matters are subject to the approving opinion of Hawkins Delafield & Wood 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, Stradling Yocca Carlson & Rauth, a Professional Corporation. All of the fees of Bond Counsel, Disclosure Counsel and Underwriter's Counsel with regard to the issuance of the Series 2019 Bonds are contingent upon the issuance and delivery of the Series 2019 Bonds. Bond Counsel, Disclosure Counsel and Underwriters' Counsel undertake no responsibility for the accuracy, completeness or fairness of this Official Statement.

MUNICIPAL ADVISOR

The Department has retained the services of KNN Public Finance, LLC, as Municipal Advisor in connection with the issuance of the Series 2019 Bonds. The Municipal Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement.

FINANCIAL STATEMENTS

The financial statements of the Department for the Fiscal Years ended June 30, 2018 and 2017 and Independent Auditors' Report thereon are attached hereto as Appendix A. The financial statements for the Department for the Fiscal Year ended June 30, 2018 and 2017 have been audited by Macias Gini & O'Connell LLP, Certified Public Accountants, as stated in their report.

Macias Gini & O'Connell 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. Macias Gini & O'Connell LLP, Certified Public Accountants, also has not performed any procedures relating to this Official Statement.

[Remainder of page intentionally left blank.]

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 2019 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 2019 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

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APPENDIX A

AUDITED FINANCIAL STATEMENTS OF THE HARBOR DEPARTMENT FOR THE FISCAL YEARS ENDED JUNE 30, 2018 AND 2017

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Comprehensive Annual Financial Report

THE PORT OF LOS ANGELES

PORT OF LOS ANGELES

HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES, CALIFORNIA

June 30, 2018 and 2017

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

Comprehensive Annual Financial Report

For the Fiscal Years Ended June 30, 2018 and 2017

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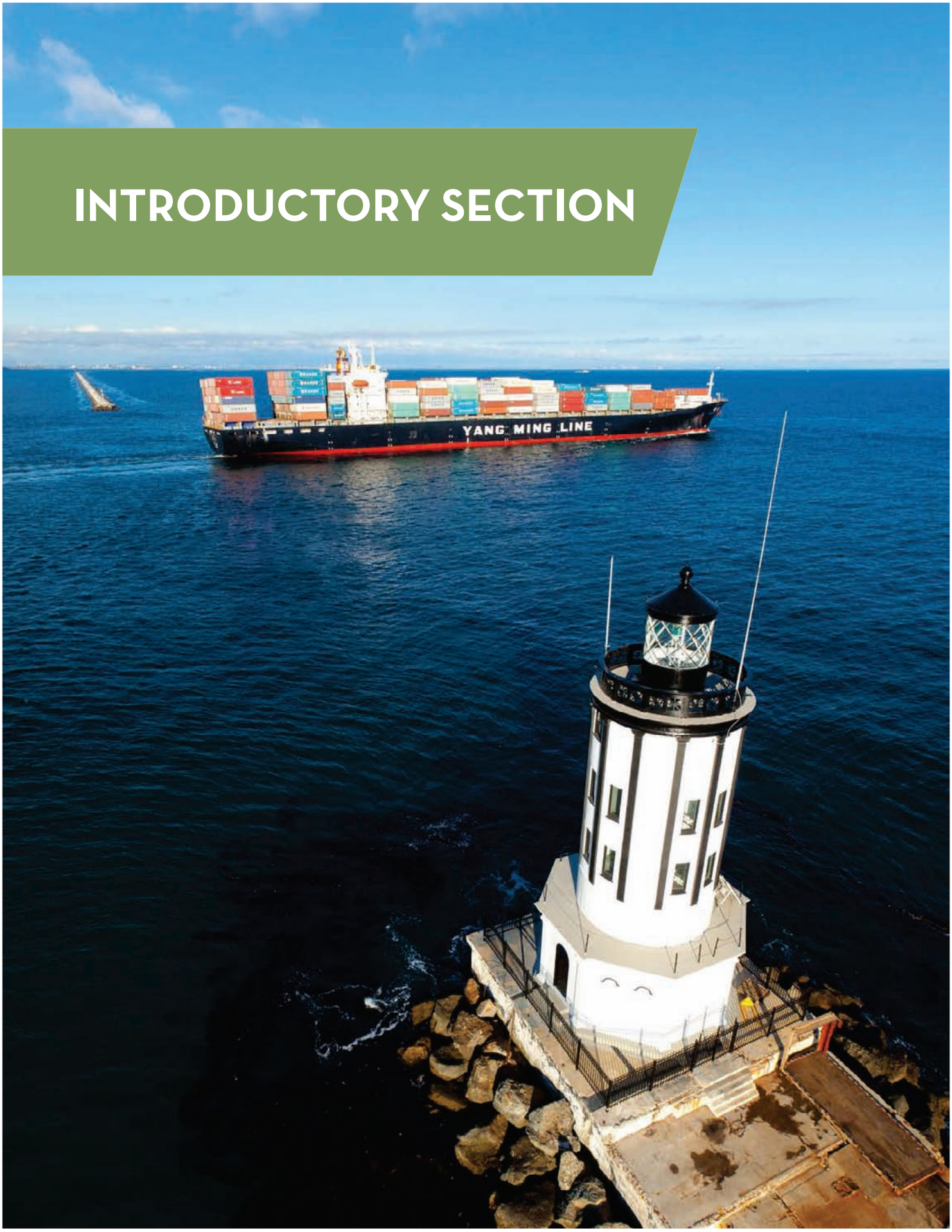
Prepared by: Finance and Administration Bureau of Port of Los Angeles

INTRODUCTORY SECTION



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

Eric Garcetti | *Mayor, City of Los Angeles*

Board of Harbor Commissioners
Jaime L. Lee, *President* | David Arian, *Vice President* | Lucia Moreno-Linares, *Commissioner* | Anthony Pirozzi, Jr., *Commissioner* | Edward R. Renwick, *Commissioner*

Eugene D. Seroka | *Executive Director*

December 4, 2018

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

This Comprehensive Annual Financial Report (CAFR) of the Port of Los Angeles (the Port), Harbor Department of the City of Los Angeles, California (the City), for the years ended June 30, 2018 and 2017, is hereby submitted.

Introduction

The management of 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, 2018 and 2017, which have received an unmodified opinion from the Port's independent auditors and are presented in accordance with generally accepted accounting principles (GAAP). The report is presented in three sections: Introductory, Financial, and Statistical.

The Introductory Section outlines the relationship of the Port to the City and describes the organization and reporting entity. It additionally provides an overview of Port properties, operations, and key personnel. This letter of transmittal is designed to complement the management discussion and analysis (MD&A), which provides a narrative introduction, overview, and analysis to the financial statements, and should be read in conjunction with it.

The Financial Section includes the independent auditor's report, MD&A, financial statements, and required supplementary information. The MD&A presents a comparative review of financial position and changes in financial position for fiscal years 2018, 2017, and 2016. 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.

Financial statements are prepared on an accrual basis and use an economic resources measurement focus. Financial statements comprise the statements of net position that present the financial position as of June 30, 2018 and 2017, statements of revenues, expenses, and changes in net position depicting financial performance for fiscal years 2018 and 2017, statements of cash flows that present the source and application of funds from operations, financing (noncapital and capital related), and investment activities for fiscal years 2018 and 2017, and notes to financial statements. The accompanying notes to financial statements further explain and support the information in the statements.

AN EQUAL EMPLOYMENT OPPORTUNITY - AFFIRMATIVE ACTION EMPLOYER
Printed on recycled paper

Profile of the Reporting Entity

The Port is a proprietary department of the City and is held in trust by the City for the people of the State of California (the State) 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 the Board of Harbor Commissioners (the Board) which consists of five commissioners, appointed by the Mayor and confirmed by the City Council (the Council).

Most of the properties on which the Port's land, docks, wharves, transit sheds, terminals and other facilities are located is owned by the State and administered by the City through the Port, pursuant to certain tidelands grants from the State. The Port 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.

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 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 of Stakeholder Engagement leads the Stakeholder Engagement Bureau, which consists of the Communications (including Community Relations and Media Relations), Government Affairs, Labor Relations and Workforce Development, and Trade Development 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 & Customer Relations Bureau, which consists of the Planning & Strategy, Cargo Marketing, Environmental Management, Waterfront/Commercial Real Estate, and Cargo/Industrial Real Estate 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 the 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 cargo. The Port is a landlord to close to 300 entities. In addition to major terminal operators, other tenants include marinas, commercial fishing operations, cruise operations, restaurants, and recreational facilities.

The major sources of income for the Port are from shipping services (wharfage, dockage, pilotage, space 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 Rating Services, Moody's Investors Service, and Fitch Ratings, respectively, with a "stable" outlook. These are the highest credit ratings for any stand-alone U.S. port.

Initiatives and Developments

The Port aims to continue to maintain its competitive edge by developing infrastructure that supports growth and efficiency, secure, and sustainable port operations. As such, the Port has adopted a capital budget of $153.6 million in fiscal year 2019. Comprising 11.5% of its total budget of $1.3 billion, the adopted capital expenditures include $91.0 million for direct costs of capital improvement projects, indirect costs of $45.6 million in allocated capitalized overhead and interest costs, $1.0 million for land and property acquisition, and $16.0 million for capital equipment. The adopted capital expenditures of $91.0 million include $31.6 million for terminal improvement projects, $10.0 million for transportation and infrastructure projects, $13.6 million for public access/environmental enhancement projects, $4.7 million for security projects, and $31.1 million for maritime services.

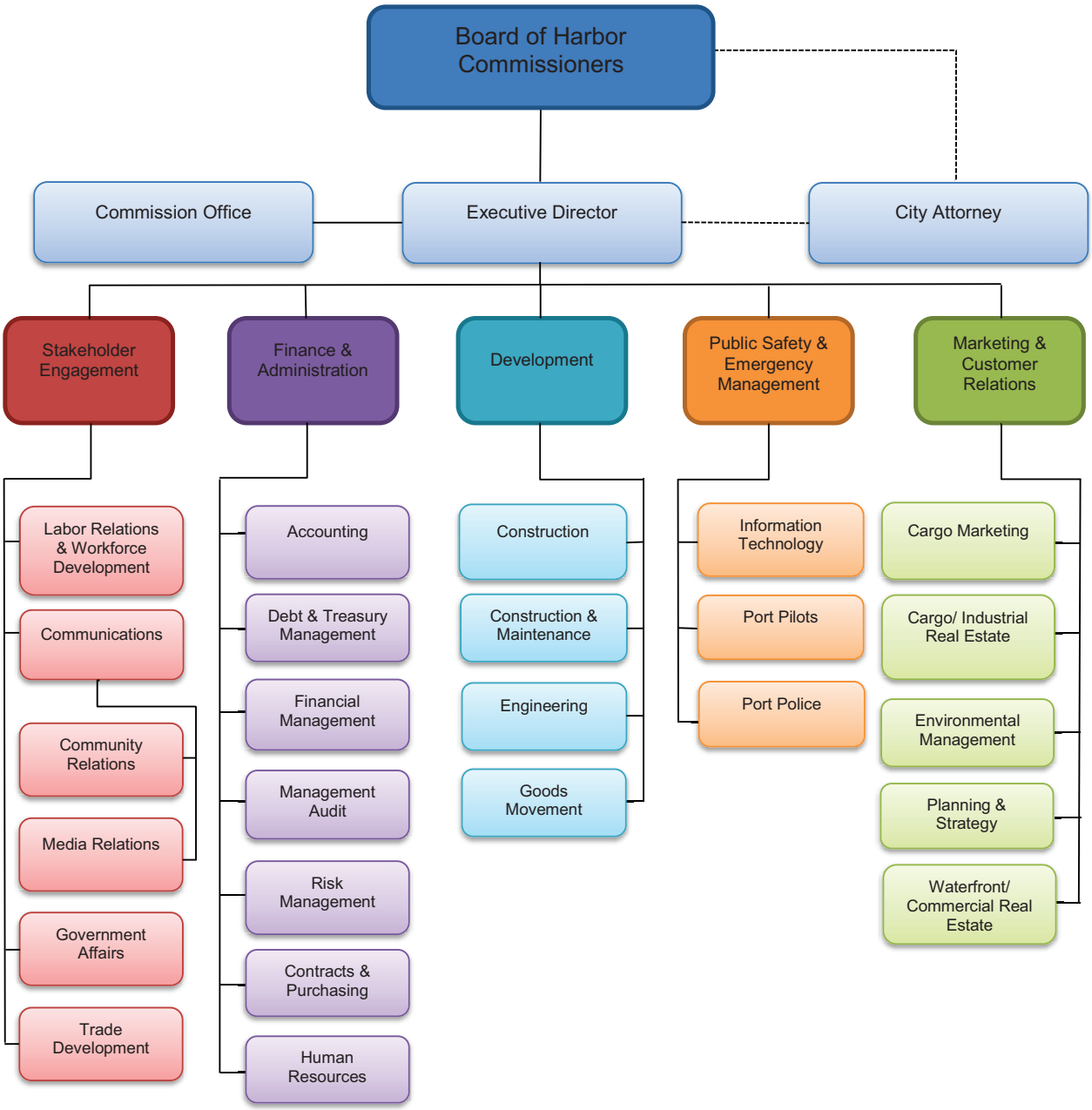
Publication of this CAFR is a reflection of the excellence and professionalism of the Port's entire staff. The preparation of this report would not have been possible without the skill, effort, and dedication of the entire staff of the Finance and Administration Bureau. We wish to thank all Port's divisions for their assistance in providing the data necessary to prepare this report.

Sincerely,

Marla Bleavins

MARLA BLEAVINS
Deputy Executive Director and Chief Financial Officer

PORT OF LOS ANGELES
(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES, CALIFORNIA)
Organizational Chart



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

BOARD OF HARBOR COMMISSIONERS

Jaime L. Lee
President

David Arian
Vice President

Lucia
Moreno-Linares
Commissioner

Anthony Pirozzi, Jr.
Commissioner

Edward R. Renwick
Commissioner

EXECUTIVE STAFF

Eugene D. Seroka
Executive Director

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

Tony Gioiello
Deputy Executive Director
Development

Thomas Gazsi
Chief of Public Safety &
Emergency Management

Michael Di Bernardo
Deputy Executive Director
Marketing & Customer Relations

David Libatique
Deputy Executive Director
Stakeholder Engagement

MANAGEMENT STAFF

Theresa Adams Lopez
Director of Community Relations

Arley Baker
Senior Director of
Communications

Christopher Cannon
Director of Environmental
Management

Tricia Carey
Director of Contracts &
Purchasing

Eric Caris
Director of Cargo Marketing

Kerry Cartwright
Director of Goods Movement

Tim Clark
Director of Construction &
Maintenance

Capt. John Dwyer
Pilot Service

Capt. David Craig Flinn
Pilot Service

Michael Galvin
Director of Waterfront &
Commercial Real Estate

Jack Hedge
Director of Cargo/Industrial Real
Estate

Julie Huerta
Commission Office

Lance Kaneshiro
Director of Information
Technology

Michael Keenan
Director of Planning & Economic
Development

Frank Liu
Director of Accounting

Tish Lorenzana
Director of Human Resources

James MacLellan
Director of Business & Trade
Development

Kathy Merkovsky
Director of Risk Management

Jim Olds
Director of Management Audits

Michael Graychik
Assistant Chief of Port Police

Soheila Sajadian
Director of Debt & Treasury
Management

Phillip Sanfield
Director of Media Relations

Shaun Shahrestani
Chief Harbor Engineer of
Construction

Avin Sharma
Director of Labor Relations &
Workforce Development

Jeffrey Strafford
Director of Financial Management

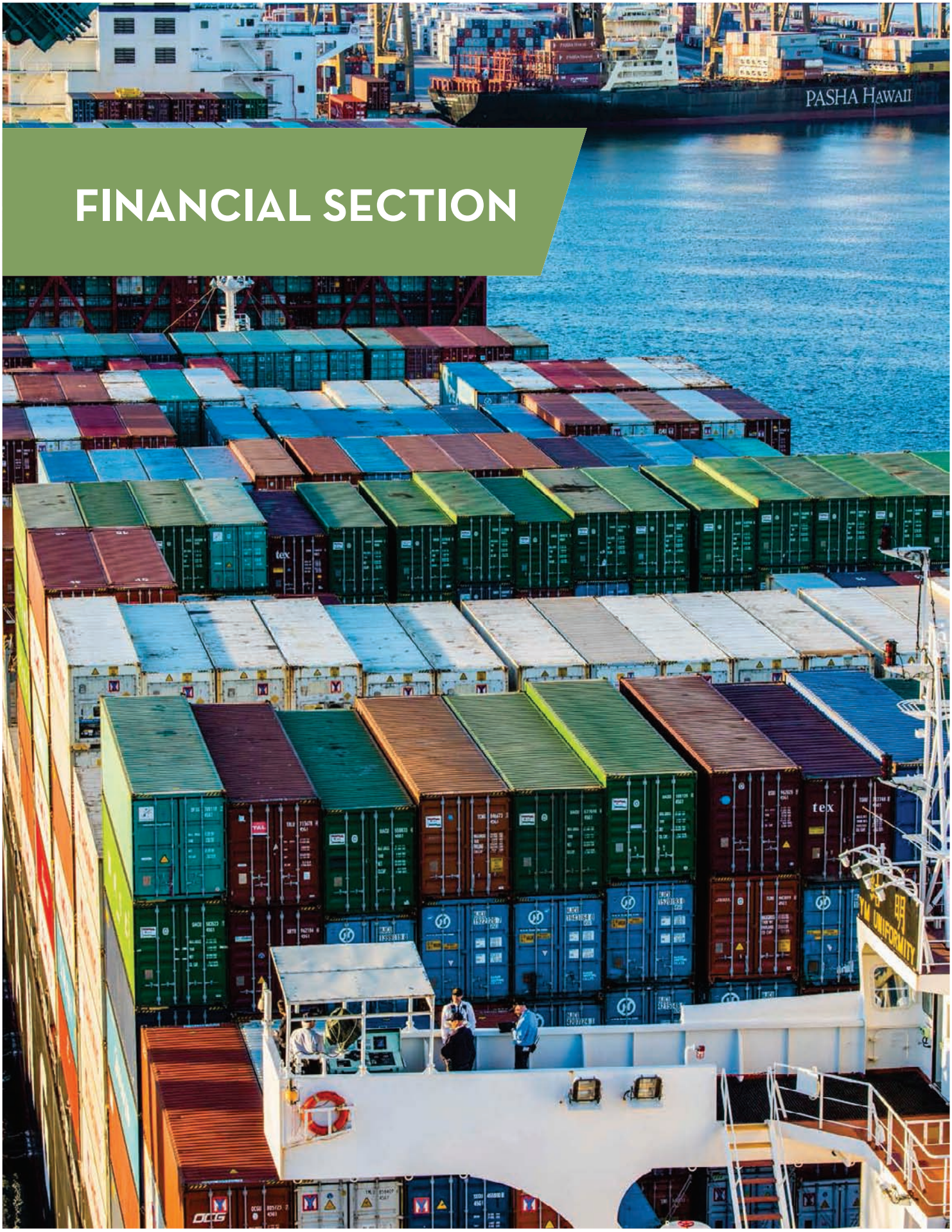
Dave Walsh
Chief Harbor Engineer of Design

Vacant
Director of Governmental Affairs

CITY ATTORNEY STAFF

Janna Sidley
General Counsel

FINANCIAL SECTION



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mGO Certified Public Accountants

Independent Auditor's Report

Honorable Members of the Board of Harbor 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) (Port), an enterprise fund of the City of Los Angeles, California, as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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, 2018 and 2017, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Port and do not purport to, and do not, present fairly the financial position of the City of Los Angeles, California, as of June 30, 2018 and 2017, the changes in its financial position, or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

As discussed in Note 2, effective July 1, 2017, the Port adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of proportionate share of the net pension liability and related ratios and schedule of contributions, as listed in the table of contents, be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the GASB who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the 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

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2018, on our consideration of the Port's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Port's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Port's internal control over financial reporting and compliance.

Macias Gini & O'Connell LLP

Los Angeles, California
December 4, 2018

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, 2018 and 2017. This discussion and analysis should be read in conjunction with the transmittal letter on pages 1-4 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, liabilities, and deferred inflows of resources as of June 30, 2018 and 2017. 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 expenses. Revenues and expenses are recorded and reported for some items that will result in cash flows in future periods. Changes in net position are 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 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.

Continued…..

Overview of the Port's Financial Statements

The Port is a fiscally independent department and an enterprise fund of the City of Los Angeles, California (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 financial statements on pages 47 to 113 provide additional information that is essential to a full understanding of the data provided in the financial statements.

Financial Highlights for Fiscal Year 2018

- Current assets exceeded current liabilities by $581.4 million.
- Capital assets, net of accumulated depreciation and amortization of $2.2 billion amounted to $3.9 billion.
- Total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources by $3.3 billion.
- Bonded debt net of unamortized discounts/premiums of $68.3 million, totaled $922.4 million.
- Operating revenue amounted to $490.8 million.
- Net operating expenses excluding depreciation of $168.0 million amounted to $237.0 million.
- Capital contributions amounted to $4.5 million.

Continued…..

Financial Highlights for Fiscal Year 2017

- Current assets exceeded current liabilities by $495.1 million.
- Capital assets, net of accumulated depreciation and amortization of $2.0 billion amounted to $3.9 billion.
- Total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources by $3.3 billion.
- Bonded debt net of unamortized discounts/premiums of $77.6 million, totaled $969.3 million.
- Operating revenue amounted to $474.5 million.
- Net operating expenses excluding depreciation of $172.9 million amounted to $227.7 million.
- Capital contributions amounted to $18.8 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, 2018, 2017, and 2016 (in thousands):

Condensed Net Position

				Increase (Decrease) Over Prior Year	
	FY 2018	FY 2017	FY 2016	FY 2018	FY 2017
Assets					
Current and other assets	$ 823,337	$ 753,106	$ 634,124	$ 70,231	$ 118,982
Capital assets, net	3,871,402	3,925,084	3,950,902	(53,682)	(25,818)
Total assets	4,694,739	4,678,190	4,585,026	16,549	93,164
Deferred outflows of resources	66,313	79,575	44,857	(13,262)	34,718
Liabilities					
Current liabilities	164,143	180,120	164,471	(15,977)	15,649
Long-term liabilities	1,224,655	1,282,205	1,281,576	(57,550)	629
Total liabilities	1,388,798	1,462,325	1,446,047	(73,527)	16,278
Deferred inflows of resources	37,383	30,042	21,881	7,341	8,161
Net position					
Net investment in capital assets	2,964,553	2,972,442	2,945,412	(7,889)	27,030
Restricted for debt service	62,225	62,255	66,599	(30)	(4,344)
Unrestricted	308,093	230,701	149,944	77,392	80,757
Total net position	$ 3,334,871	$ 3,265,398	$ 3,161,955	$ 69,473	$ 103,443

Net Position, Fiscal Year 2018

The largest portion of the Port's net position ($3.0 billion or 88.9%) reflects its net 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 ($62.2 million or 1.9%) represents resources that are restricted for the debt service reserve fund. The remaining balance of $308.1 million or 9.2% are unrestricted resources that may be used to meet the Port's ongoing obligations.

Current and other assets increased by $70.2 million or 9.3% from $753.1 million in fiscal year 2017 to $823.3 million in fiscal year 2018. This increase in current assets occurred due to higher year-over-year unrestricted cash levels.

Continued…..

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 $51.0 million from $707.5 million at June 30, 2017 to $758.5 million at June 30, 2018 was primarily due to the aforementioned increased unrestricted cash levels. Unrestricted cash increased over the course of the fiscal year as cash receipts derived from operating income and nonoperating sources more than sufficiently covered capital spending needs, debt service obligations, pollution remediation payments and workers' compensation payments. At June 30, 2018, the Port's share in the fair value measurement of the City's pooled investments reflected a decline of $10.3 million. The Port reported additional investments of $3.5 million from its share in the City's investment purchases on June 30, 2018, and $11.5 million in securities lending transactions.

Grants receivable increased by $3.0 million or 324.6% as larger amount of grant invoices remained outstanding at fiscal year-end relative to prior fiscal year.

Capital assets, net of depreciation decreased by $53.7 million or 1.4% as the increase in accumulated depreciation associated with the Port's existing facilities and equipment more than offset the increase in new capital assets associated with capital project development and construction in progress.

Current liabilities decreased by $16.0 million or 8.9% as a decrease of $31.3 million for the Port's share in the City's investment purchases on June 30, 2018 settled subsequently in the next fiscal year was only slightly offset by increases of $7.2 million in obligations from securities lending transactions, $6.4 million in current portion of outstanding bonds payable and $1.7 million in the net balance of other current liabilities.

Long-term liabilities decreased by $57.6 million or 4.5% primarily due to a decrease of $53.3 million in the noncurrent portion of bonds payable arising from the customary repayment of principal in conjunction with the Port's annual servicing of its debt, a decrease of $20.4 million or 8.8% in net pension liability attributable to the actual investment return rate of plan assets in fiscal year 2016-17 exceeding the investment return rate used in actuarial assumption, and a decrease of $10.2 million in estimated pollution remediation obligations. These decreases were offset by an increase in liabilities following the recognition of $24.4 million for other postemployment benefits (OPEB) liability as a result of implementing the Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75) and other increases totaling $1.9 million for deposits, accrued employee benefits, and allowance for workers compensation.

Net Position, Fiscal Year 2017

The largest portion of the Port's net position ($3.0 billion or 91.0%) reflects its net 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 ($62.3 million or 1.9%) represents resources that are restricted for the debt service reserve fund. The remaining balance of $230.7 million or 7.1% are unrestricted resources that may be used to meet the Port's ongoing obligations.

Current and other assets increased by $119.0 million or 18.8% from $634.1 million in fiscal year 2016 to $753.1 million in fiscal year 2017. This increase in current assets occurred due to higher year-over-year unrestricted cash levels.

Continued…..

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 $135.1 million from $572.4 million at June 30, 2016 to $707.5 million at June 30, 2017 was primarily due to the aforementioned increased unrestricted cash levels. Unrestricted cash was driven higher over the course of the fiscal year as record cargo volumes drove operating income to levels which more than sufficiently covered annual capital spending and debt service obligations. In addition, unrestricted cash was driven higher by the receipt of one-time legal settlement awards and insurance settlement proceeds. At June 30, 2017, the Port's share in the fair value measurement of the City's pooled investments reflected a decline of $0.1 million. The Port reported additional investments of $34.8 million from its share in the City's investment purchases on June 30, 2017, and $4.4 million in securities lending transactions.

Grants receivable decreased by $9.2 million as grant funded projects progressed over the course of the fiscal year and their associated grant funds were drawn down.

Capital assets, net of depreciation decreased by $25.8 million due to the salvage of old cranes and lower spending on certain projects at TraPac, cruise and WWL Vehicle Services Americas, Inc. terminals.

Current liabilities increased by $15.6 million or 9.5% mainly due to an increase in other current liabilities for the Port's share in the City's investment purchases on June 30, 2017 settled subsequently in the next fiscal year.

Long-term liabilities increased by $0.6 million as increases in long-term environmental remediation obligations and net pension liabilities slightly exceeded the decline in bonds payable arising from the customary repayment of principal in conjunction with the Port's annual servicing of its debt.

Continued…..

Analysis of the Port's Activities

The following table presents condensed information showing how the Port's net position changed during fiscal years 2018, 2017 and 2016 (in thousands):

Condensed Changes in Net Position

				Increase (Decrease) Over Prior Year	
	FY 2018	FY 2017	FY 2016	FY 2018	FY 2017
Operating revenue	$ 490,760	$ 474,532	$ 436,126	$ 16,228	$ 38,406
Less: Operating expenses	236,955	227,675	226,261	9,280	1,414
Operating income before depreciation and amortization	253,805	246,857	209,865	6,948	36,992
Less: Depreciation and amortization	167,984	172,895	163,933	(4,911)	8,962
Operating income	85,821	73,962	45,932	11,859	28,030
Net nonoperating revenue (expenses)	3,006	1,530	7,512	1,476	(5,982)
Income before capital contributions	88,827	75,492	53,444	13,335	22,048
Capital contributions	4,524	18,801	40,489	(14,277)	(21,688)
Extraordinary Item	--	9,150	5,123	(9,150)	4,027
Changes in net position	93,351	103,443	99,056	(10,092)	4,387
Net position, July 1	3,265,398	3,161,955	3,062,899	103,443	99,056
Cumulative effect of change in accounting principles	(23,878)	--	--	(23,878)	--
Net position, July 1, restated	3,241,520	3,161,955	3,062,899	79,565	99,056
Net position, June 30	$ 3,334,871	$ 3,265,398	$ 3,161,955	$ 69,473	$ 103,443

Changes in Net Position, Fiscal Year 2018

The Port reported a $93.4 million change in net position in fiscal year 2018, a 9.8% decrease as compared to fiscal year 2017. Approximately $466.7 million or 95.1% 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 $9.3 million in fiscal year 2018 compared to the previous fiscal year.

Depreciation expense decreased by $4.9 million to $168.0 million in fiscal year 2018 from $172.9 million in fiscal year 2017, primarily due to certain assets being fully depreciated in the prior year.

Nonoperating revenues for fiscal year 2018 totaled $10.9 million, while nonoperating expenses were $7.9 million, thereby resulting in net nonoperating revenue of $3.0 million. Nonoperating revenues of $10.9 million include: $2.0 million of income from an investment in the Intermodal Container Transfer Facility Joint Powers Authority, $0.6 million from interest and investment income from the Port's cash in the City's pooled investments, $1.5 million from noncapital grants, $2.7 million from pass through grant revenue, as well as $4.1 million from various rebates, reimbursements, and miscellaneous other receipts. Nonoperating

Continued…..

expenses of $7.9 million include $1.6 million of interest on indebtedness, $2.7 million from pass through grant expenditures, $1.6 million of expenses resulting from certain capitalized projects being discontinued during the fiscal year, and $2.0 million related to disposed asset write-offs and maintaining liquidity support for the commercial paper program during the fiscal year.

As a result, income before capital contributions increased by $13.3 million or 17.7% to $88.8 million in fiscal year 2018 from $75.5 million in fiscal year 2017.

Capital contributions decreased by $14.3 million from $18.8 million received in fiscal year 2017 to $4.5 million in fiscal year 2018 following the completion of more grant-funded initiatives in fiscal year 2017 relative to fiscal year 2018. Capital grants in fiscal year 2018 funded initiatives such as Harbor Boulevard/Sampson Way/7th Street Reconfiguration ($2.7 million), Yusen Terminal Efficiency Enhancements and Truck Trip Redesign Program ($2.3 million), I-110/C-Street Access Ramp Improvements ($1.2 million), Rail Yard Track Connections at Berth 200 ($1.4 million), and I-110/SR-47/Harbor Boulevard Connectors and Vincent Thomas Bridge ($0.6 million). These grant receipts of $8.2 million were offset by a $3.7 million refund related to TraPac terminal construction.

Changes in Net Position, Fiscal Year 2017

The Port reported a $103.4 million change in net position in fiscal year 2017, a 4.4% increase as compared to fiscal year 2016. Approximately $449.5 million or 94.7% 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 $1.4 million in fiscal year 2017 compared to the previous fiscal year.

Depreciation expense increased by $9.0 million to $172.9 million in fiscal year 2017 from $163.9 million in fiscal year 2016, primarily due to the completion of capital projects that have been put into service in recent years.

Nonoperating revenues for fiscal year 2017 totaled $13.2 million, while nonoperating expenses were $11.7 million, thereby resulting in net nonoperating revenue of $1.5 million. Nonoperating revenues of $13.2 million include: $2.2 million of income from an investment in the Intermodal Container Transfer Facility Joint Powers Authority, $1.1 million from interest and investment income from the Port's cash in the City's pooled investments, $1.2 million from noncapital grants, $7.9 million from pass through grant revenue, as well as $0.8 million from various rebates, reimbursements, and miscellaneous other receipts. Nonoperating expenses of $11.7 million include $0.6 million of interest on indebtedness, $7.9 million from pass through grant expenditures, $0.8 million of expenses resulting from certain capitalized projects being discontinued during the fiscal year, and $2.4 million related to the costs of issuing debt and maintaining liquidity support for the commercial paper program during the fiscal year.

As a result, income before capital contributions increased by $22.1 million or 41.3% to $75.5 million in fiscal year 2017 from $53.4 million in fiscal year 2016.

Capital contributions of $18.8 million represented funds for capital grants obtained in fiscal year 2017, and decreased by $21.7 million compared to the $40.5 million received in fiscal year 2016. Capital grant reimbursements in fiscal year 2017 funded initiatives such as the Yusen Terminal Efficiency Enhancements

Continued…..

and Truck Trip Redesign Program ($7.7 million), I-110/C-Street Access Ramp Improvements ($4.5 million), I-110/SR-47/Harbor Boulevard Connectors ($2.3 million), TraPac Terminal Construction ($1.5 million), the South Wilmington Grade Separation ($1.4 million), San Pedro Waterfront Development ($0.7 million) and Rail Yard Track Connections at Berth 200 ($0.7 million).

Insurance recovery for the fire damage to Berths 177-178 and a portion of Berth 179 in 2014 in the amount of $9.2 million was received in fiscal year 2017 and reflected as Extraordinary Item. See page 113 of this report for additional information.

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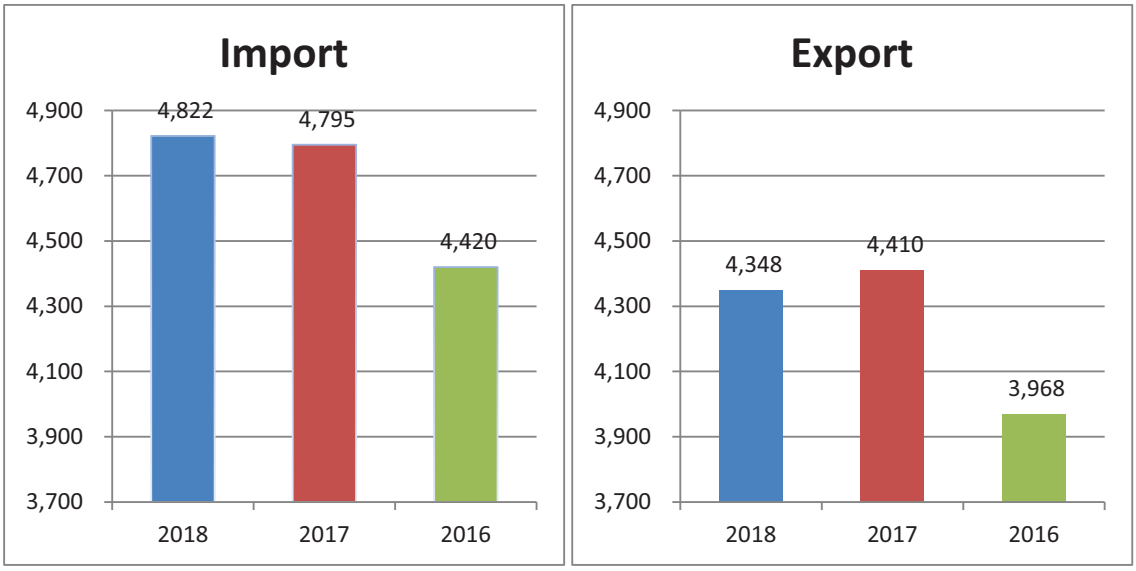
Operating Revenue

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 thousand TEUs):

	In TEUs			% Change Over Prior Year	
Container Volume	FY 2018	FY 2017	FY 2016	FY 2018	FY 2017
Import	4,822	4,795	4,420	0.6%	8.5%
Export	4,348	4,410	3,968	-1.4%	11.1%
Total	9,170	9,205	8,388	-0.4%	9.7%

Following is the graphical presentation of the Port's container counts (in thousand TEUs) for fiscal years 2016 to 2018:



In Thousand TEUs

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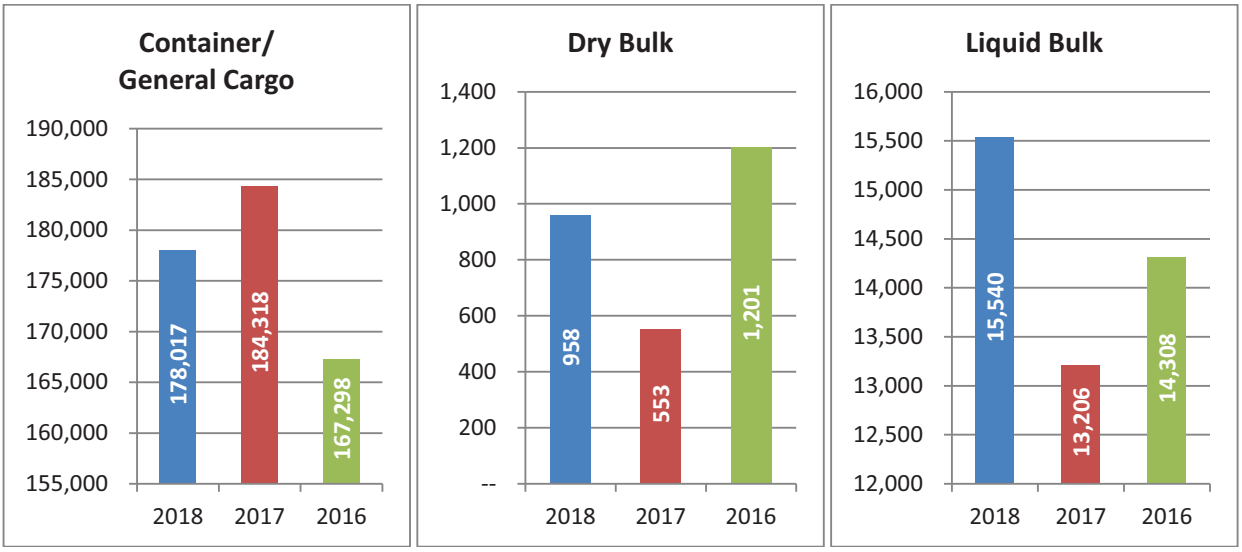
The Port is the leading seaport in North America in terms of shipping container volume. The following presents a summary of cargo volumes by major classification handled by the Port for the last three fiscal years (in thousands):

	In Metric Revenue Tons			% Change Over Prior Year	
Cargo Type	FY 2018	FY 2017	FY 2016	FY 2018	FY 2017
Container/general cargo	178,017	184,318	167,298	-3.4%	10.2%
Dry bulk	958	553	1,201	73.2%	-54.0%
Liquid bulk	15,540	13,206	14,308	17.7%	-7.7%
Total	194,515	198,077	182,807	-1.8%	8.4%

Information for the cargo volume that moved through the Port for the last ten fiscal years may be found in the Statistical Section on page 122.

Following is the graphical presentation of the Port's cargo volumes for fiscal years 2016 to 2018 in thousand metric tons:



In Thousand Metric Tons

Continued…..

The Port is the number one port by container volume in North America. Fiscal year 2018 marked the second consecutive fiscal year period in which the Port has surpassed the 9.0 million TEU mark. Fiscal Year 2018 cargo volumes of 9.2 million TEUs represented a 0.4% decrease relative to the prior fiscal year. Total loaded containers of 6.6 million represented a 0.4% decrease relative to the prior fiscal year.

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 2018, 2017 and 2016 (in thousands):

Summary of Operating Revenues

				Increase (Decrease) Over Prior Year	
	FY 2018	FY 2017	FY 2016*	FY 2018	FY 2017
Shipping services					
Wharfage	$ 376,127	$ 369,459	$ 341,765	$ 6,668	$ 27,694
Dockage and demurrage	4,751	4,326	5,845	425	(1,519)
Pilotage	10,502	9,558	7,064	944	2,494
Assignment and other charges	13,899	14,912	13,796	(1,013)	1,116
Total shipping services	405,279	398,255	368,470	7,024	29,785
Rentals					
Land	60,746	50,554	45,763	10,192	4,791
Other	673	704	808	(31)	(104)
Total rentals	61,419	51,258	46,571	10,161	4,687
Royalties and other fees					
Fees, concession and royalties	10,555	10,436	10,655	119	(219)
Clean truck program fees	2,186	2,340	2,384	(154)	(44)
Other	11,321	12,243	8,046	(922)	4,197
Total royalties and other fees	24,062	25,019	21,085	(957)	3,934
Total operating revenues	$ 490,760	$ 474,532	$ 436,126	$ 16,228	$ 38,406

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

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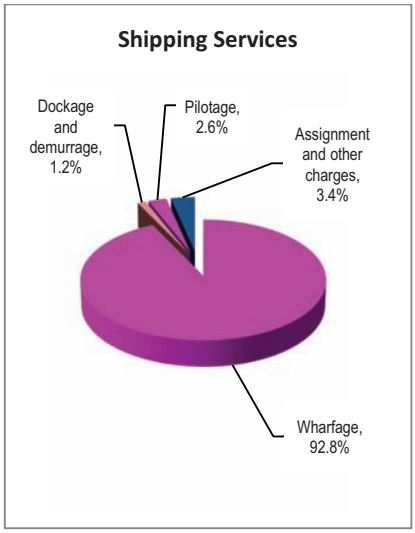
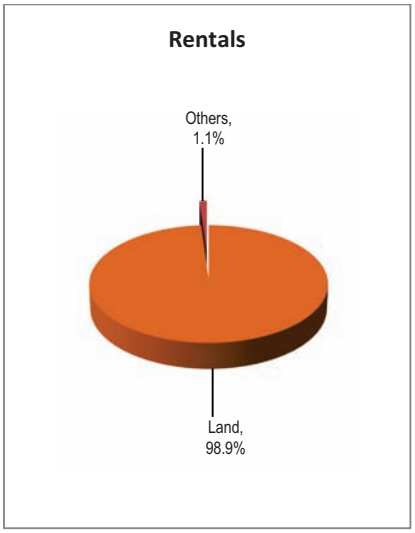
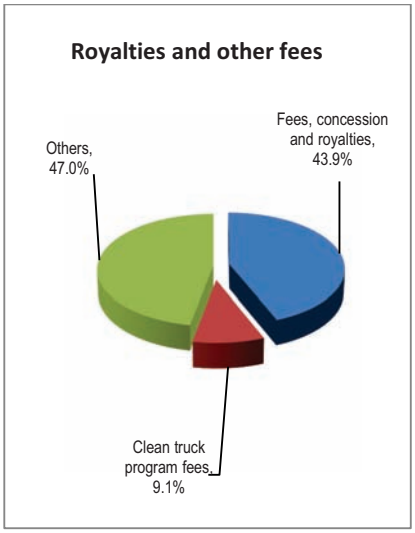
The following charts show the major components of the Port's sources of operating revenue for fiscal years 2018 and 2017:

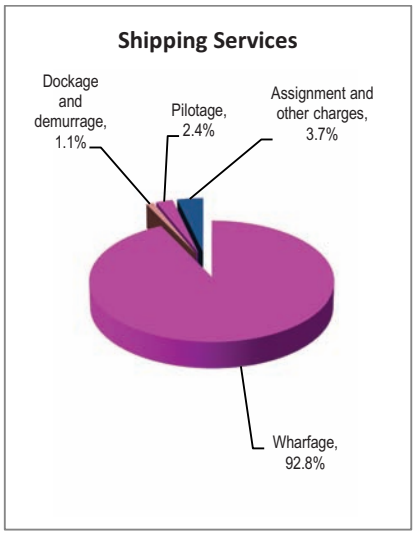
Fiscal Year 2018

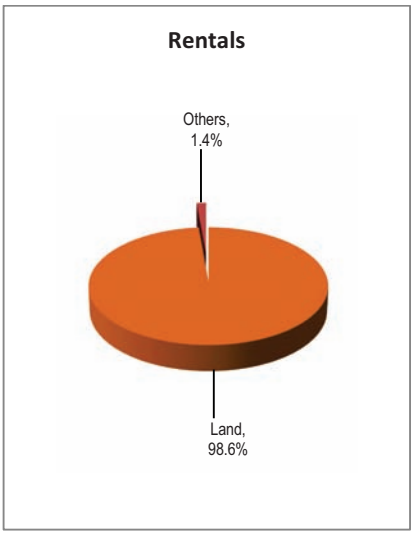


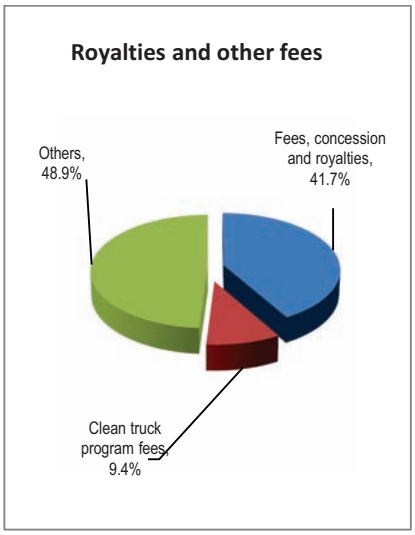




Fiscal Year 2017







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Operating Revenue, Fiscal Year 2018

Operating revenue for fiscal year 2018 increased to $490.8 million, reflecting an 3.4% increase from the prior year revenue of $474.5 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 represented 82.6% of fiscal year 2018 total operating revenues and 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 92.8% of the total shipping service revenues in fiscal year 2018. Wharfage is the fee charged against merchandise for passage over wharf premises, to and from vessels, and barges. Wharfage was $6.7 million higher compared to fiscal year 2017 mainly due to higher rates realized on cargo volumes moved through terminals. Other shipping services revenues were $0.3 million higher as dockage and demurrage revenue as well as pilotage revenue increased by $0.4 million and $0.9 million, respectively, while assignment revenues decreased by $1.0 million.

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 2018, rental income at the Port, which represented 12.5% of fiscal year 2018 total operating revenues, increased by $10.2 million, or 19.8%, over last fiscal year. The increase was due to $11.4 million in net rental rate increases and new permits offset by $0.6 million in the non-recurrence of one-time payments and $0.6 million in permit terminations.

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 fiscal year 2018 was $24.1 million or 4.9% of the total operating revenues. This represented a decrease of $1.0 million in this revenue category compared with fiscal year 2017 mainly due to $1.4 million in higher credits for tenant services being only partially offset by $0.4 million in higher other miscellaneous receipts.

Continued…..

Operating Revenue, Fiscal Year 2017

Operating revenue for fiscal year 2017 increased to $474.5 million, reflecting an 8.8% increase from the prior year revenue of $436.1 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 represented 83.9% of fiscal year 2017 total operating revenues and 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 92.8% of the total shipping service revenues in fiscal year 2017. Wharfage is the fee charged against merchandise for passage over wharf premises, to and from vessels, and barges. Wharfage was $27.7 million higher compared to fiscal year 2016 mainly due to higher cargo volumes moved through terminals. Other shipping services revenues were $2.1 million higher as pilotage revenue and assignment revenue increased by $2.5 million and $1.1 million, respectively, while dockage and demurrage revenues decreased by $1.5 million.

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 2017, rental income at the Port, which represented 10.8% of fiscal year 2017 total operating revenues, increased by $4.7 million, or 10.1%, over last fiscal year. The increase was due to $6.7 million in net rental rate increases and new permits offset by $1.4 million in the non-recurrence of one-time payments and $0.6 million in permit terminations.

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 fiscal year 2017 was $25.0 million or 5.3% of the total operating revenues. This represented an increase of $3.9 million in this revenue category compared with fiscal year 2016 mainly due to the receipt of $3.0 million in Harbor Maintenance Tax proceeds and $0.9 million in other miscellaneous receipts.

Continued…..

Operating Expenses

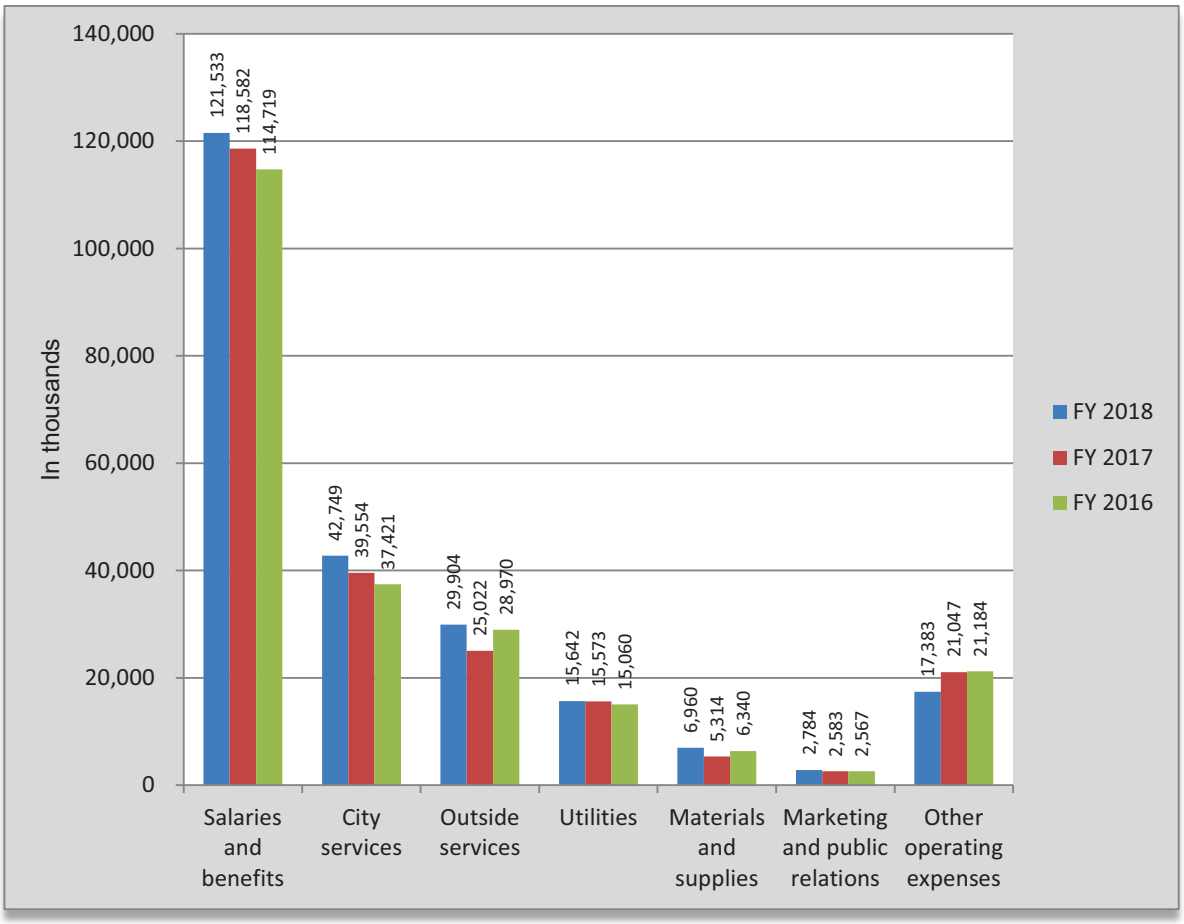
The following table presents a summary of the Port's operating expenses, net of direct and indirect costs allocated to capitalized construction projects for fiscal years 2018, 2017 and 2016. Included in other operating expenses are expenses for workers' compensation, clean truck program, pollution remediation, insurance premiums, travel and entertainment, customer incentive payouts, and miscellaneous other items.

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

				Increase(Decrease) Over Prior Year	
	FY 2018	FY 2017	FY 2016	FY 2018	FY 2017
Salaries and benefits	$ 121,533	$ 118,582	$ 114,719	$ 2,951	$ 3,863
City services	42,749	39,554	37,421	3,195	2,133
Outside services	29,904	25,022	28,970	4,882	(3,948)
Utilities	15,642	15,573	15,060	69	513
Materials and supplies	6,960	5,314	6,340	1,646	(1,026)
Marketing and public relations	2,784	2,583	2,567	201	16
Other operating expenses	17,383	21,047	21,184	(3,664)	(137)
Total Operating Expenses	$ 236,955	$ 227,675	$ 226,261	$ 9,280	$ 1,414

Continued…..

The following chart shows the graphical comparison of the Port's operating expenses, net of direct and indirect costs, for fiscal years 2018, 2017 and 2016:



Continued…..

Operating Expenses, Fiscal Year 2018

Operating expenses are 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.

In fiscal year 2018, operating expenses increased by $9.3 million to $237.0 million, a 4.1% increase from prior fiscal year expenses of $227.7 million. Major components of operating expenses are salaries and benefits, city services, outside services, utilities, materials and supplies, and other operating expenses that are further discussed and analyzed below.

Salaries and benefits expense including pension expense increased by $2.9 million to $121.5 million, or 2.4% higher than the prior year expense of $118.6 million due to Memorandum of Understanding (MOU) salary increases for employees throughout the Port.

Total payments for City services of $42.7 million increased by $3.2 million or 8.1% relative to the prior fiscal year of $ 39.6 million due to higher cost allocation plan rates and MOU mandated salary increases as well as higher fireboat maintenance expenses.

Outside services expenses of $29.9 million increased by $4.9 million or 19.5% relative to the prior fiscal year of $25.0 million with spending increases totaling $6.2 million across various divisions throughout the Port offset by $1.3 million spending decreases in maintenance services and legal expenses. These increases in outside services expenses were primarily attributable to the following: higher spending on the supply chain optimization GE Portal project by $2.4 million, higher spending on computer aided dispatch, port security and various police technology by $0.7 million, higher spending on environmental assessments and projects by $0.7 million, initiation of the Metro Bike Share Program of $0.6 million, higher spending on internal audits by $0.5 million, a one-time catch-up payment of $0.4 million for the City's Bond Assistance Program, one-time payment of $0.4 million on terminal security services, higher spending on the Port's website redesign by $0.3 million, and higher general spending on outside consultants by $0.2 million.

Materials and supplies expenses of $7.0 million increased by $1.7 million or 31.0% relative to the prior fiscal year of $5.3 million primarily due to $1.4 million in higher materials and supplies purchases within the construction and maintenance division.

Other operating expenses of $17.4 million represented a decrease of $3.6 million, or 17.1%, relative to prior fiscal year other operating expenses of $21.0 million. This decrease in other operating expenses was primarily attributable to lower provisioning for pollution remediation obligations by $5.3 million and lower provisioning for workers' compensation liabilities by $2.3 million. These decreases were partially offset by higher provisioning for litigation and claim expenses by $1.3 million, payments of $1.1 million related to the cruise incentive program, and higher miscellaneous other operating expenses by $1.6 million.

Additional information regarding pollution remediation for these sites may be found in Note 9 on page 74.

Continued…..

Operating Expenses, Fiscal Year 2017

Operating expenses are 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.

In fiscal year 2017, operating expenses increased by $1.4 million to $227.7 million, a 0.6% increase from prior fiscal year expenses of $226.3 million. Major components of operating expenses are salaries and benefits, city services, outside services, utilities, materials and supplies, and other operating expenses that are further discussed and analyzed below.

Salaries and benefits expense including pension expense increased by $3.9 million to $118.6 million, or 3.4% higher than the prior year expense of $114.7 million due to Memorandum of Understanding (MOU) salary increases for employees throughout the Port.

Total payments for City services of $39.6 million increased by $2.1 million or 5.7% relative to the prior fiscal year of $37.4 million due to higher cost allocation plan rates and MOU mandated salary increases.

Outside services expenses of $25.0 million declined by $3.9 million or 13.6% relative to the prior fiscal year of $29.0 million with $5.1 million in spending declines offset by spending increases totaling $1.2 million across various divisions throughout the Port. These decreases in outside services expenses were primarily attributable to the following: lower demolition expenses by $1.9 million, lower security technology expenses by $0.9 million, lower legal expenses by $0.9 million, lower environmental assessment spending by $0.6 million and lower spending on miscellaneous outside services by $0.8 million. Increases in outside services expenses were comprised of: higher spending on building maintenance costs by $0.8 million and less capitalization of outside services overhead costs by $0.4 million.

Utilities increased by $0.5 million to $15.6 million or 3.4% from the prior fiscal year expense of $15.1 million mainly due to higher water and gas expenses relative to fiscal year 2016.

Materials and supplies expenses of $5.3 million declined by $1.0 million or 16.2% relative to the prior fiscal year of $6.3 million primarily due to $1.0 million in lower materials and supplies purchases within the construction and maintenance division.

Other operating expenses of $21.0 million represented a decrease of $0.1 million, or 0.6%, relative to prior fiscal year other operating expenses of $21.1 million. This decrease in other operating expenses was primarily attributable to lower provisioning for pollution remediation obligations by $3.7 million, lower provisioning for litigation and claim expenses by $0.8 million, lower provisioning for bad debt by $0.7 million, and lower miscellaneous other operating expenses by $0.4 million almost completely offset by an increase in provisioning for workers' compensation liabilities of $5.5 million.

Additional information regarding pollution remediation for these sites may be found in Note 9 on page 74.

Continued…..

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 expenses 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 2018, 2017 and 2016:

Summary of Nonoperating Revenues and Expenses
(amounts in thousands)

				Increase (Decrease) Over Prior Year	
	FY 2018	FY 2017	FY 2016	FY 2018	FY 2017
Nonoperating revenues					
Income from investments in Joint Powers Authorities	$ 2,001	$ 2,162	$ 2,544	$ (161)	$ (382)
Interest and investment income	618	1,118	9,326	(500)	(8,208)
Other nonoperating revenue	8,284	9,994	4,402	(1,710)	5,592
Total nonoperating revenues	10,903	13,274	16,272	(2,371)	(2,998)
Nonoperating expenses					
Interest expense	1,612	604	507	1,008	97
Other nonoperating expenses	6,285	11,140	8,253	(4,855)	2,887
Total nonoperating expenses	7,897	11,744	8,760	(3,847)	2,984
Net nonoperating revenues (expenses)	$ 3,006	$ 1,530	$ 7,512	$ 1,476	$ (5,982)

Nonoperating Revenues and Expenses, Fiscal Year 2018

Net nonoperating revenues (expenses) for fiscal year 2018 of $3.0 million increased by $1.5 million relative to net nonoperating revenues of $1.5 million in fiscal year 2017.

Nonoperating revenues decreased by $2.4 million due to lower interest and investment income by $0.5 million and lower other nonoperating revenues by $1.7 million.

Nonoperating expenses decreased by $3.8 million in fiscal year 2018 primarily due to lower pass-through grant funding disbursements by $5.2 million and the non-recurrence of bond issuance costs of $0.9 million incurred in the prior fiscal year. These declines were partially offset by higher discontinued capital project by $0.9 million, higher interest expense by $1.0 million and a loss of $0.4 million related to the retirement of crane assets.

Continued…..

Nonoperating Revenues and Expenses, Fiscal Year 2017

Net nonoperating revenues (expenses) for fiscal year 2017 of $1.5 million decreased by $6.0 million relative to net nonoperating revenues of $7.5 million in fiscal year 2016.

Nonoperating revenues decreased by $3.0 million due to lower interest and investment income by $8.2 million and lower other nonoperating revenues by $1.2 million offset by higher grant receipts by of $6.4 million.

Nonoperating expenses increased by $3.0 million in fiscal year 2017 primarily due to higher pass-through grant funding disbursements by $6.4 million and higher other nonoperating expenses by $1.1 million offset by lower discontinued capital projects by $4.5 million.

Long-Term Debt

The Port's long-term debt is comprised of senior lien debt in the form of Harbor Revenue Bonds. As of June 30, 2018 and 2017, the Port's outstanding long-term debt was $854.1 million and $891.7 million, respectively. For all outstanding bonds, the Port continues to maintain Aa2, AA, and AA credit ratings from Moody's Investor Services (Moody's), Standard & Poor's Rating Service (S&P), and Fitch Ratings (Fitch), respectively. See Note 7 on page 66 of this report for additional information.

Bonded Debt

Under Section 609 of the City Charter 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 be maintained at all times. At June 30, 2018, the Port's debt service coverage was 3.3x debt service.

The Port's long-term debt consisted of the following as of June 30, 2018, 2017, and 2016 (in thousands):

	FY 2018	FY 2017	FY 2016
Revenue bonds payable	$ 854,125	$ 891,740	$ 951,120
Net unamortized premiums	68,308	77,603	57,202
Total	$ 922,433	$ 969,343	$ 1,008,322

Continued…..

Capital Assets

The Port's investment in capital assets, net of accumulated depreciation and amortization as of June 30, 2018, 2017 and 2016 amounted to $3.9 billion, $3.9 billion, and $4.0 billion, respectively. These accounted for 82.5%, 83.9%, and 86.2%, of total assets, respectively. The following table presents the Port's capital assets, net of accumulated depreciation for fiscal years 2018, 2017 and 2016 (in thousands):

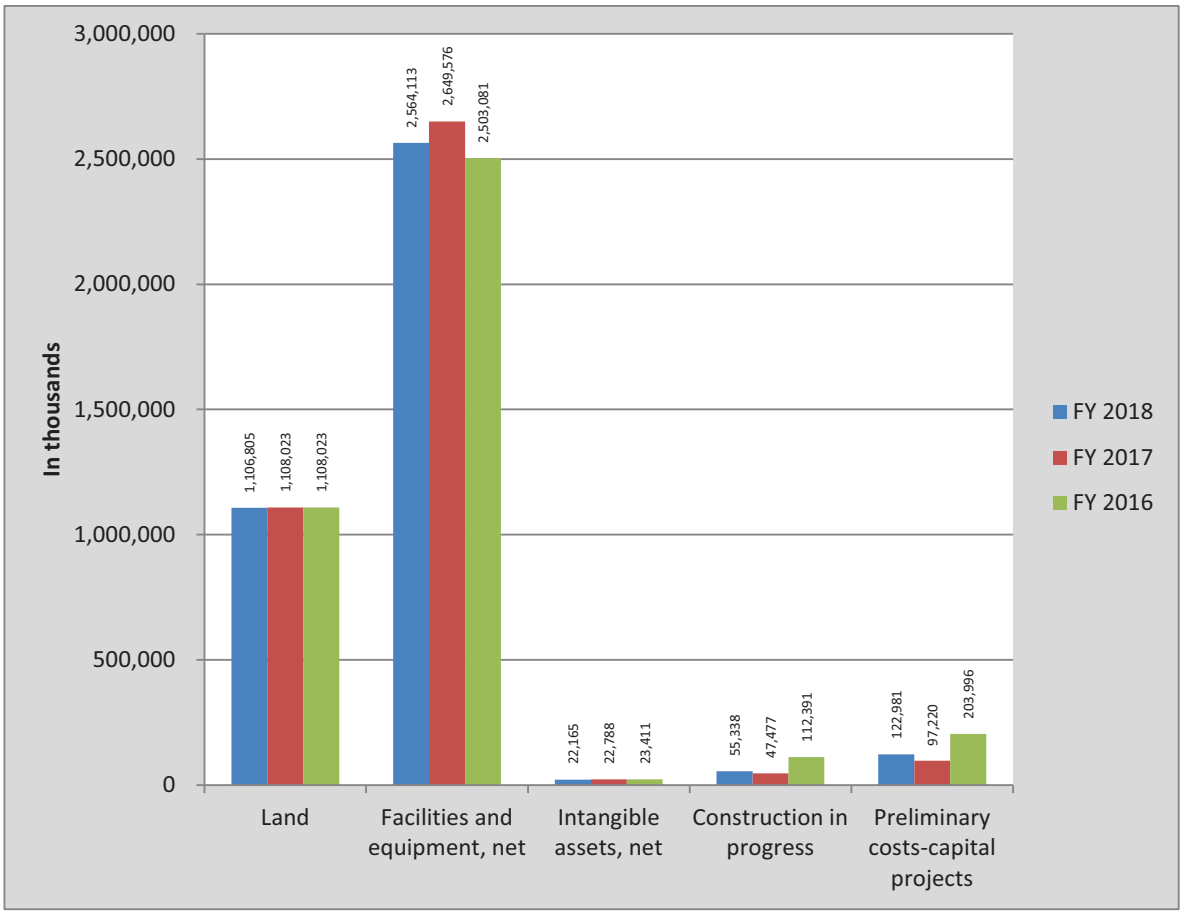
Summary of Capital Assets

				Increase(Decrease) Over Prior Year	
	FY 2018	FY 2017	FY 2016	FY 2018	FY 2017
Land	$ 1,106,805	$ 1,108,023	$ 1,108,023	$ (1,218)	$ --
Facilities and equipment, net	2,564,113	2,649,576	2,503,081	(85,463)	146,495
Intangible assets, net	22,165	22,788	23,411	(623)	(623)
Construction in progress	55,338	47,477	112,391	7,861	(64,914)
Preliminary costs-capital projects	122,981	97,220	203,996	25,761	(106,776)
Total	$ 3,871,402	$ 3,925,084	$ 3,950,902	$ (53,682)	$ (25,818)

See Note 5 on pages 63 – 64 of this report for additional information.

Continued…..

The following chart shows the graphical presentation of the Port's capital assets for the fiscal years 2018, 2017 and 2016:



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Capital Assets, Fiscal Year 2018

Major capital assets activities during fiscal year 2018 are as follows:

- $14.6 million – various projects at the Port's World Cruise Center including installation and upgrade of Alternative Maritime Power (AMP) system, design and construction of security improvements required at the U.S. Customs and Border Protection facility, and other miscellaneous improvements.
- $13.2 million – continued design and construction of San Pedro Waterfront and Wilmington Waterfront Development projects including, but not limited to Sampson Way roadway improvements, the Wilmington Waterfront Promenade, the Avalon Promenade and Gateway, and Ports O' Call Promenade and Town Square.
- $6.3 million – wharf rehabilitation at the WWL Vehicle Services Americas, Inc. terminal as well as bollard repair, and seawall improvement projects.
- $4.0 million – various transportation projects including preparation of the interchange reconfiguration project at SR-47/Vincent Thomas Bridge and Front Street/Harbor Boulevard, C Street/I110 Access Ramp Improvements, John S. Gibson Intersection/North I-110 Access Ramp Improvements, Alameda Street & Dispatch Hall Driveway traffic Signal, and construction of Berth 200 rail yard track connection enhancements.
- $3.5 million – redevelopment projects at the Yusen Terminals Inc. (YTI) terminal including wharf upgrades and expansion of the terminal facilities.
- $2.7 million – various projects at berths with liquid bulk oil cargo handling facilities to comply with Marine Oil Terminal Engineering Maintenance Standards (MOTEMS).
- $2.3 million – redevelopment projects at the TraPac Container Terminal including backland improvements and construction of terminal buildings and facilities.

Continued…..

Capital Assets, Fiscal Year 2017

Major capital assets activities during fiscal year 2017 are as follows:

- $25.6 million – completion of Phases 2-4 of backland improvements at Berths 142-143 as well as continued construction of the crane maintenance buildings, terminal buildings, main gate, and intermodal container transfer facility expansion at Berths 134-147 leased by TraPac.
- $24.3 million – completion of Berth 214-220 redevelopment which will enable the tenant, Yusen Terminals Inc. (YTI), to service larger ships as well as provide ships calling at the YTI terminal with better AMP service while docked.
- $8.5 million – completion of design and construction of C-Street/I-110 access ramp improvements which will realign the I-110 off-ramp to accommodate heavy truck volumes and provide improved connectivity to Harry Bridges Boulevard.
- $6.9 million – continued design and construction of San Pedro Waterfront and Wilmington Waterfront Development projects including, but not limited to Sampson Way roadway improvements, the Wilmington Waterfront Promenade, the Avalon Promenade and Gateway, Ports O' Call Promenade and Town Square, retrofitting the Berth 57 wharf and Signal Street improvements.
- $6.4 million – various transportation projects including construction completion of John S. Gibson Intersection/North I-110 access ramp improvements, close out of final construction payments related to the South Wilmington Grade Separation, construction of Berth 200 rail yard track connections, and construction completion of I-110/SR-47 connector improvements.

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. Formation of shipping alliances adds to the complexity as shipping lines which have ownership in terminals route cargo to terminals that are not owned by them, but by their Alliance partners. While the shipping industry remains volatile in 2018, shipping lines are searching for the best terminal handling rates and even looking to the Port to provide incentives. 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 33% of cargo arriving at the Port. Currently, this discretionary cargo moves eastward both by rail and through the Panama Canal or westward through the Suez Canal. The use of all-water routes primarily through the Panama and Suez 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. Routing cargo via all-water service has a longer transit time and is usually less expensive to the beneficial cargo owner vs. routing via West Coast Ports and loading via rail. The newly completed Panama Canal Expansion Program added a new set of locks, which allows ships of greater size (up to 12,500 TEU) 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.

Competitive Environment

As of the fiscal year ended June 30, 2018, four major container ports controlled 99.0% of the entire U.S. West Coast containerized cargo market: the ports of Los Angeles, Long Beach, and Oakland in California, and the ports of Seattle and Tacoma in Washington State. The ports of Los Angeles and Long Beach together had 73.6% 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 based upon the commitment of customers to long-term permits at the Port that currently range from 15 to 30 years before expiration. 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.

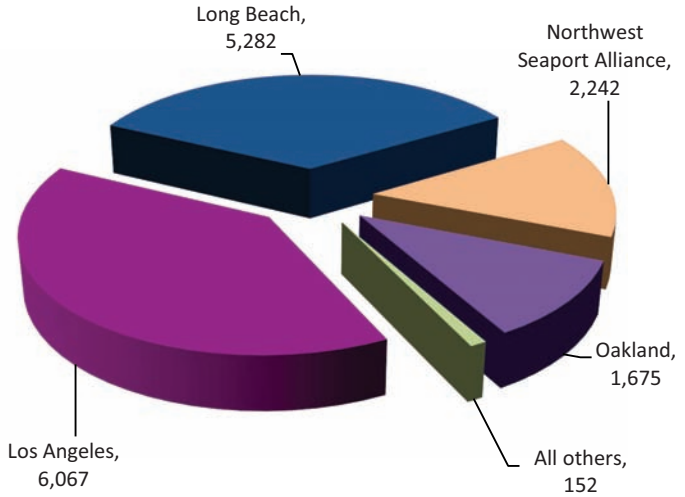
Continued…..

The following presents a summary of the West Coast container market share for fiscal years 2016 to 2018:

	Loaded TEUs (in thousands)*			Percentage Market Share		
Ports	FY 2018	FY 2017	FY 2016	FY 2018	FY 2017	FY 2016
Los Angeles	6,067	6,266	5,727	39.3%	41.4%	39.4%
Long Beach	5,282	4,734	4,852	34.3%	31.3%	33.3%
Northwest Seaport Alliance**	2,242	2,350	2,233	14.5%	15.5%	15.3%
Oakland	1,675	1,654	1,622	10.9%	10.9%	11.1%
All others	152	134	127	1.0%	0.9%	0.9%
	15,418	15,138	14,561	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 2018:



Loaded TEUs (in thousands)

Continued…..

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

Statements of Net Position
June 30, 2018 and 2017
(amounts in thousands)

	2018	2017
ASSETS		
Current assets		
Cash and cash equivalents, unrestricted	$ 672,166	$ 619,413
Cash and cash equivalents, restricted	14,218	15,915
Accounts receivable, net of allowance for doubtful accounts: 2018 - $32,780; 2017 - $26,503	49,400	34,324
Grants receivable	3,906	920
Materials and supplies inventories	2,464	2,561
Prepaid expenses	470	132
Accrued interest receivable	2,908	1,986
Total current assets	745,532	675,251
Noncurrent restricted assets		
Restricted investments – bond funds	62,230	62,283
Other restricted cash and investments	9,842	9,840
Total noncurrent restricted assets	72,072	72,123
Capital assets		
Land	1,106,805	1,108,023
Facilities and equipment net of accumulated depreciation: 2018 - $2,209,444; 2017 - $2,049,121	2,564,113	2,649,576
Intangible assets, net of amortization: 2018 - $3,195; 2017 - $2,572	22,165	22,788
Construction in progress	55,338	47,477
Preliminary costs – capital projects	122,981	97,220
Total capital assets	3,871,402	3,925,084
Investment in Joint Powers Authorities	5,733	5,732
TOTAL ASSETS	4,694,739	4,678,190
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charges on debt refunding	15,584	16,700
Deferred outflows of resources related to pensions	43,790	62,875
Deferred outflows of resources related to other postemployment benefits (OPEB)	6,939	--
TOTAL DEFERRED OUTFLOWS OF RESOURCES	66,313	79,575

continued…..

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

Statements of Net Position
June 30, 2018 and 2017
(amounts in thousands)

	2018	2017
LIABILITIES		
Current liabilities		
Accounts payable	$ 34,055	$ 31,617
Current maturities of notes payable and bonded debt	44,015	37,615
Accrued interest payable	17,420	18,023
Accrued salaries and employee benefits	18,642	17,542
Obligations under securities lending transactions	11,535	4,384
Accrued construction cost payable	3,579	3,060
Other current liabilities	34,897	67,879
Total current liabilities	164,143	180,120
Long-term liabilities		
Long-term liabilities payable from unrestricted assets		
Bonds payable, net of unamortized discount/premium:		
2018 - $68,308; 2017 - $77,603	878,418	931,728
Accrued salaries and employee benefits	8,135	7,537
Net pension liabilities	210,882	231,325
Net OPEB liabilities	24,416	--
Other liabilities	91,606	101,316
Total long-term liabilities payable from unrestricted assets	1,213,457	1,271,906
Long-term liabilities payable from restricted assets	11,198	10,299
Total long-term liabilities	1,224,655	1,282,205
TOTAL LIABILITIES	1,388,798	1,462,325
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources related to pensions	31,374	30,042
Deferred inflows of resources related to OPEB	6,009	--
TOTAL DEFERRED INFLOWS OF RESOURCES	37,383	30,042
NET POSITION		
Net investment in capital assets	2,964,553	2,972,442
Restricted for debt service	62,225	62,255
Unrestricted	308,093	230,701
TOTAL NET POSITION	$ 3,334,871	$ 3,265,398

See accompanying notes to the basic financial statements.

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

Statements of Revenues, Expenses, and Changes in Net Position
For the Fiscal Years Ended June 30, 2018 and 2017
(amounts in thousands)

	2018	2017
OPERATING REVENUE		
Shipping services		
Wharfage	$ 376,127	$ 369,459
Dockage	4,532	4,113
Demurrage	219	213
Lay day fees	38	255
Pilotage	10,502	9,558
Assignment charges	13,861	14,657
Total shipping services	405,279	398,255
Rentals		
Land	60,746	50,554
Buildings	109	206
Warehouses	87	85
Wharf and shed	477	413
Total rentals	61,419	51,258
Royalties, fees, and other operating revenues		
Fees, concessions, and royalties	10,555	10,436
Clean truck program fees	2,186	2,340
Other	11,321	12,243
Total royalties, fees, and other operating revenues	24,062	25,019
Total operating revenue	490,760	474,532
OPERATING EXPENSES		
Salaries and other benefits	96,208	94,677
Pension expense	20,843	23,905
OPEB expense	4,482	--
City services	42,749	39,554
Outside services	29,904	25,022
Utilities	15,642	15,573
Materials and supplies	6,960	5,314
Marketing and public relations	2,784	2,583
Workers' compensation, claims and settlement	4,009	4,977
Clean truck program expenses	831	704
Travel and entertainment	749	536
Other operating expenses	11,794	14,830
Total operating expenses before depreciation and amortization	236,955	227,675
Operating income before depreciation and amortization	253,805	246,857

continued….

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

Statements of Revenues, Expenses, and Changes in Net Position
For the Fiscal Years Ended June 30, 2018 and 2017
(amounts in thousands)

	2018	2017
Operating Income before depreciation and amortization	$ 253,805	$ 246,857
Depreciation and amortization	167,984	172,895
OPERATING INCOME	85,821	73,962
NONOPERATING REVENUE (EXPENSES)		
Nonoperating revenue		
Income from investments in Joint Powers Authorities	2,001	2,162
Interest and investment income	618	1,118
Noncapital grant revenue	1,505	1,199
Pass through grant revenue	2,703	7,931
Other nonoperating revenue	4,076	864
Total nonoperating revenue	10,903	13,274
Nonoperating expenses		
Interest expense	(1,612)	(604)
Pass through grant expenses	(2,703)	(7,931)
Discontinued capital projects	(1,592)	(773)
Other nonoperating expenses	(1,990)	(2,436)
Total nonoperating expenses	(7,897)	(11,744)
Net nonoperating revenue (expenses)	3,006	1,530
INCOME BEFORE CAPITAL CONTRIBUTIONS	88,827	75,492
Capital contributions	4,524	18,801
Extraordinary item	--	9,150
CHANGES IN NET POSITION	93,351	103,443
NET POSITION, JULY 1	3,265,398	3,161,955
Cumulative effect of change in accounting principle	(23,878)	--
Net position, July 1, restated	3,241,520	3,161,955
NET POSITION, JUNE 30	$ 3,334,871	$ 3,265,398

See accompanying notes to the basic financial statements.

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

Statements of Cash Flows
For the Fiscal Years Ended June 30, 2018 and 2017
(amounts in thousands)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Shipping service fees collected	$ 392,828	$ 404,886
Rentals collected	59,532	52,111
Royalties, fees, and other operating revenues collected	23,323	25,435
Payments for employee salaries and benefits, net of capitalized amounts: 2017 - $23,563; 2016 - $22,832	(120,253)	(115,671)
Payments for goods and services	(126,510)	(92,180)
Net cash provided by operating activities	228,920	274,581
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITY		
Proceeds from noncapital grants	1,505	1,199
Net cash provided by noncapital financing activity	1,505	1,199
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Payments for property acquisitions and construction	(81,644)	(111,717)
Proceeds from sale of capital assets	2,222	76
Proceeds from capital grants and contributions	1,537	27,980
Proceeds from insurance recovery for damage of capital assets	1,032	9,150
Principal repayment and redemption – bonds	(37,615)	(30,434)
Receipts from bond reserve fund	53	33,486
Interest and issuance costs paid	(42,532)	(60,340)
Net cash used in capital and related financing activities	(156,947)	(131,799)
CASH FLOWS FROM INVESTING ACTIVITIES		
Receipt of interest	9,258	5,784
(Decrease) increase in cash collateral received under the securities lending transactions	7,151	(3,545)
Decrease in fair value of investments	(9,564)	(5,904)
Net (purchase) sale of investments	(31,267)	26,142
Distribution from Joint Powers Authorities	2,000	2,000
Net cash (used in) provided by investing activities	(22,422)	24,477
NET INCREASE IN CASH AND CASH EQUIVALENTS	51,056	168,458
CASH AND CASH EQUIVALENTS, JULY 1	635,328	466,870
CASH AND CASH EQUIVALENTS, JUNE 30	$ 686,384	$ 635,328

continued….

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

Statements of Cash Flows
For the Fiscal Years Ended June 30, 2018 and 2017
(amounts in thousands)

	2018	2017
CASH AND CASH EQUIVALENTS COMPONENTS		
Cash and cash equivalents, unrestricted	$ 672,166	$ 619,413
Cash and cash equivalents, restricted	14,218	15,915
Total cash and cash equivalents	$ 686,384	$ 635,328
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	$ 85,821	$ 73,962
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	167,984	172,895
Provision for doubtful accounts	6,276	6,010
Changes in assets, liabilities, and deferred outflows and inflows of resources		
Accounts receivable	(21,351)	1,892
Materials and supplies inventories	97	216
Prepaid expenses	(339)	95
Deferred outflows of resources related to pensions and OPEB	12,146	(20,850)
Accounts payable	2,438	1,048
Net pension liabilities	(20,443)	15,496
Net OPEB liabilities	538	--
Accrued salaries and employee benefits	1,698	106
Other liabilities	(13,286)	15,550
Deferred inflows of resources related to pensions and OPEB	7,341	8,161
Total adjustments to reconcile operating income to net cash provided by operation activities	143,099	200,619
Net cash provided by operating activities	$ 228,920	274,581
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets with accounts payable	$ 9,594	$ 5,166
Write-off of discontinued construction projects	1,592	773
Revenue bond proceeds received in escrow trust fund	--	230,506
Debt defeased and related costs paid through escrow trust fund	--	(230,506)

See accompanying notes to the basic financial statements.

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

Notes to Financial Statements

June 30, 2018 and 2017

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

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1. Organization and Summary of Significant Accounting Policies

The financial statements of the Harbor Department of the City of Los Angeles, California (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 Harbor Department is a proprietary department of the City of Los Angeles, California (the City), formed for the purpose of managing the tidelands property granted by the State of California commonly known as the Port of Los Angeles and operations thereon for specific maritime related purposes as explained below. The Port is under the control of a five-member Board of Harbor Commissioners (BHC), who are appointed by the Mayor and confirmed by the City Council. The Port is administered by an Executive Director and subject to the State public trust doctrine as described below.

The real property and related assets of the Port include land, waters, docks, wharves, transit sheds, terminals, and other facilities (i.e., Trust Assets), were granted to the City in tidelands grants from the State of California (State), with retained oversight by the State Lands Commission. The State's statutory grants specify the granted tidelands are subject to the Trust Purposes, which require the Trust Assets to be used for maritime commerce, navigation, fisheries, and water-dependent activities for the benefit of the State. The Trust Purposes are also codified in the Charter of the City, which placed management and control of the Trust Assets under the Port. All revenues arising from the Trust Assets (Port operating revenues and proceeds of asset sales) are limited as to use for the Trust Purposes, including operation and maintenance of Port facilities, the acquisition and construction of improvements, and other similar Trust Purposes.

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, 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's 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/ask 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 amortized 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.

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

Continued…..

together with the corresponding liability is allocated among the City's participating funds based on the aggregate respective cash balances at fiscal year-end.

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 acquisition 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 licenses, emission mitigation credits, and capitalized costs of the Port's integrated financial accounting system, the Enterprise Resource Planning System.

Preliminary costs for developing 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 as of June 30, 2018 and 2017 are $123.0 million and $97.2 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 2018 and 2017 were $32.1 million and $35.5 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 2018 and 2017 were $16.6 million and $18.3 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 in accordance with the City policy.

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 three items that qualified for reporting in this category. They are deferred charges on debt refunding, deferred outflows of resources related to pensions, and deferred outflows of resources related to postemployment benefits other than pensions (other postemployment benefits or OPEB). 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 two items that qualified for reporting in this category – deferred inflows of resources related to pensions and deferred inflows of resources related to OPEB.

Deferred inflows and outflows of resources related to pensions result from diverse pension related transactions and events including pension contributions subsequent to measurement date, changes of assumptions or other inputs, difference between expected and actual experience in the total pension liabilities, changes in proportionate share of contributions, and net differences between projected and actual pension plan investment earnings.

Deferred inflows and outflows of resources related to OPEB result from diverse OPEB related transactions and events including OPEB contributions subsequent to measurement date, changes of assumptions or other inputs, difference between expected and actual experience in the total OPEB liabilities, changes in proportionate share of contributions, and net differences between projected and actual plan investment earnings.

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

Continued…..

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 salaries and City services are allocated to projects based on the average outstanding balance of capitalized construction projects.

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.

Operating Leases – The Port leases a substantial portion of land and facilities to others. Leases relating to terminal operations tend to be long-term in nature (as long as 50 years), which generate 95.1% of the Port's operating revenues. Leases relating to revocable permits and space assignments that are short-term in nature provide for cancellation on a 30-day notice by either party. Majority of the Port's leases provide 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. See note 12 on page 78 for additional information.

Pension and OPEB Plans – All full-time civilian Port employees are eligible to participate in the Los Angeles City Employees' Retirement System (LACERS), a defined benefit single-employer retirement 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 retirement 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.

Continued…..

For fiscal years ended June 30, 2018 and 2017, the Port reported total net pension liability, deferred outflows/inflows or resources related to pensions, and pension expenses as follows (in thousands):

	2018	2017
Net pension liability:		
LACERS - proportionate shares	$204,609	$221,275
LAFPP - proportionate shares	6,273	10,050
Total net pension liability	$210,882	$231,325
Deferred outflows of resources related to pensions:		
LACERS - proportionate shares	$ 38,968	$ 57,335
LAFPP - proportionate shares	4,822	5,540
Total deferred outflows of resources related to pensions	$ 43,790	$ 62,875
Deferred inflows of resources related to pensions:		
LACERS - proportionate shares	$ 26,708	$ 26,922
LAFPP - proportionate shares	4,666	3,120
Total deferred inflows of resources related to pensions	$ 31,374	$ 30,042
Pension expenses:		
LACERS - proportionate shares	$ 18,798	$ 21,233
LAFPP - proportionate shares	2,045	2,672
Total pension expenses	$ 20,843	$ 23,905

See note 13 starting on page 79 and note 14 starting on page 94, as well as required supplementary information on pages 114-116, for additional information.

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

Continued…..

For the fiscal year ended June 30, 2018, the Port reported total net OPEB liability, deferred outflows/inflows or resources related to OPEB, and OPEB expenses as follows (in thousands):

	2018
Net OPEB liability:	
LACERS - proportionate shares	$ 21,910
LAFPP - proportionate shares	2,506
Total net OPEB liability	$ 24,416
Deferred outflows of resources related to OPEB:	
LACERS - proportionate shares	$ 5,590
LAFPP - proportionate shares	1,349
Total deferred outflows of resources related to OPEB	$ 6,939
Deferred inflows of resources related to OPEB:	
LACERS - proportionate shares	$ 5,658
LAFPP - proportionate shares	351
Total deferred inflows of resources related to OPEB	$ 6,009
OPEB expenses:	
LACERS - proportionate shares	$ 3,599
LAFPP - proportionate shares	883
Total OPEB expenses	$ 4,482

See note 13 starting on page 79 and note 14 starting on page 94, as well as required supplementary information on pages 117-119, for additional information.

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 and similar items are recognized as capital contributions as soon as all eligibility requirements imposed by the provider have been met.

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, reduced by accumulated depreciation and by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this category.

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- *Restricted* – This category consists of restrictions placed on net position 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 position that does not meet the definition of "restricted" or "net investment in capital assets."

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 first.

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.

Continued…..

2. Adoption of New GASB Pronouncements

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. The Port implemented this statement in fiscal year 2018. See notes 13.C on page 88 and 14.C on page 103 for required note disclosures, as well as pages 117-119 for required supplementary information. The Port has also restated the beginning net position at July 1, 2017 by $23.4 million for the cumulative effect of change in accounting principle. See Note 21 on page 113 for additional information.

GASB Statement No. 81, *"Irrevocable Split-Interest Agreements."* Issued in March 2016, this statement requires that a government that receives resources pursuant to an irrevocable split interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. The statement has no impact on the Port's financial statements because the Port does not receive resources pursuant to an irrevocable split interest agreement.

GASB Statement No. 82, *"Pension Issues-an Amendment of GASB Statements No. 67, No. 68, and No. 73."* Issued in March 2016, this statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The Port implemented this statement in fiscal year 2018.

GASB Statement No. 85, *"Omnibus 2017."* Issued in March 2017, this statement addresses issues that have been identified during implementation and application of certain GASB Statements, including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and OPEB). The Port implemented this statement in fiscal year 2018.

GASB Statement No. 86, *"Certain Debt Extinguishment Issues."* Issued in May 2017, this statement improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt. The statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. This statement has no impact on the Port's financial statements.

Continued…..

3. Recent GASB Pronouncements for Future Adoption

The GASB has issued several pronouncements that have effective dates that may affect future presentations. The Port is evaluating the potential impacts of the following GASB statements on its accounting practices and financial statements.

GASB Statement No. 83, *"Certain Asset Retirement Obligations."* Issued in November 2016, this statement addresses accounting and financial reporting for certain assets retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital assets. The statement will enhance comparability and usefulness in governmental financial statements by establishing uniform criteria for governments to recognize and measure certain AROs and requiring disclosure related to those AROs. This statement will be effective beginning fiscal year 2019.

GASB Statement No. 84, *"Fiduciary Activities."* Issued in January 2017, this statement establishes criteria for identifying fiduciary activities for accounting and financial reporting purposes and describes four fiduciary funds that should be reported, if applicable. The statement will be effective beginning fiscal year 2020.

GASB Statement No. 87, *"Leases."* Issued in June 2017, this statement increases the usefulness of government's financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on payment provisions of the contract. It also establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The statement will be effective beginning fiscal year 2021.

GASB Statement No. 88, *"Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements."* Issued in April 2018, this statement improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowing and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The statement will be effective beginning fiscal year 2019.

GASB Statement No. 89, *"Accounting for Interest Cost Incurred before the End of a Construction Period."* Issued in June 2018, this statement (1) enhances the relevance and comparability of information about capital assets and cost of borrowing for a reporting period and (2) simplifies accounting for interest cost incurred before the end of a construction period. The statement will be effective beginning fiscal year 2021.

GASB Statement No. 90, *"Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61."* Issued in August 2018, this statement improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain component units. The statement will be effective beginning fiscal year 2020.

Continued…..

4. Cash and Investments

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

	2018	2017
Cash in bank and certificates of deposit	$ 239	$ 229
Investment in U.S. Treasury and money market fund	62,230	62,283
Equity in the City of Los Angeles Investment Pool	695,987	644,939
Total cash and investments	$ 758,456	$ 707,451

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):

	2018	2017
Unrestricted cash and cash equivalents	$ 672,166	$ 619,413
Restricted cash and cash equivalents		
Current		
China Shipping Mitigation Fund	11,927	13,439
Community Mitigation Trust Fund – Trapac	112	112
Narcotics/Customs Enforcement Forfeiture Fund	425	611
Clean Truck Program and Fee Fund	5	5
Other	1,749	1,748
Subtotal – Current	14,218	15,915
Noncurrent		
Harbor Revenue Bond Funds	62,230	62,283
Customer Security Deposits	2,990	3,023
Batiquitos Environmental Fund	6,277	6,250
Harbor Restoration Fund	575	567
Subtotal – Noncurrent	72,072	72,123
Total restricted cash and investments	86,290	88,038
Total cash and investments	$ 758,456	$ 707,451

Continued…..

A. Deposits

The Port had cash deposits and certificates of deposit with several major financial institutions amounting to $0.2 million for both fiscal years ended June 30, 2018 and 2017. 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 California 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. 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 provides 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 $696.0 million and $644.9 million invested in the City's General Pool and three Special Investment Pools, representing approximately 7.0% and 7.2% of the City Treasury's General Pool and Special Investment Pools at June 30, 2018 and 2017, respectively.

The complete disclosures for the entire cash and investment pool are included in a publicly available financial report issued by the City. The report may be obtained by writing or calling: City of Los Angeles Office of the City Controller, 200 N. Main Street, City Hall East Room 300, Los Angeles, CA 90012, (213) 978-7555 or the Los Angeles City Controller's website http://www.lacontroller.org/reports.

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C. Special Investment Pools

Out of $696.0 million and $644.9 million invested in the City's pooled investments, $55.3 million and $54.7 million were 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 Pools are managed in accordance with the California Government Code Sections 53600-53635 and the City's Policy.

At June 30, 2018 and 2017, investments held in the City's Special Investment Pools and their maturities are as follows (in thousands):

Fiscal Year 2018

		Investment Maturities			
Type of Investments	Amount	1 to 30 Days	31 to 60 Days	61 to 180 Days	Over 180 Days
U.S. Treasury securities	$ 7,823	$ 7,823	$ --	$ --	$ --
U.S. Agencies securities	44,442	--	38,303	--	6,139
Commercial papers	3,029	--	--	3,029	--
Short term investment funds	1	1	--	--	--
Total investments in special pools	$ 55,295	$ 7,824	$ 38,303	$ 3,029	$ 6,139

Fiscal Year 2017

		Investment Maturities			
Type of Investments	Amount	1 to 30 Days	31 to 60 Days	61 to 180 Days	Over 180 Days
U.S. Agencies securities	$ 51,755	$ 7,717	$ 37,788	$ --	$ 6,250
Supranational obligations	2,987	--	--	2,987	--
Short term investment funds	2	2	--	--	--
Total investments in special pools	$ 54,744	$ 7,719	$ 37,788	$ 2,987	$ 6,250

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, supranational obligations, and bank/time deposits; one year for repurchase agreements; 270 days for commercial paper; 180 days for bankers' acceptances; 92 days for reverse repurchase agreements; and no maturity for mutual funds. 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 rating requirements for investments. There are no credit quality requirements for U.S. Treasury securities and U.S. Agencies securities. Investments in U.S. Agencies securities 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).

Commercial paper issues must have the highest letter and number rating by nationally recognized statistical rating organization (NRSRO). The issuing corporation must be organized and operating within the United States and have assets in excess of $500.0 million. The Port's investments in commercial papers were rated A-1+ by S&P and P-1 by Moody's.

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Investment in supranational obligations must have a minimum of AA rating. The Port's investments in supranational obligations of $3.0 million 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 or 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.

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 $62.2 million at June 30, 2018 versus $62.3 million at June 30, 2017. The reserve funds were invested in money market funds and U.S. Treasuries.

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 Port 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

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securities held as collateral slips below 104% of the value of the cash transferred by the Port, 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.

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 Notes, U.S. Agencies securities (e.g., Fannie Mae, Freddie Mac, Federal Home Loan Bank, Farmer Mac, Federal Farm Credit Bank and Tennessee Valley Authority), Medium-term Notes, and Supranational Obligations. 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 fiscal years 2018 and 2017, 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 $11.5 million and $4.4 million as of June 30, 2018 and 2017, respectively.

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F. Fair Value Measurement

The Port categorizes its fair value measurement within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset.

- Level 1 inputs are quoted prices in active markets for identical assets;
- Level 2 inputs are significant other observable inputs;
- Level 3 inputs are significant unobservable inputs.

The Port has the following recurring fair value measurements as of June 30, 2018:

	Total	Level 1	Level 2	Level 3
U.S. Treasury securities	$ 61,161	$ 61,161	$ --	$ --
Money market fund	1,069	--	1,069	--
Total investments - bond funds	$ 62,230	$ 61,161	$ 1,069	$ --
U.S. Treasury securities	$ 7,823	$ 7,823	$ --	$ --
U.S. Agencies securities	44,442	--	44,442	--
Commercial papers	3,029	--	3,029	--
Total investments - special pools	$ 55,294	$ 7,823	$ 47,471	$ --

The Port has the following recurring fair value measurements as of June 30, 2017:

	Total	Level 1	Level 2	Level 3
U.S. Treasury notes	$ 61,965	$ 61,965	$ --	$ --
Money market fund	317	--	317	--
Total investments - bond funds	$ 62,282	$ 61,965	$ 317	$ --
U.S. Agencies Securities	$ 51,755	$ --	$ 51,755	$ --
Supranational obligations	2,987	--	2,987	--
Total investments - special pools	$ 54,742	$ --	$ 54,742	$ --

Investments in Short Term Investment Funds of the City's Special Investment Pools are considered cash equivalents due to their liquidity and are excluded from the fair value measurement.

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5. Capital Assets

The Port's capital assets consist of the following activities for the fiscal year ended June 30, 2018 (in thousands):

	Balance July 1, 2017	Increase	Decrease	Adjustments and Transfers	Balance June 30, 2018
Capital assets not depreciated					
Land	$ 1,108,023	$ --	$ (1,218)	$ --	$ 1,106,805
Construction in progress	47,477	75,978	--	(68,117)	55,338
Preliminary costs – capital projects	97,220	36,534	(6,682)	(4,091)	122,981
Intangible assets	12,900	--	--	--	12,900
Total capital assets not depreciated	1,265,620	112,512	(7,900)	(72,208)	1,298,024
Capital assets depreciated/amortized					
Wharves and sheds	1,181,381	--	--	14,575	1,195,956
Buildings/facilities	3,353,689	--	(5,253)	56,149	3,404,585
Equipment	163,627	10,940	(3,035)	1,484	173,016
Intangible assets	12,460	--	--	--	12,460
Total capital assets depreciated/amortized	4,711,157	10,940	(8,288)	72,208	4,786,017
Less accumulated depreciation/ amortization					
Wharves and sheds	(500,735)	(33,139)	--	--	(533,874)
Buildings/facilities	(1,417,200)	(118,991)	4,022	--	(1,532,169)
Equipment	(131,186)	(15,231)	3,016	--	(143,401)
Intangible assets	(2,572)	(623)	--	--	(3,195)
Total accumulated depreciation/amortization	(2,051,693)	(167,984)	7,038	--	(2,212,639)
Total capital assets depreciated/ amortized, net	2,659,464	(157,044)	(1,250)	72,208	2,573,378
Capital assets, net	$ 3,925,084	$ (44,532)	$ (9,150)	$ --	$ 3,871,402

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The Port's capital assets consist of the following activities for the fiscal year ended June 30, 2017 (in thousands):

	Balance July 1, 2016	Increase	Decrease	Adjustments and Transfers	Balance June 30, 2017
Capital assets not depreciated					
Land	$ 1,108,023	$ --	$ --	$ --	$ 1,108,023
Construction in progress	112,391	169,717	--	(234,631)	47,477
Preliminary costs – capital projects	203,996	--	(25,614)	(81,162)	97,220
Intangible assets	12,900	--	--	--	12,900
Total capital assets not depreciated	1,437,310	169,717	(25,614)	(315,793)	1,265,620
Capital assets depreciated/amortized					
Wharves and sheds	1,178,292	--	--	3,089	1,181,381
Buildings/facilities	3,068,220	--	(22,562)	308,031	3,353,689
Equipment	161,748	3,793	(6,587)	4,673	163,627
Intangible assets	12,460	--	--	--	12,460
Total capital assets depreciated/amortized	4,420,720	3,793	(29,149)	315,793	4,711,157
Less accumulated depreciation/ amortization					
Wharves and sheds	(472,511)	(28,224)	--	--	(500,735)
Buildings/facilities	(1,321,566)	(117,376)	21,742	--	(1,417,200)
Equipment	(111,102)	(26,671)	6,587	--	(131,186)
Intangible assets	(1,949)	(623)	--	--	(2,572)
Total accumulated depreciation/amortization	(1,907,128)	(172,894)	28,329	--	(2,051,693)
Total capital assets depreciated/ amortized, net	2,513,592	(169,101)	(820)	315,793	2,659,464
Capital assets, net	$ 3,950,902	$ 616	$ (26,434)	$ --	$ 3,925,084

Net interest expense of $32.1 million and $35.5 million was capitalized for fiscal years 2018 and 2017, respectively.

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6. Investment in Joint Powers Authorities and Other Entities

The Port has entered into two joint powers 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 and operated by Southern Pacific Transportation Company (SPTC) under a long-term lease agreement. SPTC was subsequently merged and continues operations as Union Pacific Corporation (UPC). 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.

ICTF has issued bonds in prior years. At June 30, 2018 and 2017, 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 totaled $5.7 million at both June 30, 2018 and 2017. Separate financial statements for ICTF may be obtained from the Executive Director, Intermodal Container Transfer Facility Joint Powers Authority, 4801 Airport Plaza Drive, Long Beach, California 90815 or the ICTF's website at http://ictf-jpa.org/document_library.php.

B. Alameda Corridor Transportation Authority

In August 1989, the Alameda Corridor Transportation Authority (ACTA) was established through a Joint Exercise of Powers Agreement between the Cities of Los Angeles and Long Beach, California. The purpose of ACTA is to acquire, construct, finance, and operate a consolidated transportation corridor; including an improved railroad expressway between the POLA and the Port of Long Beach (the POLB and, together with the POLA, the Ports) and downtown Los Angeles.

The POLA has no share of the ACTA's net position and income at June 30, 2018 and 2017, 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 ACTA's website http://www.acta.org/revenue_finance/financial_statement.asp or the Chief Financial Officer, Alameda Corridor Transportation Authority, 3760 Kilroy Airport Way, Suite 200, Long Beach, California, 90806.

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7. Long-Term Debt

A. Bonded Debt, Commercial Paper and Other Indebtedness

Bonds issued by the Port are payable solely from the Port's revenues pledged under indentures and are not general obligations of the City. The Port has agreed to certain covenants with respect to bonded indebtedness. Significant covenants include the requirement that the Port's revenues, as defined under indentures, will be sufficient to pay future bond interest and principal maturities. Proceeds from sales of bonds are used to finance capital projects around the Port or refund prior issuances to generate debt service savings.

The Port's activities for bonded debt and other indebtedness for fiscal year 2018 are as follows (in thousands):

Bond Issues	Call Provisions	Date of Issue	Interest Rate	Fiscal Maturity Year	Original Principal	Beginning Balance July 1, 2017	Additions	Deductions	Ending Balance June 30, 2018	Principal Due Within One Year
Issue 2009, Series A	8/1/2019 @ 100%	7/9/2009	2.00% – 5.25%	2030	$ 100,000	$ 74,570	$ --	$ (4,255)	$ 70,315	$ 4,425
Issue 2009, Series C	8/1/2019 @ 100%	7/9/2009	4.00% – 5.25%	2032	230,160	171,575	--	(2,265)	169,310	--
Issue 2011, Series A	8/1/2021 @ 100%	7/7/2011	3.00% – 5.00%	2023	58,930	49,665	--	(7,490)	42,175	7,855
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	197,585	--	(4,595)	192,990	4,865
Issue 2014, Series B	8/1/2024 @ 100%	9/18/2014	3.00% – 5.00%	2045	89,105	86,320	--	(1,480)	84,840	1,545
Issue 2014, Series C	8/1/2024 @ 100%	9/18/2014	2.00% – 5.00%	2045	44,890	43,350	--	(805)	42,545	835
Issue 2015, Series A	8/1/2025 @ 100%	9/18/2014	2.00% – 5.00%	2027	37,050	34,295	--	(2,835)	31,460	2,950
Issue 2016, Series A	Not Applicable	10/13/2016	3.00% – 5.00%	2025	97,970	97,970	--	(13,055)	84,915	20,685
Issue 2016, Series B	8/1/2026 @ 100%	10/13/2016	2.00% – 5.00%	2037	68,385	68,385	--	(835)	67,550	855
Issue 2016, Series C	8/1/2026 @ 100%	10/13/2016	4.00%	2040	35,205	35,205	--	--	35,205	--
Total principal amount					$ 997,795	891,740	--	(37,615)	854,125	44,015
Unamortized bond premium						77,603	--	(9,295)	68,308	--
Net revenue bonds						969,343	--	(46,910)	922,433	44,015
Less: current maturities of long-term debt						(37,615)	(69,925)	63,525	(44,015)	--
Total long-term debt net of current maturities						$ 931,728	$ (69,925)	$ 16,615	$ 878,418	$ 44,015

Continued…..

The Port's activities for bonded debt and other indebtedness for fiscal year 2017 are as follows (in thousands):

Bond Issues	Call Provisions	Date of Issue	Interest Rate	Fiscal Maturity Year	Original Principal	Beginning Balance July 1, 2016	Additions	Deductions	Ending Balance June 30, 2017	Principal Due Within One Year
Issue 2006, Series A	8/1/2016 @ 102%	5/4/2006	5.00%	2025	$ 200,710	$ 48,760	$ --	$ (48,760)	$ --	$ --
Issue 2006, Series B	8/1/2016 @ 102%	8/3/2006	5.00%	2026	209,815	72,560	--	(72,560)	--	--
Issue 2006, Series C	8/1/2016 @ 102%	8/3/2006	5.00%	2026	16,545	11,155	--	(11,155)	--	--
Issue 2009, Series A	8/1/2019 @ 100%	7/9/2009	2.00% – 5.25%	2030	100,000	78,665	--	(4,095)	74,570	4,255
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	180,435	--	(8,860)	171,575	2,265
Issue 2011, Series A	8/1/2021 @ 100%	7/7/2011	3.00% – 5.00%	2023	58,930	56,795	--	(7,130)	49,665	7,490
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	201,005	--	(3,420)	197,585	4,595
Issue 2014, Series B	8/1/2024 @ 100%	9/18/2014	3.00% – 5.00%	2045	89,105	87,745	--	(1,425)	86,320	1,480
Issue 2014, Series C	8/1/2024 @ 100%	9/18/2014	2.00% – 5.00%	2045	44,890	44,130	--	(780)	43,350	805
Issue 2015, Series A	8/1/2025 @ 100%	9/18/2014	2.00% – 5.00%	2027	37,050	37,050	--	(2,755)	34,295	2,835
Issue 2016, Series A	Not applicable	10/13/2016	3.00% – 5.00%	2025	97,970	--	97,970	--	97,970	13,055
Issue 2016, Series B	8/1/2026 @ 100%	10/13/2016	2.00% – 5.00%	2037	68,385	--	68,385	--	68,385	835
Issue 2016, Series C	8/1/2026 @ 100%	10/13/2016	4.00%	2040	35,205	--	35,205	--	35,205	--
Total principal amount					$ 1,524,865	951,120	201,560	(260,940)	891,740	37,615
Unamortized bond premium						57,202	28,946	(8,545)	77,603	--
Net revenue bonds						1,008,322	230,506	(269,485)	969,343	37,615
Less: current maturities of long-term debt						(41,695)	(50,570)	54,650	(37,615)	--
Total long-term debt net of current maturities						$ 966,627	$ 179,936	$ (214,835)	$ 931,728	$ 37,615

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B. Bond Premium

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

The unamortized premium for the outstanding bonds for fiscal years 2018 and 2017 are as follows (in thousands):

Harbor Revenue Bonds	2018 Premium	2017 Premium
Issue of 2009, Series A	$ 490	$ 643
Issue of 2009, Series C	2,149	2,597
Issue of 2011, Series A	1,016	1,584
Issue of 2011, Series B	1,906	2,188
Issue of 2014, Series A	20,547	22,478
Issue of 2014, Series B	10,734	11,565
Issue of 2014, Series C	5,303	5,657
Issue of 2015, Series A	3,869	4,815
Issue of 2016, Series A	6,624	9,417
Issue of 2016, Series B	11,793	12,645
Issue of 2016, Series C	3,877	4,014
Total	$ 68,308	$ 77,603

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C. Principal Maturities and Interest

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

Fiscal Year	Principal	Interest	Total
2019	$ 44,015	$ 40,868	$ 84,883
2020	46,515	38,836	85,351
2021	48,295	36,547	84,842
2022	51,280	34,069	85,349
2023	54,080	31,414	85,494
2024 – 2028	254,285	113,540	367,825
2029 – 2033	104,870	73,017	177,887
2034 – 2038	126,370	44,433	170,803
2039 – 2043	91,465	18,143	109,608
2044 – 2045	32,950	1,668	34,618
Total	$ 854,125	$ 432,535	$ 1,286,660

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D. New Issuances

Fiscal Year 2018

There were no new issuances in fiscal year 2018.

Fiscal Year 2017

2016 Series A Refunding Bonds

The 2016 Series A Refunding Bonds were issued in October 2016 in aggregate principal amount of $98.0 million to refund the outstanding principal of $48.6 million of the 2006 Series A Refunding Bonds and $60.4 million of 2006 Series B Refunding Bonds. The 2016 Series A Refunding transaction resulted in cash flow savings of $14.7 million and an economic gain of $11.8 million over the life of the bonds.

Interest on the 2016 Series A Refunding Bonds is payable semiannually on February 1 and August 1 of each year starting from February 1, 2017. The bonds bear interest at coupon rates from 3% to 5% with maturity dates ranging from August 2017 to August 2024.

2016 Series B Refunding Bonds

The 2016 Series B Refunding Bonds were issued in October 2016 in aggregate principal amount of $68.4 million to refund the outstanding principal of $10.2 million of the 2006 Series C Refunding Bonds and a portion of $100 million outstanding principal of 2009 Series B Bonds. The 2016 Series B Refunding transaction resulted in cash flow savings of $19.1 million and an economic gain of $13.6 million over the life of the bonds.

Interest on the 2016 Series B Refunding Bonds is payable semiannually on February 1 and August 1 of each year starting from February 1, 2017.The bonds bear interest at coupon rates from 2% to 5% with maturity dates ranging from August 2017 to August 2036.

The Bonds with stated maturities on or after August 1, 2030 shall be subject to optional redemption prior to their maturities on or after August 1, 2026 without early redemption premium.

Continued…..

2016 Series C Refunding Green Bonds

The 2016 Series C Refunding Green Bonds were issued in October 2016 in aggregate principal amount of $35.2 million to refund a portion of $100 million outstanding principal of 2009 Series B Bonds. The 2016 Series C Refunding transaction resulted in cash flow savings of $7.8 million and an economic gain of $7.1 million over the life of the bonds.

Interest on the 2016 Series C Refunding Green Bonds is payable semiannually on February 1 and August 1 of each year starting from February 1, 2017. These bonds are term bonds bearing interest at coupon rate of 4% with maturity dates ranging from August 2036 to August 2039.

The Bonds with stated maturities on or after August 1, 2036 shall be subject to optional redemption prior to their maturities on or after August 1, 2026 without early redemption premium.

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 current credit facilities that support the Program is at $200.0 million. The term of the Program expired in August 2018. The Port is in the process of renewing the Program.

There was no outstanding commercial paper as of June 30, 2018 and 2017.

F. 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.

At June 30, 2018 and 2017, $10.8 million and $20.8 million, respectively, of defeased 1988 bonds remain outstanding.

An escrow for the advance refunding of 2009 Series B Bonds was established in October 2016 with remaining balance of $106.5 million and $110.8 million as June 30, 2018 and 2017, respectively.

Continued…..

8. Changes in Long-Term Liabilities

The changes in the Port's long-term liabilities for the year ended June 30, 2018 are as follows (in thousands):

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018	Due within one year
Revenue bonds	$ 891,740	$ --	$ (37,615)	$ 854,125	$ 44,015
Unamortized (discount)/ premium	77,603	--	(9,295)	68,308	--
Net revenue bonds	969,343	--	(46,910)	922,433	44,015
Accrued salaries and employee benefits	25,079	298,122	(296,424)	26,777	18,642
Net pension liabilities	231,325	--	(20,443)	210,882	--
Net OPEB liabilities	--	33,047	(8,631)	24,416	--
Litigation	1,909	1,957	(244)	3,622	3,622
Workers compensation	14,755	2,065	(1,511)	15,309	1,860
Pollution remediation	95,061	2,700	(14,860)	82,901	9,862
Deposits	10,299	1,381	(482)	11,198	--
Others	5,098	60	(40)	5,118	--
Total long-term liabilities	$ 1,352,869	$ 339,332	$ (389,545)	$ 1,302,656	$ 78,001

Continued…..

The changes in the Port's long-term liabilities for the year ended June 30, 2017 are as follows (in thousands):

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017	Due within one year
Revenue bonds	$ 951,120	$ 201,560	$ (260,940)	$ 891,740	$ 37,615
Unamortized (discount)/ premium	57,202	28,946	(8,545)	77,603	--
Net revenue bonds	1,008,322	230,506	(269,485)	969,343	37,615
Accrued salaries and employee benefits	24,974	296,144	(296,039)	25,079	17,542
Net pension liabilities	215,829	15,496	--	231,325	--
Litigation	1,524	531	(146)	1,909	1,909
Workers compensation	12,508	4,353	(2,106)	14,755	1,820
Pollution remediation	74,826	29,713	(9,478)	95,061	11,776
Deposits	10,075	404	(180)	10,299	--
Others	5,105	57	(64)	5,098	--
Total long-term liabilities	$ 1,353,163	$ 577,204	$ (577,498)	$ 1,352,869	$ 70,662

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9. Pollution Remediation Obligations

The Port's estimated pollution remediation liability as of June 30, 2018 and 2017 totaled $82.9 million and $95.1 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 2018 are as follows (in thousands):

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018	Due Within One Year
Obligating Event					
Violation of pollution prevention related permit or license	$ 1,130	$ --	$ (80)	$ 1,050	$ 500
Named by regulator as a potential party to remediation	88,239	2,500	(13,128)	$ 77,611	$ 9,222
Voluntary commencement	5,692	200	(1,652)	4,240	140
Total	$ 95,061	$ 2,700	$ (14,860)	$ 82,901	$ 9,862
Pollution Type					
Soil and/or groundwater remediation	$ 95,061	$ 2,700	$ (14,860)	$ 82,901	$ 9,862

The changes in the Port's pollution remediation obligations for fiscal year 2017 are as follows (in thousands):

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017	Due Within One Year
Obligating Event					
Violation of pollution prevention related permit or license	$ --	$ 1,130	$ --	$ 1,130	$ 600
Named by regulator as a potential party to remediation	69,635	27,699	(9,095)	$ 88,239	$ 10,493
Voluntary commencement	5,191	884	(383)	5,692	683
Total	$ 74,826	$ 29,713	$ (9,478)	$ 95,061	$ 11,776
Pollution Type					
Soil and/or groundwater remediation	$ 74,826	$ 29,713	$ (9,478)	$ 95,061	$ 11,776

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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.

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11. Risk Management

The Port purchases insurance for a variety of exposures associated with property, automobiles, vessels, employment practices, travel, police, pilotage, special events, and terrorism. The City is self-insured for workers' compensation, and the Port participates in the City's self-insurance program. Prior to October 1, 2017, third party general liability exposures were self-insured by the Port for $1.0 million and the excess liability is maintained over the self-insured retention. The Port has purchased a primary general liability insurance policy effective on October 1, 2017 to cover general liability up to $1 million with $500,000 deductible for indemnity defense. 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, 2018 and 2017 were $15.3 million and $14.8 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, 2018 and 2017 were $3.6 million and $1.9 million, respectively.

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The changes in the Port's estimated claims payable are as follows (in thousands):

	2018	2017	2016
Unpaid claims, July 1			
Workers compensation	$ 14,755	$ 12,508	$ 15,335
General liability/litigation	1,909	1,524	1,601
Total unpaid claims, July 1	16,664	14,032	16,936
Provision for current year's events and changes in provision for prior year's events			
Workers compensation	2,066	4,353	(1,167)
General liability/litigation	1,943	624	621
Total provision	4,009	4,977	(546)
Claims payments			
Workers compensation	(1,512)	(2,106)	(1,660)
General liability/litigation	(230)	(239)	(698)
Total claims payments	(1,742)	(2,345)	(2,358)
Unpaid claims, June 30			
Workers' compensation	15,309	14,755	12,508
General liability/litigation	3,622	1,909	1,524
Total unpaid claims, June 30	$ 18,931	$ 16,664	$ 14,032
Current portion			
Workers compensation	$ 1,860	$ 1,820	$ 1,504
General liability/litigation	3,622	1,909	1,524
Total current portion	$ 5,482	$ 3,729	$ 3,028

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12. Leases, Rentals, and Minimum Annual Guarantee (MAG) Agreements

The Port leases a substantial portion of lands and facilities to others. Leases relating to terminal operations tend to be long-term in nature (as long as 50 years), which generate 95.1% and 94.7% of the Port's operating revenues for the years ended June 30, 2018 and 2017, respectively. Leases relating to revocable permits and space assignments that are short-term in nature provide for cancellation on a 30-day notice by either party. Majority of the Port's leases provide 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.

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 50 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, 2018 and 2017, the minimum rental income from such lease agreements was approximately $61.4 million and $51.3 million, respectively. For the years ended June 30, 2018 and 2017, the MAG payments were approximately $274.6 million and $269.5 million, respectively, and were reported under shipping services revenue. 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	Rental income	MAG income
2019	$ 62,033	$ 290,162
2020	62,653	295,239
2021	63,280	296,330
2022	63,912	296,263
2023	64,552	296,263
Total	$ 316,430	$ 1,474,257

The carrying cost and related accumulated depreciation of property held for operating leases as of June 30, 2018 and 2017 are as follows (in thousands):

	2018	2017
Wharves and sheds	$ 1,195,956	$ 1,181,381
Cranes and bulk facilities	27,028	29,879
Municipal warehouses	13,949	13,766
Port pilot facilities and equipment	9,691	9,512
Buildings and other facilities	1,082,969	1,046,651
Cabrillo Marina	180,015	179,942
Total	2,509,608	2,461,131
Less accumulated depreciation	(1,279,809)	(1,201,865)
Net	$ 1,229,799	$ 1,259,266

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13. Los Angeles City Employees' Retirement System (LACERS)

A. General Information about LACERS

Plan description. All full-time employees of the Port are eligible to participate in LACERS, a single-employer public employee retirement system (the System) whose main function is to provide pension benefits such as service and disability retirement benefits as well as death benefits to the civilian employees of the City of Los Angeles. LACERS also administers and provides other postemployment benefits (OPEB) to eligible retirees and their eligible spouses/domestic partners. Under the provisions of the City Charter and California State Constitution, the Board of Administration (LACERS Board) has the responsibility and authority to administer LACERS and to invest its assets. Consisting of seven members of retiree and active employee members, the LACERS Board serve as trustees and must act in the exclusive interest of the LACERS' members and beneficiaries. 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 or LACERS' website http://lacers.org/aboutlacers/reports/index.html.

Plan Memberships. As June 30, 2017, pension and OPEB plan members consisted of the following:

	Pension	OPEB
Retired members of surviving spouses currently receiving benefits	18,805	14,652
Vested terminated members entitled to, but not yet receiving benefits	7,428	1,280
Active members	25,457	25,457
Total	51,690	41,389

Benefits provided – Pension. LACERS provides service retirement, disability, death and survivor benefits to eligible employees based on employees' years of service, age, and final compensation. There are two tiers of memberships. Under Tier 1, employees with 10 or more years of continuous service may retire if they are at age 60 or at least 30 years of service at age 55, or with any years of service at age 70 or older. Full-unreduced retirement benefits are determined as 2.16% per year of the employee's service credit (not greater than 100%), multiplied by the employee's average monthly pensionable salary during the employee's last 12 months of service, or during any other 12 consecutive months of service. Normal retirement allowances are reduced for employees who retire at age 55 with 10 or more years of continues service, or at any age with 30 or more years 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. However, on July 9, 2015, the City and the Coalition of the Los Angeles City Unions representing more than half of the City's civilian workforce reached an agreement which rescinded Tier 2 and created a new tier of benefits. As a result, Ordinance 184134 was adopted on January 12, 2016, and all active Tier 2 members were transferred to Tier 1 as of February 21, 2016.

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On or after February 21, 2016, new members became Tier 3 members of LACERS. Under Tier 3, employees may retire at age 60 with at least 10 or more years of service (including 5 years of continuous service) to receive full-unreduced benefits with a 1.50% retirement factor, or at age 55 with at least 30 years of service (including 5 years of continuous service) to receive full-unreduced retirement benefits with a 2.0% retirement factor. In addition, the employee may retire at age 63 with at least 10 years of service to receive an enhanced retirement benefit with a 2.0% retirement factor, or at age 63 with 30 years of service with a 2.1% retirement factor. Full-unreduced retirement benefits are determined as the applicable retirement factor (1.5%, 2.0%, or 2.1%) per year of the employee's service credit (not greater than 80%), multiplied by the employee's last 36 months of final average compensation or any other 36 consecutive months of service. Normal retirement allowances are reduced for employees who retire prior to age 55. 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 adjustments are made each July 1 based on the percentage change in the average Consumer Price Index for the Los Angeles-Long Beach-Anaheim Area – All Items For All Urban Consumers, 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 3 members.

LACERS covers all full-time personnel and department-certified part-time employees of the Port, except for sworn employees of certain Port Police officers.

Benefits provided – OPEB. LACERS also provides postemployment health care benefits to eligible retirees and their eligible spouses/domestic partners who participate in the pension plan. These benefits may also extend to the coverage of other eligible dependent(s). Members 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 the benefits with an approved health carrier. The eligible employees earn 4% per year of service credit for their annual medical subsidy. Eligible spouse/domestic partners of plan members are entitled to the postemployment health care benefits after the retired member's death.

Contributions – Pension. The LACERS Board establishes and may amend the contribution requirements of the 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. For fiscal year 2018, the employer contribution rate for both pension and other postemployment benefits as calculated by LACERS' actuary is 27.22% for Tier 1 members (i.e., all LACERS members hired prior to February 21, 2016) and 24.64% for Tier 3 members (i.e., all City employees who became members of LACERS on or after February 21, 2016). For fiscal year 2017, the employer contribution rate as calculated by LACERS' actuary is 28.16% for Tier 1 members and 24.96% Tier 3 members.

Based on the Port's reported covered payroll of $82.3 million for fiscal year 2018, $80.7 million is subject to the 27.22% rate and $1.6 million is subject to the 24.64% rate. The Port's actual

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contribution to LACERS for both pension and other postemployment benefits, including family death benefit, excess benefit, and limited term plans is $21.2 million ($17.3 million for pension benefits and $3.9 million for other postemployment benefits) and $21.8 million ($17.6 million for pension benefits and $4.2 million for other postemployment benefits) for the fiscal years ended June 30, 2018 and 2017, respectively. The Port has made 100% of the actuarially determined contributions for both fiscal years.

All members are required to make contributions to LACERS regardless of the tier in which they are included. Currently, Tiers 1 and 3 members contribute at 11% of compensation.

Contributions – OPEB. The LACERS Board establishes and may amend the contribution requirements of the 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 4.94%.

Pension plan fiduciary net position and OPEB plan fiduciary net position. Detailed information about the pension and OPEB plans' fiduciary net positions are available in the separately issued LACERS financial report.

B. Pension Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Pension

At June 30, 2018 and 2017, the Port reported a liability of $204.6 million and $221.3 million, respectively, for its proportionate shares of the net pension liability of LACERS. The net pension liability was measured as of June 30, 2017 and 2016, respectively, 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 the Port's share of actual contributions to the pension plan relative to the actual contributions of all participating departments, actuarially determined. The Port's proportionate share was determined to be 3.877% and 3.940% for fiscal years ended June 30, 2018 and 2017, respectively.

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Fiscal Year 2018

For the year ended June 30, 2018, the Port recognized pension expense of $18.8 million. At June 30, 2018, 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	$ 17,317	$ --
Changes of assumptions or other inputs	19,432	--
Differences between expected and actual experience in the total pension liability	--	15,951
Changes in proportion and differences between employer's contributions and proportionate share of contributions	--	10,757
Net difference between projected and actual earnings on pension plan investments	2,219	--
Total	$ 38,968	$ 26,708

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	
2019	$ (2,249)
2020	4,085
2021	(2,053)
2022	(4,983)
2023	143
Thereafter	--

The amortization table does not include pension contributions made after the measurement date.

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Actuarial assumptions. The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Projected salary increases	Ranges from 3.90% to 10.00% based on years of service
Investment rate of return	7.25%, net of pension plan investment expense, including inflation
Cost-of-living adjustments	3.00% maximum for Tier 1 and 2.00% maximum for Tier 3.

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.

The actuarial assumptions used were based on the results of an actuarial experience study for the period from July 1, 2011 through June 30, 2014.

Certain actuarial assumptions were changed from the prior measurement. See page 86.

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Long-term expected rate of return by asset class. 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 and subtracting expected investment expenses and a risk margin. 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	19.00%	5.61%
U.S. Small Cap Equity	5.00%	6.48%
Developed International Equity	19.00%	7.08%
Developed International Small Cap Equity	3.00%	7.32%
Emerging Market Equity	7.00%	9.35%
Core Bonds	19.00%	1.08%
Private Real Estate	5.00%	4.44%
Public Real Assets	5.00%	3.35%
Private Equity	12.00%	8.97%
Credit Opportunities	5.00%	3.75%
Cash	1.00%	-0.06%
Total	100.00%	

Discount rate. The discount rate used to measure the Total Pension Liability was 7.25%. 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 rates equal to actuarially determined contribution rates. For this purpose, only employee and employer contributions that are intended to fund benefits of 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 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.

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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 7.25%, 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 (6.25%) or one percentage point higher (8.25%) than the current rate (in thousands):

	1% Decrease (6.25%)	Discount rate (7.25%)	1% Increase (8.25%)
Port's proportionate share of the net pension liability	$299,386	$204,609	$125,738

Fiscal Year 2017

For the year ended June 30, 2017, the Port recognized pension expense of $21.2 million. At June 30, 2017, 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	$ 17,582	$ --
Changes of assumptions or other inputs	14,428	--
Differences between expected and actual experience in the total pension liability	--	15,942
Changes in proportion and differences between employer's contributions and proportionate share of contributions	--	10,980
Net difference between projected and actual earnings on pension plan investments	25,325	--
Total	$ 57,335	$ 26,922

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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	
2018	$ 1,805
2019	1,805
2020	8,240
2021	1,994
2022	(1,013)
Thereafter	--

The amortization table does not include pension contributions made after the measurement date.

Actuarial assumptions. The total pension liability in the June 30, 2016 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	3.00% maximum for Tier 1 and 2.00% maximum for Tier 3.

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.

The actuarial assumptions used were based on the results of an actuarial experience study for the period from July 1, 2011 through June 30, 2014.

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Long-term expected rate of return by asset class. 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 and subtracting expected investment expenses and a risk margin. 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	20.40%	5.94%
U.S. Small Cap Equity	3.60%	6.64%
Developed International Equity	21.75%	6.98%
Emerging Market Equity	7.25%	8.48%
Core Bonds	16.53%	0.71%
High Yield Bonds	2.47%	2.89%
Private Real Estate	5.00%	4.69%
Public Real Assets	5.00%	3.41%
Private Equity	12.00%	10.51%
Credit Opportunities	5.00%	3.07%
Cash	1.00%	-0.46%
Total	100.00%	

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 rates equal to actuarially determined contribution rates. For this purpose, only employee and employer contributions that are intended to fund benefits of 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 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.

Continued…..

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 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	$311,864	$221,275	$145,830

C. OPEB Liability, OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources, and Funded Status Related to OPEB

Fiscal Year 2018

At June 30, 2018, the Port reported a liability of $21.9 million for its proportionate shares of the net OPEB liability of LACERS. The net OPEB liability was measured as of June 30, 2017 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Port's proportion of the net OPEB liability was based on the Port's share of actual contributions to the OPEB plan relative to the actual contributions of all participating departments, actuarially determined. The Port's proportionate share was determined to be 3.865% for the fiscal year ended June 30, 2018.

Continued…..

For the year ended June 30, 2018, the Port recognized OPEB expense of $3.6 million. At June 30, 2018, the Port reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources (in thousands).

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	$ 3,857	$ --
Changes of assumptions or other inputs	1,092	--
Differences between expected and actual experience in the total OPEB liability	641	--
Changes in proportion and differences between employer's contributions and proportionate share of contributions	--	457
Net excess of actual over projected earnings on OPEB plan investments	--	5,201
Total	$ 5,590	$ 5,658

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows (in thousands):

Year ended June 30	
2019	$ (1,064)
2020	(1,064)
2021	(1,064)
2022	(1,064)
2023	237
Thereafter	94

The amortization table does not include OPEB contributions made after the measurement date.

Continued…..

Actuarial assumptions. The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Projected salary increases	Ranges from 3.90% to 10.00% based on years of service
Investment rate of return	7.25%, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	6.87% graded down to 4.50% over 10 years for non-Medicare medical plan costs; 6.37% graded down to 4.50% over 8 years for Medicare medical plan costs; and 4.50% for all years for dental and Medicare Part B costs.

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.

The actuarial assumptions used were based on the results of an actuarial experience study for the period from July 1, 2011 through June 30, 2014.

Continued…..

Long-term expected rate of return by asset class. The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of OPEB 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 and subtracting expected investment expenses and a risk margin. 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	19.00%	5.61%
U.S. Small Cap Equity	5.00%	6.48%
Developed International Equity	19.00%	7.08%
Developed International Small Cap Equity	3.00%	7.32%
Emerging Market Equity	7.00%	9.35%
Core Bonds	19.00%	1.08%
Private Real Estate	5.00%	4.44%
Public Real Assets	5.00%	3.35%
Private Equity	12.00%	8.97%
Credit Opportunities	5.00%	3.75%
Cash	1.00%	-0.06%
Total	100.00%	

Discount rate. The discount rate used to measure the Total OPEB Liability were 7.25% and 7.50% as of June 30, 2017 and 2016, respectively. As contributions that are required to be made by the City to amortize the unfunded actuarial accrued liability in the funding valuation are determined on an actuarial basis, the future actuarially determined contributions are current plan assets, when projected in accordance with the method prescribed by GASBS 75, are expected to be sufficient to make all benefit payments to current members.

Continued…..

Sensitivity of the Port's proportionate share of net OPEB liability to change in the discount rate. The following presents the Port's proportionate share of the net OPEB liability, calculated using the discount rate of 7.25%, as well as what the Port's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate (in thousands):

	1% Decrease (6.25%)	Discount rate (7.25%)	1% Increase (8.25%)
Port's proportionate share of the net OPEB liability	$37,619	$21,910	$8,866

Sensitivity of the Port's proportionate share of net OPEB liability to change in the healthcare cost trend rate. The following presents the Port's proportionate share of the net OPEB liability, as well as what LACERS' net OPEB liability would be if it were calculated using a trend rate that is one percentage point lower or one percentage point higher than the current healthcare trend rate (in thousands):

	1% Decrease	Current healthcare trend rate*	1% Increase
Port's proportionate share of the net OPEB liability	$6,827	$21,910	$41,449

*See page 90 for current healthcare trend rate.

Fiscal Year 2017

Funded Status of LACERS OPEB. 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, 2016 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)
06/30/16	$ 105,983	100%	$ --
06/30/15	100,467	100%	--
06/30/14	97,841	100%	--

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.

Continued…..

Following is the funded status information of the plan for fiscal years ended June 30, 2016, 2015, and 2014 (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)
06/30/2016	$ 2,248,753	$ 2,793,689	$ 544,936	80.5%	$ 1,968,703	27.7%
06/30/2015	2,108,925	2,646,989	538,064	79.7%	1,907,665	28.2%
06/30/2014	1,941,225	2,662,853	721,628	72.9%	1,816,171	39.7%

The actuarial valuation methods and assumptions used for LACERS OPEB as of June 30, 2016 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, range from 2.22% to 8.39% depending on age groups and carrier in fiscal year 2017, 6.38% in fiscal year 2018 decreasing by 0.25% for each year until it reaches an ultimate rate of 5.00%, and dental premium trend rate – 5.00% for all years.

Note 13. A to C on LACERS retirement and OPEB plans were derived from information prepared by LACERS and the City.

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14. City of Los Angeles Fire and Police Pension System (LAFPP)

A. General Information about LAFPP

Plan description. LAFPP is a single-employer public employee retirement system whose main function is to provide defined benefit pension benefits to the safety members employed by the City of Los Angeles. Members of LAFPP are entitled to other postemployment benefits (OPEB) such as healthcare subsidy. LAFPP is administered by a Board of Commissioners (LAFPP Board) composed of five commissioners who are appointed by the Mayor, two commissioners elected by Police members of the plan and two commissioners elected by Fire members of the plan. Under provisions of the City Charter, the City Administrative Code and the State Constitution, the LAFPP Board has the responsibility to administer the plan. Changes to the benefit terms require approval by the City Council.

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, 2011. The Los Angeles City Council approved Ordinance No. 177214 that allows 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 Port after the effective date of the Ordinance automatically go into either Tier 5 or Tier 6 of LAFPP.

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 or LAFPP’s website https://www.lafpp.com/about/financial-reports.

Plan Memberships. As June 30, 2017, pension and OPEB plan members consisted of the following:

	Pension	OPEB
Retired members of surviving spouses currently receiving benefits	12,836	17,034
Vested terminated members entitled to, but not yet receiving benefits	374	882
Active members	13,327	13,327
Total	26,537	31,243

Benefits provided – Pension. LAFPP provides service retirement, disability, death and survivor benefits to eligible sworn members. Sworn employees become members upon graduation from the Police Academy or Fire Drill Tower. 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 service, to be entitled to a service pension. Annual pension benefits are equal to 50% of their one-year average compensation, increasing for each year of service over 20 years, to a maximum of 90% for 33 years. Tier 5 provides for postemployment

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COLAs based on the Consumer Price Index (CPI) to a maximum of 3% per year. However, any increase in 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 waive their pension entitlements.

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 waive their pension entitlements.

Benefits Provided – OPEB. LAFPP provides the following other postemployment benefits (OPEB) to eligible members:

- Subsidy for members not eligible for Medicare A & B – 4% per year of service, to a maximum of 100%, times a monthly maximum subsidy amount, subject to a maximum of actual premium paid to the LAFPP Board's approved health carrier.

- Subsidy for members eligible for Medicare A & B – For retirees, the health subsidy is provided subject to the following vesting schedule. Surviving spouses/domestic partners are eligible for benefits upon the death of the member.

Completed Years of Services	Vested Percentage
10-14	75%
15-19	90%
20+	100%

- Medicare Part B Related Subsidy – For retired members enrolled in Medicare A & B who are receiving a subsidy, the LAFPP provides payment of Part B premiums.

- Dental Subsidy – 4% per year of service, to a maximum of 100%, times a monthly maximum subsidy amount, subject to a maximum of the single-party premium paid to the LAFPP Board approved dental carrier.

Contributions – Pension. The LAFPP Board 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

Continued…..

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.

In fiscal year 2018, the Port's contribution rate for sworn employees that are members of the Harbor Tier 5 plan, as determined by the actuary is 33.46% of covered payroll. The Harbor Tier 6 rate is 28.80%. Based on the Port's reported sworn covered payroll of $12.5 million for Tier 5, and $1.7 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 $4.7 million ($3.7 million for pension benefits and $1.0 million for other postemployment benefits) and $4.5 million ($3.7 million for pension benefits and $0.8 million for other postemployment benefits) for the years ended June 30, 2018 and 2017, respectively. The Port has made 100% of the actuarially determined contributions for both fiscal years.

Contributions – OPEB. The LAFPP Board 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 expected to be sufficient to make all benefit payments to current members. The City Administrative Code and related ordinance define member contributions. The employer contribution rate as calculated by LAFPP's actuary is 11.82%.

Pension plan fiduciary net position and OPEB plan fiduciary net position. Detailed information about the LAFPP's pension and OPEB plans' fiduciary net position is available in the separately issued LAFPP financial report.

B. Pension Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Pension

At June 30, 2018 and 2017, the Port reported a liability of $6.3 million and $10.1 million, respectively, for its proportionate shares of the net pension liability of LAFPP. The net pension liability was measured as of June 30, 2017 and 2016, respectively, 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 the Port's share of actual contributions to the pension plan relative to the actual contributions of all participating employers, actuarially determined. The Port's proportionate share was determined to be 0.345% and 0.408% for fiscal years ended June 30, 2018 and 2017, respectively.

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Fiscal Year 2018

For the year ended June 30, 2018, the Port recognized pension expense of $2.0 million. At June 30, 2018, 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	$ 3,646	$ --
Changes of assumptions or other inputs	1,176	145
Differences between expected and actual experience in the total pension liability	--	3,857
Net excess of actual over projected earnings on pension plan investments	--	664
Total	$ 4,822	$ 4,666

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	
2019	$ (1,297)
2020	(578)
2021	(655)
2022	(884)
2023	(76)
Thereafter	--

The amortization table does not include pension contributions made after the measurement date.

Continued…..

Actuarial assumptions. The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Projected salary increases	Ranges from 4.30% to 12.00% based on years of service
Investment rate of return	7.25%, 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

Pre-retirement and postemployment mortality rates are based on the Headcount-Weighted RP-2014 Employee Mortality Table times 90%, projected 20 years with two-dimensional scale MP-2016.

The actuarial assumptions used were based on the results of an actuarial experience study for the period from July 1, 2013 through June 30, 2016.

Certain actuarial assumptions were changed from the prior measurement. See page 101.

Continued…..

Long-term expected rate of return by asset class. 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%	5.61%
Small Cap U.S. Equity	6.00%	6.37%
Developed International Equity	16.00%	6.96%
Emerging Market Equity	5.00%	9.28%
U.S. Core Fixed Income	12.00%	1.06%
High Yield Bonds	3.00%	3.65%
Real Estate	10.00%	4.73%
TIPS	5.00%	0.94%
Commodities	5.00%	3.76%
Cash	1.00%	-0.17%
Unconstrained Fixed Income	2.00%	2.50%
Private Equity	12.00%	7.50%
Total	100.00%	5.11%

Discount rate. The discount rate used to measure the Total Pension Liability were 7.25% and 7.50% as of June 30, 2017 and 2016, respectively. 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 for each tier and that contributions from the employers will be made at rates equal to the actuarially determined contribution rates for each tier. 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 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.

Continued…..

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 7.25%, 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 (6.25%) or one percentage point higher (8.25%) than the current rate (in thousands):

	1% Decrease (6.25%)	Discount rate (7.25%)	1% Increase (8.25%)
Port's proportionate share of the net pension liability	$18,243	$6,273	$(3,269)

Fiscal Year 2017

For the year ended June 30, 2017, the Port recognized pension expense of $2.7 million. At June 30, 2017, 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	$ 3,715	$ --
Changes of assumptions or other inputs	--	228
Differences between expected and actual experience in the total pension liability	--	2,892
Net difference between projected and actual earnings on pension plan investments	1,825	--
Total	$ 5,540	$ 3,120

Continued…..

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		
2018	$	(614)
2019		(614)
2020		105
2021		27
2022		(199)
Thereafter		--

The amortization table does not include pension contributions made after the measurement date.

Actuarial assumptions. The total pension liability in the June 30, 2016 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

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 for the period from July 1, 2010 through June 30, 2013.

Continued…..

Long-term expected rate of return by asset class. 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%	-0.19%
Unconstrained Fixed Income	2.00%	2.50%
Private Equity	10.00%	9.25%
Total	100.00%	5.12%

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 for each tier and that contributions from the employers will be made at rates equal to the actuarially determined contribution rates for each tier. 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 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.

Continued…..

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	$20,648	$10,050	$1,550

C. OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources, and Funded Status Related to OPEB

Fiscal Year 2018

At June 30, 2018, the Port reported a liability of $2.5 million for its proportionate shares of the net OPEB liability of LAFPP. The net OPEB liability was measured as of June 30, 2017 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Port's proportion of the net OPEB liability was based on the Port's share of actual contributions to the OPEB plan relative to the actual contributions of all participating departments, actuarially determined. The Port's proportionate share was determined to be 0.148%% for the fiscal year June 30, 2018.

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For the year ended June 30, 2018, the Port recognized OPEB expense of $0.9 million. At June 30, 2018, the Port reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources (in thousands).

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	$ 1,018	$ --
Changes of assumptions or other inputs	--	33
Differences between expected and actual experience in the total OPEB liability	331	--
Changes in proportion and differences between employer's contributions and proportionate share of contributions	--	--
Net excess of actual over projected earnings on OPEB plan investments	--	318
Total	$ 1,349	$ 351

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows (in thousands):

Year ended June 30	
2019	$ (30)
2020	(30)
2021	(30)
2022	(30)
2023	49
Thereafter	51

The amortization table does not include OPEB contributions made after the measurement date.

Continued…..

Actuarial assumptions. The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Projected salary increases	Ranges from 4.30% to 12.00% based on years of service
Investment rate of return	7.25%, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	7.00% graded down to 4.50% over 10 years for non-Medicare medical plan costs; 6.50% graded down to 4.50% over 8 years for Medicare medical plan costs; and 4.50% for all years for dental and Medicare Part B costs.

Pre-retirement mortality rates are based on the Headcount-Weighted RP-2014 Employee Mortality Table times 90%, projected 20 years with two-dimensional scale MP-2016. Postemployment mortality rates are based on the Headcount-Weighted RP-2014 Healthy Annuitant Mortality Table projected 20 years with two-dimensional scale MP-2016.

The actuarial assumptions used were based on the results of an actuarial experience study for the period from July 1, 2013 through June 30, 2016.

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Long-term expected rate of return by asset class. The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of OPEB 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 and subtracting expected investment expenses and a risk margin. 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%	5.61%
Small Cap U.S. Equity	6.00%	6.37%
Developed International Equity	16.00%	6.96%
Emerging Market Equity	5.00%	9.28%
U.S. Core Fixed Income	12.00%	1.06%
High Yield Bonds	3.00%	3.65%
Real Estate	10.00%	4.73%
TIPS	5.00%	0.94%
Commodities	5.00%	3.76%
Cash	1.00%	-0.17%
Unconstrained Fixed Income	2.00%	2.50%
Private Equity	12.00%	7.50%
Total	100.00%	5.11%

Discount rate. The discount rate used to measure the Total OPEB Liability were 7.25% and 7.50% as of June 30, 2017 and 2016, respectively. As contributions that are required to be made by the City to amortize the unfunded actuarial accrued liability in the funding valuation are determined on an actuarial basis, the future actuarially determined contributions are current plan assets, when projected in accordance with the method prescribed by GASBS 75, are expected to be sufficient to make all benefit payments to current members.

Continued…..

Sensitivity of the Port's proportionate share of net OPEB liability to change in the discount rate. The following presents the Port's proportionate share of the net OPEB liability, calculated using the discount rate of 7.25%, as well as what the Port's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate (in thousands):

	1% Decrease (6.25%)	Discount rate (7.25%)	1% Increase (8.25%)
Port's proportionate share of the net OPEB liability	$4,944	$2,506	$586

Sensitivity of the Port's proportionate share of net OPEB liability to change in the healthcare cost trend rate. The following presents the Port's proportionate share of the net OPEB liability, as well as what LAFPP net OPEB liability would be if it were calculated using a trend rate that is one percentage point lower or one percentage point higher than the current healthcare trend rate (in thousands):

	1% Decrease	Current healthcare trend rate*	1% Increase
Port's proportionate share of the net OPEB liability	$88	$2,506	$6,129

*See page 105 for current healthcare trend rate.

Fiscal Year 2017

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, 2016, 2015, and 2014 are as follows (in thousands):

Year Ended	Annual OPEB Cost (AOC)	Percentage of OPEB Cost Contributed	Net OPEB Asset (Obligation)
06/30/16	$ 161,911	99.50%	$ (132,506)
06/30/15	160,865	99.14%	(131,698)
06/30/14	149,877	98.97%	(130,319)

Continued…..

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, 2016, 2015, and 2014 (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)
06/30/2016	$ 1,480,810	$ 3,079,670	$ 1,598,860	48.08%	$ 1,400,808	114.14%
06/30/2015	1,344,333	2,962,703	1,618,370	45.38%	1,405,171	115.17%
06/30/2014	1,200,874	2,783,283	1,582,409	43.15%	1,402,715	112.81%

The actuarial valuation methods and assumptions used for LAFPP OPEB as of June 30, 2016 were as follows: actuarial cost method used - entry age normal; amortization method – closed amortization periods; remaining amortization period – multiple layers, range from 5 to 30 years; 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 2016-2017 and 2017-2018, 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% for all years.

Note 14. A to C on LAFPP retirement and OPEB plans were derived from information prepared by LAFPP and the City.

Continued…..

15. Commitments, Litigation and Contingencies

A. Commitments

Open purchase orders and uncompleted construction contracts amounted to approximately $22.8 million and $26.0 million as of June 30, 2018 and 2017, respectively. 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 2018 and 2017.

B. Litigation

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 (ACTA) Agreement

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 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 is comprised of two members from each Port, one each from the Cities of Los Angeles and Long Beach and one from the Metropolitan Transportation Authority. If in the future, ACTA is able 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 provides for operation of the corridor to transport cargo into and out of the Ports. Payment of use fees and container charges, as defined in the Corridor Agreement are used to pay (a) the debt service that ACTA incurs on approximately $2.2 billion of outstanding bonds, (b) for the cost of funding required reserves and costs associated with the financing, including credit enhancement and rebate requirements, and (c) repayment and reimbursement obligations to the Ports, (collectively, ACTA Obligations). Use fees end in 2062 or sooner if the ACTA Obligations are paid off earlier.

If ACTA revenues are insufficient to pay ACTA Obligations outlined in (a) and (b) above, the Corridor Agreement obligates each Port to pay up to twenty percent (20%) of the shortfall (Shortfall) for each debt service payment date. If this event occurs, the Ports' payments to ACTA

Continued…..

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 the respective bond indentures and resolutions related to each Port bond or indebtedness.

An amended and restated Corridor Agreement became effective December 15, 2016, which (1) incorporated the July 5, 2006 First Amendment to the Corridor Agreement; (2) replaced the Operating Committee with an alternative decision making process for management of Alameda Corridor maintenance and operations; and (3) removed construction related provisions and updated certain other provisions to reflect current conditions and practices. The Los Angeles Board of Harbor Commissioners approved the amended and restated Corridor Agreement at a meeting held on October 24, 2016.

In 2016, ACTA issued Tax-Exempt First and Second Subordinate Lien Revenue Refunding Bonds, Series 2016A and Series 2016B (Series 2016 Bonds). The issuance of the Series 2016 Bonds advance refunded most of ACTA's Refunding Series 2004A Bonds and reduced potential future Shortfall payments. There were no Shortfall payments in both fiscal years 2018 and 2017.

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 fund grants selected by the nonprofit and approved by the Board of Harbor Commissioners, to address 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).

Pursuant to the MOU, the Port had provided the first two years PCMTF funding of $12.0 million and $4.0 million in a special Community Mitigation Trust Fund (CMTF) account maintained by the Port to meet its obligations in the MOU. The MOU required additional contributions of $2.00 per TEU to be made in the event of incremental cargo increases over calendar year 2007 cargo levels during the term of the MOU. Based on the reduced volume of cargo processed in the applicable term due to the recession, no additional PCMTF funding has been necessary for incremental volume.

Continued…..

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 an independent financial manager. In accordance with the Operating Agreement, in 2011 the Port transferred the unspent balance of PCMTF funding from its CMTF to the PCMTF, an escrow account maintained by an independent financial manager, which is currently J.P. Morgan Bank.

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 a list of specific expansion projects that have environmental impact reports certified within five years after the first HCBF Board of Directors meeting (said certification deadline established as May 19, 2016). The Operating Agreement provides that if the listed MOU expansion projects have EIRs certified by the May 2016 deadline and proceeds with construction; the Port will make a one-time additional contribution at a rate of $3.50 per incremental increase in TEU (or $1.50 per cruise passenger increase, and $0.15 per ton of bulk cargo increase) 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. In fiscal year 2016, $0.8 million was contributed to the PCMTF based upon the Yusen container terminal project contract award. There were no contributions made during fiscal year 2018.

As of June 30, 2018, a total of $17.5 million has been disbursed from the Port's CMTF. The remaining fund balance including interest earned as of June 30, 2018 is $0.1 million.

Continued…..

16. 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, and legal services. Total amounts charged by the City for services approximate $42.7 million and $39.6 million in fiscal years 2018 and 2017, respectively. In addition, the amounts charged by the City for water and electricity usage approximate $14.7 million and $14.8 million in fiscal years 2018 and 2017, respectively.

17. 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, 2018 and 2017, the Port reported capital contributions of $4.5 million and $18.8 million, respectively, for certain capital construction and grant projects.

18. 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 an expense in fiscal year 2003.

The terms of the settlement 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 $18.4 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.

Continued…..

In November 2015, two separate Memoranda of Agreements were approved and authorized to transfer $5.2 million to the Harbor Community Benefit Foundation (HCBF) to administer air quality improvement projects and $4 million to the South Coast Air Quality Management District to assist in funding the demonstration of a catenary zero emission truck project.

As of June 30, 2018, the Port has contributed a total of $75.0 million to the restricted mitigation funds in accordance with the provisions of the settlement.

19. Cash Funding of Reserve Fund

As of June 30, 2018 and 2017, the Port had $922.4 million and $969.3 million of outstanding parity bonds (including net unamortized premiums). The Port holds cash reserves for each Indenture of the outstanding bonds. On September 18, 2008, the BHC approved the full cash funding of the entire reserve requirement of $61.5 million that was transferred to the Port's bond trustee in December 2008. The cash funding of the reserve took place to reassure bondholders 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.

As of June 30, 2018 and 2017, the balance in the Common Reserve fund totaled $62.2 million and $62.3 million, respectively. 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 invested in the U.S. Treasury securities and money market funds.

20. Extraordinary Item

On September 22, 2014, a fire caused extensive damage to Berth 177-178 and to a portion of Berth 179. The Port filed claims under its all-risk property insurance policy. Total insurance recovery of $14.3 million was received by the Port, out of which $9.2 million was received in fiscal year 2017. The remaining $5.1 million was received in 2016.

21. Restatement

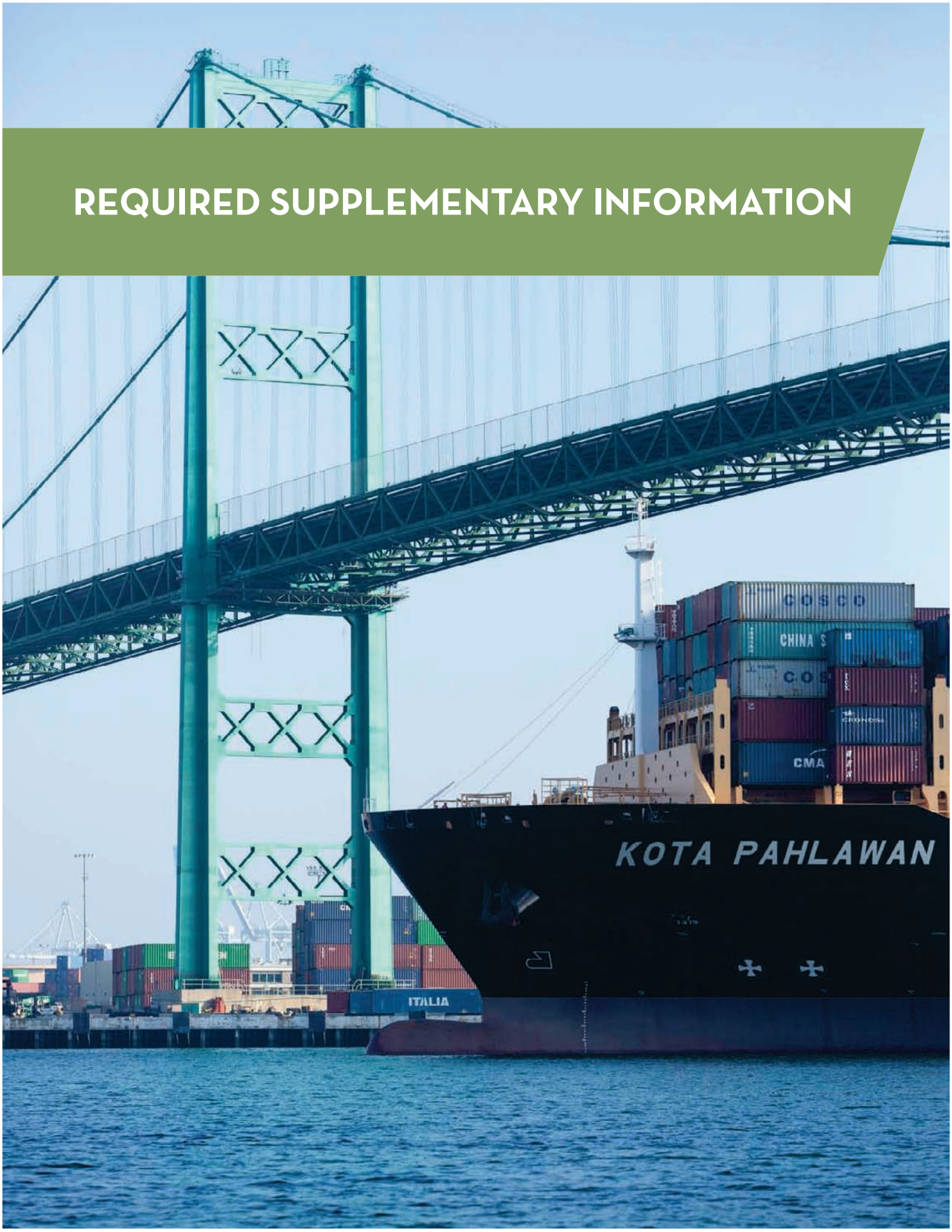
The net position at July 1, 2017 was restated by $23.9 million to adjust for the cumulative effect of a change in accounting principle as a result of the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*:

	FY 2018
Net position, July 1, as previously reported	$ 3,265,398
Cumulative effect of change in accounting principle	(23,878)
Net position, July 1, as restated	$ 3,241,520

Financial statements for fiscal year 2017 were not restated due to the information to restate prior year amounts was not readily available.

Continued…..

REQUIRED SUPPLEMENTARY INFORMATION



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

Required Supplementary 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 Payroll (1)	Proportionate Share of Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of Total Pension Liability
2014	4.248%	$ 200,801	$ 73,746	272.29%	68.23%
2015	4.224%	$ 188,299	$ 76,040	247.60%	72.57%
2016	4.152%	$ 207,158	$ 75,963	272.71%	70.49%
2017	3.940%	$ 221,275	$ 75,092	294.67%	67.77%
2018	3.877%	$ 204,609	$ 76,204	268.50%	71.41%

(1) Covered payroll represents the collective total of the pensionable 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 Payroll (2)	Proportionate Share of Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of Total Pension Liability
2014	0.400%	$ 14,320	$ 10,302	139.00%	68.00%
2015	0.559%	$ 10,463	$ 11,619	90.05%	79.16%
2016	0.425%	$ 8,671	$ 12,301	70.49%	83.98%
2017	0.408%	$ 10,050	$ 12,148	82.49%	83.02%
2018	0.345%	$ 6,273	$ 13,541	46.33%	90.41%

(2) Covered payroll represents the collective total of the LAFPP eligible wages of all LAFPP member categories.

* This schedule is intended to present information for 10 years. Until a 10-year trend is compiled, the schedule is presented for those years for which information is available.

See Note to Schedule on page 116.

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

Required Supplementary Information

Schedule of Pension Contributions – Last Ten Fiscal Years*

(In Thousands)

(Unaudited)

Los Angeles City Employees' Retirement System (LACERS)

(Amount in thousands)	2018	2017	2016	2015
Actuarially determined contribution	$ 17,317	$ 17,582	$ 17,557	$ 15,765
Contributions in relation to the actuarially determined contribution	17,317	17,582	17,557	15,765
Contribution deficiency (excess)	$ --	$ --	$ --	$ --
Port's covered payroll	$ 82,308	$ 79,924	$ 78,061	$ 77,126
Contributions as a percentage of covered payroll	21.04%	22.00%	22.49%	20.44%

Los Angeles Fire and Police Pension Plan (LAFPP)

(Amount in thousands)	2018	2017	2016	2015
Actuarially determined contribution	$ 3,645	$ 3,716	$ 3,462	$ 3,648
Contributions in relation to the actuarially determined contribution	3,645	3,716	3,462	3,648
Contribution deficiency (excess)	$ --	$ --	$ --	$ --
Port's covered payroll	$ 12,510	$ 12,514	$ 12,184	$ 12,301
Contributions as a percentage of covered payroll	29.14%	29.69%	28.41%	29.66%

* This schedule is intended to present information for 10 years. Until a 10-year trend is compiled, the schedule is presented for those years for which information is available.

See Note to Schedule on page 116.

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

Required Supplementary Information

Notes to Schedules of Proportionate Share of the Net Pension Liability and Pension Contributions

For the Fiscal Year Ended June 30, 2018

(Unaudited)

Los Angeles City Employees' Retirement System (LACERS)

Changes of benefit terms: There were no changes in benefits terms.

Changes of assumptions:

Assumptions	Fiscal Year 2018	Fiscal Year 2017
Investment rate of return	7.25%	7.50%
Inflation rate	3.00%	3.25%
Projected salary increases	Ranged from 3.90% to 10.00%	Ranged from 4.40% to 10.50%

Los Angeles Fire and Police Pension Plan (LAFPP)

Changes of benefit terms: There were no changes in benefits terms.

Changes of assumptions:

Assumptions	Fiscal Year 2018	Fiscal Year 2017
Investment rate of return	7.25%	7.50%
Inflation rate	3.00%	3.25%
Projected salary increases	Ranged from 4.30% to 12.00%	Ranged from 4.75% to 11.50%

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

Required Supplementary Information

Schedule of Proportionate Share of the Net OPEB Liability – Last Ten Fiscal Years*

(In Thousands)

(Unaudited)

Los Angeles City Employees' Retirement System (LACERS)

Fiscal Year	Proportion of the Net OPEB Liability	Proportionate Share of Net OPEB Liability	Covered Payroll	Proportionate Share of Net OPEB Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of Total OPEB Liability
2017	3.947%	$ 26,002	$ 75,092	34.63%	76.42%
2018	3.865%	$ 21,910	$ 76,204	28.75%	81.14%

Los Angeles Fire and Police Pension Plan (LAFPP)

Fiscal Year	Proportion of the Net OPEB Liability	Proportionate Share of Net OPEB Liability	Covered Payroll	Proportionate Share of Net OPEB Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of Total OPEB Liability
2017	0.156%	$ 2,563	$ 12,184	21.04%	74.45%
2018	0.148%	$ 2,506	$ 13,541	18.51%	78.65%

* This schedule is intended to present information for 10 years. Until a 10-year trend is compiled, the schedule is presented for those years for which information is available.

See Note to Schedule on page 119.

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

Required Supplementary Information

Schedule of OPEB Contributions – Last Ten Fiscal Years*

(In Thousands)

(Unaudited)

Los Angeles City Employees' Retirement System (LACERS)

(Amount in thousands)	2018
Actuarially determined contribution	$ 3,857
Contributions in relation to the actuarially determined contribution	3,857
Contribution deficiency (excess)	$ --
Port's covered employee payroll	$ 82,308
Contributions as a percentage of covered employee payroll	4.69%

Los Angeles Fire and Police Pension Plan (LAFPP)

(Amount in thousands)	2018
Actuarially determined contribution	$ 1,018
Contributions in relation to the actuarially determined contribution	1,018
Contribution deficiency (excess)	$ --
Port's covered employee payroll	$ 12,510
Contributions as a percentage of covered employee payroll	8.14%

* This schedule is intended to present information for 10 years. Until a 10-year trend is compiled, the schedule is presented for those years for which information is available.

See Note to Schedule on page 119.

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

Required Supplementary Information

Notes to Schedules of Proportionate Share of the Net OPEB Liability and OPEB Contributions

For For the Fiscal Year Ended June 30, 2018

(Unaudited)

Los Angeles City Employees' Retirement System (LACERS)

Changes of benefit terms: There were no changes in benefits terms.

Changes of assumptions:

Assumptions	Fiscal Year 2018	Fiscal Year 2017
Investment rate of return	7.25%	7.50%
Inflation rate	3.00%	3.25%
Projected salary increases	Ranged from 3.90% to 10.00%	Ranged from 4.40% to 10.50%

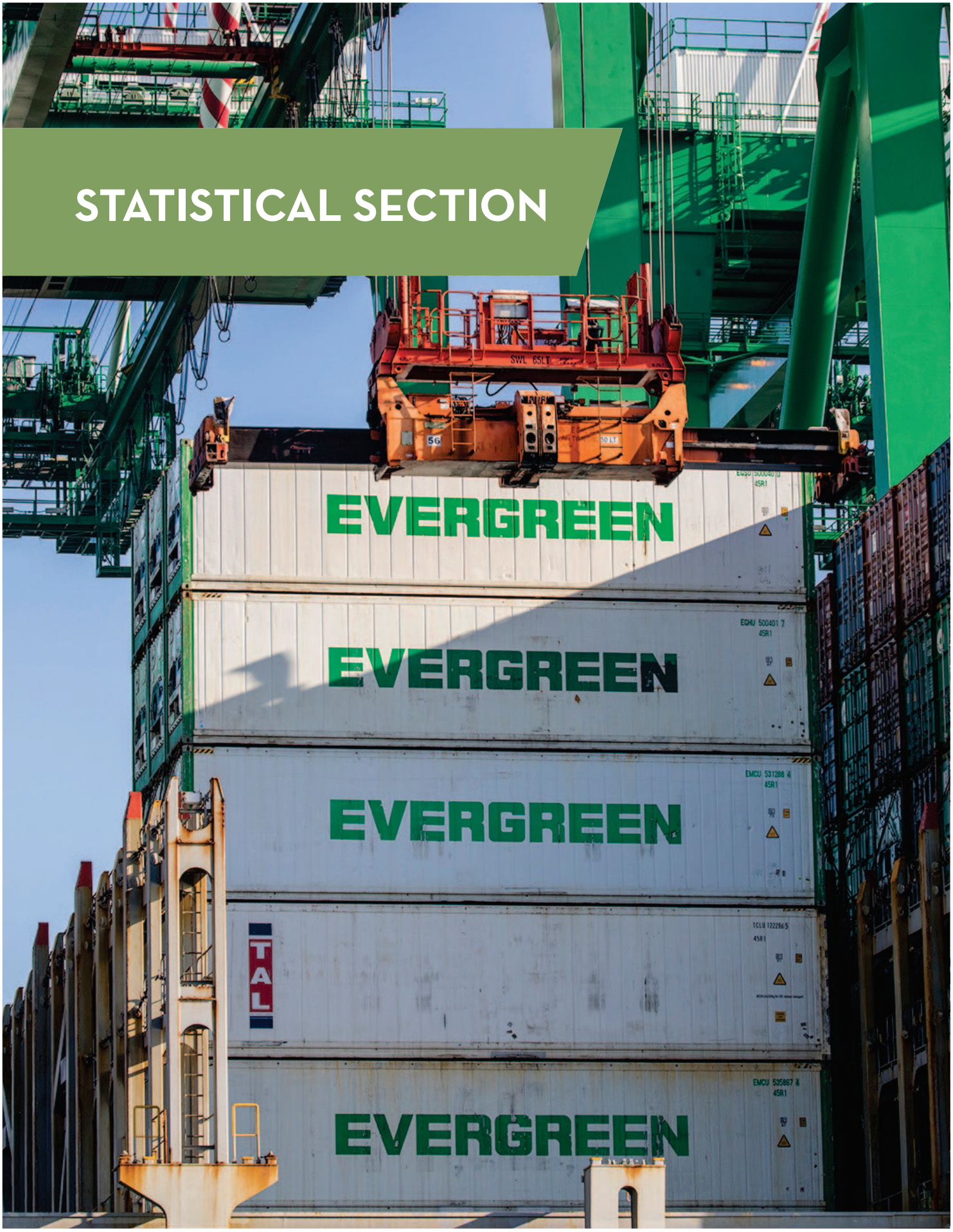
Los Angeles Fire and Police Pension Plan (LAFPP)

Changes of benefit terms: There were no changes in benefits terms.

Changes of assumptions:

Assumptions	Fiscal Year 2018	Fiscal Year 2017
Investment rate of return	7.25%	7.50%
Inflation rate	3.00%	3.25%
Projected salary increases	Ranged from 4.30% to 12.00%	Ranged from 4.75% to 11.50%

STATISTICAL SECTION



PORT OF LOS ANGELES
(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES, CALIFORNIA)
Summary of Revenues, Expenses, and Changes in Net Position
Last Ten Fiscal Years
(In Thousands)
(Unaudited)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Operating revenues										
Shipping services	$ 329,347	$ 327,630	$ 343,498	$ 357,716	$ 347,876	$ 377,213	$ 364,899	$ 368,470	$ 398,255	$ 405,279
Rentals	42,368	43,141	45,428	43,143	42,890	40,156	46,233	46,571	51,258	61,419
Royalties, fees, and other operating revenues	30,509	36,047	11,577	8,928	6,602	8,582	35,763	21,085	25,019	24,062
Total operating revenues	402,224	406,818	400,503	409,787	397,368	425,951	446,895	436,126	474,532	490,760
Operating expenses										
Salaries and benefits	95,429	92,930	98,837	98,614	101,861	112,053	111,788	114,719	118,582	121,533
Marketing and public relations	3,531	2,490	2,912	3,177	2,877	2,711	2,771	2,567	2,583	2,784
Travel and entertainment	609	546	804	932	1,139	548	512	611	536	749
Outside services	34,977	25,776	29,367	27,660	29,690	26,331	28,983	28,970	25,022	29,904
Materials and supplies	7,800	6,366	6,249	6,314	5,989	6,883	6,257	6,340	5,314	6,960
City services	30,680	37,147	29,964	32,014	31,074	33,633	34,749	37,421	39,554	42,749
Other operating expenses	81,117	44,980	41,562	31,095	32,539	23,195	49,189	35,633	36,084	32,276
Total operating expenses before depreciation	254,143	210,235	209,695	199,806	205,169	205,354	234,249	226,261	227,675	236,955
Operating Income before depreciation	148,081	196,583	190,808	209,981	192,199	220,597	212,646	209,865	246,857	253,805
Depreciation	83,413	87,255	90,468	100,485	108,037	124,221	137,384	163,933	172,895	167,984
Operating Income	64,668	109,328	100,340	109,496	84,162	96,376	75,262	45,932	73,962	85,821
Nonoperating revenues (expenses)										
Income from investments in Joint Powers Authorities	2,980	2,270	(333)	1,851	2,049	2,129	2,811	2,544	2,162	2,001
Interest and investment income	18,824	15,233	6,436	9,486	826	4,654	5,039	9,326	1,118	618
Interest expense	(36,979)	(35,663)	(3,704)	(10,538)	(2,473)	(1,530)	(331)	(507)	(604)	(1,612)
Other income and expenses, net	(7,625)	(2,951)	(6,667)	(8,359)	784	(27,364)	(2,226)	(3,851)	(1,146)	1,999
Net nonoperating revenues (expenses)	(22,800)	(21,111)	(4,268)	(7,560)	1,186	(22,111)	5,293	7,512	1,530	3,006
Income before capital contributions	41,868	88,217	96,072	101,936	85,348	74,265	80,555	53,444	75,492	88,827
Capital contributions	4,103	16,950	12,059	31,307	17,630	80,374	111,852	40,489	18,801	4,524
Special and extraordinary items	--	--	--	--	13,387	15,002	--	5,123	9,150	--
Changes in net position	45,971	105,167	108,131	133,243	116,365	169,641	192,407	99,056	103,443	93,351
Total net position – beginning of year	2,383,616	2,429,587	2,534,754	2,642,885	2,776,128	2,884,351	3,064,554	3,062,899	3,161,955	3,265,398
Cumulative effect of change in accounting principle	--	--	--	--	--	--	(194,062)	--	--	(23,878)
Net adjustment for write off prior period bond issues costs	--	--	--	--	(8,142)	10,562	--	--	--	--
Net position July 1, restated	2,383,616	2,429,587	2,534,754	2,642,885	2,767,986	2,894,913	2,870,492	3,062,899	3,161,955	3,241,520
Total net position – end of year	$ 2,429,587	$ 2,534,754	$ 2,642,885	$ 2,776,128	$ 2,884,351	$ 3,064,554	$ 3,062,899	$ 3,161,955	$ 3,265,398	$ 3,334,871
Net position:										
Net investment in capital assets	2,101,396	2,164,885	2,286,360	2,397,744	2,634,840	2,863,795	2,856,561	2,945,412	2,972,442	2,964,553
Restricted	61,608	67,844	67,341	67,796	57,913	58,054	68,373	66,599	62,255	62,225
Unrestricted	266,583	302,025	289,184	310,588	191,598	142,705	137,965	149,944	230,701	308,093
Total net position	$ 2,429,587	$ 2,534,754	$ 2,642,885	$ 2,776,128	$ 2,884,351	$ 3,064,554	$ 3,062,899	$ 3,161,955	$ 3,265,398	$ 3,334,871

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

Summary of Debt Service Coverage (Pledged Revenue)
Last Ten Fiscal Years
(In Thousands)
(Unaudited)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Operating revenues (including investment/interest income and noncapital grant revenues) (1)	$ 424,028	$ 424,306	$ 412,962	$ 435,291	$ 416,974	$ 446,910	$ 460,364	$ 452,398	$ 487,806	$ 501,663
Operating expenses (2)	254,143	210,235	209,695	199,806	205,169	205,354	234,249	226,261	227,675	236,955
Net available revenue	$ 169,885	$ 214,071	$ 203,267	$ 235,485	$ 211,805	$ 241,556	$ 226,115	$ 226,137	$ 260,131	$ 264,708
Debt service, revenue bonds	$ 61,298	$ 66,851	$ 72,736	$ 71,382	$ 72,204	$ 65,323	$ 69,916	$ 91,831	$ 87,570	$ 80,147
Debt service, commercial papers	—	—	191	227	194	165	187	—	—	—
Total debt service (3)	$ 61,298	$ 66,851	$ 72,927	$ 71,609	$ 72,398	$ 65,488	$ 70,103	$ 91,831	$ 87,570	$ 80,147
Net available revenue coverage	2.8	3.2	2.8	3.3	2.9	3.7	3.2	2.5	3.0	3.3
Net cash flow from operations	$ 151,264	$ 185,416	$ 158,268	$ 217,113	$ 234,234	$ 131,284	$ 213,184	$ 184,869	$ 274,581	$ 228,920
Net operating cash flow coverage	2.5	2.8	2.2	3.0	3.2	2.0	3.0	2.0	3.1	2.9

(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.

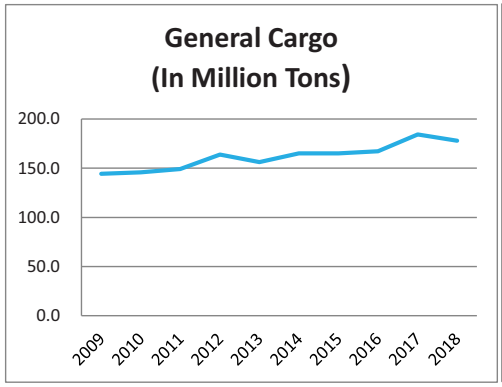
(3) Debt service includes principal and interest payments on issued bonds as well as on commercial paper notes, which are senior debt backed by pledged-revenue. Debt service does not include loans from the California Department of Boating and Waterways, which are not backed by pledged-revenue.

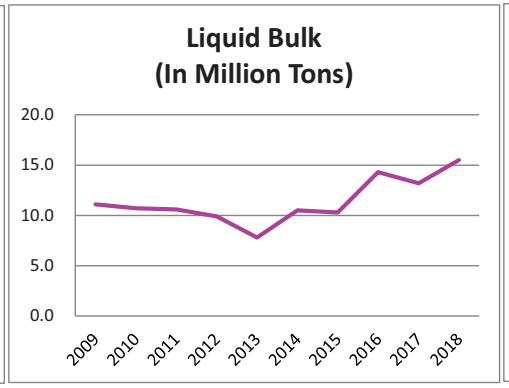
Note: Details regarding the Port of Los Angeles' outstanding debt can be found in the notes to the basic financial statements.

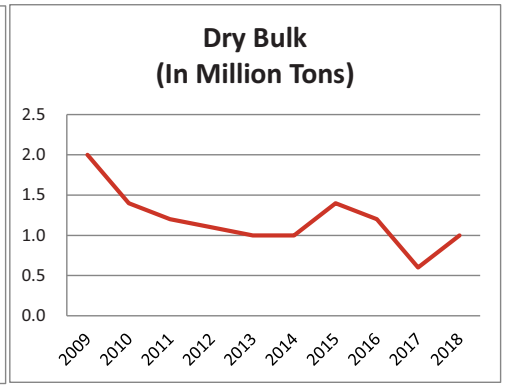
PORT OF LOS ANGELES
(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES, CALIFORNIA)

Revenue Statistics
Last Ten Fiscal Years
(Unaudited)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
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)	7.3	7.2	7.9	8.2	7.8	8.2	8.2	8.4	9.2	9.2
Inbound tonnage (million tons)	94.4	88.2	93.7	98.3	93.1	99.1	102.9	105.6	105.8	103.0
Outbound tonnage (million tons)	66.1	66.7	67.8	74.6	71.5	74.3	74.6	79.3	92.4	88.3
Revenue tons (million)										
General cargo	144.3	145.8	149.1	163.9	156.3	165.0	165.1	167.3	184.3	178.0
Liquid bulk	11.1	10.7	10.6	9.9	7.8	10.5	10.3	14.3	13.2	15.5
Dry bulk	2.0	1.4	1.2	1.1	1.0	1.0	1.4	1.2	0.6	1.0
Total revenue tons (million)	157.4	157.9	160.9	174.9	165.1	176.5	176.8	182.8	198.1	194.5







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

Top Ten Individual Sources of Revenue by Alphabetical Order
Fiscal Year 2018 and Fiscal Year 2009
(Unaudited)

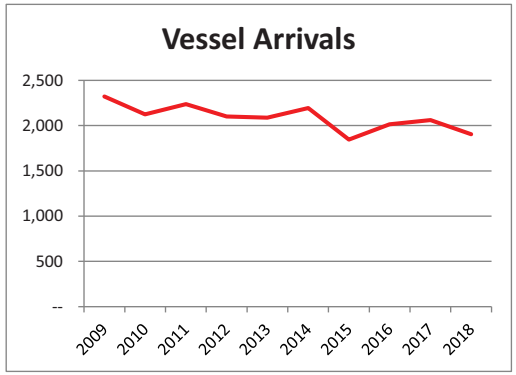
Fiscal Year 2018	Fiscal Year 2009
APM Terminals Pacific, Ltd.	APM Terminals Pacific, Ltd.
China Shipping Holding Company, Ltd.	China Shipping Holding Company, Ltd.
Eagle Marine Services, Ltd.	Eagle Marine Services, Ltd.
Everport Terminal Services, Inc.	Everport Terminal Services, Inc.
TraPac, LLC	Rio Doce Pasha Terminal, LP
Union Pacific Railroad Company	TraPac, LLC
Vopak Terminal Los Angeles, Inc.	Union Pacific Railroad Company
WWL Vehicle Services Americas, Inc.	WWL Vehicle Services Americas, Inc.
Yang Ming Marine Transport Corporation	Yang Ming Marine Transport Corporation
Yusen Terminal, Inc./N.Y.K. (North America), Inc.	Yusen Terminal, Inc./N.Y.K. (North America), Inc.

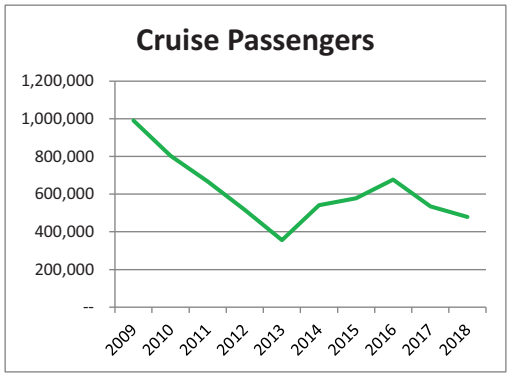
The Port of Los Angeles terminal tenants compete against each other for business. The Port feels disclosure of revenue by tenant would give advantages or disadvantages to certain tenants and therefore revenues and percentage of total revenue have been excluded from this report.

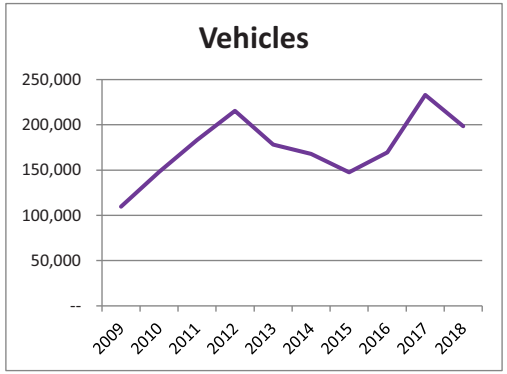
PORT OF LOS ANGELES
(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES, CALIFORNIA)

Other Operating Information
Last Ten Fiscal Years
(Unaudited)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
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	25	24	24	24	24	23	23	23	23	23
Vessel arrivals	2,322	2,124	2,236	2,100	2,089	2,196	1,846	2,014	2,060	1,904
Cruise passengers	990,965	802,899	667,434	515,827	355,875	541,418	578,902	676,644	534,484	479,388
Vehicles	109,634	147,935	183,126	215,374	178,252	167,826	147,457	169,561	233,013	198,326
Full time employees	971	948	959	958	947	949	885	906	883	884







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

Demographic and Economic Statistics for the City of Los Angeles
Last Ten Calendar Years
(Unaudited)

Year	Estimated Population (1)	Personal Income ($000s) (2)	Per Capita Personal Income (2)	Median Age (3)	Public School Enrollment (4)	Unemploy-ment Rate (5)
2009	3,781,951	$ 411,495,352	$ 42,043	33.3	784,457	12.8 %
2010	3,792,621	424,813,015	43,236	33.7	748,273	13.2
2011	3,818,120	454,935,533	46,007	33.9	738,113	12.9
2012	3,859,854	486,733,508	48,900	34.1	701,208	11.5
2013	3,901,412	483,578,594	48,283	34.3	598,020	10.3
2014	3,938,037	514,516,564	51,111	34.6	594,891	8.7
2015	3,972,348	549,073,019	54,298	34.9	582,430	7.0
2016	3,999,237	563,907,868	55,624	35.0	560,991	5.6
2017	4,041,707	N/A	N/A	35.8	547,246	4.4
2018	4,054,400	N/A	N/A	N/A	N/A	5.1

(1) Data was based on California Department of Finance report E-1 Population Estimates for Cities, Counties, and the State.

(2) U.S. Department of Commerce, Bureau of Economic Analysis - revised estimates of personal income for Los Angeles County updated on November 17, 2016 with revised estimates for 2007 to 2015.

(3) Data was obtained from the U.S. Census Bureau American Community Survey which is available at https://factfinder.census.gov.

(4) Enrollment data determined at the beginning of each school year (October). Data include the City and all or significant portions of a number of smaller cities and unincorporated territories.

(5) Data based on California Employment Development Department for City of Los Angeles, not seasonally adjusted.

N/A Data was not readily available at the time of issuance.

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

Principal Employers in the Los Angeles County
FY 2018 and FY 2009 [1]
(Unaudited)

	2018			2009		
Employer	**Employees**	**Rank**	**Percentage of Total County Employment**	**Employees**	**Rank**	**Percentage of Total County Employment**
Kaiser Permanente	37,468	1	0.8 %	34,179	1	0.8 %
University of Southern California	21,055	2	0.4	13,044	5	0.3
Northrop Grumman Corp.	16,600	3	0.3	19,137	2	0.5
Providence Health & Services Southern California	15,952	4	0.3	9,715	8	0.2
Target Corp.	15,000	5	0.3	13,000	6	0.3
Ralphs/Food 4 Less (Kroger Co. Division)	14,970	6	0.3	14,000	4	0.3
Cedars-Sinai Medical Center	14,903	7	0.3	9,300	10	0.2
Walt Disney Co.	13,000	8	0.3	—	—	—
Allied Universal	12,879	9	0.3	—	—	—
NBC Universal	12,000	10	0.3	—	—	—
Boeing Co.	—	—	—	14,400	3	0.3
Home Depot	—	—	—	10,000	7	0.2
Albertsons/Vons/Pavilions	—	—	—	9,688	9	0.2
All Others	4,709,773	—	96.4	4,198,737	—	96.7
Total [2]	4,883,600		100.0 %	4,345,200		100.0 %

[1] Data pertaining to principal employers was obtained from Los Angeles Business Journal (LABJ) dated August 2018. LABJ note: The information on this list was provided by representatives of the employers themselves. Companies are ranked by the current number of full-time employees in Los Angeles County. Several companies may have qualified for this list, but failed to submit information or do not break out local employment data.

[2] Total County employment amounts are obtained from California Employment Development Department labor force report which is available at https://www.labormarketinfo.edd.ca.gov.

OTHER REPORT

mGO Certified Public Accountants

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*

Honorable Members of the Board of Harbor 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) (Port), an enterprise fund of the City of Los Angeles, California (City), as of and for the year ended June 30, 2018, and the related notes to the financial statements, and have issued our report thereon dated December 4, 2018.

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 Port'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 Port'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 Port's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Macias Gini & O'Connell LLP

Los Angeles, California
December 4, 2018

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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. Capitalized terms not defined in this Appendix will have the meanings given to them in the Official Statement.

INTRODUCTION

The City of Los Angeles (the "City") is the second most populous city in the United States, with an estimated 2019 population of 4.04 million persons. Los Angeles is the principal city, comprised of 470 square miles, 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. Incorporated in 1850 under the provisions of a City Charter, 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 automobile 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 continued to experience growth in population and in economic diversity. The City's 470 square miles contain 11.5% of the area of the County of Los Angeles, California (the "County") and approximately 39% of the population of 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 technology, digital information technology, environmental technology and aerospace. 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 processing. 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 current state of the economy of the City, State of California (the "State") and the

United States of America may not be reflected in the data discussed below, because more up-to-date information is not publicly available. This information is provided as general background.

Population

The table below summarizes City, County, and State population, estimated as of January 1 of each year.

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	1.18%
2010*	3,792,621	0.12	9,818,605	0.00	37,253,956	0.77
2015*	3,954,715	0.85	10,155,753	0.69	38,952,462	0.91
2016	3,981,283	0.67	10,185,851	0.30	39,214,803	0.67
2017	4,015,087	0.85	10,226,920	0.40	39,504,609	0.74
2018	4,038,313	0.58	10,254,658	0.27	39,740,508	0.60
2019	4,040,079	0.04	10,253,716	(0.01)	39,927,315	0.47

* For five-year time series, figures represent average annual growth rate for each of the five years.
Source: 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, 2011-2019, with 2010 Census Benchmark. Sacramento, California, May 2019.

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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.

The California Employment Development Department has reported preliminary unemployment figures for April 2019 of 4.0% statewide, 4.3% for the County, and 4.1% for the City (not seasonally adjusted).

Table B-2
Estimated Average Annual Employment and Unemployment of Resident Labor Force*

Civilian Labor Force	2014	2015	2016	2017	2018
City of Los Angeles					
Employed	1,845,900	1,875,700	1,920,200	1,942,200	1,982,600
Unemployed	176,400	142,100	113,000	99,000	97,600
Total	2,022,300	2,017,800	2,033,200	2,041,200	2,080,200
County of Los Angeles					
Employed	4,591,100	4,671,100	4,789,500	4,883,600	4,896,500
Unemployed	413,000	331,200	265,400	240,300	239,800
Total	5,004,100	5,002,300	5,054,900	5,123,900	5,136,300
Unemployment Rates					
City	8.7%	7.0%	5.6%	4.8%	4.7%
County	8.3	6.6	5.3	4.7	4.7
State	7.5	6.2	5.5	4.8	4.2
United States	6.2	5.3	4.9	4.4	3.9

* March 2018 Benchmark report as of March 8, 2019; not seasonally adjusted.
Note: Based on surveys distributed to households; not directly comparable to Industry Employment data reported in Table B-3.
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 following table summarizes the California Employment Development Department's estimated 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 of Los Angeles 2018	% of Total	State of California 2018	% of Total
Agricultural	4,800	0.1%	424,200	2.4%
Mining and Logging	1,900	0.0	22,900	0.1
Construction	146,000	3.2	859,600	4.9
Manufacturing	343,700	7.6	1,325,400	7.5
Trade, Transportation and Utilities	850,900	18.8	3,051,600	17.3
Information	217,400	4.8	543,700	3.1
Financial Activities	223,000	4.9	836,300	4.8
Professional and Business Services	620,000	13.7	2,663,700	15.1
Educational and Health Services	823,600	18.2	2,726,500	15.5
Leisure and Hospitality	534,300	11.8	1,986,100	11.3
Other Services	159,700	3.5	572,100	3.3
Government	589,600	13.1	2,587,400	2.4
Total[2]	4,514,900	100.0%	17,599,400	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] May not add due to 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 2018 Benchmark report released March 8, 2019.

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Major Employers

The estimated top 25 major non-governmental employers in the County in 2018 are listed in the table below. Separate estimates for the City are not available. Based on these estimates, the top 25 major non-governmental employers represented 6.4% of the labor force.

Table B-4
Los Angeles County 2018 Major Non-Governmental Employers

Employer	Product/Service	Employees
Kaiser Permanente	Nonprofit health care plan	37,468*
University of Southern California	Private university	21,055
Northrop Grumman Corp.	Defense contractor	16,600*
Providence Health & Services Southern California	Health care	15,952
Target Corp.	Retailer	15,000*
Ralphs/Food 4 Less (Kroger Co. Division)	Grocery retailer	14,970*
Cedars-Sinai Medical Center	Medical center	14,903
Walt Disney Co.	Entertainment	13,000*
Allied Universal	Security professionals	12,879
NBC Universal	Entertainment	12,000
AT&T	Telecommunications, DirecTV	11,500*
Home Depot	Home improvement specialty retailer	11,200*
Albertsons/Vons/Pavilions	Grocery retailer	10,200
UPS	Logistics, transportation and freight	9,553
California Institute of Technology	Private university, operator of Jet Propulsion Laboratory	8,697
Wells Fargo Bank, N.A.	Diversified financial services	8,582
ABM Industries Inc.	Facility services, energy solutions, commercial cleaning, maintenance and repair	8,000*
FedEx Corp.	Shipping and logistics	7,000*
Bank of America Corp.	Banking and financial services	6,572
Dignity Health	Health care	6,200
Space Exploration Technologies Corp (SpaceX)	Rockets and spacecraft	6,000*
City of Hope	Treatment and research center for cancer, diabetes and other life-threatening diseases	5,950
Raytheon Co.	Aerospace and defense	5,800
Children's Hospital Los Angeles	Hospital	5,735
Costco Wholesale	Membership chain of warehouse stores	5,445

* *Business Journal* estimate.
Source: *Los Angeles Business Journal*, Weekly Lists, originally published August 27, 2018.

The estimated top 25 major governmental employers in the County in 2018 are listed in the table below. Separate estimates for the City are not available. Based on these estimates, the top 25 major governmental employers represented 8.9% of the labor force.

Table B-5
Los Angeles County 2018 Largest Public Sector Employers

Employer	Employees
Los Angeles County	109,881
Los Angeles Unified School District	60,240
University of California, Los Angeles	48,570
U.S. Government – Federal Executive Board[1]	47,200
City of Los Angeles[2]	33,375
State of California[3]	30,000
Los Angeles County Metropolitan Transportation Authority	9,907
Los Angeles Department of Water and Power (LADWP)	9,425
Los Angeles Community College District	6,893
Long Beach Unified School District	6,686
City of Long Beach	5,318
California State University, Northridge	4,169
Los Angeles World Airports (LAWA)	3,500
California State University, Los Angeles	3,085
California State University, Long Beach	3,045
Pomona Unified School District	3,034
Montebello Unified School District	2,614
California State Polytechnic University, Pomona	2,487
Compton Unified School District	2,335
City of Santa Monica	2,167
City of Pasadena	2,132
Mt. San Antonio Community College District	2,075
Santa Monica Community College District	1,998
City of Glendale	1,934
William S. Hart Union High School District	1,879

[1] Excludes law enforcement and judiciary employees.
[2] Excludes proprietary departments (LADWP, LAWA, Port of L.A.).
[3] Excludes education employees.
Source: *Los Angeles Business Journal*, Weekly Lists, originally published August 27, 2018.

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-6
County, State and U.S. Personal Income

Year and Area	Personal Income (Thousands of Dollars)	Per Capita Personal Income[1] (Dollars)
2014		
County[2]	$ 525,088,691	$52,130
State[3]	2,021,640,034	52,340
United States[3]	14,983,140,000	47,060
2015		
County[2]	$ 560,484,548	$55,366
State[3]	2,173,299,670	55,793
United States[3]	15,711,634,000	48,985
2016		
County[2]	$ 577,071,787	$56,851
State[3]	2,259,413,865	57,625
United States[3]	16,115,630,000	49,883
2017		
County[2]	$ 593,741,110	$58,419
State[3]	2,364,129,404	60,004
United States[3]	16,820,250,000	51,731
2018		
County	n/a	n/a
State[3]	$ 2,475,727,500	$62,586
United States[3]	17,572,929,100	53,712

[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 2014 to 2018 reflect midyear state population estimates available as of December 2018 and county population estimates as of March 2018.
[2] Last updated: March 6, 2019 – revised statistics for 2014 – 2017.
[3] Last updated: March 26, 2019 – new statistics for 2018; revised statistics for 2014 – 2017.
Source: U.S. Bureau of Economic Analysis, "Table SAINC1: Personal Income Summary" and "Table CAINC1: Personal Income Summary" (accessed May 30, 2019).

Retail Sales

As the largest city in the County, the City accounted for $46.4 billion (or 29.2%) of the total $159.3 billion in County taxable sales for 2017. The following table sets forth a history of taxable sales for the City for calendar years 2013 through 2017, that being the last full year for which data is currently available.

Table B-7
City of Los Angeles Taxable Sales
(in thousands)

	2013	2014	2015	2016	2017
Motor Vehicle and Parts Dealers	$ 3,983,625	$ 4,158,168	$ 4,616,450	$ 4,769,093	$ 4,622,056
Home Furnishings and Appliance Stores	1,683,805	1,725,981	1,826,089	1,945,181	1,961,526
Bldg. Materials and Garden Equip. and Supplies	2,086,608	2,179,954	2,335,497	2,384,196	2,473,704
Food and Beverage Stores	2,444,701	2,582,338	2,718,199	2,781,424	2,909,256
Gasoline Stations	4,954,380	4,822,894	4,252,397	3,670,450	3,973,137
Clothing and Clothing Accessories Stores	3,032,886	3,102,222	3,190,617	3,201,152	3,211,610
General Merchandise Stores	2,873,530	2,899,454	2,725,354	2,600,015	2,625,576
Food Services and Drinking Places	6,946,625	7,534,764	8,194,963	8,775,092	9,273,851
Other Retail Group	3,943,616	3,969,898	4,112,670	4,229,201	4,292,027
Total Retail and Food Services	31,949,776	32,975,673	33,972,239	34,355,804	35,342,745
All Other Outlets	9,806,938	10,480,659	10,074,458	10,624,426	11,140,035
Total All Outlets*	$41,756,714	$43,456,334	$44,046,697	$44,980,230	$46,482,780
Year-over-year growth	4.1%	4.1%	1.4%	2.1%	3.34%

* Items may not add to totals due to rounding.
Source: 2013 – 2016: California State Board of Equalization, Research and Statistics Division. 2017: California Department of Tax and Fee Administration, Research and Statistics

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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-8
City of Los Angeles Assessed Valuation and Parcels by Land Use

	2018-19 Assessed Valuation*	% of Total	No. of Parcels	% of Total
Non-Residential				
Commercial Office	$ 86,930,913,906	14.77%	36,014	4.56%
Vacant Commercial	2,302,454,891	0.39	1,312	0.17
Industrial	41,062,872,143	6.98	19,847	2.51
Vacant Industrial	1,886,480,525	0.32	4,077	0.52
Recreational	2,384,310,500	0.41	773	0.10
Government/Social/Institutional	3,511,301,099	0.60	3,666	0.46
Miscellaneous	326,228,908	0.06	1,766	0.22
Subtotal Non-Residential	$138,404,561,972	23.51%	67,455	8.54%
Residential				
Single Family Residence	$304,553,516,361	51.74%	499,971	63.33%
Condominium/Townhouse	40,213,862,375	6.83	89,111	11.29
Mobile Homes and Lots	151,428,434	0.03	3,508	0.44
Mobile Home Park	214,563,948	0.04	93	0.01
2-4 Residential Units	32,665,399,511	5.55	74,968	9.50
5+ Residential Units/Apartments	69,278,236,137	11.77	35,472	4.49
Vacant Residential	3,194,995,356	0.54	18,874	2.39
Subtotal Residential	$450,272,002,122	76.49%	721,997	91.46%
Total	$588,676,564,094	100.00%	789,452	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 single-family residential properties in the City.

Table B-9
City of Los Angeles
Per Parcel 2018-19 Assessed Valuation of Single Family Residential Properties

	No. of Parcels	2018-19 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
Single-Family Residential Properties	499,971	$304,553,516,361	$609,142	$378,520

2018-19 Assessed Valuation	No. of Residential Parcels*	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
$0 - $49,999	8,941	1.788%	1.788%	$ 319,202,641	0.105%	0.105%
$50,000 - $99,999	23,542	4.709	6.497	1,760,188,256	0.578	0.683
$100,000 - $149,999	24,333	4.867	11.364	3,045,201,951	1.000	1.683
$150,000 - $199,999	32,418	6.484	17.848	5,705,632,836	1.873	3.556
$200,000 - $249,999	40,876	8.176	26.024	9,190,886,848	3.018	6.574
$250,000 - $299,999	47,184	9.437	35.461	12,961,350,432	4.256	10.830
$300,000 - $349,999	49,883	9.977	45.438	16,184,838,648	5.314	16.144
$350,000 - $399,999	51,062	10.213	55.651	19,119,553,156	6.278	22.422
$400,000 - $449,999	33,491	6.699	62.350	14,222,288,060	4.670	27.092
$450,000 - $499,999	26,415	5.283	67.633	12,530,008,080	4.114	31.206
$500,000 - $549,999	22,213	4.443	72.076	11,646,431,391	3.824	35.030
$550,000 - $599,999	18,741	3.748	75.824	10,758,158,604	3.532	38.563
$600,000 - $649,999	14,620	2.924	78.748	9,124,005,740	2.996	41.558
$650,000 - $699,999	12,676	2.535	81.284	8,545,905,680	2.806	44.365
$700,000 - $749,999	10,888	2.178	83.461	7,883,489,064	2.589	46.953
$750,000 - $799,999	9,222	1.845	85.306	7,139,515,626	2.344	49.297
$800,000 - $849,999	8,048	1.610	86.916	6,631,455,424	2.177	51.475
$850,000 - $899,999	6,895	1.379	88.295	6,027,871,010	1.979	53.454
$900,000 - $949,999	6,714	1.343	89.638	6,207,851,682	2.038	55.492
$950,000 - $999,999	4,914	0.983	90.620	4,788,093,492	1.572	57.064
$1,000,000 and greater	46,895	9.380	100.000	130,761,587,740	42.936	100.000
Total	499,971	100.000%		$304,553,516,361	100.000%	

* Improved single family residential parcels. Excludes condominiums and parcels with multiple family units.
Source: California Municipal Statistics, Inc.

The table below provides a summary of building permits issued by the City by calendar year.

Table B-10
City of Los Angeles
Building Permit Valuations and New Units

	2014	2015	2016	2017	2018
Total Valuation[1]					
Residential[2]	$6,416	$6,808	$6,822	$7,924	$8,654
Non-Residential[3]	2,668	3,385	3,359	3,522	3,940
Miscellaneous Residential[4]	968	880	729	1,197	1,256
Miscellaneous Non-Residential[5]	18	28	25	134	180
Number of Units:	18	40	56	87	40
Single family[6]	1,852	2,246	2,393	3,148	3,598
Multi-family[7]	9,607	13,246	11,495	10,984	12,659
Subtotal Residential	11,459	15,492	13,888	14,132	16,257
Number of Non-Residential Units[8]	326	613	97	630	12
Miscellaneous Residential Units[9]	274	393	672	4,701	4,614
Miscellaneous Non-Residential Units[10]	267	736	1,036	100	493
Total Units	12,326	17,234	15,693	19,563	21,376

[1] In millions of dollars. "Valuation" represents the total valuation of all construction work for which the building permit is issued.
[2] Valuation of permits issued for Single-Family Dwellings, Duplexes, Apartment Buildings, Hotel/Motels, and Condominiums.
[3] Valuation of permits issued for Special Permits, Airport Buildings, Amusement Buildings, Churches, Private Garages, Public Garages, Gasoline Service Stations, Hospitals, Manufacturing Buildings, Office Buildings, Public Administration Buildings, Public Utilities Buildings, Retail Stores, Restaurants, School Buildings, Signs, Private Swimming Pools, Theater Buildings, Warehouses, Miscellaneous Buildings/Structures, Prefabricated Houses, Solar Heaters, Temporary Structures, Artists-in-Residence, Foundation Only, Grade – Non- Hillside, Certificates of Occupancy – Use of Land, Grading – Hillside.
[4] Valuation of permits issued for "Additions Creating New Units – Residential" and "Alterations Creating New Units – Residential."
[5] Valuation of permits issued for "Additions Creating New Units – Commercial" and "Alterations Creating New Units – Commercial."
[6] Number of dwelling units permitted for Single-Family Dwellings and Duplexes.
[7] Number of dwelling units permitted for new Apartment Buildings, Hotel/Motels, and Condominiums.
[8] Number of dwelling units permitted for Airport Buildings, Amusement Buildings, Churches, Private Garages, Public Garages, Gasoline Service Stations, Hospitals, Manufacturing Buildings, Office Buildings, Public Administration Buildings, Public Utilities Buildings, Retail Stores, Restaurants, School Buildings, Signs, Private Swimming Pools, Theater Buildings, Warehouses, Miscellaneous Buildings/Structures Prefabricated Houses, Solar Heaters, Temporary Structures, Artists-in-Residence.
[9] Number of dwelling units added includes "Addition Creating New Units – Residential" and "Alterations Creating New Units – Residential."
[10] Number of dwelling units added includes "Additions Creating New Units – Commercial" and "Alterations Creating New Units – Commercial."
Source: City of Los Angeles, Department of Building and Safety.

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.

Table B-11
City of Los Angeles and County of Los Angeles
Commercial Property Vacancy Rates*

Year and Area	Retail	Office	Warehouse	R&D
2014				
City	5.4%	16.7%	6.4%	5.2%
County	6.1	15.7	6.9	4.7
2015				
City	4.9	16.4	5.8	4.4
County	6.0	15.4	6.2	3.8
2016				
City	5.0	15.2	5.4	4.3
County	6.3	14.5	5.6	3.2
2017				
City	5.4	15.1	4.6	3.0
County	6.2	14.6	4.7	2.6
2018				
City	5.4	15.0	4.7	3.4
County	6.5	14.5	4.8	3.0

* Vacancy rates are annual averages
Source: REIS, Beacon Economics

Education

The Los Angeles Unified School District ("LAUSD"), a separate government agency and one of the largest employers in the City, 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 also a number of charter and private K-12 schools located in the City.

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 City operated by the Los Angeles Community College District.

GENERAL INFORMATION REGARDING MUNICIPAL GOVERNMENT

Under the State Constitution, charter cities such as the City are generally independent of the State Legislature in matters relating to municipal affairs. Charter cities, however, are subject to State Constitutional restrictions. The most recent charter was adopted in 1999, became effective July 1, 2000, and has been amended a number of times by voter approval. In an amendment approved by voters in 2015 (Charter Amendment 1), the City's primary and general election dates were moved to June and November of even-numbered years, beginning in 2020, in order to align them with federal and state elections. The measure also extended the terms of officials elected in 2015 and 2017; these candidates were given five and a half year terms instead of the customary four to transition to the new election dates.

The City is governed by the Mayor and the 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 and was elected to a second term on March 7, 2017, which will end in 2022 due to the change in election dates.

The Council, the legislative body of the City, is a full-time council. The Council enacts ordinances subject to the approval of the Mayor and may override the veto of the Mayor by a two-thirds vote. The Council orders elections, levies taxes, approves utility rates, 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, and was elected to a second term on March 7, 2017, which will end in 2022 due to the change in election dates.

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, and was elected to a second term on March 7, 2017, which will end in 2022 due to the change in election dates.

All citywide elected officials are subject to term limits of two four-year terms, while Council members are subject to term 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. Richard H. Llewellyn, Jr. has served as City Administrative Officer since February 2017.

The Office of Finance ("Finance") serves as the custodian of all funds deposited in the City Treasury and all securities purchased by the City. Finance actively manages the investment of the City's general and special pool investment portfolios and cash programs. The Director of Finance is appointed by the Mayor and confirmed by the Council. Claire Bartels has served as the Director of Finance and City Treasurer since January 2016.

The City has 38 departments and bureaus for which operating funds are annually budgeted by the Council. Two of these departments, the Los Angeles City Employees' Retirement System and the Fire and Police Pension System, are under the control of boards whose memberships consist of mayoral appointees and representatives elected by system members. In addition, three departments (the Department of Water and Power ("DWP"), the Harbor Department, and the Department of Airports) and one State-chartered public agency (the Housing Authority of the City) are under the control of boards appointed by the Mayor and confirmed by the Council.

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. The City obtains water and electricity from DWP, the largest municipally-owned utility in the nation.

SELECTED INFORMATION REGARDING THE CITY'S RETIREMENT AND PENSION SYSTEMS AND OTHER POST EMPLOYMENT BENEFITS

General

The City has 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 ("LAFPP") and, for employees of DWP, the Water and Power Employees' Retirement, Disability and Death Benefit Insurance Plan (the "Water and Power Plan"). Both LACERS and LAFPP (collectively, the "Pension Systems") are funded primarily from the City's General Fund, while the Water and Power Plan is funded by that department's proprietary revenues.

The Pension Systems provide retirement, disability, death benefits, post-employment healthcare and annual cost-of-living adjustments to plan members and beneficiaries. 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.

Both Pension Systems are 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).

The Pension Systems' annual valuations determine the contribution rate, as a percentage of covered payroll, 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 benefits for currently active, vested former members and retired employees and their beneficiaries. 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 increases, 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 these assumptions. The

contribution rates in the following year's valuations are adjusted to take into account actual plan 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 at a given point in time.

Each of the Pension Systems has adopted an asset allocation plan to guide their respective investments in stocks, bonds, real estate, alternatives and cash equivalents over a three- to five-year period. The asset allocations 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 7.25% for both systems) represents an actuarial investment loss, while any return above the assumed rate of return represents an actuarial investment gain.

Table B-12
Los Angeles Pension Systems
Historical Market Value Investment Returns

Fiscal Year	LACERS	LAFPP
2008-09	(19.5)%	(20.0)%
2009-10	12.9	13.7
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
2015-16	0.5	1.2
2016-17	13.3	13.3
2017-18	9.2	9.9

Source: City of Los Angeles, the respective Pension Systems.

While estimates for earnings for Fiscal Year 2018-19 are not available, they are expected to be below the actuarial assumed rate of return, in which case the Pension Systems would experience an actuarial loss. For budget planning purposes, the City has assumed a 0% return for both Pension Systems.

The City has never issued pension obligation bonds to fund either of its Pension Systems. The City pays at a discount the annual contributions to its Pension Systems 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 following sections, **"Other Post-Employment Benefits"** and **"Projected Retirement and Other Post-Employment Benefit Expenditures"** contain certain information relating to LACERS and LAFPP. The information contained in these sections is primarily derived from information produced by LACERS and LAFPP and their independent actuaries. The City has not independently verified the information provided by LACERS and LAFPP. The comprehensive annual financial reports of the individual Pension Systems, actuarial valuations for retirement and health benefits, and other information concerning LACERS and LAFPP are available on

their websites, at www.lacers.org/aboutlacers/reports/index.html and https://www.lafpp.com/financial-reports, respectively. Information set forth on such websites 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, 2018.

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 who are members of LAFPP and employees of DWP. As of June 30, 2018, the date of its most recent actuarial valuation, LACERS had 26,042 active members, 19,379 retired members and beneficiaries, and 8,028 inactive members.

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, 2018.

Table B-13
Los Angeles City Employees' Retirement System
Actuarial Assumptions
As of June 30, 2018

Investment rate of return	7.25%
Inflation rate	3.00%
Real across-the-board salary increase (net of inflation)	0.50%
Projected salary increases	Ranges from 3.9% to 10.0%, based on service
Maximum cost of living adjustments for pensioners	3.00% for Tier 1; 2.00% for Tier 3

Source: Los Angeles City Employees' Retirement System Actuarial Valuation and Review of Retirement and Health Benefits as of June 30, 2018.

Over the past several years, LACERS has adopted various changes to its actuarial assumptions, including reducing the assumed investment return from 7.75% to 7.50% in 2014, and further reducing its assumed return to 7.25% in 2017. All else being equal, a reduction in the assumed investment return results in an increase in the City's required contribution. In addition, changes in mortality assumptions in 2018 (the use of generational mortality tables to reflect future mortality improvement) resulted in an increase of 1.68% in the City's contribution rate.

The LACERS Board considered a full experience study of economic and demographic assumptions in August 2018. In addition to demographic assumption changes including mortality, the LACERS actuary (Segal Consulting) recommended further reducing the inflation rate from 3.00% to 2.75% and the assumed investment return to 7.0%. The LACERS Board only adopted changes to the demographic actuarial assumptions and not the economic assumptions, as they had already taken action on these assumptions in 2017. Instead, the LACERS Board decided to reconsider all economic and

demographic assumptions in 2020. The assumption changes adopted by the LACERS Board are reflected in the City's contribution rate for Fiscal Year 2019-20.

LACERS' Board uses 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. If the actuarial value falls below 60% or rises above 140% of market value, the system must recognize the excess returns or losses, respectively, in that year without smoothing. 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.

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 adjustments, as of June 30, 2014 and June 30, 2017, 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. As of June 30, 2018, there was a total unrecognized net gain of $301.7 million. The following table shows the original market gains and losses, and the unrecognized gains and losses as of June 30, 2018.

Table B-14
Los Angeles City Employees' Retirement System
Determination of Actuarial Assets
As of June 30, 2018

	Original Amount	Portion Not Recognized	Amount Not Recognized	
Market value of assets				$16,989,616,344
Calculation of unrecognized return[1]				
Unrecognized return for year ended June 30, 2018	$ 349,468,305	6/7	$ 299,544,261	
Unrecognized return for year ended June 30, 2017	770,969,472			
Unrecognized return for year ended June 30, 2016	(1,065,023,569)			
Unrecognized return for year ended June 30, 2015	(707,760,540)			
Unrecognized return for year ended June 30, 2014	1,246,285,581			
Combined Net Deferred Loss as of June 30, 2013[2]	(81,571,421)	5/6[2]	2,164,316[2]	
Total unrecognized return				$ 301,708,577
Preliminary actuarial value: (1) - (2g)				16,687,907,767
Adjustment to be within 40% corridor				0
Final actuarial value of assets: (3) + (4)				$16,687,907,767
Actuarial value as a percentage of market value: (5) ÷ (1)				98.2%
Market value of retirement assets				14,235,230,528
Valuation value of retirement assets (5) ÷ (1) x (7)				13,982,435,465
Deferred return recognized in each of the next 6 years				
Amount recognized on June 30, 2019				50,356,907
Amount recognized on June 30, 2020				50,356,907
Amount recognized on June 30, 2021				50,356,907
Amount recognized on June 30, 2022				50,356,907
Amount recognized on June 30, 2023				50,356,907
Amount recognized on June 30, 2024				49,924,044
Subtotal (may not total exactly due to rounding)				$ 301,708,577

[1] Total return minus expected return on a market value basis.
[2] Based on action taken by the Board on July 24, 2018, the net unrecognized gain as of June 30, 2017 (i.e., $2,597,179) has been recognized in six level amounts, with five years of recognition remaining after the June 30, 2018 valuation.
Source: Los Angeles City Employees' Retirement System Actuarial Valuation and Review of Retirement and Health Benefits as of June 30, 2018.

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 and 20 years for retiree health care benefits and retirement benefits, respectively. Most benefit changes will be amortized over 15 years.

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-15
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]
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
2016	12,439,250	17,424,996	4,985,746	71.4	1,968,703	253.3
2017	13,178,334	18,458,188	5,279,854	71.4	2,062,316	256.0
2018	13,982,435	19,944,579	5,962,144	70.1	2,177,687	273.8

[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.
Source: Los Angeles City Employees' Retirement System Actuarial Valuation and Review of Retirement and Health Benefits as of June 30, 2018.

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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-16
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]
2009	$ 7,122,911	$12,041,984	$4,919,073	59.2%	$1,816,171	270.8%
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	1,846,970	255.9
2014	11,791,079	16,248,853	4,457,774	72.6	1,898,064	234.9
2015	11,920,570	16,909,996	4,989,426	70.5	1,907,665	261.5
2016	11,809,329	17,424,996	5,615,667	67.8	1,968,703	285.2
2017	13,180,516	18,458,188	5,277,672	71.4	2,062,316	255.9
2018	14,235,231	19,944,579	5,709,348	71.4	2,177,687	262.2

[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: Calculated based on data from 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 four years and payments included in the 2019-20 Adopted Budget. This table includes costs for contributions for both pensions and retiree health care, and other miscellaneous benefits.

Table B-17
Los Angeles City Employees' Retirement System
Sources and Uses of Contributions
(Dollars in Thousands)[1]

	2015-16	2016-17	2017-18	Estimated 2018-19	Adopted Budget 2019-20
Sources of Contributions					
Contributions for Council-controlled Departments	$434,639	$459,400	$450,806	$488,400	$559,317
Airport, Harbor Departments, LACERS, LAFPP	103,120	106,766	103,126	111,761	117,462
Total	$537,759	$566,166	$553,932	$600,161	$676,779
Percent of payroll – Tier 1	28.75%	28.16%	27.22%	28.31%	29.89%
Percent of payroll – Tier 2[2]	22.62%	N/A	N/A	N/A	N/A
Percent of payroll – Tier 3	26.42%	24.96%	24.64%	25.88%	27.70%
Uses of Contributions					
Current Service Liability (Normal cost)	$190,777	$206,982	$214,741	$224,161	$243,374
UAAL	363,929	366,172	360,109	398,500	477,109
Adjustments[2]	(16,947)[3]	(6,988)[4]	(20,918)[5]	(22,500)[6]	(34,704)[7]
Total	$537,759	$566,166	$553,932	$600,161	$676,779

[1] Includes funding for OPEB.
[2] Tier 2 employees were transferred to Tier 3, as described below.
[3] 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.
[4] Adjustments for 2016-17 include the 2015-16 true-up, which consists of a $24,031,072 credit (all agencies) and 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.
[5] Adjustments for 2017-18 include the 2016-17 true-up which consists of a $22,341,265 credit (all agencies) and $1,423,000 in excess benefit family death, and limited term plan costs. The entire portion of the City's contribution attributed to the enhanced benefit for the Airport Peace Officers who remain in LACERS will be borne exclusively by the Airports Department. As a result, the final contribution obligation for all agencies has been adjusted accordingly.
[6] Adjustments for 2018-19 include the 2017-18 true-up which consists of a $23,745,605 credit (all agencies) and $1,246,000 in excess benefit, family death, and limited term plan costs. The final contribution obligation for all agencies has been adjusted accordingly for the enhanced benefit for the Airport Peace Officers who remain in LACERS.
[7] Adjustments for 2019-20 include the 2018-19 true-up which consists of a $36,017,160 credit (all agencies) and $1,313,000 in excess benefit, family death, and limited term plan costs. The final contribution obligation for all agencies has been adjusted accordingly for the enhanced benefit for the Airport Peace Officers who remain in LACERS.
Source: City of Los Angeles, Office of the City Administrative Officer.

In 2012, the City Council adopted a new civilian retirement tier ("Tier 2"), which applied to all employees hired on or after July 1, 2013. Subsequently, as part of an agreement with the Coalition of LA City Unions, both the City and the Coalition agreed to transfer all Tier 2 employees 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." Based on the actuarial valuation as of June 30, 2018, 89% of the Citywide payroll is comprised of Tier 1 members and 11% is comprised of Tier 3 members.

The following table includes a summary of the major plan design changes from Tier 1 to Tier 3.

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Table 18
Comparison of Lacers Tier I and Tier III Plan Designs

Plan Feature	Tier I*	Tier III
Normal Retirement	55 / 30	60 / 30
(Age / Years of Service ("YOS")	60 / 10	60 / 10
	70 / Any	
Early Retirement (Unreduced)		Under Age 60 / 30
Early Retirement (Reduced)	55 / 10 Under Age 55 / 30	Under Age 55 / 30
	Normal Retirement 2.16% per year of service	1.5% @ 60 / 10 2.0% @ 60 / 30
Benefit Factors	Early Retirement Reduced by 3% per year of service before age 55; and 1.5% per year of service from ages 55-59	2.0% @ 55 / 30 2.0% @ 63 / 10 2.1% @ 63 / 30
Compensation Used to Determine Retirement Allowance	Highest consecutive 12 months, including most bonuses	Last 36 months prior to retirement, including most MOU bonuses
Maximum Benefit	100%	80%
Employee Contribution Base	6%	7%
Early Retirement Incentive Program Employee Contribution	1% Until 2026 or when ERIP debt is paid, whichever is sooner	N/A
Other Post-Employment Benefits (OPEB), e.g., retiree healthcare Employee Contribution	4%	4%
Maximum Annual COLA	3%	2%
COLA Bank	Yes	No
Survivor Continuance	50%	50%
Death Benefit	$2,500	$2,500
Retiree Health Subsidy	Eligible at 55 / 10 Subsidy two-party Kaiser rate Vesting 40% at 10 Years of Service (YOS), 100% at 25 YOS	Eligible at 55 / 10 Subsidy two-party Kaiser rate Vesting 40% at 10 YOS, 100% at 25 YOS
Disability Retirement	More than 5 YOS Maximum 1.43% per YOS or 33% of final compensation Less than 5 YOS, return contributions	More than 5 YOS Maximum 1.43% per YOS or 33% of final compensation Less than 5 YOS, return contributions
Government Service Buyback	Member contribution	Member pays employee and employer contributions, except for limited military or maternity leave time.

* Does not reflect Tier 1 Enhanced Benefits for approximately 500 Airport Peace Officers.
Source: City of Los Angeles, Office of the City Administrative Officer.

The following table sets forth LACERS' investments and asset allocation targets.

Table B-19
Los Angeles City Employees' Retirement System
Asset Class Market Value and Allocation*
As of September 30, 2018
(Dollars in Millions)

Asset Class	Market Value	Actual Allocation (%)	New Target Allocation Approved April 2018 (%)
U.S. Equity	$ 4,747	26.71%	19.00%
Non-U.S. Equity	5,387	30.31	27.00
Fixed Income Securities	3,048	17.15	13.75
Credit Opportunities	928	5.22	12.25
Private Equity	1,815	10.21	14.00
Real Assets	1,693	9.52	13.00
Cash	156	0.88	1.00
Total Portfolio	$17,773	100.0%	100.0%

* All assets, including pension and OPEB.
Source: LACERS Portfolio Performance Review for the Quarter Ending September 30, 2018.

Fire and Police Pension Plan ("LAFPP")

The LAFPP, established in 1899 and incorporated into the Charter in 1923, represents contributory plans covering uniformed fire, police, and some Department of Harbor and some Department of Airport police. As of June 30, 2018, the date of its most recent actuarial valuation, the LAFPP had 13,442 active members, 12,890 retired members and beneficiaries, and 534 vested former members.

Within the LAFPP, 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, 2018, 1,442 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 excluding the Harbor Department and Airport Department. 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 employing department (i.e., Fire and Police Departments combined, Harbor Department, or Airport Department). A Charter amendment adopted by City voters on March 8, 2011 provided the LAFPP Board with greater flexibility to establish amortization policies. Under the LAFPP Board's current actuarial funding policy, actuarial gains or losses are amortized over 20 years; changes in actuarial assumptions and cost methods are amortized over 20 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 on or 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 LAFPP actuary, The Segal Company, in preparing LAFPP's actuarial report.

Table B-20
Los Angeles Fire and Police Pension Plan
Actuarial Assumptions
As of June 30, 2018

Investment rate of return, net of investment expenses	7.25%
Inflation rate	3.00%
Real across-the-board salary increase (net of inflation)	0.50%
Projected salary increases	Ranges from 0.80% to 8.50% based on service
Cost of living adjustments (pensioners)	Based on changes to the Los Angeles area consumer price index. Capped at 3% per year for Tiers 3, 4, 5 and 6, with any excess banked for Tiers 5 and 6

Source: LAFPP Actuarial Valuation and Review of Pension and Other Postemployment Benefits (OPEB) as of June 30, 2018.

The LAFPP Board adopted most of the findings and recommendations of the triennial actuarial experience study covering July 1, 2013 to June 30, 2016, which adjusted both economic and demographic assumptions, including a reduction in the assumed rate of investment return from 7.50% to 7.25%. The one exception was they did not adopt recommended changes to the mortality rates. All else being equal, a reduction in the assumed investment return results in an increase in the City's required contribution. The next triennial experience study will cover Fiscal Years 2016-17 to 2018-19 and is expected to be completed by June 2020.

Similar to LACERS, LAFPP 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, LAFPP 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% of market value, the system must recognize the excess returns or losses, respectively, in that year without smoothing. Based on its actuary's recommendation, the LAFPP also adopted an ad hoc adjustment, effective July 1, 2013, combining deferred gain and loss layers into a single six-year smoothing layer in order to reduce year-to-year contribution rate volatility, similar to the adjustment adopted by LACERS.

Table B-21
Los Angeles Fire and Police Pension Plan
Determination of Actuarial Value of Assets
As of June 30, 2018

	Original Amount	Portion Not Recognized	Amount Not Recognized	
Market value of assets (for Retirement and Health Subsidy Benefits)				$22,360,370,203
Calculation of unrecognized return[1]				
Unrecognized return for year ended June 30, 2018	$ 552,799,174	6/7	$ 473,827,863	
Unrecognized return for year ended June 30, 2017	1,050,034,903	5/7	750,024,931	
Unrecognized return for year ended June 30, 2016	(1,240,953,883)	4/7	(709,116,505)	
Unrecognized return for year ended June 30, 2015	(643,447,599)	3/7	(275,763,257)	
Unrecognized return for year ended June 30, 2014	1,571,818,656	2/7	449,091,045	
Combined Net Deferred Loss as of June 30, 2013[2]	77,259,408	1/6	12,876,568	
Total unrecognized return				700,940,645
Preliminary actuarial value: (1)-(2g)				$21,659,429,558
Adjustment to be within 40% corridor				0
Final actuarial value of assets: (3) + (4)				21,659,429,558
Actuarial value as a percentage of market value: (5) ÷ (1)				96.9%
Market value of retirement assets				20,482,132,769
Valuation value of retirement assets (5) ÷ (1) x (7)				19,840,070,083
Deferred return recognized in each of the next 6 years (for Retirement and Health Subsidy Benefits)				
Amount recognized on June 30, 2019				197,198,175
Amount recognized on June 30, 2020				184,321,608
Amount recognized on June 30, 2021				(40,223,914)
Amount recognized on June 30, 2022				51,697,170
Amount recognized on June 30, 2023				228,976,298
Amount recognized on June 30, 2024				78,971,308
Subtotal (may not total exactly due to rounding)				$ 700,940,645

[1] Total return minus expected return on a market value basis. Effective with the calculation for the period ending June 30, 2015, both actual and expected returns on market value have been adjusted to exclude administrative expense paid during the plan year.
[2] 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, 2018.

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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 LAFPP, the funded ratio and the ratio of UAAL to annual payroll.

Table B-22
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]
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
2016	17,645,338	18,798,510	1,153,172	93.9	1,400,808	82.3
2017	18,679,221	20,411,024	1,731,803	91.5	1,475,539	117.4
2018	19,840,070	21,364,804	1,524,734	92.9	1,546,043	98.6

[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 and Review of Retirement and Other Post-Employment Benefits as of June 30, 2018.

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The following table shows the funding progress of LAFPP based on the market value of the portion of system assets allocated to retirement benefits.

Table B-23
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) AAL[2]	Funded Ratio (Market Value)[3]	Covered Payroll[4]	Unfunded Liability as a Percentage of Covered Payroll (Market Value)[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
2016	17,104,276	18,798,510	1,694,234	91.0	1,400,808	120.9
2017	18,996,721	20,411,024	1,414,303	93.1	1,475,593	95.8
2018	20,482,133	21,364,804	882,671	95.9	1,546,043	57.1

[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: Calculated by CAO based on data from the Fire and Police Pension System Actuarial Valuations.

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The table below summarizes the General Fund's payments to LAFPP over the past four years and payments included in the 2019-20 Adopted Budget. This table includes costs for both pensions and retiree health care, and other miscellaneous benefits.

Table B-24
Los Angeles Fire and Police Pension Plan
Sources and Uses of Contributions
(Dollars in Thousands)

	2015-16	2016-17	2017-18	2018-19	Adopted Budget 2019-20
General Fund	$623,415	$616,235	$634,905	$687,867	$705,076
Percent of Payroll	46.51%	44.54%	44.26%	46.85%	47.37%
Current Service Liability	$306,841	$319,458	$332,409	$344,786	$349,256
UAAL/(Surplus)	303,580	283,355	288,567	325,312	337,815
Administrative Costs[1,2]	12,994	13,422	13,929	17,769	18,005
Total	$623,415	$616,235	$634,905	$687,867	$705,076

[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] Excess Benefit Plan costs are 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.

The following table sets forth LAFPP's investments and asset allocation targets.

Table B-25
Los Angeles Fire and Police Pension Plan
Asset Class by Market Value and Allocation
As of December 31, 2018
(Dollars in Millions)

	Market Value	Percent Allocation	Target (%)
Domestic Large Cap Equity	$ 5,011.8	23.50%	23.0%
Domestic Small Cap Equity	1,258.1	5.90	6.0
International Developed Markets	3,211.2	15.06	16.0
International Emerging Markets	929.5	4.36	5.0
Domestic Bonds	3,560.7	16.70	17.0
High Yield Bonds	564.2	2.65	3.0
Unconstrained Fixed Income	468.4	2.20	2.0
Real Estate	1,875.6	8.79	10.0
Private Equity	2,238.9	10.50	12.0
Commodities	931.6	4.37	5.0
Cash House Accounts	1,276.4	5.99	1.0
Total	$21,326.40	100.00%	100.0%

Source: Los Angeles Fire and Police Pension Plan December 31, 2018 Total Portfolio Report.

Other Post-Employment Benefits

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 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. 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.

The tables below provide a ten-year history of the unfunded healthcare benefits liabilities of LACERS and the LAFPP:

Table B-26
Los Angeles City Employee's Retirement System
Schedule of Funding Progress for Other Post-Employment Benefits
(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]
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
2016	2,248,753	2,793,689	544,935	80.5	1,968,703	27.7
2017	2,438,458	3,005,806	567,348	81.1	2,062,316	27.5
2018	2,628,844	3,256,828	627,984	80.7	2,177,687	28.8

[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.

Table B-27
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]
2009	$ 809,677	$2,038,659	$1,228,982	39.7%	$1,357,249	90.5%
2010	817,276	2,537,825	1,720,549	32.2	1,356,986	126.8
2011	882,890	2,557,607	1,674,717	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	43.1	1,402,715	112.8
2015	1,344,333	2,962,703	1,618,370	45.4	1,405,171	115.2
2016	1,480,810	3,079,670	1,598,860	48.1	1,400,808	114.1
2017	1,637,846	3,322,746	1,684,900	49.3	1,475,539	114.2
2018	1,819,359	3,547,777	1,728,417	51.3	1,546,043	111.8

[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 require a 4% active employee contribution toward retiree healthcare for its entire civilian workforce and the option of a 2% active employee contribution toward retiree healthcare for its sworn workforce hired before July 1, 2011. Sworn employees hired on and after July 1, 2011 are members of Tier 6, which requires a 2% contribution toward retiree healthcare. Employees who contribute to retiree healthcare benefits are vested in future subsidy increases authorized by the retirement boards. For those 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 still pending challenging the LAFPP Board's exercise of its discretion to annually increase the subsidy for sworn employees who opted to make an additional contribution toward retiree healthcare.

The City has established a new fund within LACERS called the Health Care Fund to allow LACERS to better manage future costs of the retiree health and welfare program while ensuring continued compliance with Internal Revenue Code provisions governing retiree benefits provided on a tax-free basis. Effective July 1, 2019, the City will make its OPEB contributions to this new fund, which will also be managed by LACERS.

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 based on projected rates from the City's consulting actuary applied against projected payroll by the CAO. These projected contributions illustrate the projected cost of both pension and OPEB under certain assumptions.

Table B-28
Los Angeles City Employees' Retirement System
Projected Contributions
(Dollars in Thousands)

	Adopted Budget 2019-20	2020-21	2021-22	2022-23	2023-24
Contributions for Council-Controlled Departments[1,2]	$559,317	$601,942	$634,018	$656,187	$675,442
Percentage of Payroll[3]	29.52%	29.80%	30.20%	30.65%	31.05%
Incremental Change	$70,904	$42,625	$32,076	$22,169	$19,255
% Change	14.52%	7.62%	5.33%	3.50%	2.93%

[1] Includes the General Fund and various special funds.
[2] Assumes 0.00% return on investment in 2018-19 and 7.25% thereafter.
[3] Reflects combined rates for all benefit tiers.
Source: City of Los Angeles, Office of the City Administrative Officer (CAO), based on information commissioned by the CAO.

Similar to the previous table, the table below illustrates the City's projected contributions to LAFPP for the next four fiscal years based on projected rates from the LAFPP's actuary applied against projected payroll by the CAO. These contributions illustrate the projected cost of both pension and OPEB under certain assumptions.

Table B-29
Los Angeles Fire and Police Pension Plan
Projected Contributions*
(Dollars in Thousands)

	Adopted Budget 2019-20	2020-21	2021-22	2022-23	2023-24
General Fund	$705,076	$702,817	$684,361	$705,061	$730,621
Percentage of Payroll	47.37%	46.31%	44.16%	44.56%	45.41%
Incremental Change	$17,208	$(2,259)	$(18,456)	$20,700	$25,560
% Change	2.50%	(0.32)%	(2.63)%	3.02%	3.63%

* Assumes 0.00% return on investment in 2018-19 and 7.25% thereafter.
Source: City of Los Angeles, Office of the City Administrative Officer (CAO), based on information commissioned by the CAO.

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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 shall, 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.

"ACTA Shortfall Advances" means the "Shortfall Advances" as more particularly defined and described in the Alameda Corridor Use and Operating Agreement, dated as of October 12, 1998, 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.

"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 Parity Obligations maturing by their terms or becoming due 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, any Deputy Executive Director, including its Deputy Executive Director and Chief Financial Officer, its Director, Debt and Treasury Division, 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 Series 2019 Bonds and Parity Obligations outstanding as of such date.

"Bank Notes" shall have the meaning set forth in the Revolving Obligations Issuing Document.

"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.

"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 mean a written certificate, direction, request or requisition signed in the name of the Department by an 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 shall be read and construed as a single instrument. If and to the extent required by the Indenture, each such instrument shall include the statements provided for in the Indenture.

"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.

"Chief Financial Officer" means the person at a given time who is the Chief Financial Officer of the Department, or such other title as may from time to time be assigned to such position, and the officer or officers succeeding to such position as certified to the Trustee by the Department.

"City" means the City of Los Angeles, California and its successors and assigns.

"Closing Date" means September 18, 2019.

"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 shall be deemed to be a reference to any successor to any such section.

"Common Reserve" means 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. The Series 2019 Bonds are not secured by the Common Reserve.

"Common Reserve Parity Obligation" shall have the meaning set forth under the caption "REVENUES, FUNDS AND ACCOUNTS; PAYMENT OF PRINCIPAL AND INTEREST – Reserve Fund" in this Appendix D. The Series 2019 Bonds are not Common Reserve Parity Obligations and are not secured by the Common Reserve or a Separate Reserve Fund.

"Common Reserve Requirement" shall have the meaning set forth in the Issuing Documents for Common Reserve Parity Obligations.

"Common Reserve Security Device" shall have the meaning set forth under the caption "REVENUES, FUNDS AND ACCOUNTS; PAYMENT OF PRINCIPAL AND INTEREST – Reserve Fund" in this Appendix D.

"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 Series 2019 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 Series 2019 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 Series 2019 Bonds and any other cost, charge or fee in connection with the original issuance of the Series 2019 Bonds.

"Costs of Issuance Account – 2019 Series A" means the account by that name established pursuant to the Indenture.

"Costs of Issuance Account – 2019 Series B" means the account by that name established pursuant to the Indenture.

"Costs of Issuance Account – 2019 Series C-1" means the account by that name established pursuant to the Indenture.

"Costs of Issuance Account – 2019 Series C-2" 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.

"Credit Agreement" means the Credit Agreement, dated as of June 1, 2019, between the Department and PNC Bank, National Association, and any successors thereto, and any and all modifications, alterations, amendments and supplements thereto and restatements thereof.

"Debt Service" means, for any period of calculation, the sum of principal of and interest on the Series 2019 Bonds, 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 Series 2019 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 Series 2019 Bonds.

"Director, Debt and Treasury Division" means the person at a given time who is the Director, Debt and Treasury Division of the Department, or such other title as may from time to time be assigned to such position, and the officer or officers succeeding to such position as certified to the Trustee by the Department.

"Event of Default" means any of the events specified in the Indenture.

"Executive Director" means the person at a given time who is the Executive Director of the Department, or such other title as may from time to time be assigned to such position, and the officer or officers succeeding to such position as certified to the Trustee by the Department.

"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.

"Harbor District" shall 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 – 2019 Series A" means the account by that name established pursuant to the Indenture.

"Interest Account – 2019 Series B" means the account by that name established pursuant to the Indenture.

"Interest Account – 2019 Series C-1" means the account by that name established pursuant to the Indenture.

"Interest Account – 2019 Series C-2" 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, 2020 with respect to the Series 2019 Bonds.

"Issuing Document" means any indenture of trust, trust agreement, credit 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 shall be the Trustee. As of the Closing Date, the only Issuing Documents are the Indenture, the 2009 Indenture, the 2011 Indenture, the 2014 Indenture, the 2015 Indenture, the 2016 Indenture, the Revolving Obligations Issuing Document and the Credit Agreement.

"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 Series 2019 Bonds for transfer, exchange or payment, such term shall 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" means 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 shall not include any ACTA Shortfall Advances.

"Outstanding," when used as of any particular time with reference to Series 2019 Bonds, means (subject to the provisions of the Indenture relating to disqualified bonds) all Series 2019 Bonds theretofore, or thereupon being, authenticated and delivered by the Trustee under the Indenture except (a)

Series 2019 Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation; (b) Series 2019 Bonds with respect to which all liability of the Department shall have been discharged in accordance with the defeasance provisions of the Indenture, including Series 2019 Bonds (or portions thereof) described under the caption "MISCELLANEOUS – Money Held for Particular Series 2019 Bonds"; and (c) Series 2019 Bonds for the transfer or exchange of or in lieu of or in substitution for which other Series 2019 Bonds shall have been authenticated and delivered by the Trustee pursuant to the Indenture.

"Owner" or "Series 2019 Bond Owner," whenever used in the Indenture with respect to a Series 2019 Bond, means the person in whose name the ownership of such Series 2019 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 Series 2019 Bonds and all revenue bonds, Revolving Obligations and related Bank Notes, 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 2019 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 Series 2019 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 Investment Company Act of 1940, as amended, whose shares are registered under the Securities Act of 1933, as amended, 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:

(i) 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.

(ii) Repurchase Agreements must be between the Department and a dealer bank or securities firm, including:

(A) 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

(B) Banks rated "A" or above by S&P and Moody's at the time of execution and delivery thereof.

(iii) The written Repurchase Agreement must include the following:

(A) 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)

(B) the term of the Repurchase Agreement may be up to 30 days; and

(C) 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).

(iv) *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%.

(v) A legal opinion must be delivered to the Department that the Repurchase Agreement meets the guidelines under State law for legal investment of public funds.

(L) Additional Notes.

(i) Any state administered pool investment fund in which the Department is statutorily permitted or required to invest will be deemed a Permitted Investment.

"Principal Account – 2019 Series A" means the account by that name established pursuant to the Indenture.

"Principal Account – 2019 Series B" means the account by that name established pursuant to the Indenture.

"Principal Account – 2019 Series C-1" means the account by that name established pursuant to the Indenture.

"Principal Account – 2019 Series C-2" means the account by that name established pursuant to the Indenture.

"Principal Fund" means the fund by that name established pursuant to the Indenture.

"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 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. As more fully set forth in the Tax Certificate, all Projects (i.e., all projects financed or refinanced with the Series 2019 Bonds) must constitute "dock or wharf" facilities, or property functionally related and subordinate thereto, within the meaning of Section 142(a)(2) of the Code and the Treasury Regulations and rulings thereunder.

"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.

"Refunded Bonds" means the 2009A Bonds and the 2009C Bonds (other than the 2009C Bonds with a stated maturity date of August 1, 2021 and bearing interest at 5.00% per annum).

"Registration Books" means the records maintained by the Trustee for the registration of ownership and registration of transfer of the Series 2019 Bonds pursuant to the Indenture.

"Resolution" means Resolution Nos. 19-9497, 19-9498, 19-9499 and 19-9500 of the Board adopted on June 20, 2019 and Resolution Nos. 19-9510 and 19-9511 of the Board adopted on July 25, 2019.

"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 in or upon or pertaining to the lands and waters, or interests therein, of the City in the Harbor District; 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, shall 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).

"Revolving Obligations" means any Governmental Revolving Obligations, Private Activity Revolving Obligations or Taxable Revolving Obligations (as such terms are defined in the Revolving Obligations Issuing Document).

"Revolving Obligations Issuing Document" means that certain Indenture of Trust, dated as of June 1, 2019, by and between the Department and U.S. Bank National Association, as trustee.

"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" shall 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" shall have the meaning set forth for the term "Reserve Fund Security Device" in the Issuing Documents for the Parity Obligations that are not a part of the Common Reserve.

"Series" wherever used in the Indenture with respect to Series 2019 Bonds, means all of the Series 2019 Bonds designated as being of the same series, authenticated and delivered in a simultaneous transaction, regardless of variations in maturity, interest rate, and other provisions, and any Series 2019 Bonds thereafter authenticated and delivered upon transfer or exchange of or in lieu of or in substitution for (but not to refund) such Series 2019 Bonds as provided in the Indenture.

"Series 2019 Bonds" means the Harbor Department of the City of Los Angeles (Private Activity) Refunding Revenue Bonds, 2019 Series A (AMT), Refunding Revenue Bonds, 2019 Series B (Non-AMT), Refunding Revenue Bonds, 2019 Series C-1 (AMT) (Green Bonds) and Refunding Revenue Bonds, 2019 Series C-2 (Non-AMT) (Green Bonds).

"Series 2019A Bonds" means the Harbor Department of the City of Los Angeles (Private Activity) Refunding Revenue Bonds, 2019 Series A (AMT).

"Series 2019B Bonds" means the Harbor Department of the City of Los Angeles (Private Activity) Refunding Revenue Bonds, 2019 Series B (Non-AMT).

"Series 2019C-1 Bonds" means the Harbor Department of the City of Los Angeles (Private Activity) Refunding Revenue Bonds, 2019 Series C-1 (AMT) (Green Bonds).

"Series 2019C-2 Bonds" means the Harbor Department of the City of Los Angeles (Private Activity) Refunding Revenue Bonds, 2019 Series C-2 (Non-AMT) (Green Bonds).

"State" means the State of California.

"Subordinate Obligations" means revenue bonds, revolving obligations and related bank notes, notes or other obligations 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 secured by a pledge of and lien on the Revenues ranking junior and subordinate to the pledge of and lien on the Revenues securing the Series 2019 Bonds and Parity Obligations.

"Subseries" wherever used in the Indenture with respect to Series 2019 Bonds, means all of the Series 2019 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, and other provisions, and any Series 2019 Bonds thereafter authenticated and delivered upon transfer or exchange of or in lieu of or in substitution for (but not to refund) such Series 2019 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 Series 2019 Bonds, executed by the Department on the date of issuance of the Series 2019 Bonds, including any and all exhibits attached thereto, as such Tax Certificate may be amended or supplemented in connection with the issuance of the Series 2019 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.

"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.

"2009A Bonds" means the Harbor Department of the City of Los Angeles Revenue Bonds, 2009 Series A.

"2009C Bonds" means the Harbor Department of the City of Los Angeles Refunding Revenue Bonds, 2009 Series C.

"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 Indenture" means the Indenture of Trust, dated as of October 1, 2016, 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.

"Value" means that the value of any investments shall 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 SERIES 2019 BONDS

Transfer of Series 2019 Bonds. Any Series 2019 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 Series 2019 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.

Whenever any Series 2019 Bond or Series 2019 Bonds shall be surrendered for transfer, the Department shall execute and the Trustee shall authenticate and shall deliver a new Series 2019 Bond or Series 2019 Bonds of authorized denomination or denominations for a like aggregate principal amount of the same maturity and Series. The Trustee shall require the Series 2019 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 Series 2019 Bonds and any services rendered or expenses incurred by the Trustee in connection with any such transfer shall be paid by the Department.

Exchange of Series 2019 Bonds. Series 2019 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 shall require the Series 2019 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 Series 2019 Bonds and any services rendered or expenses incurred by the Trustee in connection with any such exchange shall 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 Series 2019 Bonds, which shall 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 shall, 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 Series 2019 Bonds as provided in 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 Series 2019 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 Series 2019 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 shall constitute a lien on and security interest in such amounts and shall attach, be perfected and be valid and binding from and after the Closing Date, without any physical delivery thereof or further act and shall 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 shall be promptly deposited by the Department upon receipt thereof in the Harbor Revenue Fund in accordance with the Charter. The Trustee shall establish and maintain an Interest Fund, which shall contain an "Interest Account – 2019 Series A," an "Interest Account – 2019 Series B," an "Interest Account – 2019 Series C-1," and an "Interest Account – 2019 Series C-2," and a Principal Fund, which shall contain a "Principal Account – 2019 Series A," a "Principal Account – 2019 Series B," a "Principal Account – 2019 Series C-1," and a "Principal Account – 2019 Series C-2." All amounts at any time on deposit in the Interest Fund and the Principal Fund shall be held by the Trustee in trust separate and apart from other funds held by it.

Application of Interest Fund. The Trustee shall, immediately upon receipt of any moneys from the Department for deposit in the Interest Fund, allocate to the Interest Account – 2019 Series A that sum, if any, required to cause the aggregate amount on deposit in the Interest Account – 2019 Series A to be at least equal to the amount of interest becoming due and payable on such date on all 2019 Series A Bonds then Outstanding; to the Interest Account – 2019 Series B that sum, if any, required to cause the aggregate amount on deposit in the Interest Account – 2019 Series B to be at least equal to the amount of interest becoming due and payable on such date on all 2019 Series B Bonds then Outstanding; to the Interest Account – 2019 Series C-1 that sum, if any, required to cause the aggregate amount on deposit in the Interest Account – 2019 Series C-1 to be at least equal to the amount of interest becoming due and payable on such date on all 2019 Series C-1 Bonds then Outstanding; and to the Interest Account – 2019 Series C-2 that sum, if any, required to cause the aggregate amount on deposit in the Interest Account – 2019 Series C-2 to be at least equal to the amount of interest becoming due and payable on such date on all 2019 Series C-2 Bonds then Outstanding . In the event such moneys are insufficient to fully fund such accounts, the Trustee shall, without preference or priority, allocate such moneys to such accounts ratably, in accordance with the amount of interest becoming due and payable on the Series 2019A Bonds, the Series 2019B Bonds, the Series 2019C-1 Bonds and the Series 2019C-2 Bonds on the next Interest Payment Date.

All amounts in the Interest Account – 2019 Series A shall be used and withdrawn by the Trustee solely for the purpose of paying interest on the Series 2019A Bonds as it shall become due and payable (including accrued interest on any Series 2019A Bonds purchased pursuant to the Indenture).

All amounts in the Interest Account – 2019 Series B shall be used and withdrawn by the Trustee solely for the purpose of paying interest on the Series 2019B Bonds as it shall become due and payable (including accrued interest on any Series 2019B Bonds purchased pursuant to the Indenture).

All amounts in the Interest Account – 2019 Series C-1 shall be used and withdrawn by the Trustee solely for the purpose of paying interest on the Series 2019C-1 Bonds as it shall become due and payable (including accrued interest on any Series 2019C-1 Bonds purchased pursuant to the Indenture).

All amounts in the Interest Account – 2019 Series C-2 shall be used and withdrawn by the Trustee solely for the purpose of paying interest on the Series 2019C-2 Bonds as it shall become due and payable (including accrued interest on any Series 2019C-2 Bonds purchased pursuant to the Indenture).

Application of Principal Fund. The Trustee shall immediately upon receipt of any money from the Department for deposit in the Principal Fund allocate to the Principal Account – 2019 Series A that sum, if any, required to cause the aggregate amount on deposit in the Principal Account – 2019 Series A to be at least equal to the principal amount of the Series 2019A Bonds becoming due and payable on such date; to the Principal Account – 2019 Series B that sum , if any, required to cause the aggregate amount on deposit in the Principal Account – 2019 Series B to be at least equal to the principal amount of the Series 2019B Bonds becoming due and payable on such date; to the Principal Account – 2019 Series C-1 that sum , if any, required to cause the aggregate amount on deposit in the Principal Account – 2019

Series C-1 to be at least equal to the principal amount of the Series 2019C-1 Bonds becoming due and payable on such date; and to the Principal Account – 2019 Series C-2 that sum, if any, required to cause the aggregate amount on deposit in the Principal Account – 2019 Series C-2 to be at least equal to the principal amount of the Series 2019C-2 Bonds becoming due and payable on such date. In the event such moneys are insufficient to fully fund such accounts, the Trustee shall, without preference or priority, allocate such moneys to such accounts ratably, in accordance with the principal amount of the Series 2019A Bonds, the Series 2019B Bonds, the Series 2019C-1 Bonds and the Series 2019C-2 Bonds becoming due and payable on the next August 1.

All amounts in the Principal Account – 2019 Series A shall be used and withdrawn by the Trustee solely to pay the principal amount of the Series 2019A Bonds at maturity, purchase or acceleration; provided, however, that at any time prior to maturity, purchase or acceleration of any such Series 2019A Bonds, upon written direction of the Department, the Trustee shall apply such amounts to the purchase of Series 2019A 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 – 2019 Series A 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 principal of such Series 2019A Bonds.

All amounts in the Principal Account – 2019 Series B shall be used and withdrawn by the Trustee solely to pay the principal amount of the Series 2019B Bonds at maturity, purchase or acceleration; provided, however, that at any time prior to maturity, purchase or acceleration of any such Series 2019B Bonds, upon written direction of the Department, the Trustee shall apply such amounts to the purchase of Series 2019B 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 – 2019 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 principal of such Series 2019B Bonds.

All amounts in the Principal Account – 2019 Series C-1 shall be used and withdrawn by the Trustee solely to pay the principal amount of the Series 2019 C-1 Bonds at maturity, purchase or acceleration; provided, however, that at any time prior to maturity, purchase or acceleration of any such Series 2019 C-1 Bonds, upon written direction of the Department, the Trustee shall apply such amounts to the purchase of Series 2019 C-1 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 – 2019 Series C-1 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 principal of such Series 2019 C-1 Bonds.

All amounts in the Principal Account – 2019 Series C-2 shall be used and withdrawn by the Trustee solely to pay the principal amount of the Series 2019 C-2 Bonds at maturity, purchase or acceleration; provided, however, that at any time prior to maturity, purchase or acceleration of any such Series 2019 C-2 Bonds, upon written direction of the Department, the Trustee shall apply such amounts to the purchase of Series 2019 C-2 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 – 2019 Series C-2 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 principal of such Series 2019 C-2 Bonds.

Investments. All moneys in any of the funds or accounts established with the Trustee pursuant to the Indenture shall be invested by the Trustee solely in Permitted Investments. Such investments shall 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 shall 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 shall 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 shall be deemed to be part of such fund or account.

All interest or gain derived from the investment of amounts in any of the funds or accounts established hereunder other than the Costs of Issuance Account – 2019 Series A, the Costs of Issuance Account – 2019 Series B, the Costs of Issuance Account – 2019 Series C-1 and the Costs of Issuance Account – 2019 Series C-2, shall 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 – 2019 Series A, the Costs of Issuance Account – 2019 Series B, the Costs of Issuance Account – 2019 Series C-1 and the Costs of Issuance Account – 2019 Series C-2 shall be deposited, respectively, into the Interest Account – 2019 Series A, the Interest Account – 2019 Series B, the Interest Account – 2019 Series C-1 and the Interest Account – 2019 Series C-2. 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 shall 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 shall establish a special fund designated the "Rebate Fund." All amounts at any time on deposit in the Rebate Fund shall 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"). The Trustee shall be deemed conclusively to have complied with the Rebate Requirement if it follows the directions of the Department, and shall have no independent responsibility to, or liability resulting from its failure to, enforce compliance by the Department with the Rebate Requirement. All amounts on deposit in the Rebate Fund for the Series 2019 Bonds shall be free and clear of any lien under the Indenture and shall be governed by this Section and the Tax Certificate for the Series 2019 Bonds, unless and to the extent that the Department delivers to the Trustee an opinion of Bond Counsel that the exclusion from gross income for federal income tax purposes of interest on the Series 2019 Bonds will not be adversely affected if such requirements are not satisfied.

Deposits.

(1) Within 45 days of the end of each Bond Year (as such term is defined in the Tax Certificate), (1) the Department shall calculate or cause to be calculated with respect to the Series 2019 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 shall 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. The

Department shall obtain expert advice as to the "rebate amount" to comply with this Section.

(2) The Trustee shall 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 " – Withdrawal of Excess Amounts" below.

(3) The Department shall not be required to calculate the "rebate amount," and the Trustee shall 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 Series 2019 Bonds (including amounts treated as proceeds of the Series 2019 Bonds) (1) to the extent such proceeds satisfy the expenditure requirements of Section 148(f)(4)(B) or (C) of the Code or Section 1.148-7(d) of the Treasury Regulations, 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," or (3) to the extent the Department receives an opinion of Bond Counsel that the exclusion from gross income for federal income tax purposes of interest on the Series 2019 Bonds will not be adversely affected. In such event, and with respect to such amounts, the Department shall provide written direction to the Trustee that the Trustee shall not be required to deposit any amount to the Rebate Fund in accordance with this subsection of the Indenture.

Withdrawal Following Payment of Series 2019 Bonds. 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, shall 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 shall 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 Series 2019 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 shall 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 shall be accompanied by Internal Revenue Service Form 8038-T, which shall 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 shall 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 shall withdraw the excess from the Rebate Fund and credit such excess to the Interest Fund.

Record Keeping. The Department shall retain records of all determinations made under the Indenture until three (3) years after the complete retirement of the Series 2019 Bonds.

Survival of Defeasance. Notwithstanding anything in the Indenture to the contrary, the Rebate Requirement shall survive the payment in full or defeasance of the Series 2019 Bonds.

Application of Funds and Accounts When No Series 2019 Bonds are Outstanding. On the date on which all Series 2019 Bonds shall 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 shall 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 hereunder 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, if necessary to meet the Common Reserve Requirement at the time of such election, the Department shall deposit cash and/or securities 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) shall 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.

The Series 2019 Bonds are not Common Reserve Parity Obligations and are not secured by the Common Reserve or a Separate Reserve Fund.

PARTICULAR COVENANTS

No Priority.

No revenue bonds, revolving obligations and related bank notes, notes or other obligations of the Department payable out of the Harbor Revenue Fund shall be issued having any priority with respect to payment of principal or interest out of the Harbor Revenue Fund over the Series 2019 Bonds and Parity Obligations. No revenue bonds, revolving obligations and related bank notes, notes or other obligations of the Department payable out of the Harbor Revenue Fund shall be issued with payment of principal or interest out of the Harbor Revenue Fund on a basis subordinate to or on a parity with Parity Obligations, except in compliance with the provisions of the Indenture described under the caption "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2019 BONDS – Additional Debt."

No transfer of money shall 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 Subordinate Obligations unless and until the principal of and interest on the Series 2019 Bonds and Parity Obligations issued or incurred in compliance with the provisions of the Indenture described under the caption "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2019 BONDS – Additional Debt," 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 as described in paragraphs (a) and (b) under the caption "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2019 BONDS – Flow of Funds" and unless and until the replenishment of any reserve fund for any such Parity Obligations required pursuant to the Indenture as described under the caption "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2019 BONDS – Flow of Funds" are then current.

No transfer of money shall 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 revenue bonds, revolving obligations and related bank notes, notes or other obligations of the Department (other than the Series 2019 Bonds, Parity Obligations and Subordinate Obligations) serviced out of the Harbor Revenue Fund unless and until the principal of and interest on the Subordinate Obligations issued or incurred in compliance with the provisions of the Indenture described under the caption "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2019 BONDS – Additional Debt," 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 as described under the caption "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2019 BONDS – Flow of Funds" and unless and until the replenishment of any reserve fund for any such Subordinate Obligations required pursuant to the Indenture are then current.

Sale of Property. The property of the City which is under the management, supervision and control of the Board shall not be sold or otherwise disposed of, as a whole or substantially as a whole, unless such sale or other disposition shall 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.

Exempt Facilities. The Department covenants and agrees that it will not expend the proceeds of the Series 2019 Bonds for any purpose or purposes, in any amount or amounts, or permit any user of the improvements to be financed or refinanced with the proceeds from the sale of the Series 2019 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 Treasury 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 Series 2019 Bonds are Outstanding, is granted the right to use any of the improvements to be refinanced with the proceeds from the sale of the Series 2019 Bonds or any earnings thereon 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 Project 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 Project.

In addition, the term of any such lease, permit or other arrangement will not exceed 80% of the reasonably expected economic life of such Project or component thereof. Each such election shall be executed not later than the later of the original delivery date of such Series 2019 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 shall be binding upon such person and upon all successors in interest to such person. Each election shall be in substantially the form as is attached to the Indenture as Exhibit E 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 shall be publicly recorded so as to be binding on any successor in interest to the initial nongovernmental person.

Insurance.

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.

The Department will procure and maintain such other insurance which it shall deem advisable or necessary to protect its interests and the interests of the Owners of the Series 2019 Bonds, which insurance shall 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 the two (2) preceding sentences 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 shall punctually pay or cause to be paid the principal and interest to become due in respect of all the Series 2019 Bonds, in strict conformity with the terms of the Series 2019 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 Series 2019 Bonds. The Department shall not directly or indirectly extend or assent to the extension of the maturity of any of the Series 2019 Bonds or the time of payment of any claims for interest by the purchase of such Series 2019 Bonds or by any other arrangement, and in case the maturity of any of the Series 2019 Bonds or the time of payment of any such claims for interest shall be extended, such Series 2019 Bonds or claims for interest shall 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 Series 2019 Bonds then Outstanding and of all claims for interest thereon which shall not have been so extended. Nothing in the Indenture shall be deemed to limit the right of the Department to issue Series 2019 Bonds for the purpose of refunding any Outstanding Series 2019 Bonds, and such issuance shall not be deemed to constitute an extension of maturity of Series 2019 Bonds.

Against Encumbrances. The Department shall 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 Series 2019 Bonds are Outstanding, except (i) the parity pledge of and lien on the Revenues and assignment created by the Indenture or with respect to Parity Obligations issued or incurred in compliance with the provisions of the Indenture described under the caption "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2019 BONDS – Additional Debt," or (ii) the subordinate pledge of and lien on the Revenues and assignment securing Subordinate Obligations issued or incurred in compliance with the provisions of the Indenture described under the caption "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2019 BONDS – Additional Debt." 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 Series 2019 Bonds and Make Pledge and Assignment. The Department is duly authorized pursuant to law to issue the Series 2019 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 Series 2019 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 shall 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 Series 2019 Bond Owners under the Indenture against all claims and demands of all persons whomsoever.

Tax Covenants.

(a) General. The Department covenants with the owners of the Series 2019 Bonds that, notwithstanding any other provisions of the Indenture, it shall 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 Series 2019 Bonds under Section 103 of the Code.

(b) Qualification as Exempt Facility Bonds. The Department shall not take any action, or fail to take any action, if any such action or failure to take action would cause the Series 2019 Bonds to be other than "exempt facility bonds" within the meaning of Section 142(a)(2) of the Code, and in furtherance thereof, shall not make any use of the proceeds of the Series 2019 Bonds or any earnings thereon, or of the portion of the Projects refinanced with the proceeds of the Series 2019 Bonds, or any portion thereof, as would cause the Series 2019 Bonds not to qualify under Section 142(a)(2) of the Code as "exempt facility bonds." To this end, so long as any Series 2019 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 shall establish reasonable procedures necessary to ensure continued compliance with the aforementioned Sections of the Code and the continued exclusion of the interest from gross income for federal income tax purposes of interest on the Series 2019 Bonds.

(c) Arbitrage. The Department shall not, directly or indirectly, use or permit the use of any proceeds of any Series 2019 Bonds, or of any property financed or refinanced thereby, or other funds of the Department, or take or omit to take any action, that would cause the Series 2019 Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code. To that end, the Department shall 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 Series 2019 Bonds.

(d) Federal Guarantee. The Department shall not make any use of the proceeds of the Series 2019 Bonds or any other funds of the Department, or take or omit to take any other action, that would cause the Series 2019 Bonds to be "federally guaranteed" within the meaning of Section 149(b) of the Code.

(e) Compliance with Tax Certificate and Agreement. 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 shall survive the payment in full or defeasance of the Series 2019 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 Series 2019 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 Series 2019 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 shall not be considered an "Event of Default" and shall not result in acceleration of the Series 2019 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 shall 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 Series 2019 Bonds (including persons holding Series 2019 Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Series 2019 Bonds for federal income tax purposes.

No holder or Beneficial Owner of Series 2019 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.

EVENTS OF DEFAULT AND REMEDIES OF SERIES 2019 BOND OWNERS

Events of Default. The following events shall be Events of Default under the Indenture:

(a) Default by the Department in the due and punctual payment of the principal of any Series 2019 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 shall 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 Series 2019 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 shall 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 Series 2019 Bonds contained, if such default shall have continued for a period of sixty (60) days after written notice thereof, specifying such default and requiring the same to be remedied, shall have been given to the Department by the Trustee or by the Owners of not less than 25 percent in aggregate principal amount of Series 2019 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, such default shall not be an Event of Default under the Indenture so long as such corrective action is diligently pursued.

(d) The Department shall 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 shall 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 shall 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 shall occur, then, and in each and every such case during the continuance of such Event of Default, the Trustee may, and shall, at the direction of the Owners of not less than a majority in aggregate principal amount of the Series 2019 Bonds at the time Outstanding, upon notice in writing to the Department, shall declare the principal of all of the Series 2019 Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable, anything in the Indenture or in the Series 2019 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 shall have been obtained or entered, the Department shall deposit with the Trustee a sum sufficient to pay all the principal of and installments of interest on the Series 2019 Bonds payment of which is overdue, with interest on such overdue principal at the rate borne by the respective Series 2019 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 Series 2019 Bonds due and payable solely by reason of such declaration) shall have been made good or

cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall have been made therefor, then, on behalf of the Owners of all of the Series 2019 Bonds, rescind and annul such declaration and its consequences and waive such Event of Default; but no such rescission and annulment shall extend to or shall affect any subsequent Event of Default, or shall impair or exhaust any right or power consequent thereon.

Application of Revenues and Other Funds After Default. If an Event of Default shall occur and be continuing, all Revenues shall 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 shall 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 Series 2019 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 Series 2019 Bonds (upon presentation of the Series 2019 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 shall 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 Series 2019 Bonds which shall have become due, whether at maturity or by acceleration, with interest on the overdue principal at the rate of eight percent (8%) per annum, and, if the amount available shall not be sufficient to pay in full all the Series 2019 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 Series 2019 Bond Owners. If an Event of Default shall occur and be continuing, the Trustee is irrevocably appointed pursuant to the Indenture (and the successive respective Owners of the Series 2019 Bonds, by taking and holding the same, shall be conclusively deemed to have so appointed the Trustee) as trustee and true and lawful attorney-in-fact of the Owners of the Series 2019 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 Series 2019 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 Series 2019 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 Series 2019 Bonds then Outstanding, and upon being indemnified to its satisfaction therefor, shall,

proceed to protect or enforce its rights or the rights of such Owners by such appropriate action, suit, mandamus or other proceedings as it shall 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 Series 2019 Bonds or the Indenture or any other law; and upon instituting such proceeding, the Trustee shall 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 Series 2019 Bonds or otherwise may be prosecuted and enforced by the Trustee without the possession of any of the Series 2019 Bonds or the production thereof in any proceeding relating thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in the name of the Trustee for the benefit and protection of all the Owners of such Series 2019 Bonds, subject to the provisions of the Indenture.

Series 2019 Bond Owners' Direction of Proceedings. Anything in the Indenture to the contrary notwithstanding, the Owners of a majority in aggregate principal amount of the Series 2019 Bonds then Outstanding shall 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 shall not be otherwise than in accordance with law and the provisions of the Indenture, and that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Series 2019 Bond Owners not parties to such direction or in its judgment expose the Trustee to liability.

Suit by Owners. No Owner of any Series 2019 Bonds shall 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 Series 2019 Bonds, unless (a) such Owners shall 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 Series 2019 Bonds then Outstanding shall 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 shall have tendered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; (d) the Trustee shall have failed to comply with such request for a period of sixty (60) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee; and (e) no direction inconsistent with such written request shall have been given to the Trustee during such sixty (60) day period by the Owners of a majority in aggregate principal amount of the Series 2019 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 Series 2019 Bonds of any remedy under the Indenture or under law; it being understood and intended that no one or more Owners of Series 2019 Bonds shall 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 Series 2019 Bonds, or to enforce any right under the Series 2019 Bonds, the Indenture or other applicable law with respect to the Series 2019 Bonds, except in the manner provided in the Indenture, and that all proceedings at law or in equity to enforce any such right shall be instituted, had and maintained in the manner provided in the Indenture and for the benefit and protection of all Owners of the Outstanding Series 2019 Bonds, subject to the provisions of the Indenture.

Absolute Obligation of Department. Nothing in the Indenture or in the Series 2019 Bonds contained shall affect or impair the obligation of the Department, which is absolute and unconditional, to pay the principal of and interest on the Series 2019 Bonds to the respective Owners of the Series 2019

Bonds at their respective dates of maturity, 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 Series 2019 Bonds.

Remedies Not Exclusive. No remedy in the Indenture conferred upon or reserved to the Trustee or to the Owners of the Series 2019 Bonds is intended to be exclusive of any other remedy or remedies, and each and every such remedy, to the extent permitted by law, shall 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 Series 2019 Bonds to exercise any right or power arising upon the occurrence of any Event of Default shall impair any such right or power or shall 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 shall, 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 shall be read into the Indenture against the Trustee. The Trustee shall, 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 shall have occurred and then be continuing, and shall 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 Series 2019 Bonds then Outstanding (or their attorneys duly authorized in writing) or if at any time the Trustee shall cease to be eligible in accordance with the Indenture, or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or a receiver of the Trustee or its property shall be appointed, or any public officer shall take 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 shall 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 Series 2019 Bond Owners notice of such resignation by mail at the addresses shown on the Registration Books. Upon receiving such notice of resignation, the Department shall promptly appoint a successor Trustee by an instrument in writing.

Any removal or resignation of the Trustee and appointment of a successor Trustee shall become effective upon acceptance of appointment by the successor Trustee. If no successor Trustee shall 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 Series 2019 Bond Owner (on behalf of himself and all other Series 2019 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 shall 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, shall 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 shall 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 shall 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 shall 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 shall 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 Series 2019 Bonds and to the Series 2019 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 shall 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 shall 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 shall 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 shall cease to be eligible in accordance with the provisions of the Indenture, the Trustee shall 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 shall 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 shall be eligible under the Indenture shall 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 Series 2019 Bonds contained shall be taken as statements of the Department, and the Trustee shall 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 Series 2019 Bonds, nor shall 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 Series 2019 Bonds assigned to or imposed upon it. The Trustee shall, however, be responsible for its representations contained in its certificate of authentication on the Series 2019 Bonds. The Trustee shall 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 Series 2019 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 Series 2019 Bond Owners, whether or not such committee shall represent the Owners of a majority in principal amount of the Series 2019 Bonds then Outstanding.

(b) The Trustee shall not be liable for any error of judgment made in good faith by a responsible officer or employee, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts.

(c) The Trustee shall 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 Series 2019 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 shall 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 shall 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 shall have actual knowledge of such event or the Trustee shall 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 Series 2019 Bonds then Outstanding. Except as otherwise expressly provided in the Indenture, the Trustee shall 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 Series 2019 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 shall not be responsible for the validity, effectiveness or priority of any collateral given to or held by it.

(f) No provision of the Indenture shall 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 shall 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 shall 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 shall 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 shall be subject to the provisions of the Indenture. The immunities and exceptions from liability of the Trustee shall 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 shall not be liable for any action of such attorneys, agents and receivers to the extent selected by it with due care.

(j) The Trustee shall 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 Series 2019 Bonds. The Trustee shall 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 shall 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 shall the Trustee be liable in its individual capacity for the obligations evidenced by the Series 2019 Bonds.

(l) The Trustee shall 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 shall forthwith receive the originally executed instructions and/or directions, (b) such originally executed instructions and/or directions shall 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 shall have on file a current incumbency certificate containing the specimen signature of such designated person.

Right to Rely on Documents. The Trustee shall 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 shall determine to make such further inquiry or investigation, it shall 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 shall 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 Series 2019 Bonds appearing in the Trustee's Registration Books as the absolute owners of the Series 2019 Bonds for all purposes and the Trustee shall not be affected by any notice to the contrary.

Whenever in the administration of the trusts imposed upon it by the Indenture the Trustee shall 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 shall 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 shall, 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 shall 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 shall be retained in its possession and shall be subject at all reasonable times upon reasonable prior notice to the inspection of the Department and any Series 2019 Bond Owner, and their agents and representatives duly authorized in writing, at reasonable hours and under reasonable conditions.

Compensation and Indemnification. The Department shall 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 shall 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 shall survive removal or resignation of the Trustee and the discharge of the Series 2019 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 Series 2019 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 Series 2019 Bonds of all Series are affected, the Series 2019 Bonds of all Series then Outstanding or (ii) if less than all of the Outstanding Series 2019 Bonds of all Series are affected, the Series 2019 Bonds of each affected Series (excluding, in each case, from such consent, and from the Outstanding Series 2019 Bonds, the Series 2019 Bonds of any specified Series and maturity if such amendment by its terms will not take effect so

long as any of such Series 2019 Bonds remain Outstanding); provided, however, that in either case the Trustee shall exclude Series 2019 Bonds disqualified as provided in the Indenture, if proof of such disqualification shall have been filed with the Trustee. No such modification or amendment shall (1) extend the fixed maturity of any Series 2019 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 Series 2019 Bond so affected, or (2) reduce the aforesaid percentage of Series 2019 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 Series 2019 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 Series 2019 Bonds then Outstanding. It shall not be necessary for the consent of the Series 2019 Bond Owners to approve the particular form of any Supplemental Indenture, but it shall be sufficient if such consent shall approve the substance thereof. Promptly after the execution by the Department and the Trustee of any Supplemental Indenture pursuant to this subsection, the Department shall mail a notice, setting forth in general terms the substance of such Supplemental Indenture, to each Rating Agency and the Owners of the Series 2019 Bonds at the respective addresses shown on the Registration Books. Any failure to give such notice, or any defect therein, shall 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 Series 2019 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 Series 2019 Bond Owners, if the Trustee shall receive an opinion of Bond Counsel to the effect that the provisions of such Supplemental Indenture shall not materially adversely affect the interests of the Owners of the Outstanding Series 2019 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 Series 2019 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 Series 2019 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 shall 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 shall 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 Series 2019 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 shall 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 Series 2019 Bonds Outstanding shall 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 shall be deemed to be part of the terms and conditions of the Indenture for any and all purposes.

Endorsement of Series 2019 Bonds; Preparation of New Series 2019 Bonds. Series 2019 Bonds delivered after the execution of any Supplemental Indenture pursuant to the Indenture may, and if the Department so determines shall, 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 Series 2019 Bonds Outstanding at the time of such execution and presentation of his or her Series 2019 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 shall be made on such Series 2019 Bonds. If the Supplemental Indenture shall so provide, new Series 2019 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, shall be prepared and executed by the Department and authenticated by the Trustee, and upon demand on the Owners of any Series 2019 Bonds then Outstanding shall be exchanged at the Office of the Trustee, without cost to any Series 2019 Bond Owner, for Series 2019 Bonds then Outstanding, upon surrender for cancellation of such Series 2019 Bonds, in equal aggregate principal amount of the same maturity and Series.

Amendment of Particular Series 2019 Bonds. The provisions of the Indenture shall not prevent any Series 2019 Bond Owner from accepting any amendment as to the particular Series 2019 Bonds held by such Series 2019 Bond Owner.

DEFEASANCE

Discharge of Indenture. Series 2019 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 on such Series 2019 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 such Series 2019 Bonds then Outstanding; or

(c) by delivering to the Trustee, for cancellation by it, such Series 2019 Bonds then Outstanding.

If the Department shall 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 Series 2019 Bonds shall 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, registration and cancellation of Series 2019 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, shall cease, terminate, become void and be completely discharged and satisfied with respect to such Series 2019 Bonds. In such event, upon the Request of the Department, the Trustee shall execute and deliver to the Department all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Trustee shall 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 of such Series 2019 Bonds not theretofore surrendered for such payment to the Department.

Discharge of Liability on Series 2019 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 any Outstanding Series 2019 Bonds of one or more Series (whether upon or prior to the maturity date of such Series 2019 Bonds), then all liability of the Department in respect of such Series 2019 Bonds shall cease, terminate and be completely discharged, and the Owners thereof shall 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 Series 2019 Bonds After Discharge of Indenture".

The Department may at any time surrender to the Trustee for cancellation by it any Series 2019 Bonds previously issued and delivered, which the Department may have acquired in any manner whatsoever, and such Series 2019 Bonds, upon such surrender and cancellation, shall 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 any Series 2019 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 shall be:

(a) lawful money of the United States of America in an amount equal to the principal amount of such Series 2019 Bonds and all unpaid interest thereon to maturity; 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;

provided, in each case, that (i) the Trustee shall 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 Series 2019 Bonds and (ii) the Department shall have delivered to the Trustee an opinion of Bond Counsel addressed to the Department and the Trustee to the effect that such Series 2019 Bonds have been discharged in accordance with the Indenture (which opinion may rely upon and assume the accuracy of the Consultant's Report referred to above).

Payment of Series 2019 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 Series 2019 Bonds and remaining unclaimed for two (2) years after such payment has become due and payable (whether at maturity 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, shall be repaid to the Department free from the trusts created by the Indenture and all liability of the Trustee with respect to such moneys shall thereupon cease; provided, however, that before the repayment of such moneys to the Department as aforesaid, the Trustee shall at the written direction of the Department (at the cost of the Department) first mail to the Owners of Series 2019 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 Series 2019 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 Series 2019 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 Series 2019 Bonds, the Department shall 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 Series 2019 Bonds or for any other purpose of the Indenture. Nevertheless, the Department may, but shall 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 Series 2019 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 Series 2019 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 2019 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 shall 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 shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

Limitation of Rights to Parties and Series 2019 Bond Owners. Nothing in the Indenture or in the Series 2019 Bonds expressed or implied is intended or shall be construed to give to any person other than the Department, the Trustee and the Owners of the Series 2019 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 shall be held to be for the sole and exclusive benefit of the Department, the Trustee and the Owners of the Series 2019 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 shall not be a condition precedent to the validity of any action taken in reliance upon such waiver. Whenever in the Indenture any notice shall be required to be given by mail, such requirement shall be satisfied by the deposit of such notice in the United States mail, postage prepaid, by first-class mail.

Evidence of Rights of Series 2019 Bond Owners. Any request, consent or other instrument required or permitted by the Indenture to be signed and executed by Series 2019 Bond Owners may be in any number of concurrent instruments of substantially similar tenor and shall be signed or executed by such Series 2019 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 Series 2019 Bonds transferable by delivery, shall be sufficient for any purpose of the Indenture and shall 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 Series 2019 Bonds shall be proved by the Registration Books.

Any request, consent, or other instrument or writing of the Owner of any Series 2019 Bond shall bind every future Owner of the same Series 2019 Bond and the Owner of every Series 2019 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 Series 2019 Bonds. In determining whether the Owners of the requisite aggregate principal amount of Series 2019 Bonds have concurred in any demand, request, direction, consent or waiver under the Indenture, Series 2019 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 Series 2019 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 Series 2019 Bonds, shall be disregarded and deemed not to be Outstanding for the purpose of any such determination. Series 2019 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 shall establish to the satisfaction of the Trustee the pledgee's right to vote such Series 2019 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 Series 2019 Bonds. In

case of a dispute as to such right, any decision by the Trustee taken upon the advice of counsel shall be full protection to the Trustee. Upon request the Department shall certify to the Trustee those Series 2019 Bonds that are disqualified pursuant to this section of the Indenture.

Money Held for Particular Series 2019 Bonds. The money held by the Trustee for the payment of the interest, principal or premium due on any date with respect to particular Series 2019 Bonds shall, 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 Series 2019 Bonds entitled thereto, subject, however, to the provisions described under the caption "DEFEASANCE – Payment of Series 2019 Bonds After Discharge of Indenture" 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 shall at all times be maintained in accordance with corporate trust industry standards to the extent practicable, and with due regard for the audit requirements of the Indenture and for the protection of the security of the Series 2019 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, 2019 Series A, in the aggregate principal amount of $115,065,000 (the "Series 2019A Bonds"), its Refunding Revenue Bonds, 2019 Series B, in the aggregate principal amount of $32,340,000 (the "Series 2019B Bonds"), its Refunding Revenue Bonds, 2019 Series C-1 (Green Bonds) in the aggregate principal amount of $4,995,000 (the "Series 2019C-1 Bonds") and its Refunding Revenue Bonds, 2019 Series C-2 (Green Bonds) in the aggregate principal amount of $10,680,000 (the "Series 2019C-2 Bonds," and together with the Series 2019A Bonds, the Series 2019B Bonds and the Series 2019C-1 Bonds, the "Series 2019 Bonds"). The Series 2019 Bonds are being issued pursuant to an Indenture of Trust, dated as of September 1, 2019 (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 2019 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 2019 Bonds (including persons holding Series 2019 Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Series 2019 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.

"*Financial Obligation*" means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term Financial Obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

"*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 2019 Bonds.

"*Owner*" shall mean a registered owner of the Series 2019 Bonds.

"*Participating Underwriter*" shall mean any of the original underwriters of the Series 2019 Bonds required to comply with the Rule in connection with offering of the Series 2019 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 2019, 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 2019 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;

9. Bankruptcy, insolvency, receivership or similar event of the Obligated Person; or

10. default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Obligated Person, any of which reflect financial difficulties.

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 2019 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 2019 Bonds or other material events affecting the tax status of the Series 2019 Bonds;

3. Modifications to rights of the Owners of the Series 2019 Bonds;

4. Series 2019 Bond calls (however, the Series 2019 Bonds are not subject to prior redemption);

5. Release, substitution or sale of property securing repayment of the Series 2019 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;

7. Appointment of a successor or additional trustee or the change of name of a trustee; or

8. Incurrence of a Financial Obligation of the Obligated Person, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Obligated Person, any of which affect security holders.

(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 2019 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 (however, the Series 2019 Bonds are not subject to prior redemption) or payment in full of all of the Series 2019 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 2019 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 2019 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 2019 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 2019 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 2019 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 18th day of September, 2019.

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, 2019 Series A; Harbor Department of the City of Los Angeles Refunding Revenue Bonds, 2019 Series B; Harbor Department of the City of Los Angeles Refunding Revenue Bonds, 2019 Series C-1 (Green Bonds); Harbor Department of the City of Los Angeles Refunding Revenue Bonds, 2019 Series C-2 (Green Bonds);
Date of Issuance:	September 18, 2019
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 September 18, 2019, executed by the Department for the benefit of the Owners and beneficial owners of the above referenced Series 2019 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

APPENDIX E

FORM OF OPINION OF BOND COUNSEL

Upon delivery of the Series 2019 Bonds, Hawkins Delafield & Wood LLP, Bond Counsel proposes to render its final opinion with respect to the Series 2019 Bonds in substantially the following form:

[Date of Issuance]

Harbor Department of the City of Los Angeles
San Pedro, California

Ladies and Gentlemen:

We have acted as Bond Counsel to the Harbor Department of the City of Los Angeles (the "Department") in connection with the issuance of its Harbor Department of the City of Los Angeles (Private Activity) Refunding Revenue Bonds, 2019 Series A (AMT) in the aggregate principal amount of $115,065,000 (the "Series 2019A Bonds"), its Harbor Department of the City of Los Angeles (Private Activity) Refunding Revenue Bonds, 2019 Series B (Non-AMT) in the aggregate principal amount of $32,340,000 (the "Series 2019B Bonds"), its Harbor Department of the City of Los Angeles (Private Activity) Refunding Revenue Bonds, 2019 Series C-1 (AMT) (Green Bonds) in the aggregate principal amount of $4,995,000 (the "Series 2019C-1 Bonds"), and its Harbor Department of the City of Los Angeles (Private Activity) Refunding Revenue Bonds, 2019 Series C-2 (Non-AMT) (Green Bonds) in the aggregate principal amount of $10,680,000 (the "Series 2019C-2 Bonds" and, together with the Series 2019A Bonds, the Series 2019B Bonds and the Series 2019C-1 Bonds, the "Series 2019 Bonds").

The Series 2019 Bonds are 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. 19-9497, 19-9498, 19-9499 and 19-9500 adopted by the Board of Harbor Commissioners of the City on June 20, 2019, approved by the City Council of the City on August 7, 2019 and approved by the Mayor of the City on August 12, 2019, respectively, and Resolution Nos. 19-9510 and 19-9511 adopted by the Board of Harbor Commissioners of the City on July 25, 2019 (collectively, the "Resolution"); and the Indenture of Trust, dated as of September 1, 2019 (the "Indenture"), by and between the Department and U.S. Bank National Association, as trustee (the "Trustee"). Capitalized terms used and not otherwise defined herein shall have the meanings ascribed thereto in the Indenture.

We have examined and relied on originals or copies, certified or otherwise identified to our satisfaction, of the Indenture, the Charter, the Resolution, the Tax Certificate of the Department concerning certain matters pertaining to the use and investment of proceeds of the Series 2019 Bonds, executed by the Department on the date of issuance of the Series 2019 Bonds, including any and all exhibits attached thereto, as such Tax Certificate may be amended or supplemented (the "Tax Certificate"), the opinion of the City Attorney, the opinion of counsel to the Trustee, certifications of the

Department, the Trustee and others, and such other documents, opinions, instruments, proceedings or records as we deemed necessary or appropriate to render the opinions set forth herein.

We have assumed the genuineness of all documents and signatures presented to us (whether as originals or copies) and the due and legal execution and delivery thereof by, and validity against, the parties thereto. We have not undertaken to verify independently, and have assumed, the accuracy of the factual matters represented, warranted or certified in such documents. Furthermore, we have assumed compliance with all covenants and agreements contained in the Indenture, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Series 2019 Bonds to be included in gross income for federal income tax purposes.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the opinion that under existing law:

1. The Series 2019 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 2019 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 2019 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. Under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described below: (a) interest on the Series 2019 Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code") except that no opinion is expressed as to such exclusion of interest on any Series 2019 Bond for any period during which the Series 2019 Bond is held by a person who, within the meaning of Section 147(a) of the Code, is a "substantial user" of the facilities financed or refinanced with the proceeds of the Series 2019 Bonds or a "related person," (b) interest on the Series 2019B Bonds and the Series 2019C-2 Bonds is not treated as a preference item in calculating the alternative minimum tax under the Code, and (c) interest on the Series 2019A Bonds and the Series 2019C-1 Bonds, however, is treated as a preference item in calculating the alternative minimum tax under the Code.

The Code establishes certain requirements that must be met subsequent to the issuance and delivery of the Series 2019 Bonds in order that, for federal income tax purposes, interest on the Series 2019 Bonds be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Series 2019 Bonds, yield and other restrictions on investments of gross proceeds and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the federal government. Noncompliance with such requirements may cause interest on the Series 2019 Bonds to become included in gross income for federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered.

On the date of delivery of the Series 2019 Bonds, the Department will execute the Tax Certificate containing provisions and procedures pursuant to which such requirements can be satisfied. In executing the Tax Certificate, the Department covenants that the Department will comply with the provisions and procedures set forth therein and that the Department will do and perform all acts and things necessary or desirable to assure that interest paid on the Series 2019 Bonds will, for federal income tax purposes, be excluded from gross income.

In rendering the opinion in paragraph 4 hereof, we have relied upon and assumed (a) the material accuracy of the representations, statements of intention and reasonable expectation, and certifications of fact contained in the Tax Certificate with respect to matters affecting the status of interest paid on the Series 2019 Bonds, and (b) compliance by the Department with the procedures and covenants set forth in the Tax Certificate as to such tax matters.

5. Under existing statutes, interest on the Series 2019 Bonds is exempt from State of California personal income taxes.

We express no opinion as to any other federal, state or local tax consequences arising with respect to the Series 2019 Bonds or the ownership or disposition thereof, except as stated in paragraphs 4 and 5 above. We render our opinion under existing statutes and court decisions as of the date hereof, and assume no obligation to update, revise or supplement our opinion to reflect any action hereafter taken or not taken, any fact or circumstance that may hereafter come to our attention, any change in law or interpretation thereof that may hereafter occur, or for any other reason. We express no opinion as to the consequence of any of the events described in the preceding sentence or the likelihood of their occurrence. In addition, we express no opinion on the effect of any action taken or not taken in reliance upon an opinion of other counsel regarding federal, state or local tax matters, including, without limitation, exclusion from gross income for federal income tax purposes of interest on the Series 2019 Bonds.

We undertake no responsibility for the accuracy, completeness or fairness of any official statement or other offering materials relating to the Series 2019 Bonds and express herein no opinion relating thereto.

The foregoing opinions are qualified to the extent that the enforceability of the Series 2019 Bonds, the Indenture and the Tax Certificate may be limited by bankruptcy, moratorium, insolvency or other laws affecting creditors' rights or remedies and are subject to general principles of equity (regardless of whether such enforceability is considered in equity or at law), and to the limitations on legal remedies against governmental entities in the State of California (including, but not limited to, rights of indemnification).

This opinion is issued as of the date hereof, and we assume no obligation to update, revise or supplement this opinion to reflect any action hereafter taken or not taken, or any facts or circumstances, or any changes in law or in interpretations thereof, that may hereafter arise or occur, or for any other reason.

Respectfully submitted,

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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 2019 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 2019 BONDS UNDER THE INDENTURE, (C) 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 2019 BONDS; (D) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNERS OF SERIES 2019 BONDS; OR (E) ANY OTHER MATTER REGARDING DTC.

General

DTC will act as securities depository for the Series 2019 Bonds. The Series 2019 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 2019 Bond certificate will be issued for each maturity of the Series 2019 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 Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. 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 2019 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2019 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2019 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 2019 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 2019 Bonds, except in the event that use of the book-entry system for the Series 2019 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2019 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 2019 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2019 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2019 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.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2019 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 2019 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Series 2019 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 2019 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 2019 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 2019 Bonds will be printed and delivered to the registered holders of the Series 2019 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 2019 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

Mixed Sources
Product group from well managed forests, controlled sources and recycled wood or fiber.

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