

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 Bond for any period during which the 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 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.

	\$(PAR)*			
	HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES			
	(Private Activity)			
[Port Logo]				
	\$(PAR1)*	\$(PAR2)*	\$(PAR3)*	\$(PAR4)*
	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 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-[____] and 19-[____] 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 9], 2019; Resolution No. 19-[____], adopted by the Board on July 25, 2019, and approved by the City Council and the Mayor on [August 23], 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 multiples 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 subject to optional redemption prior to maturity, as more fully described herein. See “DESCRIPTION OF THE SERIES 2019 BONDS—Redemption Provisions.”

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

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

* Preliminary; subject to change.

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: _____

MATURITY SCHEDULE

[\$[PAR]]*
HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES
(Private Activity)

[\$[PAR1]]*
Refunding Revenue Bonds
2019 Series A
(AMT)

Maturity Date (August 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP[†] Numbers
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[\$[PAR2]]*
Refunding Revenue Bonds
2019 Series B
(Non-AMT)

Maturity Date (August 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP[†] Numbers
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* Preliminary; subject to change.

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MATURITY SCHEDULE

[\$[PAR3]]*
Refunding Revenue Bonds
2019 Series C-1
(AMT) (Green Bonds)

Maturity Date (August 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP† Numbers
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[\$[PAR4]]*
Refunding Revenue Bonds
2019 Series C-2
(Non-AMT) (Green Bonds)

Maturity Date (August 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP† Numbers
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* Preliminary; subject to change.

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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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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

\$[PAR1]*
HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES
(Private Activity)

\$[PAR1]* Refunding Revenue Bonds 2019 Series A (AMT)	\$[PAR2]* Refunding Revenue Bonds 2019 Series B (Non-AMT)	\$[PAR3]* Refunding Revenue Bonds 2019 Series C-1 (AMT) (Green Bonds)	\$[PAR4]* Refunding Revenue Bonds 2019 Series C-2 (Non-AMT) (Green Bonds)
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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 \$[PAR1]* Refunding Revenue Bonds, 2019 Series A (the “Series 2019A Bonds”), its \$[PAR2]* Refunding Revenue Bonds, 2019 Series B (the “Series 2019B Bonds”), its \$[PAR3]* Refunding Revenue Bonds, 2019 Series C-1 (Green Bonds) (the “Series 2019C-1 Bonds”) and its \$[PAR4]* 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.

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 2018, the Port handled 9,169,780 TEUs, as compared to 9,205,755 TEUs in Fiscal Year 2017. 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

* Preliminary; subject to change.

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-[____] and 19-[____] (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 9], 2019; Resolution No. 19-[____] (the “Document Resolution,” and together with Authorizing Resolutions, the “Resolutions”) adopted by the Board on July 25, 2019, and approved by the City Council and the Mayor on [August 23], 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 or a portion of the Department’s outstanding Revenue Bonds, 2009 Series A (the “Refunded Series 2009A Bonds”), (b) current refund all or a portion 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 Date¹	CUSIP Number²
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 Date¹	CUSIP Number²
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.

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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.

<u>Sources</u>	<u>Series 2019A Bonds</u>	<u>Series 2019B Bonds</u>	<u>Series 2019C-1 Bonds</u>	<u>Series 2019C-2 Bonds</u>	<u>Total</u>
Par Amount					
Net Original Issue Premium/Discount					
Other Available Moneys ²					
Total Sources					
 <u>Uses</u>					
Payment on the Refunded Bonds					
Costs of Issuance ¹					
Underwriters’ Discount					
Total Uses					

¹ 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.

² 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 and a contribution of available moneys from the Department].

GREEN BONDS DESIGNATION

[GREEN BONDS DISCLOSURE TO COME]

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.”

Redemption Provisions

Optional Redemption. The Series 2019A Bonds maturing on or before August 1, 20__ are not subject to optional redemption prior to maturity. The Series 2019A Bonds maturing on or after August 1, 20__, are subject to redemption at the option of the Department prior to their stated maturity, as a whole, or in part in integral multiples of \$5,000, on any date on or after August 1, 20__, at a redemption price equal to the principal amount thereof, plus accrued and unpaid interest thereon to the redemption date, without premium.

The Series 2019B Bonds maturing on or before August 1, 20__ are not subject to optional redemption prior to maturity. The Series 2019B Bonds maturing on or after August 1, 20__, are subject to redemption at the option of the Department prior to their stated maturity, as a whole, or in part in integral multiples of \$5,000, on any date on or after August 1, 20__, at a redemption price equal to the principal amount thereof, plus accrued and unpaid interest thereon to the redemption date, without premium.

The Series 2019C-1 Bonds maturing on or before August 1, 20__ are not subject to optional redemption prior to maturity. The Series 2019C-1 Bonds maturing on or after August 1, 20__, are subject to redemption at the option of the Department prior to their stated maturity, as a whole, or in part in integral multiples of \$5,000, on any date on or after August 1, 20__, at a redemption price equal to the principal amount thereof, plus accrued and unpaid interest thereon to the redemption date, without premium.

The Series 2019C-2 Bonds maturing on or before August 1, 20__ are not subject to optional redemption prior to maturity. The Series 2019C-2 Bonds maturing on or after August 1, 20__, are subject to redemption at the option of the Department prior to their stated maturity, as a whole, or in part in integral multiples of \$5,000, on any date on or after August 1, 20__, at a redemption price equal to the principal amount thereof, plus accrued and unpaid interest thereon to the redemption date, without premium.

Selection of Bonds for Redemption. In the case of any redemption in part of a Series of the Series 2019 Bonds, the Series 2019 Bonds to be redeemed are subject to redemption in such order of maturity as the Department may direct and by lot, selected in such manner as the Trustee deems appropriate, within a maturity; provided, however, that for so long as the Series 2019 Bonds are Book-Entry Bonds, the interests of the Participants in the particular Series 2019 Bonds or portions thereof to be redeemed of a Series and within a maturity will be selected by lot by the Security Depository in such manner as the Security Depository and the Participants may determine.

Notice of Redemption. Notice of redemption will be mailed by first-class mail not less than 20 days before any redemption date, to the respective Owners of any Series 2019 Bonds designated for redemption at their addresses appearing on the Registration Books and to the Securities Depositories (DTC) and to the Information Services (MSRB's EMMA system). Each notice of redemption will state the redemption date, the place or places of redemption, the Series, the maturity date and the interest rate of the Series 2019 Bonds to be redeemed, whether less than all of the Series 2019 Bonds are to be redeemed, the distinctive numbers of the Series 2019 Bonds to be redeemed, and in the case of Series 2019 Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice will also state that on the redemption date there will become due and payable on each of said Series 2019 Bonds or parts thereof designated for redemption the redemption price thereof, and that from and after such redemption date interest thereon will cease to accrue, and will require that such Series 2019 Bonds be surrendered. Neither the failure to receive any notice nor any defect therein will affect the validity of the proceedings for such redemption or the cessation of accrual of interest from and after the redemption date. Notice of redemption of Series 2019 Bonds will be given by the Trustee, at the expense of the Department, for and on behalf of the Department.

With respect to any notice of redemption of Series 2019 Bonds under the Indenture, unless upon the giving of such notice such Series 2019 Bonds will be deemed to have been paid within the meaning of the Indenture or the Trustee has received amounts sufficient to pay the redemption price on such Series 2019 Bonds to be redeemed, such notice will state that such redemption is conditioned upon the receipt by the Trustee on or prior to the date fixed for such redemption of amounts sufficient to pay the redemption price of, such Series 2019 Bonds to be redeemed, and that if such amounts have not been so received said notice will be of no force and effect and such Series 2019 Bonds will not be subject to redemption on such date. In the event that such notice of redemption contains such a condition and such amounts are not so received, the redemption will not be made and the Trustee will within a reasonable time thereafter give notice, to the persons and in the manner in which the notice of redemption was given, that such amounts were not so received and the redemption was not made.

Effect of Redemption. Notice of redemption having been duly given as described above, and moneys for payment of the redemption price of the Series 2019 Bonds (or portions thereof) so called for redemption being held by the Trustee, on the redemption date designated in such notice, the Series 2019 Bonds (or portions thereof) so called for redemption will become due and payable, interest on the Series 2019 Bonds so called for redemption will cease to accrue, said Series 2019 Bonds (or portions thereof) will cease to be entitled to any benefit or security under the Indenture, and the Owners of said Series 2019 Bonds will have no rights in respect thereof except to receive payment of the redemption price thereof. The Trustee will, upon surrender for payment of any of the Series 2019 Bonds to be redeemed on their redemption dates, pay such Series 2019 Bonds at the redemption price.

Partial Redemption. Upon surrender of any Series 2019 Bond redeemed in part only, the Department will execute and the Trustee will authenticate and deliver to the Owner thereof, at the expense of the Department, a new Series 2019 Bond or Series 2019 Bonds of authorized denominations equal in aggregate principal amount to the unredeemed portion of the Series 2019 Bonds surrendered and of the same interest rate, maturity and Series.

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 Redemption Fund (the “Redemption Fund”); (d) the Costs of Issuance Fund (the “Costs of Issuance Fund”); and (e) 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) 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 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 \$[_____] 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) (“NPFGB”), 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 bonds or other obligations of the Department payable out of the Harbor Revenue Fund will be issued having any priority with respect to payment of principal or interest out of the Harbor Revenue Fund over Parity Obligations (including the Series 2019 Bonds); no transfer of money will be made out of the Harbor Revenue Fund in any one Fiscal Year for the purpose of paying the principal of or interest on any bonds or other obligations of the City serviced out of the Harbor Revenue Fund unless and until the principal of and interest on the Parity Obligations (including the Series 2019 Bonds), due and payable in that Fiscal Year, have been paid or set aside in a separate fund held in trust and charged with such payments.

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

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

(b) the Net Revenues for any consecutive 12-calendar-month period during the 18-calendar-month period preceding the date of the execution of such Parity Obligations or the date of adoption by the Board of the resolution authorizing the issuance of such Parity Obligations, including adjustments to give effect as of the first day of such 12-month period to increases or decreases in tolls, charges, rentals, compensations or fees approved and in effect as of the date of calculation, as evidenced by a special report prepared by an Independent Certified Public Accountant or Independent Financial Consultant on file with the Department, produces a sum equal to at least 125% of Average Annual Debt Service, including such Parity Obligations being created or incurred (but excluding 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 bonds, notes or other evidences of indebtedness, or certificates of participation, for the purpose of refunding at or prior to maturity the principal of bonds, notes or other evidences of indebtedness and paying any premium upon redemption of any thereof so refunded will not be limited or restricted by the provisions of the preceding paragraphs, if the Debt Service for such bonds, notes or other evidences of indebtedness, in each year, will be lower than the Debt Service on the bonds, notes or other evidences of indebtedness being refunded.

Outstanding Parity Obligations

General. As of September 1, 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	<u>35,205,000</u>	<u>35,205,000</u>	Series 2016 Indenture
<i>Total</i>	<u>\$997,795,000</u>	<u>\$763,595,000</u>	

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 [_____]. The information on such website is not part of this Official Statement and has not and is not incorporated by reference herein.

THE PORT AND THE DEPARTMENT

Introduction and Organization

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

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

The Department operates the Port as a landlord, issuing permits to Port occupants for the use of Port land, docks, wharves, transit sheds, terminals and other facilities. The Department also is landlord to fish markets, ocean-related entities (i.e., fisheries and ship repair), railroads, restaurants and other similar operations. These arrangements are entered into under various lease and permit agreements. Under the permit agreements, the occupants agree to pay to the Department tariffs or fees established by the Department. Permittees are generally shipping or terminal companies, agents and other private firms. The Department has no direct role in managing the daily movement of cargo. The Department also recovers its costs of providing services and improvements through tariff charges for shipping services. In 2018, the Department administered passenger and cargo terminal facilities for nearly 200 leaseholders. 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. 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 81 ship-to -shore containers cranes, all Port container terminals utilize the Port Optimizer™ digital maritime shipping portal, and feature on-dock rail access and shore power connections, with access to nearly 2 billion square feet of warehouse and distribution center space. 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. Wharves 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.

<u>Board Commissioners</u>	<u>Occupation</u>	<u>Term Expiring</u>
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, advancing major capital projects, growing trade volumes and promoting innovative, sustainable

practices that strengthen the region's economy. His duties involve interacting with a wide range of stakeholders, including Port customers around the globe, industry partners, elected and appointed officials at all levels, harbor area residents and business leaders.

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

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

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

Thomas Gazsi, Chief of Public Safety and Emergency Management. In November 2015, Thomas Gazsi was appointed Chief of Public Safety and Emergency Management for the Department. Chief Gazsi oversees the Los Angeles Port Police, Los Angeles Port Pilot and Information Technology Divisions at the Port. He holds the ultimate responsibility for Port-related security and public safety issues in the Port consisting of 43 miles of waterfront and 7,500 acres of land area adjacent to the harbor communities of San Pedro and Wilmington, in the City of Los Angeles. His divisions work cooperatively with associated government and law enforcement to uphold maritime laws, enforce safety, cyber security and security regulations and continually test and enhance emergency response and preparedness procedures to ensure the safety of the Port workforce and residents. Prior to joining the Department, he served as the Chief of Police for the Costa Mesa Police Department from 2011 to 2014, an agency of 220

personnel and a community of 117,000 in Southern California. Prior to his appointment in Costa Mesa, Chief Gazsi served a full career with the Newport Beach Police Department from 1979 through 2011 working his way up to Commander. Chief Gazsi is a graduate of University of Southern California's School of Public Policy and Management where he earned a bachelor's degree.

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

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

Janna Sidley, General Counsel. Janna Sidley serves as the General Counsel and oversees all litigation involving the Department and the Port. As a member of the Port's senior management team, Ms. Sidley is the head of the Harbor Division of the Office of the City Attorney. In 2013, Ms. Sidley was appointed as Managing Assistant City Attorney at the Port. As General Counsel, Ms. Sidley supervises the attorneys who provide general legal advice to the Board, the Alameda Corridor Transportation Authority and the Intermodal Container Transfer Facility ("ICTF"). Harbor Division attorneys draft

contracts, review projects and advise the Board and Department senior management on property management, marketing, international trade, maritime, fishing, environmental and railroad operating matters. Ms. Sidley joined the Los Angeles City Attorney's Office in 2003 and has worked as a trial deputy specializing in workers' compensation fraud and unfair business practices. In 2006, she was assigned to the Port, focusing on CEQA (as defined herein) and NEPA (as defined herein) matters. In 2010, Ms. Sidley transferred to the Los Angeles Department of Water and Power and has been responsible for all legal compliance requirements related to CEQA and NEPA. Prior to joining the City Attorney's Office, Ms. Sidley was an Assistant United States Attorney in Los Angeles from 1998 to 2002. She has worked at the Department of Justice in Washington, D.C., Department of the Interior, and White House. Ms. Sidley earned a Bachelor of Arts degree from University of California, Berkeley, and a Juris Doctor degree from Loyola Law School in Los Angeles.

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

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

The Los Angeles Port Police conduct varied security operations including:

- (a) land and waterside patrols;
- (b) police boat escorts for vessels of special interest including cruise ships and tank vessels;
- (c) dive operations at selected berths and moored vessels;
- (d) sea marshal boardings of deep draft vessels to ensure safe passage;
- (e) advanced technology implementation, including the use of radar, mobile interoperable communications, marine, land and air video systems, and underwater explosive detection equipment;
- (f) deployment of explosive detection canines; and
- (g) inspection and control of dangerous cargo and hazardous materials.

The Los Angeles Port Police participate in joint agency security operations conducted with other law enforcement agencies, including the U.S. Coast Guard, the U.S. Customs and Border Protection, the

Federal Bureau of Investigation, the Los Angeles Police Department, the Los Angeles Fire Department, the Los Angeles County Sheriff, and the Long Beach Police Department.

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

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

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

Since 2010, the Department has been awarded approximately \$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 Type¹
(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	[_____]	[_____]	[_____]	[_____]	[_____]

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

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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, cranes, pilotage, assignment charges, and storage.

Table 2A
Port of Los Angeles
Shipping Revenues Per Ton¹

Fiscal Year Ended June 30	Total Shipping Revenues (000s)	Total Revenue Tonnage²	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	[_____]	[_____]	[]

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 Breakdown¹**

Fiscal Year Ended June 30	Container Shipping Revenues				Non-Container Shipping Revenues		
	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	14,518	\$2.49
2010	327,600	296,500	7,228	41.02	31,100	12,525	2.48
2011	343,500	306,300	7,935	38.60	37,200	14,896	2.50
2012	357,700	321,900	8,186	39.32	35,800	13,800	2.59
2013 ²	347,900	313,700	7,777	40.34	34,200	11,700	2.92
2014	377,200	335,700	8,210	40.89	41,500	14,900	2.79
2015	364,900	325,500	8,191	39.74	39,400	15,100	2.61
2016	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	19,518	2.65
2019 ³	[]	[]	[]	[]	[]	[]	[]

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, Vietnam, Hong Kong and Thailand. China alone was the destination for approximately 27.5% of the Department’s Fiscal Year 2018 exports, and approximately 60.9% of the Department’s Fiscal Year 2018 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.

[To be updated with Fiscal Year 2019 when available]

**Table 3
Port of Los Angeles
TEUs by Country
Fiscal Year 2018**

Exports Country	TEUs	% of Total	Imports Country	TEUs	% of Total
China	417,366	27.5%	China	2,770,585	60.9%
Taiwan	185,498	12.2	Vietnam	372,769	8.2
Japan	168,406	11.1	Taiwan	254,884	5.6
Vietnam	104,038	6.8	Thailand	239,266	5.3
South Korea	93,265	6.1	Japan	162,213	3.6
Indonesia	91,409	6.0	Indonesia	134,746	3.0
Hong Kong	75,900	5.0	Hong Kong	109,739	2.4
Thailand	60,888	4.0	South Korea	92,063	2.0
Singapore	47,259	3.1	Malaysia	87,918	1.9
Malaysia	47,153	3.1	India	59,472	1.3
All Others	<u>229,058</u>	<u>15.1</u>	All Others	<u>262,820</u>	<u>5.8</u>
Total Exports	<u>1,520,240</u>	<u>100.0%</u>	Total Imports	<u>4,546,475</u>	<u>100.0%</u>

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 TEUs¹
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 passenger and cargo terminal facilities along 43 miles of waterfront berthing for nearly 200 leaseholders. 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, 2018 are shown in the following Table 5.

Table 5
Port of Los Angeles
Major Permittees (Tenants)
As of June 30, 2018

[To be updated with as of June 30, 2019 when available]

APM Terminals Pacific LLC / Maersk Pacific, Ltd. / Maersk Line A/S
BNSF Railway Company
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
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.

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 Fiscal Year 2018 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 2019 through 2023.

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

Fiscal Year Ended June 30	Minimum Permit Revenue (\$000s)
2019	\$352,195
2020	357,892
2021	359,610
2022	360,175
2023	360,814

Source: Harbor Department of the City of Los Angeles

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

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

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

Capital Improvement Planning

Overview. In connection with its capital improvement planning the Department reviews and monitors its long-term capital needs on an on-going basis and has identified capital improvement projects

through Fiscal Year 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, Commerce and Technology Committee of the City Council (or such successor committee deemed appropriate by the City Council), and to the City Controller, a capital plan or budget covering at least the next Fiscal Year and describing: (i) the proposed capital expenditures of the Department; (ii) the proposed method(s) of financing such proposed expenditures including a discussion, if relevant, of financing alternatives; and (iii) a description of any proposed debt financings. Under the Charter, the Department is obligated to submit a debt accountability and major capital improvement plan to the Mayor, the City Council and the City Controller every two years in conjunction with submittal of its annual budget. The Department submitted its last debt accountability and major capital improvement plan to the City Council in 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 Funding¹
(in millions of dollars)

Fiscal Year Ending June 30	Total Capital Improvement Plan Expenditures²	Source of Funding		
		Port Cash	Government Grants³	Debt⁴
2020	\$144.4	\$144.4	\$ –	\$ –
2021	243.3	243.3	–	–
2022	102.4	102.4	–	–
2023	56.6	56.6	–	–
2024	<u>27.0</u>	<u>27.0</u>	<u>–</u>	<u>–</u>
Total	\$573.7	\$573.7	\$ –	\$ –

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.

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 \$[___] million comprised of: Terminal Projects (a total of approximately \$[___] million), Transportation Projects (a total of approximately \$[___] million), Security Projects (a total of approximately \$[___] million), Public Access/Environmental Enhancement Projects (a total of approximately \$[___] million), and Maritime Services Projects (a total of approximately \$[___] 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	<u>156.4</u>
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 put on hold 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.

AltaSea at the Port of Los Angeles. In December 2013, the City Council approved a 50-year lease to AltaSea at the Port (“AltaSea”), a California public benefit corporation established to transform approximately 36 acres on the LA Waterfront’s City Dock No. 1 located south of 22nd Street and along

Signal Street in San Pedro. AltaSea will re-purpose the 100-year old wharves and warehouse nos. 57-60 into an urban marine research and educational center, marine-related and water-dependent business incubator/accelerator and auxiliary uses, as well as provide improvements to tie into the LA Waterfront's public promenade ("AltaSea Development"). The AltaSea Development will be funded through a private public partnership comprised of the Department, private philanthropic donations, government and corporate grants, and regional public and private universities. The overall project scope related to the AltaSea Development is presently being reevaluated. Currently, the Department's funding commitment pursuant to the lease with AltaSea includes \$58 million in site-related capital investment for Phase 1 of the project.

Cruise Terminal. Since 2008, the Department has invested more than \$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 has approved an additional cruise ship terminal at Kaiser Point in the outer harbor terminal which would operate in conjunction with the existing World Cruise Center, enabling the Port to provide more berth space to simultaneously accommodate the 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 de-commissioned in 2022 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 acres 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 is 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.

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 \$[___] 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 and expects to spend a similar amount for Fiscal Year 2019. 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. In August 2018, TradeLens, a blockchain-enabled digital shipping platform, jointly developed by A.P. Moller – Maersk and IBM, launched its platform for containerized shipping, connecting the entire supply chain ecosystem. Today, its ecosystem consists of 100 organizations in the supply chain. In May of 2019, shipping lines CMA CGM and Mediterranean Shipping Co. announced that they will join TradeLens. Similarly, in November of 2018 the Global Shipping Business Network was created with participating shipping lines CMA CGM, COSCO, Evergreen Marine, OOCL and Yang Ming; terminal operators DP World, Hutchison Ports, PSA International Pte Ltd, and Shanghai International Port; and software provider CargoSmart. The digital collaboration amongst container shipping lines was further illustrated with the formation of the Digital Container Shipping Association (“DCSA”) in April of 2019

focused on standardization of data and interfaces. DCSA members are CMA CGM, Hapag Lloyd, Maersk, Mediterranean Shipping Co. and Ocean Network Express (ONE).

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 are participating in the Port Optimizer supply chain visibility tool.

FINANCIAL INFORMATION CONCERNING THE DEPARTMENT

General

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

With East Asia being the primary trade origin and destination of the ships of the terminal operators at the Port, these growing economies have historically provided the Department with a level of steady growth in its shipping revenues. Even so, the Department has included minimum guarantee provisions in all major permit agreements and seeks the extra security of letter of credit collateralization from certain occupants. Permit agreement income is derived from approximately 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	
Dockage	6,097	5,629	4,113	4,532	
Demurrage	329	216	213	219	
Pilotage	7,110	7,064	9,558	10,502	
Assignment Charges	<u>14,365</u>	<u>12,858</u>	<u>14,657</u>	<u>13,861</u>	
Total Shipping Services	\$ 364,899	\$ 368,470	\$ 398,256	\$ 405,279	
Rentals					
Land	\$ 45,255	\$ 45,763	\$ 50,554	\$ 60,746	
Other	<u>979</u>	<u>808</u>	<u>704</u>	<u>672</u>	
Total Rentals	\$ 46,233	\$ 46,571	\$ 51,258	\$ 61,419	
Royalties, Fees and Other Operating Revenues ^{1,2}	<u>35,763</u>	<u>21,085</u>	<u>25,019</u>	<u>24,062</u>	
Total Operating Revenues	\$ 446,895	\$ 436,126	\$ 474,532	\$ 490,760	
Expenses					
Operating and Administrative Expenses					
Salaries and Benefits	\$ 92,786	\$ 94,281	\$ 94,677	\$ 96,208	
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	
Outside Services	28,983	28,970	25,022	29,904	
Utilities ¹	19,373	15,060	15,573	15,642	
Materials and Supplies	6,257	6,340	5,314	6,960	
Pollution Remediation Expenses	(211)	5,194	(536)	(3,795)	
Marketing and Public Relations	2,771	2,567	2,583	2,784	
Workers' Compensation, Claims and Settlement	2,503	245	4,977	4,009	
Clean Truck Program Expenses	949	897	704	831	
Travel and Entertainment	512	611	536	749	
Other Operating Expenses	26,575	<u>14,238</u>	<u>15,367</u>	<u>15,590</u>	
Total Operating and Administrative Expenses	\$ 234,249	\$ 226,261	\$ 227,675	\$ 236,955	
Income from Operations before Depreciation	212,646	209,865	246,857	253,805	
Depreciation	<u>137,384</u>	<u>163,933</u>	<u>172,895</u>	<u>167,984</u>	
Operating Income	\$ <u>75,262</u>	\$ <u>45,932</u>	\$ <u>73,962</u>	\$ <u>85,821</u>	
Nonoperating Revenues/(Expenses)					
Income from Investments in JPAs and Other Entities	\$ 2,811	\$ 2,544	\$ 2,162	\$ 2,001	
Interest and Investment Income	5,039	9,326	1,118	618	
Interest Expense	(330)	(507)	(604)	(1,612)	
Other Income and Expenses, net	<u>(2,226)</u>	<u>(3,850)</u>	<u>(1,145)</u>	<u>1,999</u>	
Net Nonoperating Revenues/(Expenses)	<u>5,293</u>	<u>7,512</u>	<u>1,531</u>	<u>3,006</u>	
Income Before Capital Contributions	\$ 80,555	\$ 53,444	\$ 75,492	\$ 88,827	
Capital Contributions	111,852	40,489	18,801	4,524	
Special Item ²	--	5,123	9,150	--	
Changes in Net Assets	192,407	99,056	103,443	93,351	
Total Net Assets – Beginning of Year	<u>3,064,554</u>	<u>3,062,899</u>	<u>3,161,955</u>	<u>3,265,398</u>	
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	<u>(194,062)</u>	--	--	--	
Total Net Assets – End of Year	<u>\$3,062,899</u>	<u>\$3,161,955</u>	<u>\$3,265,398</u>	<u>\$3,334,871</u>	

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.
 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 [decreased/increased] by [__]% relative to Fiscal Year 2018. The Port handled approximately [___] million TEUs in Fiscal Year 2019 as compared to approximately 9.170 million TEUs in Fiscal Year 2018. Total operating revenues were approximately \$[___] million (unaudited) in Fiscal Year 2019, a [decrease/increase] of approximately \$[___] million, or [__]%, over Fiscal Year 2018. The [decrease/increase] in operating revenues was due to [_____]. Total operating and administrative expenses for Fiscal Year 2019 were approximately \$[___] million (unaudited), a [decrease/increase] of approximately [__]% over the same period in Fiscal Year 2018 due to [_____]. Overall, operating income, before depreciation, for Fiscal Year 2019 [declined/increased] to approximately \$[___] million (unaudited), a [decrease/increase] of approximately [__]% from Fiscal Year 2018.

Tariffs. Shipping revenues are comprised of wharfage, dockage, demurrage, cranes, pilotage, assignment charges, and storage, which the Department sets through tariff charges. The Department’s tariffs are competitive with those charged by other West Coast ports. The following Table 10 provides a history of the Department’s general cargo tariffs and basic dockage charges for Fiscal Years 2009 through 2019.

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

Fiscal Year Ended June 30	General Cargo Tariff¹	Basic Dockage Charge²
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 as a result of [_____]. 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 [__]% [increase/decrease] in container volume as compared to Fiscal Year 2018 as a result of [_____]. 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 2018), 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 \$[2.0] 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 \$199,247 and \$[735,497], 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 \$[3.349] million in total environmental incentives. For Fiscal Year 2020, the Department has budgeted \$8.2 million in total customer incentives, and has budgeted approximately \$3.150 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 Revenues¹	Operating Expenses²	Available Revenues	Debt Service³	Debt Service Coverage⁴
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	[_____]	[_____]	[_____]	[_____]	[_____]

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 and June 30, 2018. [Add explanation for 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, 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 Obligations¹**

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 Obligations²	Total Debt Service Requirements
2020											
2021											
2022											
2023											
2024											
2025											
2026											
2027											
2028											
2029											
2030											
2031											
2032											
2033											
2034											
2035											
2036											
2037											
2038											
2039											
2040											
2041											
2042											
2043											
2044											
2045											
Total											

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 \$[___] million. For Fiscal Year 2020, the Department has budgeted approximately \$[___] 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 make payments to or require Shortfall Advances (as defined herein) from the San Pedro Bay Ports; any such payments or Shortfall Advances will be shared equally. As of 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, as amended (the “Corridor Agreement”). The Corridor Agreement governs the administration, operation and maintenance of the Alameda Corridor and the collection and application of use fees, container charges, maintenance and operation charges and Shortfall Advances. The ACTA Obligations are payable from the use fees and container charges, payable by the Railroads, and from Shortfall Advances.

The Corridor Agreement requires the San Pedro Bay Ports, severally and not jointly, to make payments (the “Shortfall Advances”) in the event the amount of use fees and container charges collected from the Railroads are not sufficient to make the debt service payments on the ACTA Obligations. Pursuant to the Corridor Agreement, the San Pedro Bay Ports are each obligated to make up one-half of any deficiency in the payment of debt service on the ACTA Obligations. However, the San Pedro Bay Ports are liable only for a maximum of 40% (20% each) of the total amount of debt service due in each year on the ACTA Obligations. Additionally, each of San Pedro Bay Ports is not required to make Shortfall Advances that should have been paid by the other party. Based upon the 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)

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

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
Total	\$	<u>100.00%</u>

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 [__] days.

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

Audits. The Department will cause its books and accounts to be audited annually by an independent firm of certified public accountants and will make available for inspection by the Owners

and the Trustee, at the office of the Department, a copy thereof, or a summary financial statement, upon request, to any Bond Owner. See “APPENDIX A—AUDITED FINANCIAL STATEMENTS OF THE HARBOR DEPARTMENT FOR THE FISCAL YEARS ENDED JUNE 30, 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 22 different bargaining units, which are represented by 11 different unions. The City is in negotiations with 20 bargaining units, which are represented by nine different unions. The following is a list of all agreements with collective bargaining units and their expiration dates as of the date of this Official Statement. [Table will be updated]

Union	Bargaining Units	Agreement Period*
American Federation of State, County and Municipal Employees, AFL-CIO (“AFSCME”)	Clerical and Support Employees	July 1, 2015 to June 30, 2018**
AFSCME	Executive Administrative Assistants	July 1, 2015 to June 30, 2018**
Engineers and Architects Association	Administrative; Supervisory Administrative; Technical; Supervisory Technical	July 2, 2013 to June 22, 2019
International Union of Operating Engineers, Local 501	Plant Equipment Operation and Repair	July 1, 2015 to June 30, 2018**
Los Angeles City Supervisors and Superintendents Association/Laborer’s International Union of North America, Local 777	Supervisory Blue Collar	July 1, 2015 to June 30, 2018**
Los Angeles County Building and Construction Trades Council, AFL-CIO	Building Trades; Supervisory Building Trades	July 1, 2015 to June 30, 2018**
Los Angeles Port Pilots Association ILWU, Local 68	Port Pilots	June 25, 2017 to July 3, 2021
Los Angeles Port Police Association	Harbor Peace Officers	July 1, 2014 to June 23, 2018
Los Angeles Port Police Command Officers Association	Port of Los Angeles Command Officers	July 1, 2014 to June 23, 2018
Los Angeles Professional Managers Association (“LAPMA”)	Managers	July 1, 2015 to June 30, 2018**
LAPMA	Personnel Directors	November 13, 2016 to June 23, 2018
Municipal Construction Inspectors Association, Inc.	Inspectors	July 1, 2014 to June 22, 2019
Service Employees International Union (“SEIU”) AFL-CIO, Local 721	Equipment, Operation and Labor; Safety and Security; Service Employees; Service and Crafts	July 1, 2015 to June 30, 2018**
SEIU	Professional Engineering and Scientific; Supervisory Professional Engineering and Scientific	July 1, 2015 to June 30, 2018**

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

** 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 described below were most recently updated in October 2014 and approved by the Board in January 2015. The full Financial Policies are posted on the Port’s website: <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 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 18,000 TEU-capacity *Benjamin Franklin*, the largest container vessel to call North America. More of these vessels are expected to arrive in the coming years.

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

Port Competition

There is significant competition for container traffic among North American ports. Success depends largely on the size of the local market and the efficiency of the port and inland transportation systems for non-local destinations. The utilization of the Department’s facilities, and therefore the revenues of the Department, is impacted by the availability of alternate port facilities at competitive prices. The revenues of the Department may be adversely impacted by increasing competition from other port facilities; however, the Department cannot predict the scope of any such impact at this time.

Primary competition for the Port comes from the Port of Long Beach (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 50% of cargo arriving at the Port. Currently, this discretionary cargo moves eastward primarily by rail, after being off loaded at West Coast ports in the United States and Canada. 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 (Fenix Marine Services 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 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, to a much lesser extent, through the Suez Canal, also compete for the same cargos. Demand for these all-water services increased following the 2002, 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, which was completed and opened to commercial traffic in June 2016. 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). Furthermore, in 2017, Hyundai Merchant Marine Shipping 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. Also, THE Alliance, which was established in 2017, consists of NYK Line, MOL, “K” Line, Yang Ming, and Hapag-Lloyd. In April 2018, NYK Line, MOL and “K” Line became one company, the Ocean Network Express (ONE). According to THE Alliance, the pact is for five years and will include Asia-Europe, Asia-Mediterranean, trans-Pacific to United States West Coast and East Coast ports, trans-Atlantic and Asia-Middle East routes. 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.

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

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 \$[] million, to cover, among other things, uninsured losses, including damages from earthquake. Other than the Department’s self-funded reserve, the Department does not maintain insurance coverage against earthquake damage because of the high costs in proportion to the relatively low levels of coverage currently available. To date, no earthquakes have caused structural damage to Department facilities. See “FINANCIAL INFORMATION CONCERNING THE DEPARTMENT—Other Financial Matters—Insurance.”

Pension Liability

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

Environmental Compliance and Impact; Air Emissions

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

In addition to the changing legal and regulatory guidelines for air emissions, the standards for required environmental impact review of Department development proposals under the CEQA and similar federal laws are becoming more rigorous and complex. Such modifications to the review process may significantly delay or curtail the Department’s efforts to maintain and repair existing infrastructure or to add revenue-generating infrastructure. Additionally, the costs of such projects may be significantly increased to pay for environmental or air quality mitigations necessary to obtain regulatory approvals or

survive potential challenges to the Department’s environmental impact analysis and mitigation. See “THE PORT AND THE DEPARTMENT—Environmental and Regulatory Matters.”

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

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 approved the “Port of Los Angeles Sea Level Rise Adaptation Plan” (the “SLR Plan”) which was prepared by the Department 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 City after the commencement of the bankruptcy case unless the bankruptcy court determines that Revenues constitute "special revenues" within the meaning of the United States Bankruptcy Code. "Special revenues" are defined to include receipts from the ownership,

operation, or disposition of projects or systems that are primarily used or intended to be used primarily to provide transportation, utility or other services, as well as other revenues or receipts derived from particular functions of the debtor. While the 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 previous contract between the PMA and 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 May 2015. The protracted negotiations contributed to an extended slowdown of container cargo movements through the Port and the Port of Long Beach. The Department’s revenues and container volumes at the Port were temporarily impacted during Fiscal Year 2015 as a result of the slowdown and other congestion factors, but full-Fiscal Year revenues were not materially affected and container volumes increased slightly by 0.23%.

The Board recently voted to approve a permit for APM Terminals’ plan to introduce automation at a portion of the Pier 400 terminal at the Port. Such plan for automation has resulted in uproar from the ILWU officers and local union members who allege that the use of autonomous yard tractors and other cargo-handling equipment can reduce dockworker jobs. The Los Angeles City Council was recently presented with a motion to veto the Board’s decision. [Result?] Such laborer unrest can lead to an interruption of the normal course of business at the Port. Prolonged work slowdowns or stoppages, if they occur, could materially adversely affect Department revenues.

Enforceability of Remedies

The remedies available to the Owners of the Series 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.

During the past five calendar years the Department was in compliance with its continuing disclosure undertakings except [its Fiscal Year 2013 audited financial statements were filed on December 16, 2013, and only as it pertains to its Refunding Revenue Bonds 2011 Series A and 2011 Series B (the “2011 Bonds”), were inadvertently filed later than 181 days after the end of Fiscal Year 2013 due to missing 2011 Bonds CUSIP numbers in EMMA’s database that resulted in such filings not being properly linked to the 2011 Bonds – **should this be deleted given outside of 5 year lookback? Discuss Jefferies’ review when available**].

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 Bond for any period during which the 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 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 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.

Original Issue Discount

“Original issue discount” (“OID”) is the excess of the sum of all amounts payable at the stated maturity of a Series 2019 Bond (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates) over the issue price of that maturity. In general, the “issue price” of a maturity (a bond with the same maturity date, interest rate, and credit terms) means the first price at which at least 10 percent of such maturity was sold to the public, i.e., a purchaser who is not, directly or indirectly, a signatory to a written contract to participate in the initial sale of the Series 2019 Bonds. In general, the issue price for each maturity of Series 2019 Bonds is expected to be the initial public offering price set forth on the cover page of the Official Statement. Bond Counsel further is of the opinion that, for any Series 2019 Bonds having OID (a “Discount Series 2019 Bond”), OID that has accrued and is properly allocable to the owners of the Discount Series 2019 Bonds under Section 1288 of the Code is excludable from gross income for federal income tax purposes to the same extent as other interest on the Series 2019 Bonds.

In general, under Section 1288 of the Code, OID on a Discount Series 2019 Bond accrues under a constant yield method, based on periodic compounding of interest over prescribed accrual periods using a compounding rate determined by reference to the yield on that Discount Series 2019 Bond. An owner’s adjusted basis in a Discount Series 2019 Bond is increased by accrued OID for purposes of determining gain or loss on sale, exchange, or other disposition of such Series 2019 Bond. Accrued OID may be taken into account as an increase in the amount of tax-exempt income received or deemed to have been received for purposes of determining various other tax consequences of owning a Discount Series 2019 Bond even though there will not be a corresponding cash payment.

Owners of Discount Series 2019 Bonds should consult their own tax advisors with respect to the treatment of original issue discount for federal income tax purposes, including various special rules relating thereto, and the state and local tax consequences of acquiring, holding, and disposing of Discount Series 2019 Bonds.

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 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 “[]” (____ outlook), “[]” (____ outlook) and “[]” (____ 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 \$_____ (which consists of the principal amount of the Series 2019 Bonds, plus/less a net original issue premium/discount of \$_____ and less an underwriters' discount of \$_____), subject to the terms of a bond purchase agreement, dated _____, 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.

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.

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 _____
Executive Director, Harbor Department of the
City of Los Angeles

APPENDIX A

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

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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. Table numbers in this Appendix B are presented as provided in the information provided by the City of Los Angeles and therefore may not be consecutive. Capitalized terms not defined in this Appendix will have the meanings given to them in the Official Statement.

[TO BE PROVIDED]

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.

[TO BE PROVIDED BY BOND COUNSEL]

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 \$_____ (the “Series 2019A Bonds”), its Refunding Revenue Bonds, 2019 Series B, in the aggregate principal amount of \$_____ (the “Series 2019B Bonds”), its Refunding Revenue Bonds, 2019 Series C-1 (Green Bonds) in the aggregate principal amount of \$_____ (the “Series 2019C-1 Bonds”) and its Refunding Revenue Bonds, 2019 Series C-2 (Green Bonds) in the aggregate principal amount of \$_____ (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;
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 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 ____ day
of _____, 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: _____, 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 _____, 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

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APPENDIX E

FORM OF OPINION OF BOND COUNSEL

[TO BE PROVIDED BY BOND COUNSEL]

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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 SELECTION BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE SERIES 2019 BONDS; (D) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OR INTEREST DUE TO THE OWNERS OF THE SERIES 2019 BONDS; (E) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNERS OF SERIES 2019 BONDS; OR (F) 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 Direct Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org. The Department has not undertaken any responsibility for and makes no representations as to the accuracy or the completeness of the content of such material contained on the websites described in the preceding sentence including, but not limited to, updates of such information or links to other Internet sites accessed through the aforementioned websites.

Purchases of the Series 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 affect 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.

While the Series 2019 Bonds are in the book-entry-only system, redemption notices will be sent to DTC. If less than all of the Series 2019 Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be prepaid.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 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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