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 2024 Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), except that no opinion is expressed as to such exclusion of interest on any Series 2024A Bond or Series 2024B Bond for any period during which the Series 2024A Bond or the 2024B Bond, as applicable, is held by a person who, within the meaning of Section 147(a) of the Code, is a "substantial user" of the facilities refinanced with the proceeds of the Series 2024A Bonds and the Series 2024B Bonds or a "related person," (ii) interest on the Series 2024B Bonds and the Series 2024C Bonds is not treated as a preference item in calculating the alternative minimum tax under the Code, however, interest on the Series 2024B Bonds and Series 2024C Bonds is included in the "adjusted financial statement income" of certain corporations that are subject to the alternative minimum tax under Section 55 of the Code, and (iii) interest on the Series 2024A Bonds is treated as a preference item in calculating the alternative minimum tax under the Code and is included in the "adjusted financial statement income" of certain corporations that are subject to the alternative minimum tax under Section 55 of the Code. In addition, in the opinion of Bond Counsel to the Department, under existing statutes, interest on the Series 2024 Bonds is exempt from personal income taxes imposed by the State of California. See "TAX MATTERS" herein.

$215,265,000
HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES
Refunding Revenue Bonds

$102,955,000	$26,725,000	$34,400,000	$22,880,000	$28,305,000
2024 Series A-1 (AMT)	**2024 Series A-2 (AMT) (Green Bonds)**	**2024 Series B-1 (Exempt Facility Non-AMT)**	**2024 Series B-2 (Exempt Facility Non-AMT) (Green Bonds)**	**2024 Series C (Governmental Non-AMT)**

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, 2024 Series A-1 (AMT) and 2024 Series A-2 (AMT) (Green Bonds) (collectively, the "Series 2024A Bonds"), the Harbor Department of the City of Los Angeles Refunding Revenue Bonds, 2024 Series B-1 (Exempt Facility Non-AMT) and 2024 Series B-2 (Exempt Facility Non-AMT) (Green Bonds) (collectively, the "Series 2024B Bonds"), and the Harbor Department of the City of Los Angeles Refunding Revenue Bonds, 2024 Series C (Governmental Non-AMT) (the "Series 2024C Bonds," and collectively with the Series 2024A Bonds and the Series 2024B Bonds, the "Series 2024 Bonds") are being issued to (a) refund and defease the Refunded Series 2014 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 2024 Bonds. The Series 2024 Bonds are being issued under and pursuant to Section 609 of the Charter of the City of Los Angeles and Section 11.28.1 et seq. of the Los Angeles Administrative Code; Resolution Nos. 24-10395 and 24-10396 adopted by the Board of Harbor Commissioners of the City of Los Angeles (the "Board") on July 25, 2024, and approved by the City Council of the City of Los Angeles on August 27, 2024 and by the Mayor of the City of Los Angeles on August 30, 2024; Resolution Nos. 24-10406 and 24-10407, adopted by the Board on August 8, 2024; and an Indenture of Trust, to be dated as of September 1, 2024 (the "Indenture"), by and between the Department and U.S. Bank Trust Company, National Association, as trustee (the "Trustee").

The Series 2024 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 2024 Bonds may be made in book-entry form only in denominations of $5,000 and integral multiples thereof. Interest on the Series 2024 Bonds will be payable on February 1 and August 1, commencing on February 1, 2025. So long as the Series 2024 Bonds are held by DTC, the principal of and interest on the Series 2024 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 2024 Bonds, as more fully described herein. See "APPENDIX F—BOOK-ENTRY-ONLY SYSTEM."

The Series 2024 Bonds are subject to optional redemption prior to maturity, as more fully described herein. See "DESCRIPTION OF THE SERIES 2024 BONDS—Redemption Provisions."

Maturity Schedule on Inside Front Cover

Principal of and interest on the Series 2024 Bonds are payable solely from the Revenues and other amounts pledged under the Indenture. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2024 BONDS—Source of Payment" and "—Harbor Revenue Fund." The Series 2024 Bonds will be issued on a parity with the Department's outstanding Parity Obligations. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2024 BONDS—Outstanding Parity Obligations" herein.

THE SERIES 2024 BONDS DO NOT CONSTITUTE OR EVIDENCE AN INDEBTEDNESS OF THE CITY OF LOS ANGELES (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 2024 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 2024 BONDS DO NOT CONSTITUTE AN INDEBTEDNESS OF THE DEPARTMENT IN CONTRAVENTION OF ANY CHARTER, STATUTORY OR CONSTITUTIONAL DEBT OR OTHER LIMITATION OR RESTRICTION AND DO NOT CONSTITUTE AN OBLIGATION FOR WHICH THE DEPARTMENT OR THE CITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE DEPARTMENT OR THE CITY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION.

The purchase and ownership of Series 2024 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 2024 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 2024 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, Katten Muchin Rosenman LLP. KNN Public Finance, LLC has served as Municipal Advisor to the Department. It is expected that the delivery of the Series 2024 Bonds will be made through the facilities of DTC on or about September 25, 2024.

Jefferies

Loop Capital Markets **Ramirez & Co., Inc.**

Date of Official Statement: September 11, 2024.

MATURITY SCHEDULE

$102,955,000
Harbor Department of the City of Los Angeles
Refunding Revenue Bonds
2024 Series A-1
(AMT)

Maturity Date (August 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP Number[†]
2027	$ 9,105,000	5.000%	3.010%	105.392	544552B68
2028	10,055,000	5.000	3.030	107.104	544552B76
2029	7,475,000	5.000	3.040	108.772	544552B84
2030	10,075,000	5.000	3.120	109.977	544552B92
2031	10,175,000	5.000	3.180	111.119	544552C26
2032	12,135,000	5.000	3.290	111.741	544552C34
2033	12,695,000	5.000	3.370	112.379	544552C42
2034	13,260,000	5.000	3.410	113.203	544552C59
2035	13,830,000	5.000	3.470	112.668[C]	544552C67
2036	4,150,000	5.000	3.500	112.402[C]	544552C75

$26,725,000
Harbor Department of the City of Los Angeles
Refunding Revenue Bonds
2024 Series A-2
(AMT) (Green Bonds)

Maturity Date (August 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP Number[†]
2036	$9,060,000	5.000%	3.500%	112.402[C]	544552C83
2037	9,335,000	5.000	3.540	112.047[C]	544552C91
2038	8,330,000	5.000	3.580	111.695[C]	544552D25

[†] CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. None of the Department, the Underwriters or their agents or counsel assume responsibility for the selection, accuracy or uses of such numbers, and no representation is made as to their correctness on the applicable Series 2024 Bonds or as included herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2024 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Series 2024 Bonds.

[C] Priced to the optional redemption date of August 1, 2034 at par.

$34,400,000
Harbor Department of the City of Los Angeles
Refunding Revenue Bonds
2024 Series B-1
(Exempt Facility Non-AMT)

Maturity Date (August 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP Number[†]
2038	$ 1,485,000	5.000%	2.800%	118.820[C]	544552D33
2039	10,320,000	5.000	2.900	117.877[C]	544552D41
2040	10,845,000	5.000	3.000	116.943[C]	544552D58
2041	10,810,000	5.000	3.120	115.833[C]	544552D66
2042	940,000	5.000	3.180	115.283[C]	544552D74

$22,880,000
Harbor Department of the City of Los Angeles
Refunding Revenue Bonds
2024 Series B-2
(Exempt Facility Non-AMT) (Green Bonds)

Maturity Date (August 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP Number[†]
2042	$9,505,000	5.000%	3.180%	115.283[C]	544552D82
2043	9,485,000	5.000	3.250	114.645[C]	544552D90
2044	3,890,000	5.000	3.300	114.192[C]	544552E24

[†] CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. Copyright© 2024 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. None of the Department, the Underwriters or their agents or counsel assume responsibility for the selection, accuracy or uses of such numbers, and no representation is made as to their correctness on the applicable Series 2024 Bonds or as included herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2024 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Series 2024 Bonds.
[C] Priced to the optional redemption date of August 1, 2034 at par.

$28,305,000
Harbor Department of the City of Los Angeles
Refunding Revenue Bonds
2024 Series C
(Governmental Non-AMT)

Maturity Date (August 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP Number†
2027	$1,095,000	5.000%	2.060%	108.094	544552E32
2028	1,150,000	5.000	2.060	110.825	544552E40
2029	1,210,000	5.000	2.070	113.451	544552E57
2030	1,270,000	5.000	2.100	115.883	544552E65
2031	1,335,000	5.000	2.190	117.781	544552E73
2032	1,405,000	5.000	2.310	119.208	544552E81
2033	1,480,000	5.000	2.410	120.528	544552E99
2034	1,555,000	5.000	2.440	122.291	544552F23
2035	1,635,000	5.000	2.580	120.927[C]	544552F31
2036	1,720,000	5.000	2.660	120.156[C]	544552F49
2037	1,805,000	5.000	2.730	119.486[C]	544552F56
2038	1,900,000	5.000	2.800	118.820[C]	544552F64
2039	1,995,000	5.000	2.900	117.877[C]	544552F72
2040	2,100,000	5.000	3.000	116.943[C]	544552F80
2041	2,090,000	5.000	3.120	115.833[C]	544552F98
2042	2,015,000	5.000	3.180	115.283[C]	544552G22
2043	1,825,000	5.000	3.250	114.645[C]	544552G30
2044	720,000	5.000	3.300	114.192[C]	544552G48

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[C] Priced to the optional redemption date of August 1, 2034 at par.

HARBOR DEPARTMENT
OF THE CITY OF LOS ANGELES

425 South Palos Verdes Street
San Pedro, CA 90731

BOARD OF HARBOR COMMISSIONERS

Lucille Roybal-Allard, President
Michael Muñoz
John A. Peréz[1]
Edward Renwick
I. Lee Williams

OFFICERS AND EXECUTIVES

Eugene D. Seroka, Executive Director
Erica M. Calhoun, Deputy Executive Director, Harbor Administration
Thomas Gazsi, Deputy Executive Director, Public Safety
Michael DiBernardo, Deputy Executive Director, Marketing and Customer Relations
Dina Aryan-Zahlan, Deputy Executive Director, Development
David Libatique, Deputy Executive Director, Stakeholder Engagement
Jeff Strafford, Director of Financial Planning and Analysis; Interim Chief Financial Officer

SPECIAL SERVICES

City Attorney

Office of the City Attorney of the City of Los Angeles
Hydee Feldstein Soto, *City Attorney*
Steven Y. Otera, *General Counsel*

Trustee

U.S. Bank Trust Company, National Association

Bond Counsel

Hawkins Delafield & Wood LLP

Disclosure Counsel

Kutak Rock LLP

Municipal Advisor

KNN Public Finance, LLC

Verification Agent

Causey Demgen & Moore P.C.

Second Party Opinion Provider (Green Bonds)

Sustainalytics

[1] On August 14, 2024, Mayor Karen Bass appointed John A. Peréz to the Board. Mr. Peréz's appointment is subject to confirmation by the City Council of the City of Los Angeles.

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 2024 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 2024 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 website 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 websites 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 2024 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 2024 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 2024 BONDS HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY COMMISSION. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS OFFICIAL STATEMENT.

THE UNDERWRITERS MAY OFFER AND SELL THE SERIES 2024 BONDS TO CERTAIN DEALERS AND OTHERS AT PRICES LOWER OR YIELDS HIGHER THAN THE PUBLIC OFFERING PRICES OR YIELDS STATED ON THE INSIDE COVER PAGES 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

$215,265,000
HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES
Refunding Revenue Bonds

$102,955,000 2024 Series A-1 (AMT)	**$26,725,000 2024 Series A-2 (AMT) (Green Bonds)**	**$34,400,000 2024 Series B-1 (Exempt Facility Non-AMT**	**$22,880,000 2024 Series B-2 (Exempt Facility Non-AMT) (Green Bonds)**	**$28,305,000 2024 Series C (Governmental Non-AMT)**

INTRODUCTION

General

The purpose of this Official Statement, which includes the cover page, inside cover pages, 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 (a) $102,955,000 Refunding Revenue Bonds, 2024 Series A-1 (AMT) (the "Series 2024A-1 Bonds"), (b) $26,725,000 Refunding Revenue Bonds, 2024 Series A-2 (AMT) (Green Bonds) (the "Series 2024A-2 Bonds," and together with the Series 2024A-1 Bonds, the "Series 2024 Bonds"), (c) $34,400,000 Refunding Revenue Bonds, 2024 Series B-1 (Exempt Facility Non-AMT) (the "Series 2024B-1 Bonds"), (d) $22,880,000 Refunding Revenue Bonds, 2024 Series B-2 (Exempt Facility Non-AMT) (Green Bonds) (the "Series 2024B-2 Bonds," and together with the Series 2024B-1 Bonds, the "Series 2024B Bonds"), and (e) $28,305,000 Refunding Revenue Bonds, 2024 Series C (Governmental Non-AMT) (the "Series 2024C Bonds," and collectively with the Series 2024A Bonds and the Series 2024B Bonds, the "Series 2024 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 2024 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 (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, which is not generally a function of cargo throughput); and (c) fees and royalty revenue, which is the smallest source of revenue. During the fiscal year ended June 30, 2024, the Port handled 9,223,793 TEUs, as compared to 8,634,636 TEUs in the fiscal year ended June 30, 2023. A "TEU" is a unit of measurement often used to describe the length of a cargo container, the capacity of container ships and container terminals and is derived by converting the actual length of a cargo container into 20-foot equivalent units. A standard-sized cargo container comes in two lengths (a 20-foot metal box or a 40-foot metal box), which can be easily transferred between different modes of transportation, such as ships, trains and trucks. A 40-foot container equals two TEUs. According to the Pacific Merchant Shipping Association ("PMSA"), during calendar year 2023, the Port was the busiest container port in North America in terms of container volume, handling approximately 8.6 million TEUs. In terms of physical size, the Port covers approximately 7,500 acres (4,300 acres of land and 3,200 acres of water). The Port generally encompasses approximately 43 miles of waterfront berthing and 25 terminals, including seven major container cargo terminals, four break-bulk facilities, three dry bulk facilities, seven liquid bulk cargo terminals, two passenger cruise terminals, one vehicle handling facility and one multi-use facility. The Department's fiscal year ("Fiscal Year") currently begins on July 1 and ends on June 30 of the immediately succeeding year. 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 2024 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. 24-10395 and 24-10396 (collectively, the "Authorizing Resolutions") adopted by the Board of Harbor Commissioners of the City of Los Angeles (the "Board") on July 25, 2024 and approved by the City Council of the City (the "City Council") on August 27, 2024 and the Mayor of the City on August 30, 2024; Resolution Nos. 24-10406 and 24-10407 (collectively, the "Document Resolutions," and together with Authorizing Resolutions, the "Resolutions") adopted by the Board on August 8, 2024; and an Indenture of Trust, to be dated as of September 1, 2024 (the "Indenture"), by and between the Department and U.S. Bank Trust Company, National Association, as trustee (the "Trustee").

Purpose of the Series 2024 Bonds

Proceeds from the sale of the Series 2024 Bonds, together with certain other available moneys, will be used to refund and defease the Refunded Series 2014 Bonds (as defined herein) to generate debt service savings for the Department and pay costs of issuance of the Series 2024 Bonds, all as further described herein. See "PLAN OF REFUNDING."

Security for the Series 2024 Bonds

The principal of and interest on the Series 2024 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 2024 BONDS—Source of Payment" and "—Harbor Revenue Fund."

THE SERIES 2024 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 2024 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 2024 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 August 30, 2024, the Department had $347,005,000 aggregate principal amount of Parity Obligations outstanding, which consisted of the Department's: (a) Revenue Bonds and Refunding Revenue Bonds, 2014 Series A (AMT) (the "Series 2014A Bonds"); (b) Refunding Revenue Bonds, 2014 Series B (Exempt Facility Non-AMT) (the "Series 2014B Bonds"); (c) Revenue Bonds, 2014 Series C (Governmental Non-AMT) (the "Series 2014C Bonds," and collectively with the Series 2014A Bonds and the Series 2014B Bonds, the "Series 2014 Bonds"); (d) Refunding Revenue Bonds, 2019 Series A (AMT) (the "Series 2019A Bonds"); (e) Refunding Revenue Bonds, 2019 Series B (Non-AMT) (the "Series 2019B Bonds"); (f) Refunding Revenue Bonds, 2019 Series C-1 (AMT) (Green Bonds) (the "Series 2019C-1 Bonds"); and (g) Refunding Revenue Bonds, 2019 Series C-2 (Non-AMT) (Green Bonds) (the "Series 2019C-2 Bonds," and collectively with the Series 2019A Bonds, the Series 2019B Bonds and the Series 2019C-1 Bonds, the "Series 2019 Bonds"). See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2024 BONDS—Outstanding Parity Obligations." Also see "PLAN OF REFUNDING" for a discussion of the Department's plans to use a portion of the proceeds of the Series 2024 Bonds and certain other available moneys to refund and defease all of the Series 2014 Bonds.

The principal of and interest on the Parity Obligations are secured by a pledge of and lien on Revenues on parity with the Series 2024 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 2024 Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2024 BONDS—Outstanding Parity 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 2024 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 and the Series 2019 Indenture (as defined herein), subject to the provisions set forth in the Indenture and the Series 2019 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 2024 Bonds, 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 2024 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 2024 BONDS—Rate Covenant"

Continuing Disclosure

In connection with the issuance of the Series 2024 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 2024 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 2024 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 2024 Bonds.

PLAN OF REFUNDING

Plan of Refunding of Series 2014 Bonds

The Series 2024 Bonds are being issued to (a) current refund and defease all of (i) the Series 2014A Bonds (the "Refunded Series 2014A Bonds"), which are currently outstanding in the aggregate principal amount of $156,375,000, (ii) the Series 2014B Bonds (the "Refunded Series 2014B Bonds"), which are currently outstanding in the aggregate principal amount of $72,280,000, and (iii) the Series 2014C Bonds (the "Refunded Series 2014C Bonds"), which are currently outstanding in the aggregate principal amount of $36,040,000, and (b) pay the costs of issuance of the Series 2024 Bonds.

The following tables detail the Refunded Series 2014A Bonds, the Refunded Series 2014B Bonds and the Refunded Series 2014C Bonds (collectively, the "Refunded Series 2014 Bonds") that will be refunded.

Refunded Series 2014A Bonds

Maturity Date (August 1)	Principal Amount	Interest Rate	CUSIP Number[1]	Redemption Date[2]
2025	$ 3,310,000	5.000%	544552VW9	December 24, 2024
2026	3,480,000	5.000	544552VX7	December 24, 2024
2027	7,245,000	5.000	544552VY5	December 24, 2024
2028	8,160,000	5.000	544552VZ2	December 24, 2024
2029	5,255,000	5.000	544552WA6	December 24, 2024
2030	7,945,000	5.000	544552WB4	December 24, 2024
2031	7,930,000	5.000	544552WC2	December 24, 2024
2032	9,965,000	5.000	544552WD0	December 24, 2024
2033	10,475,000	5.000	544552WE8	December 24, 2024
2034	11,015,000	5.000	544552WF5	December 24, 2024
2035	11,575,000	5.000	544552WG3	December 24, 2024
2036	12,175,000	5.000	544552WH1	December 24, 2024
2044	57,845,000	5.000	544552WJ7	December 24, 2024
Total	$156,375,000			

[1] 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.

[2] The Refunded Series 2014A Bonds will be redeemed on December 24, 2024 at a redemption price of 100% of the principal thereof, plus accrued interest.

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Refunded Series 2014B Bonds

Maturity Date (August 1)	Principal Amount	Interest Rate	CUSIP Number[1]	Redemption Date[2]
2025	$ 2,180,000	5.000%	544552WV0	December 24, 2024
2026	2,290,000	5.000	544552WW8	December 24, 2024
2027	2,410,000	5.000	544552WX6	December 24, 2024
2028	2,530,000	5.000	544552WY4	December 24, 2024
2029	640,000	3.000	544552WZ1	December 24, 2024
2029	2,015,000	5.000	544552XK3	December 24, 2024
2030	2,785,000	5.000	544552XA5	December 24, 2024
2031	540,000	3.250	544552XB3	December 24, 2024
2031	2,385,000	5.000	544552XL1	December 24, 2024
2032	3,065,000	5.000	544552XC1	December 24, 2024
2033	3,225,000	5.000	544552XD9	December 24, 2024
2034	3,390,000	5.000	544552XE7	December 24, 2024
2035	3,565,000	5.000	544552XF4	December 24, 2024
2036	1,750,000	3.500	544552XG2	December 24, 2024
2036	1,985,000	5.000	544552XM9	December 24, 2024
2039	12,345,000	5.000	544552XJ6	December 24, 2024
2044	25,180,000	5.000	544552XH0	December 24, 2024
Total	$72,280,000			

[1] 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.

[2] The Refunded Series 2014B Bonds will be redeemed on December 24, 2024 at a redemption price of 100% of the principal thereof, plus accrued interest.

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Refunded Series 2014C Bonds

Maturity Date (August 1)	Principal Amount	Interest Rate	CUSIP Number[1]	Redemption Date[2]
2025	$ 1,075,000	5.000%	544552XY3	December 24, 2024
2026	1,130,000	5.000	544552XZ0	December 24, 2024
2027	1,190,000	5.000	544552YA4	December 24, 2024
2028	1,250,000	5.000	544552YB2	December 24, 2024
2029	1,315,000	5.000	544552YC0	December 24, 2024
2030	1,380,000	5.000	544552YD8	December 24, 2024
2031	1,450,000	5.000	544552YE6	December 24, 2024
2032	1,525,000	5.000	544552YF3	December 24, 2024
2033	1,605,000	5.000	544552YG1	December 24, 2024
2034	1,685,000	5.000	544552YH9	December 24, 2024
2035	1,775,000	5.000	544552YJ5	December 24, 2024
2036	1,865,000	5.000	544552YK2	December 24, 2024
2039	6,185,000	5.000	544552YM8	December 24, 2024
2044	12,610,000	5.000	544552YL0	December 24, 2024
Total	$36,040,000			

[1] 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.

[2] The Refunded Series 2014C Bonds will be redeemed on December 24, 2024 at a redemption price of 100% of the principal thereof, plus accrued interest.

A portion of the proceeds of the Series 2024A Bonds, together with certain moneys to be contributed by the Department, will be deposited with U.S. Bank Trust Company, National Association, as trustee and escrow agent, and will be held in an escrow fund (the "Series 2014A Escrow Fund"), to be created under the terms of an escrow agreement between the Department and U.S. Bank Trust Company, National Association, as trustee and escrow agent. Amounts deposited into the Series 2014A Escrow Fund will be invested in direct, noncallable obligations of the United States Treasury, and such amounts, together with the earnings thereon, will be used on December 24, 2024 to redeem the Refunded Series 2014A Bonds at a redemption price of 100% of the principal amount thereof, plus accrued interest thereon. Upon delivery of the Series 2024 Bonds, Causey Demgen & Moore P.C. (the "Verification Agent") will deliver a report stating that the firm has verified the mathematical accuracy of certain computations relating to the adequacy of the amounts to be deposited to the Series 2014A Escrow Fund, together with interest earnings thereon, to pay on December 24, 2024 the redemption price of the Refunded Series 2014A Bonds (at a redemption price of 100% of the principal amount thereof), plus accrued interest thereon. See "VERIFICATION OF MATHEMATICAL COMPUTATIONS."

A portion of the proceeds of the Series 2024B Bonds, together with certain moneys to be contributed by the Department, will be deposited with U.S. Bank Trust Company, National Association, as trustee and escrow agent, and will be held in an escrow fund (the "Series 2014B Escrow Fund"), to be created under the terms of an escrow agreement between the Department and U.S. Bank Trust Company, National Association, as trustee and escrow agent. Amounts deposited into the Series 2014B Escrow Fund will be invested in direct, noncallable obligations of the United States Treasury, and such amounts, together with the earnings thereon, will be used on December 24, 2024 to redeem the Refunded Series 2014B Bonds at a redemption price of 100% of the principal amount thereof, plus accrued interest thereon. Upon delivery of the Series 2024 Bonds, the Verification Agent will deliver a report stating that the firm has verified the mathematical accuracy of certain computations relating to the adequacy of the amounts to be deposited to the Series 2014B Escrow Fund, together with interest earnings thereon, to pay on December 24, 2024 the redemption price of the Refunded Series 2014B Bonds (at a redemption price of 100% of the principal amount thereof), plus accrued interest thereon. See "VERIFICATION OF MATHEMATICAL COMPUTATIONS."

A portion of the proceeds of the Series 2024C Bonds, together with certain moneys to be contributed by the Department, will be deposited with U.S. Bank Trust Company, National Association, as trustee and escrow agent, and will be held in an escrow fund (the "Series 2014C Escrow Fund"), to be created under the terms of an escrow agreement between the Department and U.S. Bank Trust Company, National Association, as trustee and escrow agent. Amounts deposited into the Series 2014C Escrow Fund will be invested in direct, noncallable obligations of the United States Treasury, and such amounts, together with the earnings thereon, will be used on December 24, 2024 to redeem the Refunded Series 2014C Bonds at a redemption price of 100% of the principal amount thereof, plus accrued interest thereon. Upon delivery of the Series 2024 Bonds, the Verification Agent will deliver a report stating that the firm has verified the mathematical accuracy of certain computations relating to the adequacy of the amounts to be deposited to the Series 2014C Escrow Fund, together with interest earnings thereon, to pay on December 24, 2024 the redemption price of the Refunded Series 2014C Bonds (at a redemption price of 100% of the principal amount thereof), plus accrued interest thereon. See "VERIFICATION OF MATHEMATICAL COMPUTATIONS."

Application of Series 2024 Bond Proceeds and Other Available Moneys

Proceeds from the sale of the Series 2024 Bonds, together with certain other available moneys, will be used to refund and defease the Refunded Series 2014 Bonds to generate debt service savings and pay costs of issuance of the Series 2024 Bonds. The following table sets forth the sources and uses of funds in connection with the issuance of the Series 2024 Bonds.

Sources	**Series 2024A-1 Bonds**	**Series 2024A-2 Bonds**	**Series 2024B-1 Bonds**	**Series 2024B-2 Bonds**	**Series 2024C Bonds**	**Total**
Par Amount	$102,955,000.00	$26,725,000.00	$34,400,000.00	$22,880,000.00	$28,305,000.00	$215,265,000.00
Original Issue Premium	11,011,166.40	3,222,402.15	5,817,059.25	3,393,796.20	4,854,183.10	28,298,607.10
Other Available Moneys[1]	11,264,600.09	2,958,839.20	3,977,521.42	2,597,555.72	3,278,444.54	24,076,960.97
Total Sources	$125,230,766.49	$32,906,241.35	$44,194,580.67	$28,871,351.92	$36,437,627.64	$267,640,568.07
Uses						
Deposit to Escrow Funds	$124,730,591.66	$32,762,615.75	$44,026,182.67	$28,751,656.27	$36,297,932.35	$266,568,978.70
Costs of Issuance[2]	305,184.67	82,235.03	103,246.59	67,137.51	86,087.45	643,891.25
Underwriters' Discount	194,990.16	61,390.57	65,151.41	52,558.14	53,607.84	427,698.12
Total Uses	$125,230,766.49	$32,906,241.35	$44,194,580.67	$28,871,351.92	$36,437,627.64	$267,640,568.07

[1] Includes a release of funds allocable to the Refunded Series 2014 Bonds from the Common Reserve, and a release of funds from the Interest Funds for the Refunded Series 2014 Bonds.

[2] Includes Trustee fees, Verification Agent fees, municipal advisor fees and expenses, rating agency fees, bond and disclosure counsel fees and expenses, printing costs, other costs of issuing the Series 2024 Bonds.

GREEN BONDS DESIGNATION

The Department has engaged Sustainalytics, a provider of environmental, social, and governance research and analysis, to review the Department's Green Bond Framework (the "Framework") and provide a second-party opinion that the Framework is credible and impactful and aligns with the four core components of the *Green Bond Principles 2021* (the "GBP 2021"), which are administered by the International Capital Market Association. As part of this engagement, Sustainalytics held conversations with various members of the Department's management team to understand the sustainability impact of their business processes and use of proceeds of the Series 2024A-2 Bonds and the Series 2024B-2 Bonds, as well as the management of proceeds and reporting aspects of the Framework, and reviewed relevant public documents and non-public information. Sustainalytics is of the opinion that the Framework, pursuant to which the Department has labeled the Series 2024A-2 Bonds and the Series 2024B-2 Bonds as "Green Bonds," is credible and impactful, and aligns with the four core components of the GBP 2021. Sustainalytics' conclusions were due, in part, to the use of the proceeds of the Series 2024A-2 Bonds and the Series 2024B-2 Bonds to refund the portion of the respective Refunded Series 2014A Bonds and the Refunded Series 2014B Bonds which were issued to refinance projects that fall under the eligible categories defined under the GBP 2021 ("Green Projects"). The purpose of designating the offered bonds as "Green Bonds" is to allow investors to invest directly in bonds which refinance existing Green Projects. Construction of such Green Projects has been completed, and details on allocated amounts and impact indicators are discussed within the Framework, and therefore, no additional reporting on the status of the Green Projects is anticipated. See "APPENDIX G—SECOND PARTY OPINION REGARDING GREEN BONDS."

The use of the term "Green Bonds" is solely for identification purposes and is not intended to provide or imply that the owners of the Series 2024A-2 Bonds and the Series 2024B-2 Bonds are entitled to any security other than that described under the heading, "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2024 BONDS.

Neither the second party opinion nor any portion thereof shall be construed as a part of the offering of the Series 2024 Bonds, nor shall be considered as an offer or advertisement to buy a security, solicitation of votes or proxies, investment advice, expert opinion or negative assurance letter as defined by the applicable legislation.

DESCRIPTION OF THE SERIES 2024 BONDS

General

The Series 2024 Bonds will bear interest at the rates and mature on the dates set forth on the inside cover pages of this Official Statement. Interest will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The Series 2024 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, 2025. Interest due and payable on the Series 2024 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 2024 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, 2025, 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 2024 Bond, interest thereon is in default, such Series 2024 Bond will bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

The Series 2024 Bonds will be issued in denominations of $5,000 or integral multiples thereof. The Series 2024 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 2024 Bonds. Individual purchases may be made in book-entry form only. Purchasers will not receive certificates representing their interest in the Series 2024 Bonds purchased. So long as Cede & Co., as a nominee of DTC, is the registered owner of the Series 2024 Bonds, references herein to the Owners or registered owners means Cede & Co., and does not mean the beneficial owners of the Series 2024 Bonds.

So long as Cede & Co. is the registered owner of the Series 2024 Bonds, principal of and interest on the Series 2024 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 2024A-1 Bonds maturing on or before August 1, 2034 are not subject to optional redemption prior to maturity. The Series 2024A-1 Bonds maturing on or after August 1, 2035, 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, 2034, at a redemption price equal to the principal amount thereof, plus accrued and unpaid interest thereon to the redemption date, without premium.

The Series 2024A-2 Bonds are subject to redemption at the option of the Department prior to their stated maturity, as a whole, or in part in integral multiples of $5,000, on any date on or after August 1, 2034, at a redemption price equal to the principal amount thereof, plus accrued and unpaid interest thereon to the redemption date, without premium.

The Series 2024B-1 Bonds are subject to redemption at the option of the Department prior to their stated maturity, as a whole, or in part in integral multiples of $5,000, on any date on or after August 1, 2034, at a redemption price equal to the principal amount thereof, plus accrued and unpaid interest thereon to the redemption date, without premium.

The Series 2024B-2 Bonds are subject to redemption at the option of the Department prior to their stated maturity, as a whole, or in part in integral multiples of $5,000, on any date on or after August 1, 2034, at a redemption price equal to the principal amount thereof, plus accrued and unpaid interest thereon to the redemption date, without premium.

The Series 2024C Bonds maturing on or before August 1, 2034 are not subject to optional redemption prior to maturity. The Series 2024C Bonds maturing on or after August 1, 2035, 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, 2034, 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 2024 Bonds, the Series 2024 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 2024 Bonds are Book-Entry Bonds, the interests of the Participants in the particular Series 2024 Bonds or portions thereof to be redeemed of a Series of Series 2024 Bonds and within a maturity will be selected by lot by the Security Depository (DTC) 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 2024 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 2024 Bonds to be redeemed, whether less than all of the Series 2024 Bonds are to be redeemed, the distinctive numbers of the Series 2024 Bonds to be redeemed, and in the case of Series 2024 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 2024 Bonds or parts thereof designated for redemption the principal amount with respect thereto (or portions thereof), plus accrued and unpaid interest thereon to the redemption date, without premium (the "Redemption Price") thereof, and that from and after such redemption date interest thereon will cease to accrue, and will require that such Series 2024 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 2024 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 2024 Bonds under the Indenture, unless upon the giving of such notice such Series 2024 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 of such Series 2024 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 2024 Bonds to be redeemed, and that if such amounts have not been received said notice will be of no force and effect and such Series 2024 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 2024 Bonds (or portions thereof) so called for redemption being held by the Trustee, on the redemption date designated in such notice, the Series 2024 Bonds (or portions thereof) so called for redemption will become due and payable, interest on the Series 2024 Bonds so called for redemption will cease to accrue, said Series 2024 Bonds (or portions thereof) will cease to be entitled to any benefit or security under the Indenture, and the Owners of said Series 2024 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 2024 Bonds to be redeemed on their redemption dates, pay such Series 2024 Bonds at the Redemption Price.

Partial Redemption. Upon surrender of any Series 2024 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 2024 Bond or Series 2024 Bonds of authorized denominations equal in aggregate principal amount to the unredeemed portion of the Series 2024 Bonds surrendered and of the same interest rate, maturity and Series.

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2024 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 2024 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 2024 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 2024 Bonds. See "—No Reserve Fund Established for Series 2024 Bonds Reserve Fund."

"*Revenues*" means: (a) all money received or collected from or arising out of the use or operation of any harbor or port improvement, work, structure, appliance, facility or utility, service, or watercraft, owned, controlled or operated by the City in or upon or pertaining to the lands and waters, or interests therein, of the City in the Harbor District (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 2024 Bonds and all revenue bonds or notes of the Department authorized, executed, issued and delivered by the Department, and all contracts of the Department authorized and executed by the Department, the payments of which are on a parity with the Series 2024 Bonds and which are secured by a pledge of and lien on the Revenues. See "—Outstanding Parity Obligations" below.

THE SERIES 2024 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 2024 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 2024 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 August 30 2024, the Department had $347,005,000 aggregate principal amount of Parity Obligations (including the Refunded Series 2014 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 2024 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 2024 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 2024 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 2024 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 2024 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. The Indenture is an Issuing Document.

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; (d) 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 2024 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 2024 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 2024 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 2024 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 the principal of and interest on the Series 2024 Bonds. See "—No Reserve Fund Established for Series 2024 Bonds Reserve Fund" below for additional information.

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

(e) Subject to the provisions of the Indenture, 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 2024 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 2024 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 2024 Bonds

No debt service reserve fund will be established to secure the payment of the principal of and interest on the Series 2024 Bonds.

Pursuant to an Issuing Document, the Department may establish a reserve fund for 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 fund established for the Series 2014 Bonds as part of the Common Reserve. However, all amounts on deposit in the Common Reserve will be released upon delivery of the Series 2024 Bonds and used to current refund and defease a portion of the Refunded Series 2014 Bonds. See "PLAN OF REFUNDING." After the refunding and defeasance of the Refunded Series 2014 Bonds, no Parity Obligations will be secured by the Common Reserve or any other debt service reserve fund.

Additional Debt

No Priority. The Indenture provides that no revenue bonds, revolving obligations and related bank notes, notes, or other obligations of the Department payable out of the Harbor Revenue Fund will be issued having any priority with respect to payment of principal or interest out of the Harbor Revenue Fund over Parity Obligations (including the Series 2024 Bonds). No revenue bonds, revolving obligations and related bank notes, notes or other obligations of the Department payable out of the Harbor Revenue Fund will be issued with payment of principal or interest out of the Harbor Revenue Fund on a basis subordinate to or on a parity with Parity Obligations (including the Series 2024 Bonds), except in compliance with the provisions of the Indenture as set forth below.

No transfer of money will be made out of the Harbor Revenue Fund in any one Fiscal Year for the purpose of paying the principal of or interest on any Subordinate Obligations unless and until the principal of and interest on the Parity Obligations (including the Series 2024 Bonds) issued or incurred in compliance with the provisions of the Indenture contained under this caption, due and payable in that Fiscal Year, have been paid or set aside in a separate fund held in trust and charged with such payments as set forth in the provisions of the Indenture contained under the caption "—Flow of Funds" above and unless and until the replenishment of any reserve fund for any such Parity Obligations required pursuant to the provisions of the Indenture contained under the caption "—Flow of Funds" above are then current.

No transfer of money will be made out of the Harbor Revenue Fund in any one Fiscal Year for the purpose of paying the principal of or interest on any revenue bonds, revolving obligations and related bank notes, notes or other obligations of the Department (other than the Parity Obligations (including the Series 2024 Bonds) and Subordinate Obligations) serviced out of the Harbor Revenue Fund unless and until the principal of and interest on the Subordinate Obligations issued or incurred in compliance with the provisions of the Indenture contained under this caption, due and payable in that Fiscal Year, have been paid or set aside in a separate fund held in trust and charged with such payments as set forth in the provisions of the Indenture contained under the caption "—Flow of Funds" above and unless and until the replenishment of any reserve fund for any such Subordinate Obligations required pursuant to the provisions of the Indenture contained under the caption "—Flow of Funds" above are then current.

Additional Indebtedness. Pursuant to the Indenture, no revenue bonds, revolving obligations and related bank notes, notes or other obligations of the Department will be created or incurred by the Department, and no contracts of the Department will be created or executed by the Department, the payments of which are secured by a pledge of and lien on the Revenues senior to the pledge of and lien on the Revenues securing the Parity Obligations (including the Series 2024 Bonds).

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

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

(b) the Net Revenues for any consecutive 12-calendar-month period during the 18-calendar-month period preceding the date of the execution of such Parity Obligations or the date of adoption by the Board of the resolution authorizing the issuance of such Parity Obligations, including adjustments to give effect as of the first day of such 12-month period to increases or decreases in tolls, charges, rentals, compensations or fees approved and in effect as of the date of calculation, as evidenced by a special report prepared by an Independent Certified Public Accountant or Independent Financial Consultant on file with the Department, produces a sum equal to at least 125% of Average Annual Debt Service, including such Parity Obligations being created or incurred (but excluding the Series 2024 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; and provided, further, that, as to any such Parity Obligations or portions thereof bearing no interest but which are sold at a discount and which discount accretes with respect to such Parity Obligations or portions thereof, such accreted discount will be treated as interest, in the calculation of Debt Service; and provided, further, that the amount on deposit in a debt service reserve fund on any date of calculation of principal of and interest on such Parity Obligations will be deducted from the amount of principal due at the final maturity of the Parity Obligations for which such debt service reserve fund was established and in each preceding year until such amount is exhausted; and provided, further, that if the Parity Obligations constitute Paired Obligations, the interest rate on such bonds or contracts will be the resulting linked rate or the effective fixed interest rate to be paid by the Department with respect to such Paired Obligations.

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

(c) No Subordinate Obligations will be created or incurred, unless: (i) any issuing document authorizing the issuance of any such Subordinate Obligations will specifically state that such pledge of and lien on the Revenues is junior and subordinate to the pledge of and lien on the Revenues securing the Parity Obligations (including the Series 2024 Bonds); and (ii) payment of principal and interest on such Subordinate Obligations is permitted only if all deposits required to be made to the Trustee to be used to pay debt service on the Parity Obligations (including the Series 2024 Bonds) and to replenish any reserve funds for Parity Obligations are then current in accordance with the provisions of the Indenture contained under the caption "—Flow of Funds" above.

(d) No revenue bonds, revolving obligations and related bank notes, notes or other obligations of the Department, nor any contracts, the payments of which are secured by a pledge of and lien on the Revenues (other than the Parity Obligations (including the Series 2024 Bonds) and Subordinate Obligations) will be created or incurred.

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

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Outstanding Parity Obligations

As of August 30, 2024, the Department had $347,005,000 of Parity Obligations (including the Refunded Series 2014 Bonds) outstanding, which consisted of the Department's revenue bonds. The Parity Obligations are secured by Revenues on parity with the Series 2024 Bonds.

The following table sets forth the Parity Obligations that have been issued and were outstanding as of August 30, 2024.

Outstanding Parity Obligations
(as of August 30, 2024)[1]

Bonds	Original Principal Amount	Principal Amount Outstanding [2]	Issuing Document
Series 2014A[3]	$203,280,000	$156,375,000	Indenture of Trust, dated as of September 1, 2014, by and between the Department and U.S. Bank Trust Company, National Association, successor in interest to U.S. Bank National Association, as trustee (the "Series 2014 Indenture")
Series 2014B[3]	89,105,000	72,280,000	Series 2014 Indenture
Series 2014C[3]	44,890,000	36,040,000	Series 2014 Indenture
Series 2019A	115,065,000	34,295,000	Indenture of Trust, dated as of September 1, 2019, by and between the Department and U.S. Bank Trust Company, National Association, successor in interest to U.S. Bank National Association (the "Series 2019 Indenture")
Series 2019B	32,340,000	32,340,000	Series 2019 Indenture
Series 2019C-1	4,995,000	4,995,000	Series 2019 Indenture
Series 2019C-2	10,680,000	10,680,000	Series 2019 Indenture
Total	$640,995,000	$347,005,000	

[1] On August 30, 2024, the Department deposited available cash and moneys released from the Common Reserve with U.S. Bank Trust Company, National Association, as trustee and escrow agent, which moneys and the earnings thereon will be sufficient to defease all of the Department's outstanding Refunding Revenue Bonds, 2015 Series A, Refunding Revenue Bonds, 2016 Series B (Non-AMT), and Refunding Revenue Bonds, 2016 Series C (Non-AMT) (Green Bonds).
[2] See "FINANCIAL INFORMATION CONCERNING THE DEPARTMENT—Other Financial Matters—*Debt Service on the Parity Obligations*."
[3] See "PLAN OF REFUNDING" for a discussion of the refunding and defeasance of the Refunded Series 2014 Bonds.
Source: Harbor Department of the City of Los Angeles

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 the 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, which is not generally a function of cargo throughput); and the smallest revenue component, fee and royalty revenues. In addition, the Department actively pursues grant opportunities at the federal, State and local levels to further supplement the funding obtained from the aforementioned revenue sources.

The Department operates the Port as a landlord, issuing permits to Port occupants for the use of Port land, docks, wharves, transit sheds, terminals (including oil terminals) and other facilities (including cruise and auto facilities). The Department also is landlord to fish markets, ocean-related entities (i.e., fisheries and ship repair), railroads, restaurants and other similar operations. These arrangements are entered into under various lease and permit agreements. Under the permit agreements, the occupants agree to pay to the Department tariffs or fees established by the Department. Permittees are generally shipping or terminal companies, agents and other private firms. The Department has no direct role in managing the daily movement of cargo. The Department also recovers its costs of providing services and improvements through tariff charges for shipping services. In 2023, the Department administered over 300 active leases throughout Port property with its various tenants. See "—*Tidelands Trust Properties*," "—Operating Data—*Terminal Operations*," "—Operating Data—*Rental Property*" and "FINANCIAL INFORMATION CONCERNING THE DEPARTMENT."

The inbound cargo handled at the Port and the nearby Port of Long Beach (a proprietary department of the City of Long Beach governed by its own board of harbor commissioners), which is adjacent to and east of the Port, is distributed throughout the Southern California region and the rest of the nation. According to PMSA, during calendar year 2023, the Port was the busiest container port in North America in terms of container volume, handling approximately 8.6 million TEUs. The Port primarily competes with the Port of Long Beach (which according to PMSA, during calendar year 2023, was the second busiest container port in North America in terms of container volume, handling approximately 8.0 million TEUs) and other West Coast ports in the United States, Canada and Mexico. Expansion of other ports, construction of additional ports and changes in access to or features of other ports may affect the Port in the future. See "CERTAIN INVESTMENT CONSIDERATIONS—Port Competition."

Physical Description and Geography. The Port's facilities lie within the shelter of a nine-mile long breakwater constructed by the federal government in several stages, the first of which commenced in 1899. The breakwater encloses the largest man-made harbor in the western hemisphere. The Port encompasses approximately 7,500 acres (4,300 acres of land and 3,200 acres of water), including 43 miles of waterfront. The Port facilities include 25 terminals, including seven major container cargo terminals, four break-bulk facilities, three dry bulk facilities, seven liquid bulk cargo terminals, two passenger cruise terminals, one vehicle handling facility and one multi-use facility.

With 83 ship-to-shore container cranes, all Port container terminals feature shoreside power connections and on-dock rail facilities, with access to robust drayage resources and a regional portfolio of warehouse and distribution centers. See "THE PORT AND THE DEPARTMENT—Digitalizing the Supply Chain" for more information relating to the Port Optimizer™.

The Port is a deep-water port, with its main channel dredged to a depth of -53 feet throughout which allows the Port to accommodate the most modern and largest container ships. The Port currently has the capability to handle modern, deeper-draft vessels, adding to its efficiency and growth potential. However, cargo growth at the Port 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 (collectively referred to as the "San Pedro Bay Ports") with Union Pacific's and BNSF's transcontinental mainlines originating near downtown Los Angeles, California. See "FINANCIAL INFORMATION CONCERNING THE DEPARTMENT—Other Financial Matters—*Alameda Corridor*."

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

Maintenance of Port Facilities. Because the Department operates primarily as a landlord, most of the Port facilities' maintenance is undertaken by its permittees. The Department, however, maintains most wharf structures within the Port as well as the shipping channel and berth depths. The Department retains in-house engineers and maintenance crews to conduct regular inspections of key Port facilities. Wharfs are inspected both above and below the water surface. Routine repairs and maintenance are performed by the Department's Construction and Maintenance Division. These repairs and maintenance include replacement of timber fender piles, wharf fenders and other elements. Larger repairs and other preventive maintenance measures may be contracted out as part of the Department's Wharf Inspection Program, an element of the Department's Maintenance Improvement Program. See also "—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 of the City (the "Mayor"), subject to confirmation by the City Council. The Charter requires one member of the Board to live within the area surrounding the Harbor District. The Board makes policy for the Department, controls all Department funds and adopts the budget. It sets rates in connection with permit agreements for its land facilities and services, subject, in some instances, to City Council review. The current commissioners of the Board, their primary occupations and expiration of their current terms are shown below.

Board Commissioners	Occupation	Term Expiring
Lucille Roybal-Allard	Former U.S. Representative	June 30, 2028
Michael Muñoz	Research Director	June 30, 2025
John A. Peréz[1]	Former State Assemblyman/Speaker	June 30, 2029
Edward R. Renwick	Business Person	June 30, 2027
I. Lee Williams	Real Estate	June 30, 2026

[1] On August 14, 2024, Mayor Karen Bass appointed John A. Peréz to the Board. Mr. Peréz's appointment is subject to confirmation by the City Council of the City of Los Angeles..

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 $2.6 billion budget, advancing major capital projects, growing trade volume and promoting innovative, sustainable practices that strengthen the region's economy. He interacts with a wide range of stakeholders, including Port customers around the globe, industry partners, elected and appointed officials, business leaders, community organizations and local residents. Mr. Seroka continues to advocate for a national export policy and data-sharing among ports globally. He has been appointed to serve on five federal committees on supply chain optimization and currently serves as Vice President for North America of the International Association of Ports and Harbors and on the boards of directors for the Alameda Corridor Transportation Authority and the Pacific Council on International Policy. He also serves on the Northwestern University Transportation Center Business Advisory Council.

Mr. Seroka received the Stanley T. Olafson Award from the Los Angeles Area Chamber of Commerce in 2023, recognizing his work in the world trade industry and leadership of the nation's busiest container port. In 2021, the Containerization & Intermodal Institute named him the 2021 recipient of the Connie Award. Lloyd's List has recognized Mr. Seroka as the preeminent source on the supply chain. In 2021, he was named one of the top 100 most influential people in shipping by Lloyd's List. Also in 2021, the Inland Empire Economic Partnership honored Mr. Seroka with its Lifetime Achievement Award, recognizing decades of leadership and accomplishments in the supply chain, logistics and maritime industry. In 2023, the Asian American Architects/Engineers Association honored Mr. Seroka with its President Award. He has been named one of the most influential people in Los Angeles by the Los Angeles Business Journal and featured on the LA500 list each year since 2016.

Prior to joining the Department, Mr. Seroka held several key positions—both nationally and internationally—in sales and management for American President Lines (APL) Limited. He holds an MBA and Bachelor of Science in Marketing from the University of New Orleans.

Erica M. Calhoun, Deputy Executive Director, Harbor Administration. In August 2024, Erica Calhoun was appointed Deputy Executive Director, Harbor Administration. Ms. Calhoun had previously been appointed Interim Deputy Executive Director, Harbor Administration in April 2024. Ms. Calhoun oversees Human Resources, Risk Management, Contracts & Purchasing, and the Commission Office. She also is the Executive Officer, serving as Acting Executive Director of the Department when the Executive Director is unable to serve in such capacity. Ms. Calhoun first joined the Department in August 2012 as a Senior Management Analyst in the Grants Unit, where she identified and managed grant funding opportunities. She joined the Executive Office in October of the same year and in 2015, after serving as an adjutant for the last three Harbor Department General Managers, she was appointed Chief of Staff to the Executive Director. Prior to joining the Department, Ms. Calhoun served as Assistant Officer in Charge in the Los Angeles Police Department's Budget Section where she aided in the preparation, dissemination and management of the Police Department's $1.3 billion adopted budget. Her tenure also includes serving in a civilian oversight capacity in the Los Angeles Police Commission's Office of the Inspector General and as a grants manager with the City's Housing Department. Ms. Calhoun has an undergraduate degree in Spanish language and literature from the University of California, Berkeley and a Master of Science degree in Public Administration from California State University, Los Angeles.

Thomas Gazsi, Deputy Executive Director, Public Safety. 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.

Michael DiBernardo, Deputy Executive Director, Marketing and Customer Relations. In January 2015, Michael DiBernardo was appointed Deputy Executive Director, Marketing and Customer Relations at the Department. In this role, Mr. DiBernardo oversees the Department's Business Development, Environmental Management, Planning and Economic Development, Real Estate, and Wharfinger Divisions. He previously served as Director of Business Development, where he was responsible for the direction and management of the Port's comprehensive sales, marketing and promotional program. The Port's business development team administers 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 University of California, Los Angeles.

Dina Aryan-Zahlan, Deputy Executive Director, Development. In October 2023, Dina Aryan-Zahlan was appointed Deputy Executive Director of Development. In this role, Ms. Aryan-Zahlan oversees the Construction, Construction and Maintenance, Engineering and Internal Audit Divisions. She previously served as Chief Harbor Engineer where she oversaw the day-to-day activities of the Engineering Division and was responsible for the planning and design of a wide variety of Port infrastructure and facilities that support the diverse operations of the Port complex. Ms. Aryan-Zahlan has spearheaded several critical Port development projects, including an infrastructure program for Port electrification and zero-emission facilities and terminals, and public access investment for neighboring communities. She joined the Department as a Construction Manager in 2000, and was promoted to Harbor Engineer-Chief of Design in 2003, and to Assistant Chief Harbor Engineer in 2015. She is a registered civil engineer in the State, a certified Project Management Professional and a Senior Certified Professional of the Society of Human Resources Management. Ms. Aryan-Zahlan is an active member of WTS-LA, the American Society of Civil Engineers, the American Public Works Association and the Project Management Institute. In November 2022, she was named WTS-LA 2022 Woman of the Year; the award recognizes a female leader in the transportation field who has made an outstanding contribution to the industry, and directly contributed to the advancement of women and minorities through programs or opportunities in the transportation field. She holds a Bachelor of Science in civil engineering and Executive Master of Leadership degree from the University of Southern California.

David Libatique, Deputy Executive Director, Stakeholder Engagement. In April 2018, David Libatique was appointed Deputy Executive Director, Stakeholder Engagement. In his role, Mr. Libatique oversees and manages all communications on behalf of Department via the Community Relations, Media Relations, Government Affairs, Trade Development, and Labor Relations and Workforce Development Divisions. In this role, he also 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 Mayor 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 Mayor Villaraigosa, and acted as a liaison with the Port, where he advanced the Mayor'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.

Jeff Strafford, Director of Financial Planning and Analysis, Interim Chief Financial Officer. In April 2024, Jeffrey Strafford was appointed Interim Chief Financial Officer, and he continues to serve as

Director of Financial Planning and Analysis (a role he was appointed in September 2017). Mr. Strafford leads the division that administers the annual budget process for the Department, including the formulation of the overall salaries and benefits and revenue budgets, analyzes the financial viability of investment projects, and performs long-term financial planning at the Port. Within the overall finance function, Strafford is also responsible for developing and optimizing the Port's Enterprise Resource Planning system, including serving as a core team member on the Department's current cloud migration project. He previously managed the Department's Budget Section, successfully maintaining a balanced budget for the Department since 2012. Prior to joining the Department in 2011, Mr. Strafford worked in private-industry and for the City's Office of Finance and Department of Recreation and Parks in fields including data management, systems analysis, revenue collection, and purchasing, all of which prepared him for a career in finance. Mr. Strafford holds a degree in business management economics from University of California, Santa Cruz.

Steven Otera, General Counsel. In April 2022, Steve Otera was appointed as General Counsel of the Department. He oversees all legal matters on behalf of the Department. Mr. Otera is a member of the Department's Leadership Team (he leads the Harbor Division of the Office of the City Attorney). As General Counsel, he supervises the attorneys who provide general legal advice to the Department, Board, the Alameda Corridor Transportation Authority, and the Intermodal Container Transfer Facility. Harbor Division attorneys draft and approve contracts, handle all legal matters on behalf of the Department and advise the Board, Department senior management and staff on property management, marketing, international trade, maritime, fishing, environmental, and railroad operating matters, and represent the Department in litigation and administrative and regulatory matters. Prior to his role as General Counsel, Mr. Otera served as Assistant City Attorney where he supervised staff providing in-house legal services. During his tenure, he handled and oversaw major transactional matters such as container terminal leasing and advised the Department on a variety of legal matters, including municipal governance, land use and development, contracting and negotiation, litigation management, among other areas. Prior to working in the Los Angeles City Attorney's Office, Mr. Otera spent more than a decade in private practice, including as director of legal compliance and education at LRN (formerly the Legal Research Network), where he managed development of web-based, multimedia workplace ethics and legal compliance training modules for clients such as Ford Motor Co., Johnson & Johnson, and Boeing. Before that, he served as an associate attorney for various local area law firms. Mr. Otera earned his bachelor's degree from University of California, Los Angeles, and Juris Doctor degree from Loyola Law School in Los Angeles.

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

Port Security. The Department's port security program is structured to secure the Port through deterrence and prevention. Security operations are conducted by the Los Angeles Port Police in collaboration with federal, state and local agencies. The Port Police security operations include land and waterside patrols, escorts for vessels of special interest such as cruise ships and tankers, underwater scanning and dive operations, and sea marshal boardings of commercial vessels. These operations are supported by advanced surveillance and communications systems. Security for the supply chain and cargo entering the Port is accomplished through various cargo security measures that are principally conducted by U.S. Customs and Border Protection. The Department's port security program places great emphasis on the security of key Port infrastructure including railways, roadways and bridges within the Port complex.

In addition to the security operations, the Port Police have officers assigned to several intelligence and anti-terrorism task forces and conduct on-going intelligence analysis along with other State and federal agencies. The Department receives federal port security grant funds annually which are used to maintain security systems and to make system upgrades as the technology advances. See "CERTAIN INVESTMENT CONSIDERATIONS—Security at the Port."

In 2014, the Department established its Cybersecurity Operations Center (the "Cybersecurity 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. Since 2015, the Department also continues to maintain its ISO 27001 certification for the Cybersecurity 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 2021, the Department established 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 expands 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 enables 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. See "CERTAIN INVESTMENT CONSIDERATIONS—Cybersecurity."

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Operating Data

During Fiscal Year 2024 and 2023, the Port handled approximately 9.2 million TEUs and 8.6 million TEUs, respectively. According to PMSA, during calendar year 2023, the Port was the busiest container port in North America in terms of container volume, handling approximately 8.6 million TEUs, 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 Fiscal Years 2015 through 2024 (preliminary). See also "FINANCIAL INFORMATION CONCERNING THE DEPARTMENT—Summary of Revenues, Expenses and Net Assets" for a discussion of certain events that impacted total cargo volumes at the Port and the revenues of the Department over the last six Fiscal Years (2019 through 2024).

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

Fiscal Year Ended June 30	General Cargo[2]	Liquid Bulk	Dry Bulk[3]	Total[4]	Percent Increase/(Decrease) in Total Tonnage over Prior Year
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)
2019	193,000	13,400	900	207,300	6.6
2020	170,000	12,300	700	183,000	(11.7)
2021	211,900	9,300	800	222,000	21.3
2022	207,000	10,700	1,000	218,700	(1.5)
2023	170,200	7,500	800	178,500	(18.4)
2024[5]	187,000	7,800	600	195,400	9.5

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 Preliminary; subject to year-end adjustment.

Source: Harbor Department of the City of Los Angeles

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The following Table 2A summarizes revenues per ton for Fiscal Years 2015 through 2024 (preliminary), and the following Table 2B shows the breakdown of shipping revenues by container and noncontainer for the same period. Shipping revenues are comprised of wharfage, dockage, demurrage, pilotage, assignment charges, and storage. See also “FINANCIAL INFORMATION CONCERNING THE DEPARTMENT—Summary of Revenues, Expenses and Net Assets” for a discussion of certain events that impacted total cargo volumes at the Port and the revenues of the Department over the last seven Fiscal Years (2018 through 2024).

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

Fiscal Year Ended June 30	Total Shipping Revenues ($000s)	Total Revenue Tonnage[2] (000s of Metric Revenue Tons)	Shipping Revenue Per Ton
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	410,300	207,300	1.98
2020	369,600	183,000	2.02
2021	463,800	222,000	2.09
2022	485,800	218,700	2.22
2023	448,000	178,500	2.51
2024[3]	507,100	195,400	2.60

[1] Numbers are rounded.
[2] Computed on an accrual basis, adjusted for unverified amounts.
[3] Preliminary; subject to year-end adjustment.
Source: Harbor Department of the City of Los Angeles

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

		Container Shipping Revenues			Non-Container Shipping Revenues		
Fiscal Year Ended June 30	**Total Shipping Revenues (000s)**	**Container Shipping Revenues (000s)**	**TEUs (000s)**	**Container Shipping Revenue Per TEU**	**Non-Container Shipping Revenues (000s)**	**Non-Container Tons (000s)**	**Non-Container Shipping Revenue Per Ton**
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	51,700 [2]	19,500	2.65[2]
2019	410,300	358,800	9,688	37.04	51,500	17,000	3.03
2020	369,600	323,300	8,560	37.77	46,300	14,500	3.19
2021	463,800	421,400	10,879	38.74	42,400	12,800	3.31
2022	485,800	422,300	10,664	39.60	63,500	13,700	4.64
2023	448,000	365,300	8,635	42.31	82,700	10,300	8.03
2024[3]	507,100	428,600	9,224	46.47	78,500	10,500	7.48

[1] Numbers are rounded.
[2] Non-Container Shipping Revenue was previously recorded as $51,800,000. Non-Container Shipping Revenue Per Ton was adjusted from $2.66 to $2.65.
[3] Preliminary; subject to year-end adjustment.
Source: Harbor Department of the City of Los Angeles

The Port's major trading partners are the "Pacific Rim" countries, including China, Vietnam, Japan, Taiwan, Thailand and South Korea. China alone was the destination for approximately 14.7% of the Department's Fiscal Year 2024 exports, and the source of approximately 48.0% of the Department's Fiscal Year 2024 imports.

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The following Table 3 shows a breakdown of total TEUs by country of origin for imports and country of destination for exports for Fiscal Years 2019 and 2024. See “FINANCIAL INFORMATION CONCERNING THE DEPARTMENT—Summary of Revenues, Expenses and Net Assets—Container-Shipping Industry Generally” below.

Table 3
Port of Los Angeles
TEUs by Country
Fiscal Years 2019 and 2024

Fiscal Year 2019			**Fiscal Year 2024**		
Exports Country	***TEUs***	***% of Total***	***Exports Country***	***TEUs***	***% of Total***
China	409,085	25.3%	China	208,753	14.7%
Japan	218,453	13.5	Japan	172,583	12.2
Taiwan	152,862	9.4	Taiwan	150,667	10.6
South Korea	149,613	9.2	Malaysia	129,584	9.1
Indonesia	113,063	7.0	South Korea	114,531	8.1
Vietnam	105,309	6.5	Thailand	101,453	7.2
Malaysia	70,637	4.4	Vietnam	83,005	5.9
Singapore	55,985	3.5	Indonesia	82,979	5.9
Hong Kong	49,987	3.1	Australia	45,413	3.2
Thailand	36,899	2.3	Singapore	32,487	2.3
All Others	257,246	15.9	All Others	296,484	20.9
Total Exports	1,619,138	100.0%	Total Exports	1,417,939	100.0%

Imports Country	***TEUs***	***% of Total***	***Imports Country***	***TEUs***	***% of Total***
China	3,015,339	61.9%	China	2,228,318	48.0%
Vietnam	351,704	7.2	Vietnam	620,205	13.4
Taiwan	232,269	4.8	Japan	309,152	6.7
Japan	208,925	4.3	Thailand	266,409	5.7
South Korea	208,465	4.3	Taiwan	219,652	4.7
Thailand	174,852	3.6	South Korea	148,924	3.2
Indonesia	136,010	2.8	Indonesia	144,194	3.1
Hong Kong	86,717	1.8	Malaysia	98,324	2.1
Malaysia	82,494	1.7	Cambodia	77,656	1.7
India	60,563	1.2	India	71,714	1.5
All Others	311,135	6.4	All Others	459,241	9.9
Total Imports	4,868,472	100.0%	Total Imports	4,643,789	100.0%

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

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The following Table 4 shows the top container ports in North America as measured by total TEUs handled (inbound loaded TEUs, outbound loaded TEUs and empty TEUs) by each respective port for the calendar year ended December 31, 2023. See "CERTAIN INVESTMENT CONSIDERATIONS—Port Competition."

Table 4
Top Container Ports in North America
Total TEUs
Calendar Year 2023

Port	Total TEUs[1] (000's)
Port of Los Angeles	8,630
Port of Long Beach	8,019
Port of New York and New Jersey	7,810
Port of Savannah	4,928
Port of Houston	3,825
Port of Manzanillo (Mexico)	3,699
Port of Virginia (Norfolk)	3,288
Port of Vancouver (Canada)	3,127
Northwest Ports Alliance[2]	2,974
Port of Charleston	2,482
Port of Oakland	2,066

[1] Includes inbound loaded TEUs, outbound loaded TEUs and empty TEUs.
[2] The Ports of Seattle and Tacoma.
Source: Port of Los Angeles data, Harbor Department of the City of Los Angeles; Port of Manzanillo data, Statistical Report of the Port of Mexico 2023; 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 2024 Bonds. The Department has no direct role in managing the daily movement of cargo. In 2023, the Department administered over 300 active leases throughout Port property with its various tenants. The Department also is landlord to fish markets, ocean related entities (i.e., fisheries and ship repair), railroads, restaurants and other similar operations. Shipping companies and agents are given preferential assignments to berths at the Port by the Department in order to allow such companies to handle all their ships at the same berth or berths. A berth refers to the location within the Port used for fastening vessels to a pier (or mooring). These assigned berths become the companies' bases of operations at the Port. The Department reserves the right to assign other ships temporarily to berths which have been preferentially assigned when there is space available. The Department also recovers its costs of providing services and improvements through tariff charges for shipping services. The Port's major permittees (tenants) as of June 30, 2024 are shown in the following Table 5.

Table 5
Port of Los Angeles
Major Permittees (Tenants)
(In Alphabetic Order)
As of June 30, 2024

APM Terminals Pacific LLC / Maersk Pacific, Ltd. / Maersk Line A/S
China Shipping Holding Co., Ltd.
Everglades Company Terminal, Inc.
Everport Terminal Services Inc.
Fenix Marine Services, Ltd.
Innovative Terminal Services, Inc.
Parking Concepts, Inc.
PBF Energy Western Region, LLC
Phillips 66 Company
Ports America Cruise, Inc.
Rio Doce Pasha Terminal
SA Recycling LLC
Shell Oil Company
Taylored Transload, LLC
Trapac, LLC
Union Pacific Railroad Company
Vopak Terminal Los Angeles Inc.
Westrec Marina Management, Inc. / Cathay Bank
WWL Vehicle Services Americas, Inc.
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 75% of unaudited Fiscal Year 2024 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 actual and 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 2024 (actual) and for Fiscal Years 2025 through 2029 (estimated), respectively.

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

Fiscal Year Ended June 30	Minimum Permit Revenue ($000s)
Actual	
2019	$354,362
2020	370,998
2021	381,676
2022	426,269
2023	470,529
2024 [1]	484,757
Estimated	
2025	$484,026
2026	486,728
2027	471,734
2028	480,440
2029	489,431

[1] Preliminary; subject to year-end adjustment.
Source: Harbor Department of the City of Los Angeles

Rental Property. In addition to its marine terminal operations, the Department enters into lease and permit agreements with respect to industrial sites, open land area and other Port property. Such agreements are authorized for terms of not more than 66 years. Pursuant to requirements of the Charter all rates payable to the Department under the agreements must be subject to review and renegotiation by the Department at intervals of not more than five years. Most agreements do not extend beyond 30 years and rates payable to the Department under the agreements are generally renegotiated every five years.

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

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

Capital Improvement Planning

Overview. In connection with its capital improvement planning the Department reviews and monitors its long-term capital needs on an on-going basis and has identified capital improvement projects through Fiscal Year 2029. 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.

Projected Capital Improvement Program Expenditures. The Department's capital improvement program over the next five Fiscal Years (Fiscal Year 2025 through Fiscal Year 2029) has an estimated cost of $1.3 billion. The following Table 7 sets forth the Department's projected capital improvement program expenditures and funding sources for Fiscal Years 2025 through 2029 (data as of June 2024). The Department expects to use approximately $861.8 million of available Department cash and approximately $420.5 million of federal and state grants to fund its capital improvement program over the next five Fiscal Years. The Department does not expect to fund any of the costs of the capital improvement program with proceeds of additional Parity Obligations or any other obligations issued by the Department and secured by a pledge of and lien on Revenues.

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

		Source of Funding		
Fiscal Year Ending June 30	**Total Capital Improvement Plan Expenditures[2]**	**Department Cash**	**Federal and State Grants[3]**	**Debt**
2025	$ 257.7	$161.0	$ 96.7	–
2026	336.1	237.6	98.5	–
2027	356.3	245.2	111.1	–
2028	210.7	96.5	114.2	–
2029	121.5	121.5	–	–
Total[4]	$1,282.2	$861.8	$420.5	–

[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. The Department estimates that an additional $27.8 million in grant proceeds will be available for use from currently awarded grants beyond June 2028; however, there is uncertainty as to the timing of when these proceeds will be received.

[4] May not add due to rounding.

Source: Harbor Department of the City of Los Angeles

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

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 2025 through 2029.

Table 8
Port of Los Angeles
Capital Improvement Program by Category
Fiscal Years 2025-2029

Project Category	Estimated Total Cost ($ millions)
Maritime Services	$394.5
Terminal Projects	377.7
Public Access/Environmental Enhancements	273.1
Transportation Projects	229.2
Security Projects	7.8
Total[1]	$1,282.2

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

For Fiscal Year 2025, the Department has budgeted $257.7 million for capital improvement projects in the following categories: Maritime Services Projects (approximately $97.1 million), Terminal Projects (approximately $52.2 million), Public Access/Environmental Enhancements Projects (approximately $52.4 million), Transportation Projects (approximately $49.5 million), and Security Projects (approximately $6.4 million). The timing of completion for all capital projects is subject to uncertainties and delays, some of which are outside the control of the Department.

Following are certain of the projects included in the Department's capital improvement program for Fiscal Years 2025 through 2029:

Maritime Services Projects.

Port of Los Angeles and Port of Long Beach Goods Movement Workforce Training Facility. The Joint Ports Goods Movement Workforce Training Facility will be the first training center in the United States dedicated to the goods movement industry. The project will be a joint effort between the Department and the Port of Long Beach with a total project cost of $150.0 million. The facility will replicate goods movement environments, such as marine cargo terminals and providing a safe training environment for workers. In addition, the facility will provide the region's workforce with skills to succeed in careers that utilize newer and cleaner human operated technologies. The Department and the Port of Long Beach will evenly split project costs, and project funding will also be supplemented with State funding in the amount of $110 million. Construction is expected to start in February 2027 with a completion date of early 2029.

Oracle ERP Cloud Migration. The Department is currently in the process of migrating the Department's Oracle Enterprise Business Solutions financial system to a new Oracle ERP Cloud system. Capital costs of $28.6 million are anticipated to be incurred as part of the overall implementation of this new system, which will include all new, enhanced and improved functionalities. The enhanced system is anticipated to resolve inadequate reporting capabilities, cumbersome user interfacing, labor intensive software maintenance, and other inflexibilities inherent within the existing system to accommodate the Port's business process changes. The new Oracle ERP Cloud system is anticipated to "go-live" in the Fall of 2024.

Harbor Administration Building - HVAC Replacement. The project consists of the redesign and replacement of the heating, ventilation, and air conditioning system at the Department's administration building with an electric system in response to the City's policies and commitment for zero carbon in major renovation of buildings. The total project budget is estimated at $19.5 million, and construction is expected to start in April 2025 with project completion expected in September 2026.

Harbor Administration Building – Workspace Solutions and Board Room Remodel. These projects consist of upgrading Information Technology staff workspaces, expanding a portion of the existing server room, replacing 40-year-old office furniture utilized by Engineering and Construction Division staff, and remodeling the Board Hearing Room and Executive Session Room. The total project budget is estimated at $13.5 million, and construction is expected to start in September 2024 with an expected completion date of September 2027.

Unallocated Funds. The Department has included approximately $133.8 million in the capital improvement program through 2029 for unanticipated projects or unanticipated cost increases on active projects which may arise over the course of a given fiscal year. While this level of funding is presented within the Maritime Services Projects category, funding may be allocated to any type of project pending approval from a majority of Executive Team members as part of the Department's monthly Project Development Committee meetings.

<u>Terminal Projects</u>.

Terminal Island Maritime Support Facility. The Department is in the process of designing a support facility on Terminal Island which will provide an additional storage area to stack empty containers and chassis. This $194.6 million project will develop most of the approximately 80-acre site and build upon temporary site improvements spanning 23.3 acres which were constructed to alleviate vessel congestion experienced in October 2021. The project will replace the temporary improvements already constructed and improve the remaining 56.7 acres for storing and stacking of containers. Proposed construction activities for the site include: installation of high mast light poles; as-needed installation of vaults, switchgears, transformers, associated concrete pads/foundations and conduit; installation of chain-link fencing; construction of a roadability canopy, longshore restrooms and guard booths; installation of a storm water drainage system; installation of a sewage system; installation of fire hydrants and potable water system; installation of an asphalt pavement roadway; and pavement of 70 acres for backland storage use. Design activities began in February 2023, and construction activities are expected to begin in September 2025 with a completion date of August 2027. The Department has been awarded $149.3 million in grants via the California Department of Transportation's Port and Freight Infrastructure Program to complete this project.

Berths 49-51 Outer Harbor Cruise Development. The Department is designing a new 11 kilovolt "kV") Alternative Maritime Power ("AMP") system for cruise ships at Berths 49-51 in order to accommodate future development of a comprehensive cruise terminal which will enable larger cruise vessels to utilize AMP while docking. This $53.0 million project includes construction of a new Los Angeles Department of Water and Power (the "LADWP") 34.5 kV industrial station, new 34.5 kV switchgear, a new 18 Mega Volt Amp transformer equipped with Automatic Load Tap Change to automatically adjust the necessary transformer tap changes under load, new 11 kV AMP switchgear, two new 11 kV wharf AMP outlets, and an 11 kV AMP mobile cable management system for cruise ship connections. In addition, this project requires the extension of new LADWP 34.5 kV circuits through existing LADWP underground conduit, wharf structural AMP improvements, landside structural AMP support and Berths 49-50 wharf repairs. Design activities are anticipated to be completed by December 2024 with construction of the project occurring from July 2025 through June 2027.

Berths 302-305, On-Dock Railyard Expansion. The Department is finalizing the design of an on-dock railyard expansion project at the Fenix Container Terminal which is anticipated to increase on-dock intermodal railyard capacity by a projected 520,000 TEUs per year. This $52.4 million project will enable more cargo to be loaded onto trains via the on-dock railyard within the terminal instead of via off-dock railyards. Proposed construction activities for the site include construction of five new tracks comprising approximately 12,000 linear feet of rail; reuse of three existing tracks totaling approximately 7,000 linear feet; grading and paving; drainage; fire protection; electrical improvements; striping and signage. Design activities were completed in July 2024, and construction activities are expected to begin in January 2025 with a completion date of December 2026. The Department has been awarded $37.4 million in grants consisting of a $19.2 million grant from the 2020 SB1 – Trade Corridor Enhancement Program administered by the California Transportation Commission as well as an $18.2 million grant from the 2019 United States Department of Transportation ("USDOT") Port Infrastructure Development Program ("PIDP").

<u>Public Access/Environmental Enhancements Projects</u>.

Zero Emissions Port Electrification and Operations Program. The Department is in the planning stages of a $501 million program to support the future power demand requirements throughout the Port for zero-emission operations, as set by the 2017 San Pedro Bay Ports Clean Air Action Plan goal to achieve a 100% zero-emission cargo harbor equipment fleet by 2030. The program consists of four major components: construction of a fourth rack at the LADWP power receiving station in Wilmington (the "RS-Q"), and separate projects to construct distribution lines and other electrical infrastructure from the RS-Q to the Outer Harbor, West Basin, and Terminal Island. Environmental, design and construction work are anticipated to be done by LADWP, commencing in 2024, in close coordination with the Department's Engineering Division. Construction efforts will occur over an extended period of time and are currently not anticipated to be completed until mid-2035. The Department expects to use available moneys to fund these project costs.

Avalon Promenade Bridge and Gateway Project. The Avalon Promenade Bridge and Gateway Project is a companion piece to the recently completed Wilmington Waterfront Promenade project, and includes a signature pedestrian bridge along Avalon Boulevard that is currently in the design phase. This $76.6 million project includes construction of a pedestrian bridge over existing rail tracks and development of approximately 12 acres of visitor-serving open space. Design of the Avalon Promenade and Gateway project was resumed in late 2022, and construction is anticipated to begin in March 2026 with a completion date of August 2028. Grant funding in an aggregate amount of $52.2 million was awarded via $42.0 million from California State Transportation Agency as well as Los Angeles County Metropolitan Transportation Authority ("LACMTA") Measure M grant funds in the amount of $10.2 million from Metro/South Bay Council of Governments. The remaining project costs will be funded by the Department using available moneys.

208 East 22nd Street Parking Lot Improvements. The Department is currently in the design phase for development and redevelopment of 17.5 acres at the 208 East 22nd Street parking lot, creating up to 2,350 parking stalls. This $31.8 million project includes building demolition, grading, paving, drainage, lighting, as well as construction of security fencing, additional entrances, a restroom facility, bus turnout area and pay stations. Design efforts are anticipated to be completed in November 2024, and construction is expected to start in June 2025 with project completion expected in May 2026. The Department expects to use available moneys to fund project costs.

<u>Transportation Projects</u>.

State Route 47 (SR-47)/Vincent Thomas Bridge & Front Street/Harbor Blvd Interchange Reconfiguration. This interchange is an important transportation facility providing access to the LA Waterfront, residential community of San Pedro, Terminal Island, and the West Basin Container Terminal. The project would improve traffic safety and operational deficiencies at the interchange. This $130.0 million project will include replacing the existing westbound off-ramp from the Vincent Thomas Bridge currently located on the south side of the Vincent Thomas Bridge with a new off-ramp located on the north side of the Vincent Thomas Bridge. Additional improvements include realigning the existing westbound on-ramp onto SR-47 and I-110 connector; modifying the westbound off- ramp onto Harbor Boulevard; and modifying the eastbound on-ramp onto the Vincent Thomas Bridge toward Terminal Island. Project design was completed in 2023 and construction began in early 2024, with project completion expected in 2027. The Department has been awarded $73.1 in grant funds comprised of $49.8 million in LACMTA Measure R funding, $13.4 million in Transportation Corridor Enhancement Program funds, and $9.9 million in funding from the USDOT PIDP. The Department has used or intends to use available moneys to finance its portion of the costs of the project.

Navy Way and Seaside Avenue Interchange Improvements. The Department has begun designing modifications to the intersection of Navy Way and Seaside Avenue to improve traffic operations and safety. This $65.7 million project would eliminate left turns and improve roadway geometry to reduce collision potential at this intersection. Project improvements include an auxiliary lane for westbound traffic; elimination of a traffic signal at the intersection; new eastbound collector-distributor road; and widening of the north side highway bridge over both Ports' rail tracks. Design is anticipated to be completed by March 2025, and construction is expected to start in January 2026 with project completion expected in June 2028. The project was awarded $41.8 million in grant funding by the California State Transportation Agency. The Department has used, or intends to use, available moneys to finance the remaining portion of the costs of the project.

Maritime Support Facility Access/Terminal Island Rail System Grade Separation. In conjunction with the Terminal Island Maritime Support Facility described above, the Department is in the process of designing a four-lane, rail-roadway grade separation. This $39.2 million project would eliminate significant truck access impediments into the proposed Terminal Island Maritime Support Facility and connect the project to Terminal Way, Ferry Street, and Pier 300. The Department was awarded $20.0 million of USDOT FY 2022 RAISE grant funding and a State Trade Corridor Enhancement Program funding in the amount of $15.0 million. The Department has used, or intends to use, available moneys to finance the remaining portion of the costs of the project. Construction is expected to start in early 2026, with project completion expected in August 2027.

Capital Plan Budgeting Process. Pursuant to Section 11.28.3 of the Los Angeles Administrative Code, not later than June 1 of each year, the Department is required to provide, for information purposes only, to the Mayor, to the Trade, Travel and Tourism Committee of the City Council (or such successor committee deemed appropriate by the City Council), and to the City Controller, a capital plan or budget covering at least the next Fiscal Year and describing: (i) the proposed capital expenditures of the Department; (ii) the proposed method(s) of financing such proposed expenditures including a discussion, if relevant, of financing alternatives; and (iii) a description of any proposed debt financings. Under the Charter, the Department is obligated to submit a debt accountability and major capital improvement plan to the Mayor, the City Council and the City Controller every two years in conjunction with submittal of its annual budget. The Department submitted its last debt accountability and major capital improvement plan to the City Council in July 2024. 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 was presented to the Board in June 2024 as part of the Fiscal Year 2025 Budget adoption process.

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, soil and sediments, air and associated living resources, as well as environmental assessment documentation. 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 and state laws designed to protect or enhance the environment. Environmental assessments are conducted in accordance with 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. Other federal environmental laws applicable to 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 State and Federal Endangered Species Act. Enforcement agencies include the U.S. Environmental Protection Agency, the U.S. Army Corps of Engineers, the California Regional Water Quality Control Board (the "Regional Water Control Board"), the California Air Resource Board, the South Coast Air Quality Management District ("South Coast AQMD"), and the California Department of Toxic Substances Control. The Department is also required to conform to provisions of a number of other State environmental and health safety laws.

In addition to these laws and the implementing regulations, the Department has instituted additional programs and procedures to protect the environment, each of which are designed to, among other things, limit the Department's liabilities. In 2006, the Department and the Port of Long Beach established the Clean Air Action Plan (the "CAAP"). See "Clean Air Action Plan" below. In 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. These programs are backed up by long-term monitoring of the applicable media.

Environmental Remediation Liability. In Fiscal Year 2023, the Department expended approximately $2.5 million on environmental remediation at the Port. In Fiscal Year 2024, the Department expended approximately $2.1 million (unaudited) on environmental remediation. The Department estimates that in Fiscal Year 2025 and beyond it will spend $63.4 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 ("EIR") is prepared. In the last five 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 one NDs/MNDs and ten 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 AQMD. The CAAP was updated and reauthorized in 2010 and again in 2017. The CAAP is the Department's comprehensive plan to address air pollution emissions from port-related sources and contains aggressive long-term goals through 2035 to reduce health risks, diesel particulate matter, nitrogen and sulfur oxides, and greenhouse gases. Pursuant to the CAAP, the Department has undertaken several programs to lower air pollution levels at the Port. Emission sources targeted by the CAAP include ships, trains, cargo handling equipment, harbor craft and heavy-duty trucks. The Department's voluntary Vessel Speed Reduction ("VSR") Program has been included as part of the CAAP and it has produced notable reductions in ship emissions as they approach and depart the Port. In calendar year 2023, vessel operators calling at the Port, on average, were approximately 97% (at 20 nautical miles) and 93% (at 40 nautical miles) compliant with the VSR Program. The CAAP also includes a Technology Advancement Program ("TAP") that evaluates and funds demonstrations of new and emerging emissions treatment technologies. In 2008, the CAAP Clean Truck Program (the "Clean Truck Program") was implemented, which essentially replaced older polluting trucks with newer clean trucks, thereby reducing truck emissions by over 90% at the Port and the surrounding communities. According to the Port Inventory of Air Emissions 2023, through implementation of the CAAP, since 2005, there has been an 88% reduction in diesel particulate matter, a 97% reduction in sulfur oxides, a 62% reduction in nitrogen oxides emissions, and a 4% reduction for greenhouse gases from Port-related sources. The CAAP and its associated various measures have cost the Department over $300 million to date. As a result of continuing initiatives as well as zero-emission truck and cargo-handling equipment goals outlined in the CAAP 2017 Update, the CAAP will continue to require a significant investment by the Department, the Port of Long Beach and private sector businesses to expedite the introduction of new and innovative methods of reducing emissions prior to any federal or State requirements being imposed on the Port and the Port of Long Beach. Since April 1, 2022, the Department and the Port of Long Beach have charged a Clean Truck Fund ("CTF") rate on all loaded containers entering/exiting the Port and the Port of Long Beach. The purpose of the CTF rate is to generate funds to accelerate the deployment of clean trucks, in support of achieving the goal of zero-emission trucks by 2035. The CTF rate is $10 per loaded 20-foot equivalent unit (TEU) or $20 for containers longer than 20 feet. Through June 30, 2024, the CTF rate has generated approximately $174 million for the Department and the Port of Long Beach since implementation. Zero-emissions trucks are permanently exempt from the CTF rate and certain qualified low nitrogen oxides emissions trucks that were placed into service by December 31, 2022 receive an exemption from the CTF rate through December 31, 2027. Collected CTF rates will be used to facilitate the purchase of zero-emission trucks and associated infrastructure that services the Port and the Port of Long Beach.

Trans-Pacific Green and Digital Shipping Corridor. In April 2023, the Department, the Port of Long Beach and the Port Authority of Singapore entered into a Memorandum of Understanding to develop a plan to accelerate the reduction of emissions on one of the world's busiest container shipping routes across the Pacific. A partnership among the Department, the Port of Long Beach, the Port Authority of Singapore, and certain of the shipping companies created the "Green Shipping Corridor Implementation Plan Outline" which, among other things, provides that the shipping companies will begin deploying reduced or zero lifecycle carbon capable ships on the corridor by 2025 and the partners will work together to demonstrate by 2030 the feasibility of deploying the world's first zero cycle carbon emission container ships. The partnership is supported by "C40", a global network of nearly 100 mayors of the world's leading cities.

Recent Developments Relating to China Shipping EIR. In connection with the expansion of the China Shipping Terminal (which occurred in several phases over the last 20 years), the Department prepared, and the Board accepted/certified, an EIR (the "2008 EIR") and a Supplemental Environmental Impact Report (the "2019 SEIR"). In 2019, the Natural Resources Defense Council ("NRDC") and the South Coast AQMD, with intervenors the California Air Resources Board and the California Attorney General (collectively, "Petitioners") sued the Department and China Shipping in California District Court, alleging that the Department failed to implement mitigation measures from the 2008 EIR, and that the 2019 SEIR, which modified or deleted certain mitigation measures, violated CEQA. In June 2022, the District Court, in large part, agreed with this contention, mainly because China Shipping was not contractually bound to implement mitigation measures in compliance with CEQA in its lease with the Department. The District Court's ruling was appealed by NRDC and South Coast AQMD, and in December 2023, the California Court of Appeal made rulings on which mitigation measures were and were not feasible for performance, remanding to the District Court to issue an appropriate CEQA remedy. On remand, the District Court issued a Writ of Mandate requiring the Department to (i) set aside the 2019 SEIR and related project approvals, (ii) enforce, through a new permit amendment, the CEQA mitigation and lease measures determined to be feasible by court proceedings, and (iii) prepare a new environmental document under CEQA. The Department completed the first two requirements through Board and City Council actions adopted in June and July 2024, which action also included Board direction to staff to commence work on the third requirement. The District Court retained continuing jurisdiction to oversee the Department's compliance with the Writ of Mandate and the new environmental document's compliance with CEQA.

New Dock Street Pump Station Regulatory Action and Litigation. In 1996, the Department constructed a water pump station (the "New Dock Street Pump Station") as part of the New Dock Street Railroad Grade Separation Project to remove groundwater and stormwater runoff from the Henry Ford Avenue/Pier S Avenue underpass. In 2018, the Department installed a treatment system at the New Dock Street Pump Station to remove pollutants from the wastewater before it is discharged from the station. During heavy rain events the treatment system does not have the capacity to treat all of the stormwater flows, resulting in the system being bypassed and untreated wastewater being discharged directly into the Cerritos Channel, which eventually leads to San Pedro Bay. In January 2024, the Regional Water Control Board issued a "*Forthcoming Assessment of Administrative Civil Liabilities*" against the Department in connection with effluent limit violations of the Department's National Pollutant Discharge Elimination System ("NPDES") permit for the New Dock Street Pump Station that allegedly occurred between October 2021 and September 2023. The City Attorney's office is in active settlement discussions with the Regional Water Control Board. While the amount of civil penalties, if any, that could be assessed by the Regional Water Control Board against the Department are unknown at this time, the Department is actively working on a capital improvement project to re-engineer the New Dock Street Pump Station to segregate groundwater and stormwater flows. The current proposed project will pump groundwater to the City's Terminal Island Water Reclamation Plant thus eliminating the need for an NPDES permit, and stormwater flows will be discharged to the Cerritos Channel under the City's MS4 wastewater discharge permit.

In addition to the regulatory action being taken by the Regional Water Control Board, Environment California, Inc., a citizen's group, filed a lawsuit against the Department in July 2024 under the federal Clean Water Act alleging that the Department is violating its NPDES for the New Dock Street Pump

Station. The focus of the plaintiff's complaint is generally similar to the regulatory actions being brought by the Regional Water Control Board (i.e., during heavy rain events the Department is bypassing the treatment system and discharging untreated wastewater into the Cerritos Channel in violation of the Department's NPDES permit). The City Attorney's office has begun discussions with plaintiffs' counsel and expects to discuss planned solutions to the treatment system as well as possible settlement of the litigation.

The Department cannot predict the ultimate outcome of either the Regional Water Control Board regulatory action or the lawsuit filed against the Department by Environmental California, Inc.

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.

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, 2024, 25 berths at the Port had AMP capabilities. Depending on the size of the ship, estimates are that AMP will reduce nitrogen oxide by one ton and take more than half a ton of sulfur oxide 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 (Labor Relations for Port Tenants)

Arranging for cargo handling services is the responsibility of each shipping line and not the Department. 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 ("ILWU"). The PMA represents most of the steamship lines, marine terminal operators, car loading bureaus and cargo companies on the Pacific Coast. Most of the ILWU members work under contract with the PMA. The ILWU members are not employees of the Department. The current contract between the PMA and the ILWU was entered into on June 14, 2023 and was ratified on August 31, 2023, as a six year contract, retroactive to July 1,

2022. This agreement was reached after a contract negotiation process that took 13 months to complete, which included the ILWU membership working without a contract for nearly a year after their prior agreement expired on June 30, 2022.

Since 2002, there have been three 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, there was a lock out by 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 re-open pursuant to the Taft Hartley Act.

In November 2012, after the Harbor Employers Association ("HEA") and ILWU Marine Clerks Association Local 63 Office Clerical Unit ("ILWU, Local 63 OCU") failed to negotiate a new contract, the approximately 600 clerical workers represented by ILWU, Local 63 OCU 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 Port and the Port of Long Beach were shut down for eight days. Work resumed when the HEA and ILWU, Local 63 OCU reached a tentative agreement whereby ILWU, Local 63 OCU 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.

In May 2014, the PMA and the ILWU began negotiating a new contract, but did not agree on a new contract until February 2015. The protracted negotiations had a compounding effect on congestion issues that had slowed container cargo movements 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%.

Other than the periods of uncertainty with the contract negotiations which occurred in 2002, 2012, 2014-15 and 2022-23, 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 the Department's revenues. The Department understands that the risk of a work slowdown is the greatest as negotiations get closer to the end of the current contract and until a new agreement is reached. To that end, in 2017, the Department created a new division, Labor Relations & Workforce Development, focused on promoting greater coordination with the ILWU, PMA, the Department and other labor partners. The Labor Relations & Workforce Development was recently renamed the Labor Relations & Government Affairs division and such division continues to work closely with the ILWU, PMA, and all other labor unions and their employers that operate at the Port.

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.

In 2021, the Department and the Port of Long Beach utilized the cooperative working agreement to discuss ways to relieve congestion at the two ports. These meetings brought together the Department, the Port of Long Beach, marine terminal operators, railroads, shipping lines, organized labor, Biden-Harris Administration officials, and other stakeholders to work towards solving ongoing congestion. The dialogue and initiatives developed through the meetings helped to resolve the congestion issues that were then being experienced at the Port and the Port of Long Beach.

Digitalizing the Supply Chain

A major focus of the shipping industry is on the need to digitalize the global supply chain to enhance secure transactions and the flow of cargo movement through the supply chain. The Department launched its own digital strategy and supply chain solution when it entered into an agreement with Wabtec to develop the Port Optimizer™, including Track and Trace which provides supply chain stakeholders an advanced view on container cargoes scheduled to arrive at the Port, and Control Tower, a suite of dashboards designed to provide aggregated current and historical container movement trends across 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. Port Optimizer™ brings the power of proactive notifications, exception management, and an easy-to-use web-based interface allowing users to easily manage their cargo across multiple terminals and multiple carriers from a single pane of glass view. Features include real-time empty return information, appointment statuses, and availability information. All but one of the major container shipping lines, and all the Port's marine terminals, provide information to the Port Optimizer. Beneficiaries of the information are cargo owners, trucking companies, railroads and chassis providers.

FINANCIAL INFORMATION CONCERNING THE DEPARTMENT

General

The Department has three major sources of revenue: shipping revenue, a function of cargo throughput; revenue from the rental of the Port's land and buildings (i.e., revenue from permit and lease agreements, which is not generally a function of cargo throughput); and the smallest revenue component, fee and royalty revenues. The Department's primary expenses include salaries and benefits, outside and professional services and payments for services rendered by the City to the Department. In recent years, the Department's operating expenses have increased due to increased expenditures for salaries and benefits, City services, Port security and environmental initiatives.

With East Asia being the primary trade origin and destination of the ships of the terminal operators at the Port, these growing economies have historically provided the Department with a level of steady growth in its shipping revenues. Even so, the Department has included minimum annual guarantee provisions in all major permit agreements and seeks the extra security of letter of credit collateralization from certain occupants. Permit agreement income is derived from approximately 198 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

Revenues, Expenses and Net Assets (Fiscal Years 2019 through 2024). The following Table 9 sets forth a breakdown of the Department's revenues, expenses and net assets for Fiscal Years 2019 through 2024 (unaudited).

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

	2019	2020	2021[5]	2022[6]	2023	Unaudited 2024
Revenues						
Wharfage	$ 383,549	$ 345,195	$ 435,513	$ 441,966	$ 405,046	$ 473,959
Dockage	4,348	4,257	4,509	5,914	3,619	3,970
Demurrage	202	200	207	133	123	146
Pilotage	10,985	9,495	10,682	13,432	13,209	14,083
Assignment Charges	11,244	10,418	12,938	24,397	26,011	14,985
Total Shipping Services[1]	**$ 410,328**	**$ 369,565**	**$ 463,849**	**$ 485,842**	**$ 448,008**	**$ 507,142**
Rentals						
Land	$ 65,291	$ 72,099	$ 76,475	$ 85,092	$ 115,375	$ 115,334
Other Rentals	674	1,004	1,706	1,745	1,915	2,092
Total Rentals	**$ 65,965**	**$ 73,103**	**$ 78,181**	**$ 86,837**	**$ 117,290**	**$ 117,426**
Royalties, Fees and Other Operating Revenues	30,134	24,998	27,683	55,163 [7]	91,102 [7]	70,699 [7]
Total Operating Revenues	**$ 506,427**	**$ 467,666**	**$ 569,713**	**$ 627,842**	**$ 656,400**	**$ 695,268**
Expenses						
Operating and Administrative Expenses						
Salaries and Benefits	$ 98,062	$ 113,342	$ 108,646	$ 109,778	$ 107,747	$ 113,751
Pension Expense [2]	20,913	28,805	33,086	14,840	33,200	35,050
OPEB Expense [3]	4,083	3,679	4,468	(2,208)	788	832
City Services and Payments	45,223	48,366	45,876	45,531	47,823	49,863
Outside Services	33,418	31,815	26,219	27,864	33,332	36,671
Utilities	19,946	18,443	23,241	33,708	27,210	26,363
Materials and Supplies	6,593	5,672	4,517	5,106	5,974	6,344
Pollution Remediation Expenses	(4,106)	89	924	--	1,107	1,000
Marketing and Public Relations	2,510	2,388	1,372	2,101	2,710	3,245
Workers' Compensation, Claims and Settlement	193	3,272	14,255	1,712	15,583	4,029
Clean Truck Program Expenses	3,120	1,014	752	2,613	5,835	2,524
Travel [4]	733	508	71	281	577	733
Other Operating Expenses	9,739	16,177	9,556	12,574	17,534	21,959
Total Operating and Administrative Expenses	**$ 240,427**	**$ 273,570**	**$ 272,983**	**$ 253,900**	**$ 299,420**	**$ 302,364**
Income from Operations before Depreciation	$ 266,000	$ 194,096	$ 296,730	$ 373,942	$ 356,980	$ 392,903
Depreciation	161,977	158,613	154,295	147,569	194,869	152,726
Operating Income	**$ 104,023**	**$ 35,483**	**$ 142,435**	**$ 226,373**	**$ 162,111**	**$ 240,177**
Nonoperating Revenues / (Expenses)						
Income from Investments in Joint Powers Authorities	$ 2,596	$ 2,461	$ 2,243	$ 1,513	$ 1,888	$ 1,576
Investment Income (Loss) - Net	32,804	39,643	(2,656)	(47,744)	4,538	24,428
Interest Expense	(1,290)	(24,707)	(21,773)	(19,037)	(17,837)	(17,025)
Other Income and Expenses, net	27,151	2,025	9,240	(5,125)	15,756	3,300
Net Nonoperating Revenues/(Expenses)	**$ 61,261**	**$ 19,422**	**$ (12,946)**	**$ (70,393)**	**$ 4,345**	**$ 12,280**
Income Before Capital Contributions	$ 165,284	$ 54,905	$ 129,489	$ 155,980	$ 166,456	$ 252,457
Capital Contributions	3,523	3,440	7,116	11,906	43,505	47,759
Changes in Net Assets	**$ 168,807**	**$ 58,345**	**$ 136,605**	**$ 167,886**	**$ 209,961**	**$ 300,216**
Total Net Assets - Beginning of Year	$ 3,334,871	$3,503,678	$3,562,023	$3,698,628	$3,866,514	$4,076,475
Total Net Assets - End of Year	**$ 3,503,678**	**$3,562,023**	**$3,698,628**	**$3,866,514**	**$4,076,475**	**$4,376,691**

1 For Fiscal Year 2021, increase in shipping services revenues is, in part, attributed to the worldwide COVID-19 pandemic.
2 Pension Expense increased by $18.4 million from $14.8 million in Fiscal Year 2022 to $33.2 million in Fiscal Year 2023, due primarily to the unfavorable return on the market value of pension assets that was less than the rate of return assumption.
3 OPEB Expense increased by approximately $3.0 million from approximately $(2.2) million, an OPEB credit or income, in Fiscal Year 2022 to approximately $800,000 in Fiscal Year 2023, due primarily to the unfavorable return on the market value of OPEB assets in OPEB plans.
4 This line-item was previously named "Travel and Entertainment". For Fiscal Year 2021, decrease in "Travel" expenses is due to the worldwide COVID-19 pandemic.
5 Government Accounting Standards Board ("GASB") Statement No. 87, "Leases" ("GASB 87") establishes standards for the recognition of certain leased assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on payment provisions of the contract. The financial statements for Fiscal Year 2021 were restated as a result of the implementation of GASB 87. The beginning net position at July 1, 2020 was not restated due to the information to restate those amounts was not readily available and impractical to do so.
6 GASB Statement No. 96, "Subscription-Based Information Technology Arrangements" ("GASB 96") provides guidance on the accounting and financial reporting for subscription-based information technology arrangements for governments. GASB 96 has been implemented retroactively to July 1, 2021. The financial statements for Fiscal Year 2022 were restated as a result of the implementation of GASB 96.
7 Beginning in Fiscal Year 2022, the Department began collecting the Clean Truck Fund rate. See "THE PORT AND THE DEPARTMENT—Environmental and Regulatory Matters—*Clean Air Action Plan*."

Source: Harbor Department of the City of Los Angeles

Management Discussion and Analysis. Over the six-year period spanning July 1, 2018 through June 30, 2024, the Department was subjected to certain external events which impacted cargo volumes and associated wharfage. First, in March 2020, cargo volumes dramatically declined due to lockdowns attributable to the onset of the worldwide COVID-19 pandemic. Following the initial steep decline, cargo volumes and associated wharfage dramatically increased as consumer spending patterns shifted towards goods and away from travel and services, such that the Port handled a record 10.9 million TEUs in Fiscal Year 2021 and total cargo of 222.0 million metric revenue tons. As lockdown measures continued to ease, the Department observed a shift in consumer spending patterns away from goods purchases. Furthermore, uncertainty regarding cargo handling increased following the expiration of the ILWU labor agreement in June 2022 and persisted until ratification of a six-year contract in August 2023. These changes in consumer spending patterns and the advent of labor uncertainty served to negatively impact container volumes resulting in a 19.1% annual decline in Fiscal Year 2023 (8.6 million TEUs were handled in Fiscal Year 2023) and a total cargo handled at the Port resulting in a 18.4% annual decline in Fiscal Year 2023 (178.5 million metric revenue tons were handles in Fiscal Year 2023).

While the aforementioned events were mostly beyond the Department's control, the Department continued to monitor and manage those revenue and expense items which it could control. As a result, net assets consistently increased from approximately $3.3 billion as of July 1, 2018 to over $4.0 billion as of June 30, 2023. Staff estimates that net assets will continue to exhibit growth for Fiscal Year 2024, following a rebound in cargo volumes and continued management of non-cargo revenues as well as overall spending.

In Fiscal Year 2024, total container volume increased by 6.8% relative to Fiscal Year 2023 and total cargo handled at the Port increased by 9.5% relative to Fiscal Year 2023. The Port handled approximately 9.224 million TEUs in Fiscal Year 2024 as compared to approximately 8.635 million TEUs in Fiscal Year 2023. The Port handled approximately 195.4 million metric revenue tons of cargo in Fiscal Year 2024 as compared to approximately 178.5 million metric revenue tons of cargo in Fiscal Year 2023. Total operating revenues were approximately $695.3 million (unaudited) in Fiscal Year 2024, an increase of approximately $38.9 million, or 5.9%, over Fiscal Year 2023. Total operating and administrative expenses for Fiscal Year 2024 were approximately $302.4 million (unaudited), an increase of approximately 1.0% over the same period in Fiscal Year 2023. Overall, operating income, before depreciation, for Fiscal Year 2024 increased to approximately $240.2 million (unaudited), an increase of approximately 48.2% from Fiscal Year 2023.

Tariffs. Shipping revenues are comprised of wharfage, dockage, demurrage, pilotage, assignment charges, and storage, which the Department sets through tariff charges. The Department's tariffs are competitive with those charged by other West Coast ports. The following Table 10 provides a history of the Department's general cargo tariffs and basic dockage charges for Fiscal Years 2015 through 2024.

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

Fiscal Year Ended June 30	General Cargo Tariff[1]	Basic Dockage Charge[2]
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
2020	6.25	2,465
2021	6.25	2,465
2022	6.25	2,465
2023[3]	6.69	2,640
2024[4,5]	7.10	2,804

[1] Per metric ton or cubic meter of cargo.
[2] Per overall length of vessel between 180 and 195 meters per 24-hour day or fraction thereof.
[3] In October 2022, the City Council adopted a permanent ordinance to amend Tariff No. 4 for a 7.1% General Rate increase (effective August 1, 2022) based on the Consumer Price Index, an annual General Rate increase methodology adopted by CAPA, of which the Department is a member ("CAPA Methodology").
[4] In May 2024, the City Council adopted a permanent ordinance to amend Tariff No. 4 for a 6.2% General Rate increase (effective September 1, 2023) based on the CAPA Methodology.
[5] In June 2024, the Board approved a permanent ordinance to amend Tariff No. 4 for a 3.6% General Rate increase (effective July 1, 2024) based on the CAPA Methodology which would further increase the General Cargo Tariff from $7.10 to $7.36. The permanent ordinance is currently pending City Council approval.

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 an 8.4% increase in container volume as compared to Fiscal Year 2016. In Fiscal Year 2018, the Port experienced a 1.8% decrease in container volume as compared to Fiscal Year 2017 as a result of realignment and consolidation of vessel services among the shipping alliances. In Fiscal Year 2019, the Port experienced a 6.6% increase in container volume as compared to Fiscal Year 2018. Fiscal Year 2020 container volumes decreased 11.6% as compared to Fiscal Year 2019 as a direct result of the COVID-19 pandemic that began in March 2020. Container volumes increased 27.1% in Fiscal Year 2021 as a result of the economic recovery related to the COVID-19 pandemic. Container volumes were down slightly (2.0%) in Fiscal Year 2022, but were still the second highest volumes ever recorded at the Port. Container volumes decreased 19.0% in Fiscal Year 2023, which was primarily attributed to changes in spending patterns by consumers, as well as uncertainty related to protracted negotiations between the PMA and ILWU. Fiscal Year 2024 container volumes increased by 6.8% as compared to Fiscal Year 2023 primarily driven by robust consumer spending and the resolution of labor negotiations. See "*Management Discussion and Analysis*" above.

Incentive Programs. The Department currently has five incentive programs in place aimed at increasing market share, promoting Port efficiency and reducing emissions. 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 previous 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 (the "Incentive Period"). The OCC will be rewarded with this incentive if (1) TEUs delivered during the Incentive Period is greater than the proceeding Incentive Period (the "Baseline Year"); (2) TEU volume growth exceeds the Transpacific Market growth in TEU volumes delivered relative to the OCC's Baseline Year; (3) the OCC electronically transmits manifest and container information in accordance with the data schedule in Tariff No. 4; and (4) the OCC submits a written request for payment by no later than August 31st following the Incentive Period. The maximum payout per OCC per incentive period will not exceed $2.0 million. In Fiscal Year 2023, the Department spent $5.5 million, and in Fiscal Year 2024, the Department estimates that it spent $0.6 million, to fund the OCC Program. The Department has budgeted $6.24 million for the OCC Program in Fiscal Year 2025.

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 made no payouts under the ULCV Program in Fiscal Years 2023 and 2024 and no OCCs qualified to receive a payout over the most recent two-year period. However, in order to continue supporting the ULCV Program and assessing the feasibility of ULCVs calling at the Port, the Department has budgeted approximately $600,000 in Fiscal Year 2025 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 Year 2023, the Department spent $1.55 million, and, in Fiscal Year 2024, the Department estimates that it spent $2.91 million to fund the Cruise Vessel Programs. The Department has budgeted approximately $2.25 million in Fiscal Year 2025 for the Cruise Vessel Programs.

To increase the efficiency of truck turn time performance and lower carbon emissions, two incentive programs for Truck Turn Time and Dual Transactions were introduced in 2021. Under the Container Terminal Truck Turn Time Incentive Program, a container terminal tenant is eligible to receive a financial incentive if the tenant: (1) maintains a Truck Turn Time Average of 35 minutes or less during any calendar month within the Incentive Period; and (2) improves its Truck Turn Time Average each month relative to their prior year Baseline Period. Under the Container Terminal Dual Transaction Incentive Program, a Container Terminal Tenant is eligible to receive a financial incentive if the tenant: achieves a Dual Transaction percentage of 50% or greater. Under both the Container Terminal Tenant Truck Turn Time and Dual Transaction Incentive Programs, container terminal tenants are required to transmit electronically to the Department information in accordance with the Tariff No. 4 schedule which is required to calculate and process incentive payments. In Fiscal Year 2023, the Department spent $1.22 million, and in Fiscal Year 2024, the Department estimates that it spent $5.54 million, to fund the Truck Turn Time and Dual Transaction Programs. The Department has budgeted approximately $5.78 million in Fiscal Year 2025 for the Truck Turn Time and Dual Transaction Programs.

The Department funds a series of programs that encourages Port tenants to conduct their operations in a more environmentally friendly manner. For example, the Vessel Speed Reduction Incentive Program (introduced in calendar year 2001), incentivizes vessel operators who berth their ships at the Port to reduce their vessel speed when they are within a certain distance of the Port to reduce air pollution within the San Pedro Bay area. In Fiscal Year 2023 the Department expended approximately $1.96 million, and in Fiscal Year 2024, the Department estimates that it spent $2.30 million, to fund the Vessel Speed Reduction Incentive Program. The Department has budgeted approximately $2.10 million to fund the Vessel Speed Reduction Incentive Program in Fiscal Year 2025. 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 Year 2023, the Department expended approximately $440,000, and in Fiscal Year 2024, the Department estimates that it spent $960,000, to fund the Technology Advancement Program. The Department has budgeted approximately $1.07 million in Fiscal Year 2025 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 Year 2023, the Department expended approximately $660,000, and in Fiscal Year 2024, the Department estimates that it expended $800,000, to fund the ESI Program. The Department has budgeted approximately $500,000 in Fiscal Year 2025 to fund the ESI Program.

For Fiscal Year 2023, the Department incurred $8.27 million in total customer incentives and approximately $3.06 million in total environmental incentives. For Fiscal Year 2024, the Department estimates that it incurred $9.07 million in total customer incentives and approximately $4.06 million in total environmental incentives. For Fiscal Year 2025, the Department has budgeted $14.9 million in total customer incentives and has budgeted approximately $3.67 million for total environmental incentives.

Debt Service Coverage. The total revenues, operating expenses (including payments to the City for services), revenues available to pay debt service (excluding amortization, depreciation and interest expense), debt service and debt service coverage ratios for Fiscal Years 2019 through 2024 (unaudited) are shown in the following Table 11.

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

				Scheduled Debt Service		Total Debt Service	
Fiscal Year Ended June 30	**Total Revenues[1]**	**Operating Expenses[2]**	**Available Revenues**	**Debt Service**	**Debt Service Coverage [3]**	**Debt Service**	**Debt Service Coverage [3]**
2019	$578,794	$240,427	$338,367	$84,884	4.0x	$84,884	4.0x
2020	524,346	273,570	250,776	84,288	3.0	84,288	3.0
2021	586,039	272,983	313,056	79,070	4.0	79,070	4.0
2022	665,857	253,900	411,957	77,823	5.3	118,968 [4]	3.5
2023	706,407	299,420	406,987	67,377	6.0	67,377	6.0
2024 [5]	724,672	302,364	422,308	68,447	6.2	68,447	6.2

1 Total Revenues include operating revenues as well as income from investments, and interest and other non-operating revenues.
2 Operating Expenses include payroll, fringe benefits and payments for City services.
3 Available Revenues divided by Debt Service.
4 The Debt Service for Fiscal Year 2022 includes the Department's use of excess cash to redeem $41,145,000 aggregate principal of the Department's Refunding Revenue Bonds, 2011 Series A and 2011 Series B and the payment of accrued interest thereon.
5 Preliminary; subject to year-end adjustment.
Source: Harbor Department of the City of Los Angeles

Fiscal Year 2025 Budget

The Adopted Fiscal Year 2025 Budget represents the ongoing commitment of Department staff to operate and maintain the Port in a fiscally sound manner according to the guidelines, policies, and direction set forth by the Board. Furthermore, the Adopted Fiscal Year 2025 Budget complies with (i) the Board-approved Financial Policies that relate to debt rating, debt service coverage and reserve levels and (ii) the rate covenant under the Indenture.

The Adopted Fiscal Year 2025 Budget is comprised of three primary components: (i) $684.7 million in operating revenues, (ii) $403.7 million in operating expenses, and (iii) $298.1 million in capital expenditures. See Table 12 below for additional details of the budgeted operating revenues and expenses for Fiscal Year 2025. The Adopted Fiscal Year 2025 Budget includes a 4.9% increase in operating revenues as compared to the Adopted Fiscal Year 2024 Budget. This increase in operating revenues is anticipated to be driven primarily by higher shipping services derived from a 2.0% increase in cargo volumes relative to those budgeted for Fiscal Year 2024 as well as the implementation of recent general rate increases. The remainder of the increase in operating revenues within the Adopted Fiscal Year 2025 Budget is anticipated to be derived from higher rental revenues due to recently completed compensation resets and higher than expected Consumer Price Index adjustments.

The Adopted Fiscal Year 2025 Budget includes an 8.4% increase in total operating expenses as compared to the Adopted Fiscal Year 2024 Budget due to higher spending in almost all budget categories, most notably an increase in salaries & benefits expenses resulting primarily from the addition of 37 new full-time positions (including the addition of 16 Port Police Officers) as well as employee memorandum of understanding-mandated increases to salaries, salary step increases and position upgrades.

The Fiscal Year 2025 capital budget is projected to increase by approximately 18.1% as compared to the Fiscal Year 2024 capital budget, primarily due to a 19.0% increase in the Department's capital improvement program (which comprises the largest category in the Fiscal Year 2025 capital budget) in Fiscal Year 2025, due to increased spending on Transportation Projects, Public Access and Environmental Enhancement Projects as well as Maritime Services Projects. The Department's cash outlays on capital projects are expected to be partially offset by $96.7 million in grant funding which represents an increase of 101.6% relative to the capital grant receipts that were included in the Adopted Fiscal Year 2024 Budget.

Table 12
Port of Los Angeles
Fiscal Year 2025 Budgeted Operating Revenues and Expenses
(In Thousands of Dollars)

Operating Revenues	
Shipping Services	$502,977
Rentals	107,598
Royalties & Fees	6,817
Clean Truck Fees	36,396
Other	30,926
Total Operating Revenues	$684,714
Operating Expenses	
Salaries & Benefits	$199,383
Marketing & Travel	5,787
Outside Services	59,168
Materials & Supplies	7,248
City Services	68,497
Other	63,612
Total Operating Expenses	$403,695
Operating Income (before Depreciation)	$281,019

Source: Harbor Department of the City of Los Angeles

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Other Financial Matters

Debt Service on the Parity Obligations. Debt service on the Series 2024 Bonds and the other Parity Obligations (excluding the Refunded Series 2014 Bonds) is shown in the following Table 13.

Table 13
Port of Los Angeles
Debt Service on Parity Obligations[1,2]

Fiscal Year Ended June 30	Series 2024A-1 Bonds Principal	Series 2024A-1 Bonds Interest	Series 2024A-2 Bonds Principal	Series 2024A-2 Bonds Interest	Series 2024B-1 Bonds Principal	Series 2024B-1 Bonds Interest	Series 2024B-2 Bonds Principal	Series 2024B-2 Bonds Interest	Series 2024C Bonds Principal	Series 2024C Bonds Interest	Total Debt Service Requirements for Series 2024 Bonds	Total Debt Service Requirements for Series 2019 Bonds	Total Debt Service Requirements
2025	–	$ 1,801,713	–	$ 467,688	–	$ 602,000	–	$ 400,400	–	$ 495,338	$ 3,767,138	$ 2,057,750[3]	$ 5,824,888
2026	–	5,147,750	–	1,336,250	–	1,720,000	–	1,144,000	–	1,415,250	10,763,250	39,274,000	50,037,250
2027	–	5,147,750	–	1,336,250	–	1,720,000	–	1,144,000	–	1,415,250	10,763,250	40,693,375	51,456,625
2028	$ 9,105,000	4,920,125	–	1,336,250	–	1,720,000	–	1,144,000	$ 1,095,000	1,387,875	20,708,250	1,758,000	22,466,250
2029	10,055,000	4,441,125	–	1,336,250	–	1,720,000	–	1,144,000	1,150,000	1,331,750	21,178,125	1,324,750	22,502,875
2030	7,475,000	4,002,875	–	1,336,250	–	1,720,000	–	1,144,000	1,210,000	1,272,750	18,160,875	4,463,875	22,624,750
2031	10,075,000	3,564,125	–	1,336,250	–	1,720,000	–	1,144,000	1,270,000	1,210,750	20,320,125	–	20,320,125
2032	10,175,000	3,057,875	–	1,336,250	–	1,720,000	–	1,144,000	1,335,000	1,145,625	19,913,750	–	19,913,750
2033	12,135,000	2,500,125	–	1,336,250	–	1,720,000	–	1,144,000	1,405,000	1,077,125	21,317,500	–	21,317,500
2034	12,695,000	1,879,375	–	1,336,250	–	1,720,000	–	1,144,000	1,480,000	1,005,000	21,259,625	–	21,259,625
2035	13,260,000	1,230,500	–	1,336,250	–	1,720,000	–	1,144,000	1,555,000	929,125	21,174,875	–	21,174,875
2036	13,830,000	553,250	–	1,336,250	–	1,720,000	–	1,144,000	1,635,000	849,375	21,067,875	–	21,067,875
2037	4,150,000	103,750	$ 9,060,000	1,109,750	–	1,720,000	–	1,144,000	1,720,000	765,500	19,773,000	–	19,773,000
2038	–	–	9,335,000	649,875	–	1,720,000	–	1,144,000	1,805,000	677,375	15,331,250	–	15,331,250
2039	–	–	8,330,000	208,250	$ 1,485,000	1,682,875	–	1,144,000	1,900,000	584,750	15,334,875	–	15,334,875
2040	–	–	–	–	10,320,000	1,387,750	–	1,144,000	1,995,000	487,375	15,334,125	–	15,334,125
2041	–	–	–	–	10,845,000	858,625	–	1,144,000	2,100,000	385,000	15,332,625	–	15,332,625
2042	–	–	–	–	10,810,000	317,250	–	1,144,000	2,090,000	280,250	14,641,500	–	14,641,500
2043	–	–	–	–	940,000	23,500	$ 9,505,000	906,375	2,015,000	177,625	13,567,500	–	13,567,500
2044	–	–	–	–	–	–	9,485,000	431,625	1,825,000	81,625	11,823,250	–	11,823,250
2045	–	–	–	–	–	–	3,890,000	97,250	720,000	18,000	4,725,250	–	4,725,250
Total	$102,955,000	$38,350,338	$26,725,000	$17,134,313	$34,400,000	$27,232,000	$22,880,000	$21,283,650	$28,305,000	$16,992,713	$336,258,013	$89,571,750	$425,829,763

[1] Total debt service on the Series 2024 Bonds and the Series 2019 Bonds. Excludes debt service on the Refunded Series 2014 Bonds.
[2] On August 30, 2024, the Department deposited available cash and moneys released from the Common Reserve with U.S. Bank Trust Company, National Association, as trustee and escrow agent, which moneys and the earnings thereon will be sufficient to defease all of the Department's outstanding Refunding Revenue Bonds, 2015 Series A, Refunding Revenue Bonds, 2016 Series B (Non-AMT), and Refunding Revenue Bonds, 2016 Series C (Non-AMT) (Green Bonds).
[3] Only includes the February 1, 2025 interest payment on the Series 2019 Bonds.
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 2023, City Services payments totaled approximately $52.6 million. For Fiscal Year 2024 (unaudited), City Services payments totaled approximately $64.5 million. For Fiscal Year 2025, the Department has budgeted approximately $68.5 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, California Government Code Section 6500, 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 San Pedro Bay Ports, linking the 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 LACMTA.

In October 1998, the San Pedro Bay Ports, ACTA, Union Pacific and BNSF (Union Pacific and BNSF are collectively referred to as the "Railroads") entered into the Alameda Corridor Use and Operating Agreement (which was subsequently amended and restated on December 15, 2016) (the "Corridor Agreement"). The Corridor Agreement governs the administration, operation and maintenance of the Alameda Corridor and the collection and application of use fees, container charges, maintenance and operation charges and Shortfall Advances (as defined below).

The Alameda Corridor has been financed and refinanced with taxable and tax-exempt bonds. According to ACTA, as of April 1, 2024, ACTA had outstanding approximately $2.286 billion aggregate principal/accreted value of taxable and tax-exempt bonds (collectively, the "ACTA Obligations"). 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 pay in full the "Annual ACTA Amount". The "Annual ACTA Amount" includes the yearly debt service payments on the ACTA Obligations, certain financing fees and required deposits to any debt service reserve account established for the ACTA Obligations. Pursuant to the Corridor Agreement, each year, the San Pedro Bay Ports are each individually liable for 20% of the Annual ACTA Amount. Neither of the San Pedro Bay Ports is required to make Shortfall Advances that are due and payable by the other port. Most of the Annual ACTA Amount consists of the debt service payments on the ACTA Obligations. Based upon the April 1, 2024 outstanding amount of the ACTA Obligations, in the event use fees and container charges ceased to be collected from the Railroads, the San Pedro Bay Ports are potentially liable for a maximum of approximately $2.005 billion (the Department and the Port of Long Beach each being liable for approximately $1.002 billion) of debt service payments on the ACTA Obligations through 2054. 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 July 2022 and again in February 2024, ACTA restructured some of its outstanding bonds which, among other things, relieved the San Pedro Bay Ports from having to make Shortfall Advances. However, according to information provided in ACTA's official statement dated January 23, 2024, with respect to ACTA's Tax-Exempt Senior Lien Revenue Refunding Bonds, Series 2024A, Taxable Senior Lien Revenue Refunding Bonds, Series 2024B, Tax-Exempt Subordinate Lien Revenue Refunding Bonds, Series 2024C, and Taxable Subordinate Lien Revenue Refunding Bonds, Series 2024D, ACTA projects that the San Pedro Ports will again be required to make Shortfall Advances beginning in Fiscal Year 2027.

The Department's obligation to make Shortfall Advance payments is subordinated to other obligations of the Department, including the Series 2024 Bonds, and the Department is not required to take Shortfall Advance payments into account when determining whether it may incur additional indebtedness or when calculating compliance with the rate covenants under the Indenture and the other Issuing Documents. The Department's obligation to make Shortfall Advances will continue even if use fees are abated as a result of complete blockage of the rail corridor for more than five days. Shortfall Advances 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. See "*Insurance*" and "Financial Policies—*Financial Reserve and Target Balance Policy*" below.

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Historical Cash Balances. The following Table 14 sets forth the ending cash balances in the Harbor Revenue Fund and the Department's unrestricted and restricted funds for Fiscal Years 2020 through 2024 (unaudited).

Table 14
Port of Los Angeles
Historical Ending Cash Balances
(In Thousands of Dollars)

	2020	**2021**	**2022**	**2023**	**Unaudited 2024**
Unrestricted Funds					
Harbor Revenue Fund	$642,486	$757,841	$891,200	$1,019,835	$1,194,602
Harbor Special Operating Fund	199,847	196,237	185,824	203,342	220,966
Emergency/ACTA Reserve Fund	50,580	50,633	50,563	52,563	55,382
Others	5,793	7,302	16,566	5,834	8,234
Total Unrestricted Funds	$928,706	$1,012,012	$1,144,153	$1,281,573	$1,479,185
Restricted Funds					
China Shipping Mitigation Fund	$9,246	$9,074	$8,576	$8,469	$8,457
Community Mitigation Trust Fund—TraPac	122	397	385	–	–
Clean Truck Fee Fund	5	5	5	39,215	78,079
LA/LB Training Facility	–	–	–	–	70,000
Batiquitos L/T Investment Fund [1]	7,449	7,390	6,893	6,823	7,017
Bond Funds	42,281	42,435	37,452	37,105	36,835
Customer Security Deposits	3,127	3,071	2,910	2,869	2,869
Other	3,288	3,249	3,117	3,172	3,299
Total Restricted Funds	$65,519	$65,622	$59,339	$97,652	$206,555
Total Unrestricted and Restricted Funds	$994,225	$1,077,634	$1,203,492	$1,379,225	$1,685,740

[1] 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 among the participants in the Pool. The assets of the Pool as of June 30, 2024 are shown in the following Table 15:

Table 15
City of Los Angeles
General Pooled Investment Fund Investments
As of June 30, 2024

	Market Value (thousands)*	Percent of Total*
Treasury Notes	$ 9,204,476	64.92%
Corporate Notes	1,968,033	13.88
U.S. Agencies/Munis/Supras	1,418,583	10.00
Commercial Paper	866,644	6.11
Asset-Back Securities	243,131	1.71
Money Market Funds	275,825	1.95
Bank Deposits	59,578	0.42
L.A.I.F. (State of California)	4,238	0.03
Total	$14,178,914	100.00%

Source: City of Los Angeles, Office of Finance - Investment Report, June 30, 2024
* Totals may not add due to rounding

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, 2024 was 2.8 years.

The proceeds of Parity Obligations and other moneys required to be deposited by the Department to the funds and accounts established under the Indenture and the other 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 other 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—ANNUAL COMPREHENSIVE FINANCIAL REPORT OF THE HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES FOR THE FISCAL YEARS ENDED JUNE 30, 2023 AND 2022” 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 (the “Emergency/ACTA Reserve Fund”) administered by the Department that had a balance of approximately $55.4 million as of June 30, 2024. Pursuant to a resolution adopted by the Board in 2013, a minimum balance of $47.0 million is required to be maintained for unanticipated expenditures, disaster-related recovery and Alameda Corridor revenue shortfalls. 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 $1,000,000 per occurrence for damages including death, personal injury, bodily injury, or property damage which includes a $500,000 deductible. The Department also maintains liability and indemnity coverage for its vessel operations in the amount of $1,000,000 and with a $2,500 deductible, and includes coverage for physical damage (hull and machinery) of the vessels. Department tenants, vendors and contractors are required to provide a minimum of $1,000,000 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 also purchases a number of smaller insurance policies with coverage limits ranging from $500,000 to $10,000,000 and varying deductibles. These polices provide indemnity and liability coverage for a variety of exposures associated with executive travel, active assailant events, drone use, pilotage operations, special event, crime and travel. Insurance for each policy is rated “A” or better by A.M. Best.

The Department's Workers' Compensation obligations are self-insured and administered by the City's Personnel Department. See also "CERTAIN INVESTMENT CONSIDERATIONS—Cybersecurity."

Labor Relations. The Port is a significant source of employment in the region. While the Department employs approximately 950 persons, the Port directly and indirectly is responsible for generating 128,000 jobs in Los Angeles (1 in 15), 462,000 jobs in the five-county southern California region (1 in 19) and 1.4 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 25 different bargaining units, which are represented by 11 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.

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Union	Bargaining Units	Agreement Period*
American Federation of State, County and Municipal Employees, AFL-CIO ("AFSCME")	Clerical and Support Employees	January 2024 through December 2027
AFSCME	Executive Administrative Assistants	December 2023 through December 2028
Engineers and Architects Association	Administrative; Supervisory Administrative; Technical; Supervisory Technical	January 2024 through December 2027
International Union of Operating Engineers, Local 501	Plant Equipment Operation and Repair; Operating Engineers/Hiring Hall	December 2023 through December 2028
Los Angeles City Supervisors and Superintendents Association/Laborer's International Union of North America, Local 777	Supervisory Blue Collar	December 2023 through December 2028
Los Angeles County Building and Construction Trades Council, AFL-CIO	Building Trades; Supervisory Building Trades; Hiring Hall	December 2023 through December 2028
Los Angeles Port Pilots Association ILWU, Local 68	Port Pilots	June 2017 through June 2027
Los Angeles Port Police Association	Harbor Peace Officers	July 2022 through September 2027
Los Angeles Port Police Command Officers Association	Port of Los Angeles Command Officers	June 2022 through September 2027
Los Angeles Professional Managers Association ("LAPMA")	Managers	December 2023 through December 2028
LAPMA	Personnel Directors	December 2023 through December 2028
LAPMA	Confidential Senior Personnel Analysts	January 2023 through December 2028
Municipal Construction Inspectors Association, Inc.	Inspectors	June 2019 through December 2023*
Service Employees International Union ("SEIU") AFL-CIO, Local 721	Equipment, Operation and Labor; Safety and Security; Service Employees; Service and Crafts	December 2023 through December 2028
SEIU	Professional Engineering and Scientific; Supervisory Professional Engineering and Scientific	December 2023 through December 2028

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

Retirement Plans. Approximately 87% of the Department's full-time employees participate in the Los Angeles City Employees' Retirement System ("LACERS"), administered by the City. The remaining 13% 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, 2023 (the "LACERS Valuation Report"), LACERS had an unfunded actuarial accrued liability ("UAAL") of approximately $6.806 billion with respect to retirement benefits and approximately $242 million with respect to health subsidy benefits. As of June 30, 2022, LACERS had an UAAL of approximately $6.429 billion with respect to retirement benefits and approximately $107 million with respect to health subsidy benefits. The LACERS Valuation Report also indicated that as of June 30, 2023, LACERS had a funded ratio (based on the actuarial value of the assets of LACERS) of 73.1% with respect to retirement benefits and 107.1% with respect to health subsidy benefits. As of June 30, 2022, LACERS had a funded ratio (based on the actuarial value of the assets of LACERS) of 73.3% with respect to retirement benefits and 97.0% 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, 2023, LACERS had a funded ratio (based on the market value of the assets of LACERS) of 71.0% with respect to retirement benefits and 104.0% with respect to health subsidy benefits. As of June 30, 2022, LACERS had a funded ratio (based on the market value of the assets of LACERS) of 70.7% with respect to retirement benefits and 93.5% 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, 2023 (the "LAFPP Valuation Report"), LAFPP had a UAAL of approximately $126 million with respect to retirement benefits and approximately $849 million with respect to health subsidy benefits. As of June 30, 2022, LAFPP had an UAAL of approximately $524 million with respect to retirement benefits and approximately $939 million with respect to health subsidy benefits. The LAFPP Valuation Report also indicated that, as of June 30, 2023, LAFPP had a funded ratio (based on the actuarial value of the assets of LAFPP) of 99.5% with respect to retirement benefits and 77.7% with respect to health subsidy benefits. As of June 30, 2022, LAFPP had a funded ratio (based on the actuarial value of the assets of LAFPP) of 98.0% with respect to retirement benefits and 74.3% 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, 2023, LAFPP had a funded ratio (based on the market value of the assets of LAFPP) of 99.6% with respect to retirement benefits and 77.8% with respect to health subsidy benefits. As of June 30, 2022, LAFPP had a funded ratio (based on the market value of the assets of the LAFPP) of 98.4% with respect to retirement benefits and 74.6% with respect to health subsidy benefits.

The Department contributed approximately $29.1 million and $27.0 million to LACERS in Fiscal Years 2023 and 2022, respectively, and these contributions included both retirement benefits and OPEB. In each of these Fiscal Years, the Department contribution was equal to 100% of its annual required contribution as calculated by LACERS and its actuaries. The Department has contributed approximately $31.8 million to LACERS for Fiscal Year 2025, its annual required contribution as calculated by LACERS and its actuaries.

The Department contributed approximately $5.7 million and $4.9 million to LAFPP in Fiscal Years 2023 and 2024, respectively, which contributions included both retirement benefits and OPEB. In each of these Fiscal Years, the Department contribution was equal to 100% of its annual required contribution as calculated by LAFPP and its actuaries. The Department has contributed approximately $5.6 million to LAFPP for Fiscal Year 2025, 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—ANNUAL COMPREHENSIVE FINANCIAL REPORT OF THE HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES FOR THE FISCAL YEARS ENDED JUNE 30, 2023 AND 2022."

Financial Policies

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

The Department's Financial Policies are described below and the full Financial Policies are posted on the Port's website at https://www.portoflosangeles.org/business/finance. However, such website, and the information contained therein are not incorporated into, and are not part of, this Official Statement.

Fiscal Policies. The objective of the Department's Fiscal Policies is to balance prudently the Department's core business requirements and strategic objectives with its financial resources. Pursuant to the City Charter, moneys deposited in the Harbor Revenue Fund may be appropriated or used for limited purposes. Pursuant to its Fiscal Policies, annually the Board will adopt a budget that is consistent with Department's commitment to its strategies and goals as provided in the Department's strategic plan (the "Strategic Plan"). Recommendations to the Board which do not comply with the Department's Fiscal Policies must be identified as noncompliant in an appropriate report. The Department's annual financial statements will be presented to the Board upon the conclusion of the audit process. The Department will maintain Fiscal Policies designed to hold ratings commensurate with strategy and sustain transparency and accountability to its stakeholders.

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

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

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

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

Capital Improvement Plan Funding Policy. Amounts budgeted by the Department for capital improvements are taken from the Department's Capital Improvement Plan (the "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: the Emergency/ACTA Reserve Fund in the amount of $55.4 million as of June 30, 2024, 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 $47.0 million; and a Special Operating Fund which combined with the balance in the Emergency/ACTA Fund would provide for approximately one year of operating expenses of the Department. Per the Financial Reserve Policy, the target balance in the Special Operating Fund is equal to the difference between (i) the average of the Department's operating expenses for the four most recent Fiscal Years and the adopted budget for the current Fiscal Year and (ii) the balance in the Emergency/ACTA Fund.

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

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

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

CERTAIN INVESTMENT CONSIDERATIONS

The purchase and ownership of the Series 2024 Bonds involves investment risk and may not be suitable for all investors. Prospective purchasers of the Series 2024 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 2024 Bonds. However, the following does not purport to be an exhaustive listing of all considerations which may be relevant to investing in the Series 2024 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 2024 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 2024 Bonds

No debt service reserve fund will be established to secure the payment of principal of and interest on the Series 2024 Bonds.

Global Health Emergencies; COVID-19 Pandemic

A pandemic, epidemic or outbreak of an infectious disease can have significant adverse effects and financial impacts on global and local economies. For example, beginning in 2020, the COVID-19 pandemic negatively affected economic activity throughout the world, including the United States and the State. The initial impacts of stay-at-home orders globally was unprecedented, with commerce, travel, asset values and financial markets experiencing disruptions worldwide. Overall cargo volumes experienced a downturn in Fiscal Year 2020 due to issues with the global supply chain, labor availability, and local stay-at-home orders. Beginning in Fiscal Year 2021, the Department began to recover from the affects of the pandemic and total cargo volumes for Fiscal Year 2024 were 6.8% higher than Fiscal Year 2020.

The declarations of the COVID-19 pandemic as a public health emergency have been lifted. However, no assurance can be given that the operations or finances of the Department will not be negatively affected in the event that the pandemic and its consequences again become more severe or if there is an outbreak of another infectious disease or similar event impacting the region in the future.

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.

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 (8.0 million TEUs handled in calendar year 2023), the Port of Oakland (2.1 million TEUs handled in calendar year 2023), the Ports of Seattle and Tacoma (also referred to as the Northwest Seaport Alliance) (3.0 million TEUs handled in calendar year 2023), the Port of Vancouver (3.1 million TEUs handled in calendar year 2023) and the Port of Prince Rupert (704,200 TEUs handled in calendar year 2023), 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. Non-discretionary cargo (i.e. cargo that is distributed within the Southern California region) consists of approximately 67% of the cargo arriving at the Port. Discretionary cargo makes up the remaining approximately 33% 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 use of all-water routes to the East and Gulf Coasts of the U.S. is an alternative to Asian intermodal cargo moving through United States West Coast ports. All-water service from Asia to the Gulf of Mexico and East Coast ports through the Panama Canal and through the Suez Canal, also compete for the same cargos. Demand for these all-water services increased following the 2002, 2008, 2014 and 2022-23 prolonged longshoreman contract negotiations that occurred on the West Coast. The primary appeal of the all-water routes is the expected reliability of the services, along with market growth opportunities and costs.

However, the shipping lines remain very committed to the Southern California gateway which also is evidenced by the investment in terminal infrastructure that has been made by the shipping lines. For example, in January 2022, CMA CGM completed its $2.3 billion acquisition for 90% of Fenix Marine Services' terminal at the Port. CMA CGM is now the sole owner of the Fenix facility. The Department in in ongoing negotiations with Fenix on a further expansion and upgrade of its terminal at the Port.

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. 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.

Shipping Line Alliances Within the Containerized Cargo Industry

Over the past decade, many of the shipping lines have either formed strategic mega shipping alliances or merged their operations. The three largest alliances are the 2M Alliance, the OCEAN Alliance and THE Alliance, which ship over 85% of all imports from Asia to the United States.

In February 2024, members of the OCEAN Alliance, CMA CGM, Cosco Shipping, Evergreen and OOCL, announced that they had extended their partnership until 2032. OCEAN Alliance encompasses seven major East and West trades, facilitating connectivity between Asia and Northern Europe, the Middle East, North America's East Coast and West Coast, and the Mediterranean. In 2023, Maersk and Mediterranean Shipping Company announced that they would discontinue the 2M Alliance in 2025. In January 2024, shipping lines Hapag-Lloyd (which is currently part of THE Alliance) and Maersk announced that they have entered into an agreement for a new long-term operational collaboration called "Gemini Cooperation." The new partnership would start in February 2025, cover seven trades and offer 26 mainline services.

Additional alliances and mergers could occur in the future. The Department cannot predict what effect any new alliances may have on container traffic at the Port or the Revenues of the Department.

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

Between March 2018 and May 2019, then-President Trump applied new tariffs to a wide variety of products imported from China and other nations, including aluminum, steel (under Section 232 of the Trade Act of 1974, as amended ("Section 232")) and consumer goods (under Section 301 of the Trade Act of 1974, as amended ("Section 301")). 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. Upon taking office in 2021, President Biden maintained the tariffs on Chinese goods. On May 14, 2024, the Biden Administration announced that it was proposing to expand the Section 301 tariffs on Chinese imports to include solar panels, electric vehicles, batteries, green energy supply chain inputs, ship-to-shore port cranes, steel products, aluminum products, medical syringes, and personal protective equipment. 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

The Port contains critical infrastructure that could be the subject to attempted terrorist attacks. These critical infrastructure assets include cargo terminals, waterways, roads, bridges, and rail access. A terrorist attack on this infrastructure could have a material adverse effect on the collection of Revenues needed to repay the Series 2024 Bonds and the Department's other obligations.

As a result of the terrorist attacks of September 11, 2001, the Maritime Transportation Security Act ("MTSA") was signed into law. The MTSA requires the maritime industry to implement measures designed to protect ports and waterways of the United States from a terrorist attack. Compliance with the MTSA includes detailed terminal and vessel security assessments, and development and implementation of comprehensive security plans. These regulations are reenforced by the U.S. Coast Guard.

In addition to measures taken under MTSA regulations, the Port Police, along with other State and federal agencies, conduct extensive port and cargo security operations to ensure the security of the Port. See "THE PORT AND THE DEPARTMENT—Introduction and Organization—Port Security."

Cybersecurity

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 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 2024 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.

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

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 the Emergency/ACTA Reserve Fund, to cover, among other things, uninsured losses, including damages from earthquakes. 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 Port. 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 2021, the South Coast AQMD began a public rulemaking process to develop a new regulation, Proposed Rule 2304 – Marine Ports Indirect Source Rule, to reduce air pollution from the Port and the Port of Long Beach and their container terminals. The South Coast AQMD is still in the process of developing the rule and has not released draft regulation language, but some of its preliminary proposals to reduce air pollution at the Port and the Port of Long Beach included placing caps on the emissions that each of the ports would be allowed to generate. Depending on the Rule's ultimate structure and compliance requirements, such caps and/or other provisions could have an adverse effect on the cargo volumes and associated revenues of the Department. As of the date of this Official Statement, the Department cannot predict the requirements or restrictions under the South Coast AQMD's final rule, which it has stated will be considered by its board for adoption in the first quarter of calendar year 2025.

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.

The Department continues to develop and adapt capital improvement projects to remain resilient to sea level rise. As global sea levels continue to rise, shoreline assets become more vulnerable to increase in the frequency and magnitude of coastal flood events. Sea level rise is a significant risk that can have a long-term impact on business operations as well as international cargo. Therefore, the Department is taking a proactive approach to address the risk when investing in new infrastructure to avoid costly future improvements. The basis for the resiliency implementation is The Port of Los Angeles Sea Level Rise Adaptation Study (2018), which evaluated Port assets including wharves and miscellaneous operations, critical facilities, transportation (rail/roads), community assets, and natural habitats. The Study included the development of sea level rise maps showing exposure for years 2030, 2050, and 2100, a vulnerability assessment, and development of adaptation strategies including governance, initiatives, and physical infrastructure. The Department is updating the Sea Level Rise Adaptation Study with a draft expected in the fourth quarter of calendar year 2024.

The Department is unable to predict whether sea-level rise or other impacts of climate change will occur while the Series 2024 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 2024 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 2024 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 2024 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 2024 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 2024 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 2024 Bonds will not have a lien on Revenues received by the Department after the commencement of the bankruptcy case unless the bankruptcy court determines that Revenues constitute "special revenues" within the meaning of the United States Bankruptcy Code. "Special revenues" are defined to include receipts from the ownership, operation, or disposition of projects or systems that are primarily used or intended to be used primarily to provide transportation, utility or other services, as well as other revenues or receipts derived from particular functions of the debtor. While the Department believes that Revenues should be treated as "special revenues," no assurance can be given that a bankruptcy court would not find otherwise. If Revenues are not "special revenues," there could be delays or reductions in payments on the Series 2024 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 2024 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 2024 Bonds.

Impact of Labor Negotiations (Port Tenants)

Protracted negotiations in 2014-15 and 2022-23 between the ILWU and the PMA, although not involving any employees of the Department, had a compounding effects on congestion issues that had slowed down container cargo movement through the San Pedro Bay Ports. The PMA and the ILWU entered into a new contract on June 14, 2023, which was ratified by the ILWU membership on August 31, 2023, retroactive to July 1, 2022. The current contract expires on June 30, 2028. The Department's revenues and container volumes at the Port were temporarily impacted during Fiscal Year 2015 and 2023 as a result of the slowdown and other congestion factors. Future labor unrest between the ILWU and the PMA could negatively affect Department revenues and container volumes at the Port.

Enforceability of Remedies

The remedies available to the Owners of the Series 2024 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 2024 Bonds will be qualified to the extent that the enforceability of certain legal rights related to the Series 2024 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.

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 2024 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, 2024, 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 2024 Bonds in complying with Rule 15c2-12.

TAX MATTERS

Opinion of Bond Counsel

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the Department, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Series 2024 Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), except that no opinion is expressed as to such exclusion of interest on any Series 2024A Bond or Series 2024B Bond for any period during which the Series 2024A Bond or the 2024B Bond, as applicable, is held by a person who, within the meaning of Section 147(a) of the Code, is a "substantial user" of the facilities refinanced with the proceeds of the Series 2024A Bonds and the Series 2024B Bonds or a "related person," (ii) interest on the Series 2024B Bonds and the Series 2024C Bonds is not treated as a preference item in calculating the alternative minimum tax under the Code, however, interest on the Series 2024B Bonds and Series 2024C Bonds is included in the "adjusted financial statement income" of certain corporations that are subject to the alternative minimum tax under Section 55 of the Code, and (iii) interest on the Series 2024A Bonds is treated as a preference item in calculating the alternative minimum tax under the Code and is included in the "adjusted financial statement income" of certain corporations that are subject to the alternative minimum tax under Section 55 of 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 2024 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 2024 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 2024 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 2024 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 2024 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 2024 Bonds in order that interest on the Series 2024 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 2024 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 2024 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 2024 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 2024 Bonds. It does not purport to address all aspects of federal taxation that may be relevant to a particular owner of a Series 2024 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 2024 Bonds.

Prospective owners of the Series 2024 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 2024 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 2024 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 2024 Bonds. In general, the issue price for each maturity of Series 2024 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 2024 Bonds having OID (a "Discount Bond"), OID that has accrued and is properly allocable to the owners of the Discount 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 2024 Bonds.

In general, under Section 1288 of the Code, OID on a Discount 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 Bond. An owner's adjusted basis in a Discount Bond is increased by accrued OID for purposes of determining gain or loss on sale, exchange, or other disposition of such Discount 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 Bond even though there will not be a corresponding cash payment.

Owners of Discount 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 Bonds.

Bond Premium

In general, if an owner acquires a Series 2024 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 Series 2024 Bond (a "Premium Bond"). In general, under Section 171 of the Code, an owner of a Premium Bond must amortize the bond premium over the remaining term of the Premium Bond, based on the owner's yield over the remaining term of the Premium Bond determined based on constant yield principles (in certain cases involving a Premium 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 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 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 Bond may realize a taxable gain upon disposition of the Premium 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 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 Bonds.

Information Reporting and Backup Withholding

Information reporting requirements apply to interest paid on tax-exempt obligations, including the Series 2024 Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, "Request for Taxpayer Identification Number and Certification," or if the recipient is one of a limited class of exempt recipients. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to "backup withholding," which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a "payor" generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a Series 2024 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 2024 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 2024 Bonds under federal or state law or otherwise prevent beneficial owners of the Series 2024 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 2024 Bonds.

Prospective purchasers of the Series 2024 Bonds should consult their own tax advisors regarding the foregoing matters.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

Upon delivery of the Series 2024 Bonds, Causey Demgen & Moore P.C., will deliver a report stating that the firm has verified the mathematical accuracy of certain computations relating to the adequacy of the amounts to be deposited to the respective escrow funds, together with interest earnings thereon, to pay on December 24, 2024 the redemption price of the Refunded Series 2014 Bonds as further described under "PLAN OF REFUNDING AND APPLICATION OF SERIES 2024 BOND PROCEEDS."

RATINGS

Moody's Investors Service, Inc. ("Moody's"), S&P Global Ratings ("S&P"), and Fitch Ratings ("Fitch") have assigned the Series 2024 Bonds ratings of "Aa2" (stable outlook), "AA+" (positive outlook) and "AA" (stable outlook), respectively. Such credit ratings reflect only the views of such organizations and any desired explanation of the meaning and significance of such credit ratings, including the methodology used and any outlook thereon, should be obtained from the rating agency furnishing the same, at the following addresses, which are current as of the date of this Official Statement: Moody's Investors Service, Inc. 1 World Trade Center, 250 Greenwich Street, 23rd Floor, New York, New York 10007; S&P Global Ratings, 55 Water Street, 38th Floor, New York, New York 10041; and Fitch Ratings, 33 Whitehall Street, 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 2024 Bonds any announcement regarding the outlook of any rating agency with respect to the Series 2024 Bonds. Any downward revision or withdrawal or announcement of negative outlook could have an adverse effect on the market price of the Series 2024 Bonds. Maintenance of ratings will require periodic review of current financial data and other updating information by assigning agencies.

UNDERWRITING

The Series 2024 Bonds are being purchased by Jefferies LLC, Loop Capital Markets LLC, and Samuel A. Ramirez & Co., Inc. (the "Underwriters") from the Department at a price of $243,135,908.98 (which consists of the principal amount of the Series 2024 Bonds, plus an original issue premium of $28,298,607.10 and less an underwriters' discount of $427,698.12), subject to the terms of a bond purchase agreement, dated September 11, 2024 (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 2024 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 2024 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 2024 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.

LITIGATION

No Litigation Relating to the Series 2024 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 2024 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 2024 Bonds.

See also "THE PORT AND THE DEPARTMENT—Environmental and Regulatory Matters—*New Dock Street Pump Station Regulatory Action and Litigation*."

LEGAL OPINIONS

The validity of the Series 2024 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, Katten Muchin Rosenman LLP. All of the fees of Bond Counsel, Disclosure Counsel and Underwriters' Counsel with regard to the issuance of the Series 2024 Bonds are contingent upon the issuance and delivery of the Series 2024 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 2024 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, 2023 and 2022 and Independent Auditors' Report thereon are attached hereto as Appendix A. The financial statements for the Department for the Fiscal Year ended June 30, 2023 and 2022 have been audited by Moss Adams LLP, Certified Public Accountants, as stated in their report.

Moss Adams 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. Moss Adams 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 2024 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 2024 Bonds are qualified in their entirety to the definitive form thereof and the information with respect thereto included in the Resolutions and the Indenture.

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

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

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APPENDIX A

ANNUAL COMPREHENSIVE FINANCIAL REPORT
OF THE HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES
FOR THE FISCAL YEARS ENDED JUNE 30, 2023 AND 2022

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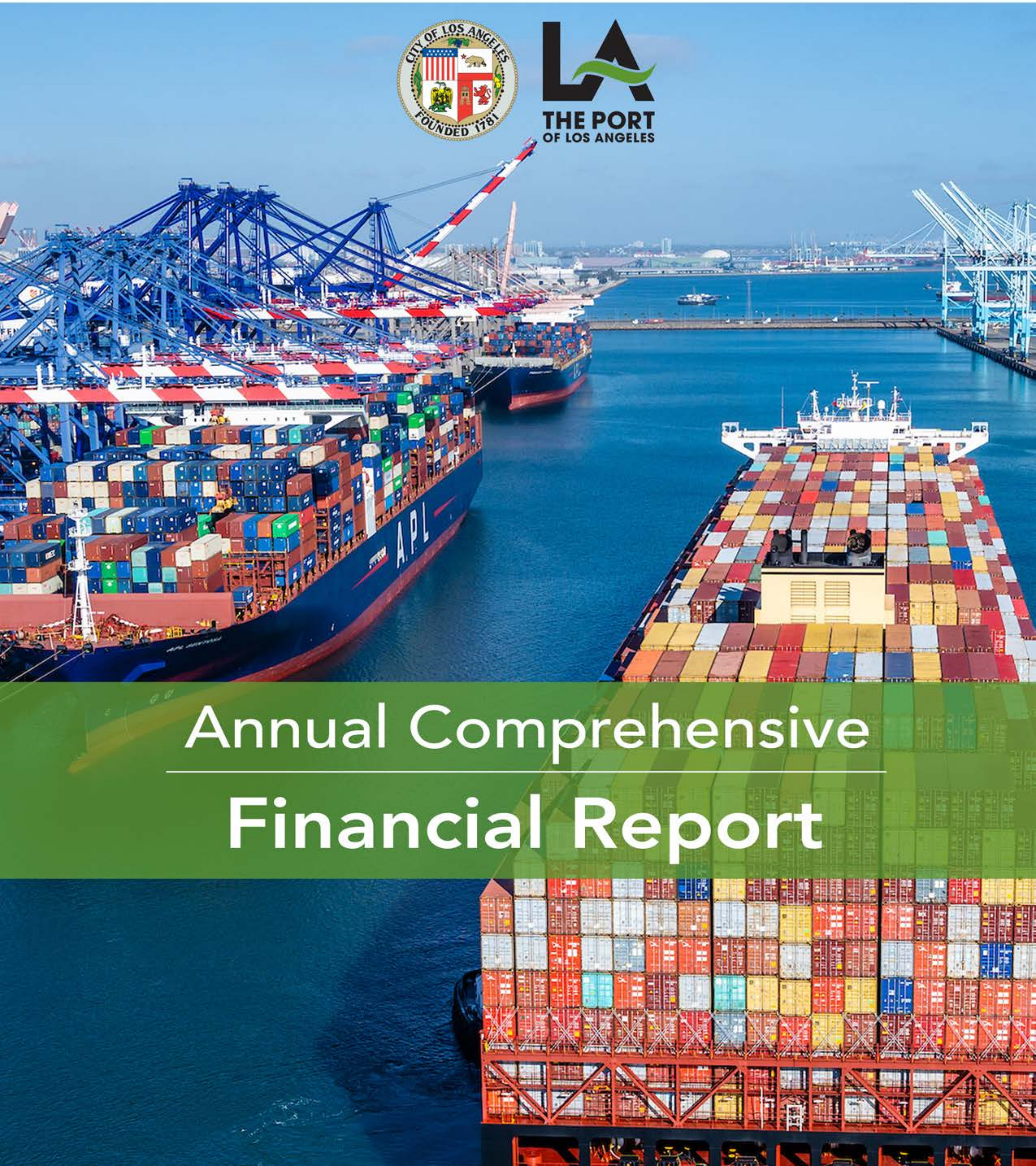
PORT OF LOS ANGELES

HARBOR DEPARTMENT, A COMPONENT UNIT OF THE CITY OF LOS ANGELES, CALIFORNIA
FOR THE FISCAL YEARS ENDED JUNE 30, 2023 AND 2022



Annual Comprehensive Financial Report

PORT OF LOS ANGELES

(HARBOR DEPARTMENT, A COMPONENT UNIT
OF THE CITY OF LOS ANGELES, CALIFORNIA)

Annual Comprehensive Financial Report

For the Fiscal Years Ended June 30, 2023 and 2022

(With Report of Independent Auditors Thereon)

Prepared by:

Finance and Administration Bureau of Port of Los Angeles

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

Annual Comprehensive Financial Report

For the Fiscal Years Ended June 30, 2023 and 2022

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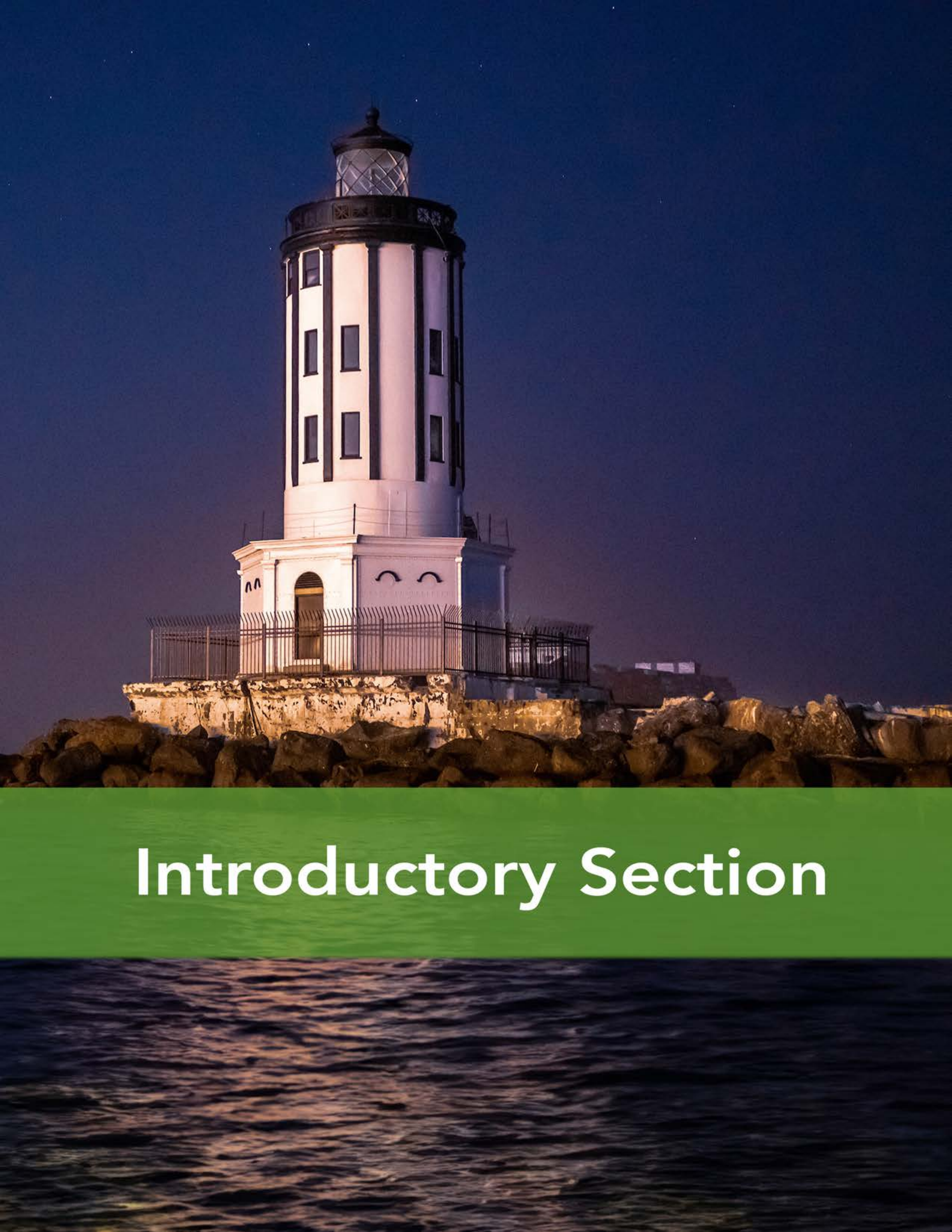


Introductory Section

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

December 15, 2023

Members of Los Angeles Board of Harbor Commissioners
Mr. Eugene D. Seroka, Executive Director
Port of Los Angeles
San Pedro, California

This Annual Comprehensive Financial Report (ACFR) of the Port of Los Angeles (the Port), Harbor Department of the City of Los Angeles, California (the City), for the fiscal years ended June 30, 2023 and 2022, is hereby submitted.

Introduction

The management of the Port has prepared this annual report and assumes responsibility for both the accuracy of the presented data, and the completeness and fairness of the presentation, including all disclosures, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute assurance that the financial statements are free of any material misstatements. To the best of management's knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and changes in financial position of the Port. All disclosures necessary to enable the reader to gain an understanding of the Port's financial activities have been included.

The report contains the audited financial statements of the Port for the fiscal years ended June 30, 2023 and 2022, which have received an unmodified opinion from the Port's independent auditors and are presented in accordance with accounting principles generally accepted in the United States of America (GAAP). GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is intended to complement the MD&A, and should be read in conjunction with it. The MD&A can be found immediately following the report of the independent auditors.

Profile of the Reporting Entity

The Port is a proprietary department of the City and is held in trust by the City for the people of the State of California (the State) pursuant to a series of tidelands grants. The Port is operated independently from the City, generating its own revenues, and administering and controlling its own expenses and fiscal activities. The Port is governed by the Board of Harbor Commissioners (the Board) which consists of five commissioners, appointed by the Mayor and confirmed by the City Council (the Council).

Most of the properties on which the Port's land, docks, wharves, transit sheds, terminals and other facilities are located is owned by the State and administered by the City through the Port, pursuant to certain tidelands grants from the State. The Port has the duty to provide for the needs of maritime commerce, navigation, fishing and recreation and environmental activities that are water-dependent and are intended to be of statewide benefit. In accordance with GAAP, the accompanying financial statements are included as an Enterprise Fund of the City.

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

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

- The Deputy Executive Director of Stakeholder Engagement leads the Stakeholder Engagement Bureau, which consists of the Media Relations and Strategic Communications, Labor Relations and Government Affairs, Community Relations, and Trade Development divisions.

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

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

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

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

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

The Port operates primarily as a landlord, as opposed to an operating port. Its docks, wharves, transit sheds, and terminals are leased to shipping or terminal companies, agents, and to other private firms. Although the Port owns these facilities, it has no direct hand in managing the daily movement of cargo. The Port is a landlord to close to 300 entities. In addition to major terminal operators, other tenants include marinas, commercial fishing operations, cruise operations, restaurants, and recreational facilities.

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

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

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

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

The Port must be financially self-sufficient through the revenues it generates as it has no taxing authority. When appropriate, it seeks to obtain State and Federal funding for defined projects. The Port continues to maintain credit ratings/outlooks of Aa2/Stable, AA+/Stable, and AA/Stable with Moody's Investors Service, S&P Global Ratings, and Fitch Ratings, respectively. These are the highest credit ratings for any stand-alone U.S. port.

Initiatives and Developments

The Port aims to continue to maintain its competitive edge by developing infrastructure that promotes growth and supports efficiency, secure, and sustainable port operations. As such, the Port has adopted a capital budget of $252.3 million in fiscal year 2023. Comprising 12.49% of its total budget of $2.0 billion, the adopted capital expenditures include $216.5 million for direct costs of capital improvement projects, indirect costs of $19.7 million in overhead costs, and $16.1 million for capital equipment. The adopted capital expenditures of $216.5 million include $99.5 million for terminal improvement projects, $22.5 million for transportation projects, $24.5 million for public access/environmental enhancement projects, $2.0 million for security projects, and $68.0 million for maritime services.

Award and Acknowledgement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Port for its ACFR for the fiscal year ended June 30, 2022. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized ACFR. This ACFR must satisfy GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current ACFR continues to meet the Certificate of Achievement program requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

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

Sincerely,

Marla Bleavins

MARLA BLEAVINS
Deputy Executive Director and Chief Financial Officer

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Port of Los Angeles
California

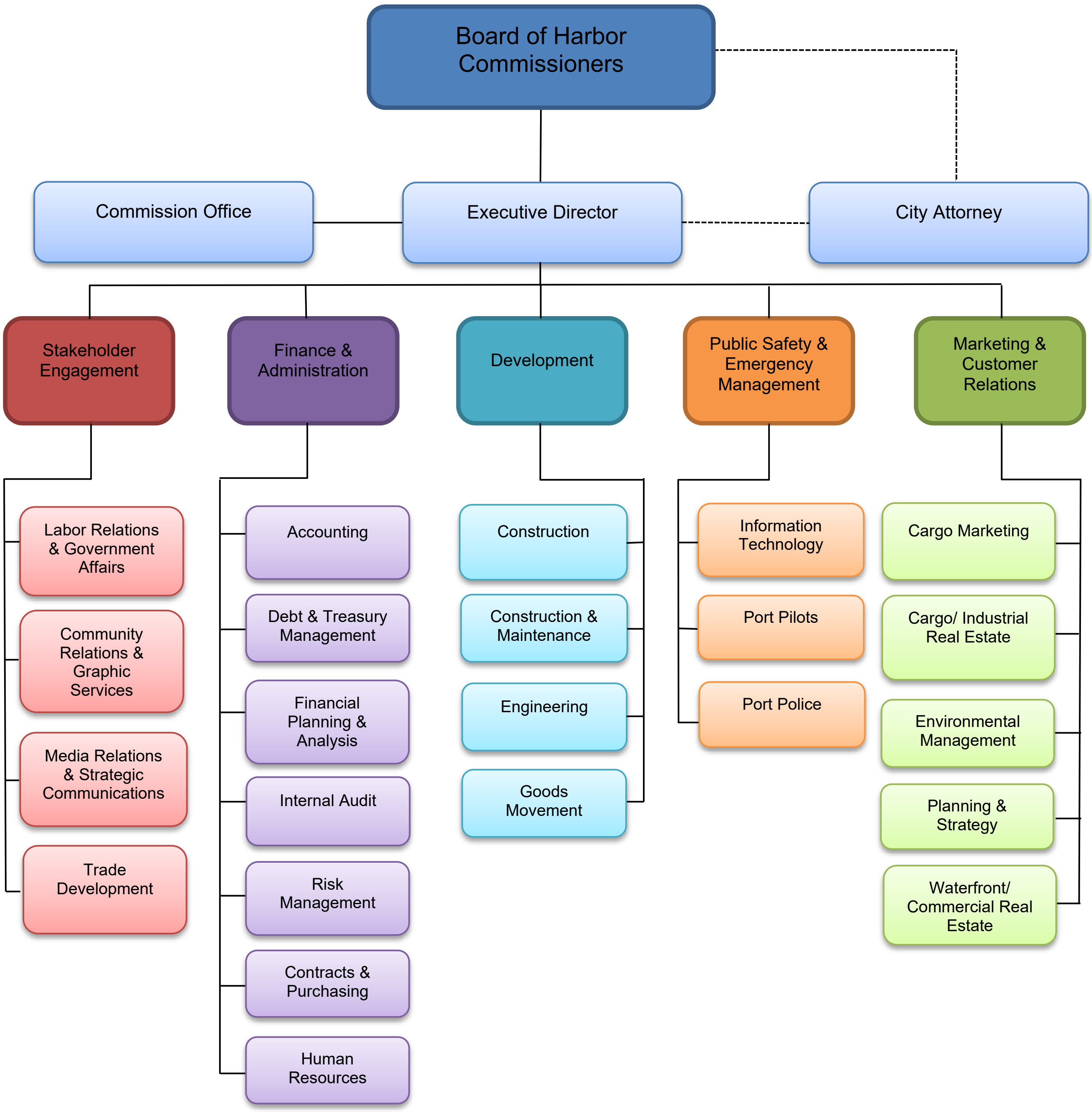
For its Annual Comprehensive Financial Report
For the Fiscal Year Ended

June 30, 2022

Christopher P. Morrill

Executive Director/CEO

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



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

BOARD OF HARBOR COMMISSIONERS [1]

Lucille Roybal-Allard
President

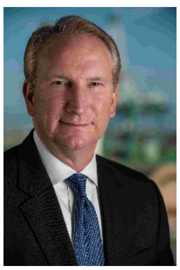
Diane Middleton
Vice President

Michael Muñoz
Commissioner

Edward R. Renwick
Commissioner

I. Lee Williams
Commissioner

EXECUTIVE STAFF [1]



Eugene D. Seroka
Executive Director

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

Tony Gioiello
Deputy Executive Director of Development

Thomas Gazsi
Chief of Public Safety & Emergency Management

Michael DiBernardo
Deputy Executive Director of Marketing & Customer Relations

David Libatique
Deputy Executive Director of Stakeholder Engagement

MANAGEMENT STAFF [1]

Randall Allen
Deputy Chief of Port Police

Dina Aryan-Zahlan
Chief Harbor Engineer of Design

Arley Baker
Senior Director of Communications

Jennifer Bersales
Director of Risk Management

Angela Brown-Simpson
Director of Human Resources

Erica Calhoun
Commission Office

Christopher Cannon
Director of Environmental Management

Tricia Carey
Director of Contracts & Purchasing

Eric Caris
Director of Cargo Marketing

Kerry Cartwright
Director of Goods Movement

Tim Clark
Director of Construction & Maintenance

Marisela Caraballo DiRuggiero
Director of Trade Development

Capt. John Dwyer
Pilot Service

Capt. David Craig Flinn
Pilot Service

Michael Galvin
Director of Waterfront & Commercial Real Estate

Marisa Katnich
Director of Cargo/Industrial Real Estate

Michael Keenan
Director of Planning & Strategy

Frank Liu
Director of Accounting

Soheila Sajadian
Director of Debt & Treasury Management

Phillip Sanfield
Director of Media Relations

Shaun Shahrestani
Chief Harbor Engineer of Construction

Avin Sharma
Director of Labor Relations & Government Affairs

Barbara Steelman
Director of Internal Audit

Jeffrey Strafford
Director of Financial Planning & Analysis

Sheeba Varughese
Director of Information Technology

CITY ATTORNEY STAFF

Steven Otera
General Counsel

(1) As of July 20, 2023.

Financial Section

Report of Independent Auditors

The Members of the Board of Harbor Commissioners
Port of Los Angeles
City of Los Angeles, California

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Port of Los Angeles (Harbor Department of the City of Los Angeles, California) (the "Port"), an Enterprise Fund of the City of Los Angeles (the "City"), which comprise the statements of net position as of June 30, 2023 and 2022, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net position of the Port as of June 30, 2023 and 2022, and the changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Port and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Financial Reporting Entity

As discussed in Note 1, the financial statements present only the Port's net position, the changes in net position, and cash flows of and do not purport to, and do not, present fairly the net position of the City of Los Angeles as of June 30, 2023 and 2022, the changes in City's net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Emphasis of Matter

As discussed in Note 2 of the financial statements, the Port adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*, effective July 1, 2021. The financial statements have been retroactively restated in accordance with the requirements of the new accounting standard. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Port's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis, schedule of proportional share of net pension liability, schedule of pension contributions, schedule of proportionate share of the net other postemployment benefits (OPEB) liability and schedule of OPEB contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the GASB who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2023, on our consideration of the Port's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Port's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Port's internal control over financial reporting and compliance.

Moss Adams LLP

El Segundo, California
December 15, 2023

Using This Financial Report

The management of the Port of Los Angeles (the Port) presents an overview of the Port's financial performance during the fiscal years ended June 30, 2023 and 2022. This discussion and analysis should be read in conjunction with the transmittal letter on pages 1-4 and the Port's financial statements starting from page 40.

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

- *Statements of Net Position* – present information of all of the Port's assets, deferred outflows of resources, liabilities, and deferred inflows of resources as of June 30, 2023 and 2022. The sum of assets and deferred outflows of resources minus the sum of liabilities and deferred inflows of resources is reported as net position, which over time may increase or decrease and serves as an indicator of the Port's financial position.

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

- *Statements of Cash Flows* – present the inflows and outflows of cash and cash equivalents resulting from operating, noncapital financing, capital and related financing, and investing activities. A reconciliation is also provided to assist in understanding the difference between operating income and cash flows from operating activities.

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

Continued…..

Overview of the Port's Financial Statements

The Port is a fiscally independent department and an enterprise fund of the City of Los Angeles, California (the City). The Port's financial statements are prepared on an accrual basis using the economic resources measurement focus in accordance with accounting principles generally accepted in the United States of America (GAAP) promulgated by the Governmental Accounting Standards Board (GASB). The notes to financial statements on pages 47 to 113 provide additional information that is essential to a full understanding of the data provided in the financial statements. For the adoption of GASB Statement No. 87, "Leases" (GASB No.87), the financial statements for the fiscal year ended June 30, 2021 have been restated effective at the beginning of fiscal year 2021. For the adoption of GASB Statement No. 96, "Subscription-based Information Technology Arrangements" (GASB No.96), the financial statements for the fiscal year ended June 30, 2022 have been restated effective at the beginning of fiscal year 2022.

Financial Highlights for Fiscal Year 2023

- Current assets exceeded current liabilities by $1.3 billion.
- Lease receivable amounted to $296.0 million.
- Capital assets, net of accumulated depreciation and amortization of $3.0 billion amounted to $3.6 billion.
- Total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources by $4.1 billion.
- Bonded debt net of unamortized discounts/premiums of $45.3 million, totaled $582.4 million.
- Deferred inflows of resources related to leases amounted to $277.0 million.
- Operating revenue amounted to $656.4 million.
- Net operating expenses excluding depreciation of $194.9 million amounted to $299.4 million.
- Capital contributions amounted to $43.5 million.

Continued…..

Financial Highlights for Fiscal Year 2022 (Restated)

- Current assets exceeded current liabilities by $1.1 billion.
- Lease receivable amounted to $308.9 million.
- Capital assets, net of accumulated depreciation and amortization of $2.8 billion amounted to $3.7 billion.
- Total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources by $3.9 billion.
- Bonded debt net of unamortized discounts/premiums of $54.4 million, totaled $631.7 million.
- Deferred inflows of resources related to leases amounted to $296.2 million.
- Operating revenue amounted to $627.8 million.
- Net operating expenses excluding depreciation of $147.6 million amounted to $253.9 million.
- Capital contributions amounted to $11.9 million.

Continued…..

Analysis of Net Position

Net position is the sum of assets and deferred outflows of resources minus liabilities and deferred inflows of resources. Over time, increases or decreases in net position may serve as an indicator of whether the Port's financial position is improving or deteriorating. The following is a condensed summary of the Port's net position as of June 30, 2023, 2022, and 2021 (in thousands):

Condensed Net Position

		(Restated)	(Restated)	Increase (Decrease) Over Prior Year	
	FY 2023	FY 2022	FY 2021	FY 2023	FY 2022
Assets					
Current and other assets	$ 1,751,155	$ 1,589,534	$ 1,454,114	$ 161,621	$ 135,420
Capital assets, net	3,635,896	3,693,342	3,741,442	(57,446)	(48,100)
Total assets	5,387,051	5,282,876	5,195,556	104,175	87,320
Deferred outflows of resources	106,509	90,461	114,321	16,048	(23,860)
Liabilities					
Current liabilities	180,043	191,269	173,860	(11,226)	17,409
Long-term liabilities	931,355	874,490	1,107,394	56,865	(232,904)
Total liabilities	1,111,398	1,065,759	1,281,254	45,639	(215,495)
Deferred inflows of resources	305,687	441,064	329,995	(135,377)	111,069
Net position					
Net investment in capital assets	3,057,698	3,064,900	3,017,302	(7,202)	47,598
Restricted	76,320	37,452	42,435	38,868	(4,983)
Unrestricted	942,457	764,162	638,891	178,295	125,271
Total net position	$ 4,076,475	$ 3,866,514	$ 3,698,628	$ 209,961	$ 167,886

Net Position, Fiscal Year 2023

The largest portion of the Port's net position ($3.1 billion or 75.0%) reflects its net investment in capital assets (e.g., land, facilities and equipment, construction in progress and intangible assets). These assets are used for the construction, operation and maintenance of Port facilities. An additional portion of the Port's net position ($76.3 million or 1.9%) represents resources that are restricted for the debt service reserve fund and clean air program. The remaining balance of $942.5 million or 23.1% are unrestricted resources that may be used to meet the Port's ongoing obligations.

Continued…..

Current and other assets increased by $161.6 million or 10.2% from $1,589.5 million in fiscal year 2022 to $1,751.1 million in fiscal year 2023. This increase in current assets occurred due to higher year-over-year unrestricted cash levels.

Unrestricted and restricted cash, cash equivalents, and investments consist primarily of cash and pooled investments held by the City Treasury on behalf of the Port. The increase of $175.7 million from $1,203.5 million at June 30, 2022 to $1,379.2 million at June 30, 2023 was primarily due to the aforementioned increased unrestricted cash levels. Unrestricted cash increased over the course of the fiscal year as cash receipts derived from operating income and nonoperating sources more than sufficiently covered capital spending needs, debt service obligations, pollution remediation payments and workers' compensation payments. At June 30, 2023, the Port's share in the fair value adjustment of the City's pooled investments reflected a net increase of $52.3 million. The Port reported additional investments of $12.7 million from its share in the City's investment purchases on June 30, 2023, and $5.3 million in securities lending transactions.

Accounts receivable, net of allowance for doubtful accounts, increased by $14.8 million or 39.6% due to a rate increase in container movement charges for intermodal facility. Grants receivable increased by $5.9 million or 208.5% as more amount of grant invoices remained outstanding at fiscal year-end relative to prior fiscal year.

Lease receivable decreased by $12.9 million from $308.9 million at June 30, 2022 to $296.0 million at June 30, 2023. The decrease represents $46.8 million in the principal portion of lease payments received from tenants and adjustments from remeasurements of leases offset by $33.9 million for recognizing new leases executed in fiscal year 2023.

Capital assets, net of depreciation and amortization decreased by $57.4 million or 1.6% as the increase in accumulated depreciation associated with the Port's existing facilities and equipment more than offset the increase in new capital assets associated with capital project development and construction in progress.

Current liabilities decreased by $11.2 million or 5.9% as decreases of $10.7 million in obligations from securities lending transactions, $1.5 million in fiscal year end accruals for construction costs, $0.8 million in accrued interest payable and $9.7 million in other current liabilities were offset by increases of $5.8 million in accounts payable for goods and services received in the fiscal year, $3.1 million in current portion of outstanding bonds payable, $2.6 million in accrued salaries and employee benefits.

Long-term liabilities increased by $56.9 million or 6.5% were due to increases of $103.1 million in net pension liabilities, $8.8 million in net postemployment benefits other than pensions (other postemployment benefits or OPEB) liabilities, and $0.8 million in the noncurrent portion of lease liabilities offset by $52.4 million in the noncurrent portion of bonds payable arising from the customary repayment of principal conjunction with the Port's debt activities, $2.7 million in the net balances of other noncurrent liabilities, and $0.7 million in subscription liabilities. The increase of $103.1 million in net pension liabilities and $8.8 million in net OPEB liabilities was attributable mainly to the return on pension plans' assets were less than assumed return in the actuarial valuation. Additional information regarding the Port's proportionate shares of pension and OPEB liabilities may be found in Notes 13 and 14, respectively.

Deferred inflows of resources related to leases decreased by $19.3 million from $296.2 million at June 30, 2022 to $277.0 million at June 30, 2023. The decrease represents $53.1 million for terminations of leases

Continued…..

and the recognition of lease revenues in a systematic and rational manner over the terms of leases offset by $33.9 million for recognizing new leases executed in fiscal year 2023.

Net Position, Fiscal Year 2022 (Restated)

The largest portion of the Port's net position ($3.1 billion or 79.3%) reflects its net investment in capital assets (e.g., land, facilities and equipment, construction in progress and intangible assets). These assets are used for the construction, operation and maintenance of Port facilities. An additional portion of the Port's net position ($37.5 million or 1.0%) represents resources that are restricted for the debt service reserve fund. The remaining balance of $764.2 million or 19.7% are unrestricted resources that may be used to meet the Port's ongoing obligations.

Current and other assets increased by $135.4 million or 9.3% from $1,454.1 million in fiscal year 2021 to $1,589.5 million in fiscal year 2022. This increase in current assets occurred due to higher year-over-year unrestricted cash levels.

Unrestricted and restricted cash, cash equivalents, and investments consist primarily of cash and pooled investments held by the City Treasury on behalf of the Port. The increase of $125.9 million from $1,077.6 million at June 30, 2021 to $1,203.5 million at June 30, 2022 was primarily due to the aforementioned increased unrestricted cash levels. Unrestricted cash increased over the course of the fiscal year as cash receipts derived from operating income and nonoperating sources more than sufficiently covered capital spending needs, debt service obligations, pollution remediation payments and workers' compensation payments. At June 30, 2022, the Port's share in the fair value adjustment of the City's pooled investments reflected a net decrease of $45.1 million. The Port reported additional investments of $15.6 million from its share in the City's investment purchases on June 30, 2022, and $16.0 million in securities lending transactions.

Accounts receivable, net of allowance for doubtful accounts, decreased by $6.0 million or 13.7% due to a decrease in cargo volumes after a dramatic rise in cargo imports resulting from restocking of retail shelves and e-commerce buying surge in prior fiscal year. Grants receivable increased by $0.5 million or 18.8% as more amount of grant invoices remained outstanding at fiscal year-end relative to prior fiscal year.

Lease receivable decreased by $5.5 million from $314.4 million at June 30, 2021, to $308.9 million at June 30, 2022. The decrease represents $36.0 million in the principal portion of lease payments received from tenants offset by $29.5 million for recognizing new leases executed in fiscal year 2022.

Capital assets, net of depreciation and amortization decreased by $48.1 million or 1.3% as the increase in accumulated depreciation associated with the Port's existing facilities and equipment more than offset the increase in new capital assets associated with capital project development and construction in progress, as well as the recognition of discontinued projects in the amount of $22.5 million. Right-to-use (RTU) subscription assets of $3.0 million was recognized initially for the implementation of GASB Statement No. 96, "Subscription-based Information Technology Arrangements." at the beginning of fiscal year 2022. The decrease of $0.3 million from $3.0 million at July 1, 2021 to $2.7 million at June 30, 2022 represents amortization of these RTU subscription assets.

Continued…..

Current liabilities increased by $17.4 million or 10.0% as increases of $11.5 million in accounts payable for goods and services received in the fiscal year, $8.7 million in obligations from securities lending transactions, and $7.8 million in other current liabilities were offset by decreases of $7.0 million in current portion of outstanding bonds payable, $1.8 million in accrued interest payable, $1.3 million in accrued salaries and employee benefits, $0.5 million in fiscal year end accruals for construction costs.

Long-term liabilities decreased by $232.9 million or 21.0% were due to decreases of $119.2 million in net pension liabilities, $25.5 million in net postemployment benefits other than pensions (other postemployment benefits or OPEB) liabilities, and $92.7 million in the noncurrent portion of bonds payable offset by increases of $2.3 million in subscription liability and $2.2 million in the net balance of other noncurrent liabilities. The decrease of $92.7 million in the noncurrent portion of bonds payable was attributable to the redemption of 2011 Series Bonds, as well as the customary repayment of principal conjunction with the Port's debt activities. The decrease of $119.2 million in net pension liabilities and $25.5 million in net OPEB liabilities was attributable to the return on pension plans' assets were more than assumed return in the actuarial valuation, changes in the actuarial assumptions, and salary increases for continuing active members. Additional information regarding the Port's proportionate shares of pension and OPEB liabilities may be found in Notes 13 and 14, respectively. Subscription liability of $3.0 million was recognized initially for the implementation of GASB Statement No. 96, *"Subscription-based Information Technology Arrangements."* at the beginning of fiscal year 2022. The decrease of $0.7 million from $3.0 million at July 1, 2021 to $2.3 million at June 30, 2022 represents the principal portion of subscription payments.

Deferred inflows of resources related to leases decreased by $12.6 million from $308.8 million at June 30, 2021 to $296.2 million at June 30, 2022. The decrease represents $42.1 million for the recognition of lease revenues in a systematic and rational manner over the terms of leases offset by $29.5 million for recognizing new leases executed in fiscal year 2022.

Continued…..

Analysis of the Port's Activities

The following table presents condensed information showing how the Port's net position changed during fiscal years 2023, 2022 and 2021 (in thousands):

Condensed Changes in Net Position

		(Restated)	(Restated)	Increase (Decrease) Over Prior Year	
	FY 2023	FY 2022	FY 2021	FY 2023	FY 2022
Operating revenue	$ 656,400	$ 627,842	$ 569,713	$ 28,558	$ 58,129
Less: Operating expenses	299,420	253,900	272,983	45,520	(19,083)
Operating income before depreciation and amortization	356,980	373,942	296,730	(16,962)	77,212
Less: Depreciation and amortization	194,869	147,569	154,295	47,300	(6,726)
Operating income	162,111	226,373	142,435	(64,262)	83,938
Net nonoperating revenue (expenses)	4,345	(70,393)	(12,946)	74,738	(57,447)
Income before capital contributions	166,456	155,980	129,489	10,476	26,491
Capital contributions	43,505	11,906	7,116	31,599	4,790
Changes in net position	209,961	167,886	136,605	42,075	31,281
Net position, July 1	3,866,514	3,698,628	3,562,023	167,886	136,605
Net position, June 30	$ 4,076,475	$ 3,866,514	$ 3,698,628	$ 209,961	$ 167,886

Changes in Net Position, Fiscal Year 2023

The Port reported a $210.0 million change in net position in fiscal year 2023, a 25.1% increase as compared to fiscal year 2022. Approximately $565.3 million or 86.1% of total operating revenues were derived from fees for shipping services and leasing of facilities to customers. Since the Port operates as a landlord, operating expenses are principally administrative in nature. Operating expenses were higher by $45.5 million in fiscal year 2023 compared to the previous fiscal year.

Depreciation expense increased by $45.5 million to $194.9 million in fiscal year 2023 from $147.6 million in fiscal year 2022, primarily due to certain assets being trued up for shorter useful lives for depreciation representing a change in estimated useful life of those assets.

Net nonoperating revenues for fiscal year 2023 totaled $4.3 million include: $4.5 million of net investment income, $1.9 million of income from an investment in the Intermodal Container Transfer Facility Joint Powers Authority, $10.2 million from interest income on the Port's leasing activities as a lessor, $32.9 million from grant revenues offset by $27.3 million from pass through grant expenses and $17.8 million of interest expenses on indebtedness, leases and subscriptions liabilities.

Continued…..

As a result, income before capital contributions increased by $10.5 million or 6.7% to $166.5 million in fiscal year 2023 from $156.0 million in fiscal year 2022.

Capital contributions increased by $31.6 million from $11.9 million earned in fiscal year 2022 to $43.5 million in fiscal year 2023 with more grant-funded initiatives in fiscal year 2023 relative to fiscal year 2022. Capital grants in fiscal year 2023 funded initiatives such as Port Worker Training Facility project ($30.0 million) and Terminal Island Railyard Enhancement project ($13.2 million).

Changes in Net Position, Fiscal Year 2022 (Restated)

The Port reported a $167.9 million change in net position in fiscal year 2022, a 22.9% increase as compared to fiscal year 2021. Approximately $572.7 million or 91.2% of total operating revenues were derived from fees for shipping services and leasing of facilities to customers. Since the Port operates as a landlord, operating expenses are principally administrative in nature. Operating expenses were lower by $19.1 million in fiscal year 2022 compared to the previous fiscal year.

Depreciation expense decreased by $6.7 million to $147.6 million in fiscal year 2022 from $154.3 million in fiscal year 2021, primarily due to certain assets being fully depreciated in the prior year or trued up their lives for depreciation.

Net nonoperating expenses for fiscal year 2022 totaled $70.4 million include: $47.7 million of net unrealized loss for fair value adjustment of investments, $22.5 million of expenses resulting from certain construction projects being discontinued during the fiscal year, $19.0 million of interests on indebtedness, leases and subscriptions, $18.5 million from pass through grant expenses, and $0.7 million of other nonoperating expenses offset by $1.5 million of income from an investment in the Intermodal Container Transfer Facility Joint Powers Authority, $2.2 million from noncapital grants, $18.3 million from pass through grant revenue, $10.2 million from interest income on the Port's leasing activities as a lessor, as well as $5.8 million from various rebates, reimbursements, and miscellaneous other receipts.

As a result, income before capital contributions increased by $26.5 million or 20.5% to $156.0 million in fiscal year 2022 from $129.5 million in fiscal year 2021.

Capital contributions increased by $4.8 million from $7.1 million earned in fiscal year 2021 to $11.9 million in fiscal year 2022 with more grant-funded initiatives in fiscal year 2022 relative to fiscal year 2021. Capital grants in fiscal year 2022 funded initiatives such as land mobile radio system upgrade Phase III project ($3.4 million), Everport Terminal Improvement project ($3.0 million), and Alameda corridor Southern Terminus Gap Closure project ($5.5 million).

Continued…..

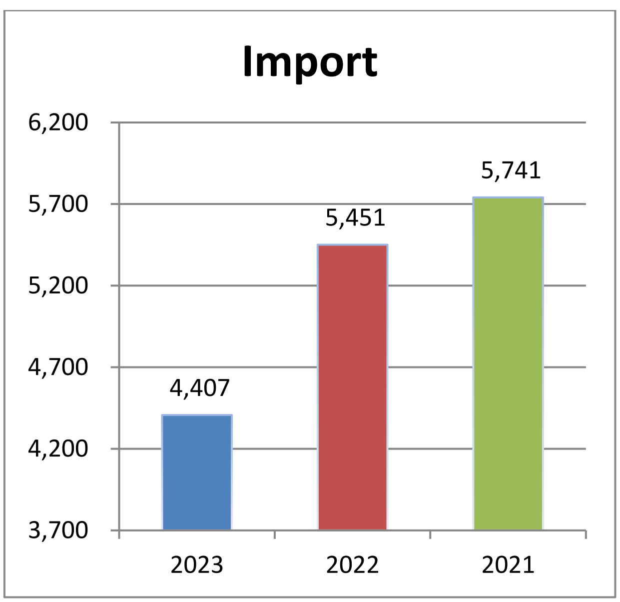
Operating Revenue

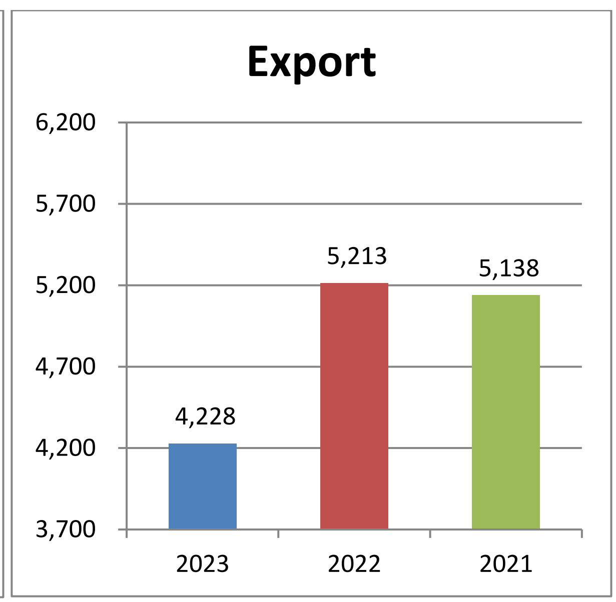
Annual container counts for the Port in twenty-foot equivalent units (TEUs), a standard measurement used in the maritime industry for measuring containers of varying lengths, for the last three fiscal years are as follows (in thousand TEUs):

Container Volume	In thousand TEUs			% Change Over Prior Year	
(Loaded and Empty)	FY 2023	FY 2022	FY 2021	FY 2023	FY 2022
Import	4,407	5,451	5,741	-19.2%	-5.1%
Export	4,228	5,213	5,138	-18.9%	1.5%
Total	8,635	10,664	10,879	-19.0%	-2.0%

The Port is the number one port by container volume in North America. Overall container volume totaled 8.6 million TEUs in fiscal year 2023 which represented a 19.0% decrease relative to the prior fiscal year. The decrease in container volume was primarily due to changes in spending patterns by consumers following the pandemic.

Following is the graphical presentation of the Port's container counts (in thousand TEUs) for fiscal years 2023 to 2021:





In Thousand TEUs

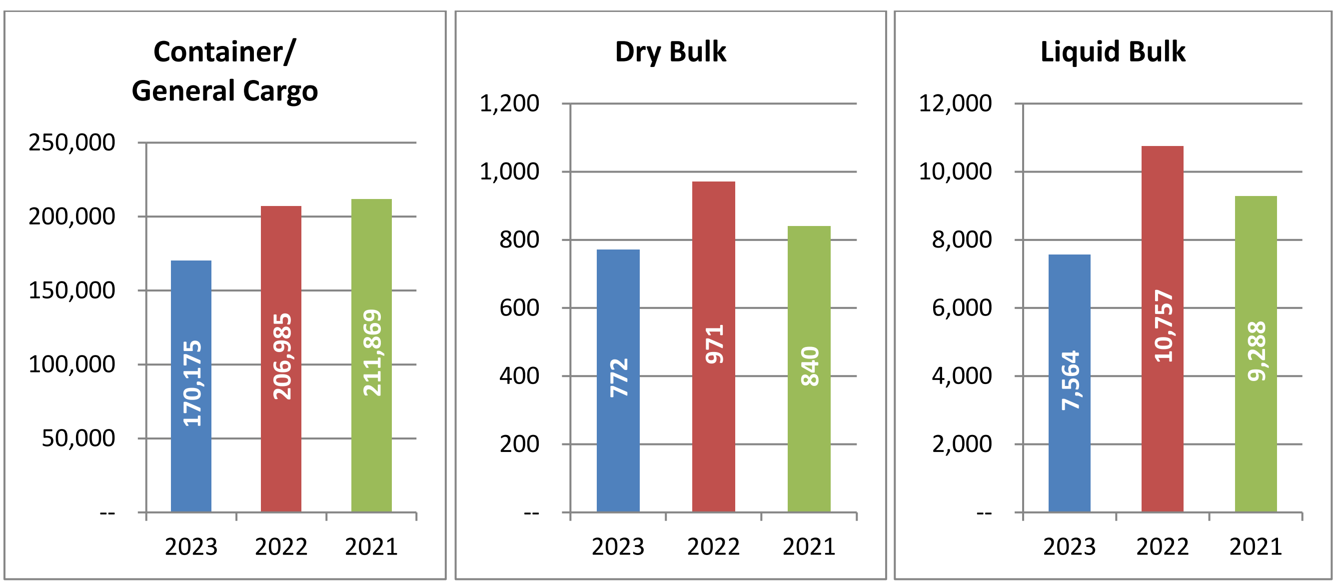
Continued…..

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

	In Metric Revenue Tons			% Change Over Prior Year	
Cargo Type	FY 2023	FY 2022	FY 2021	FY 2023	FY 2022
Container/general cargo	170,175	206,985	211,869	-17.8%	-2.3%
Dry bulk	772	971	840	-20.5%	15.6%
Liquid bulk	7,564	10,757	9,288	-29.7%	15.8%
Total	178,511	218,713	221,997	-18.4%	-1.5%

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

Following is the graphical presentation of the Port's cargo volumes for fiscal years 2023 to 2021 in thousand metric tons:



In Thousand Metric Tons

The Port's major sources of its operating revenues are derived from shipping services, rental fees, royalties and other concession fees. The following table presents a summary of the Port's operating revenues during fiscal years 2023, 2022 and 2021 (in thousands):

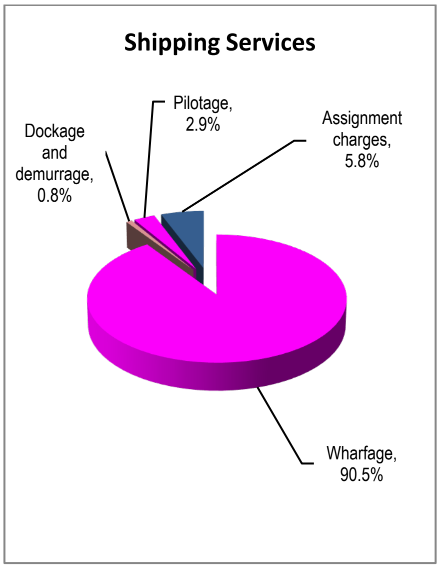
Summary of Operating Revenues

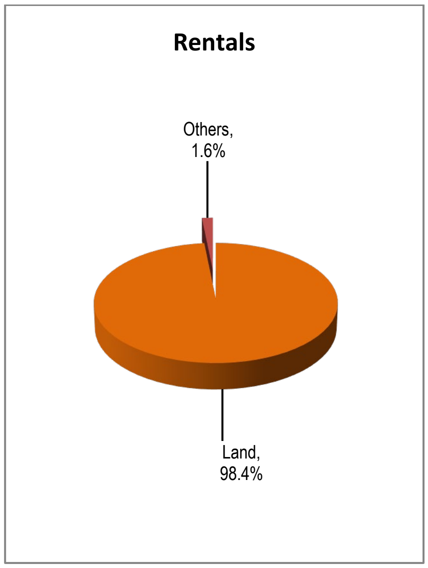
	FY 2023	FY 2022	(Restated) FY 2021	Increase (Decrease) Over Prior Year FY 2023	Increase (Decrease) Over Prior Year FY 2022
Shipping services					
Wharfage	$ 405,046	$ 441,966	$ 435,513	$ (36,920)	$ 6,453
Dockage and demurrage	3,742	6,047	4,716	(2,305)	1,331
Pilotage	13,209	13,432	10,682	(223)	2,750
Assignment charges	26,011	24,397	12,938	1,614	11,459
Total shipping services	448,008	485,842	463,849	(37,834)	21,993
Rentals					
Land	115,375	85,092	76,475	30,283	8,617
Other	1,915	1,745	1,706	170	39
Total rentals	117,290	86,837	78,181	30,453	8,656
Royalties and other fees					
Fees, concessions, and royalties	8,094	5,418	1,693	2,676	3,725
Clean truck program fees	41,219	17,999	2,285	23,220	15,714
Other	41,789	31,746	23,705	10,043	8,041
Total royalties and other fees	91,102	55,163	27,683	35,939	27,480
Total operating revenues	$ 656,400	$ 627,842	$ 569,713	$ 28,558	$ 58,129

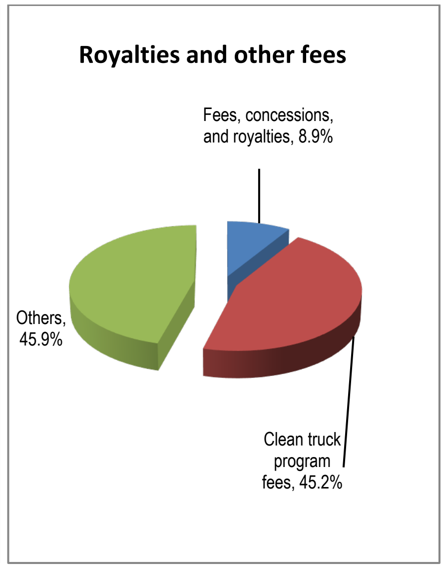
Continued…..

The following charts show the major components of the Port's sources of operating revenue for fiscal years 2023 and 2022:

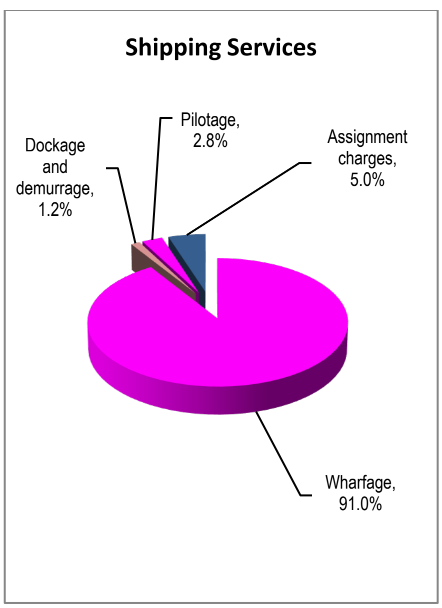
Fiscal Year 2023

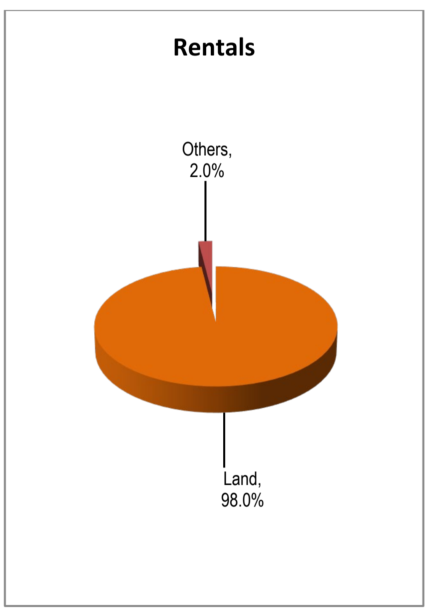


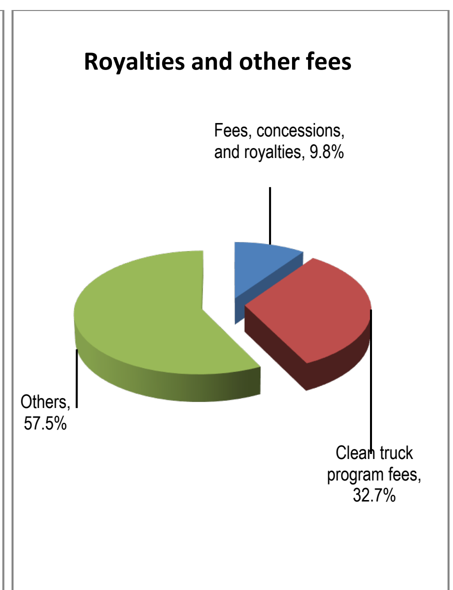




Fiscal Year 2022 (Restated)







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Operating Revenue, Fiscal Year 2023

Operating revenue for fiscal year 2023 increased to $656.4 million, reflecting a 4.5% increase from the prior year revenue of $627.8 million. The increase was primarily due to higher rental revenues, higher clean truck program utilization, higher space assignment rates, and higher harbor maintenance tax receipts. As stated earlier, the Port derives its operating revenues primarily from shipping services, rentals, and fees from royalties, concessions and other fees.

Shipping Services

Shipping services revenues represented 68.3% of fiscal year 2023 total operating revenues and consist of several classifications of fees assessed for various activities relating to vessel and cargo movement. Of these fees, wharfage is the most significant and comprised 90.4% of the total shipping service revenues in fiscal year 2023. Wharfage is the fee charged against merchandise for passage over wharf premises, to and from vessels, and barges. Wharfage was $36.9 million lower compared to fiscal year 2022 mainly due to lower cargo volumes. Other shipping services revenues were $0.9 million lower as dockage, demurrage, pilotage revenues decreased by $2.5 million offset by $1.6 million in higher assignment revenues.

Rentals

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

During fiscal year 2023, rental income at the Port, which represented 17.9% of fiscal year 2023 total operating revenues, increased by $30.5 million, or 35.1%, over last fiscal year. The increase was mainly due to net rental rate increases from rent reset, customary periodic rent increases, and new permits.

Royalties, Fees, and Other Operating Revenue

The Port levies fees for a variety of activities conducted on the Port properties. Examples include royalties from the production of oil and natural gas, fees for parking lots, motion picture productions, foreign trade zone operations, miscellaneous concessions, distribution of utilities, and maintenance and repair services conducted by the Port at the request of customers. Starting in 2022, Clean Truck Program fees are collected as a key component of the San Pedro Bay Ports Clean Air Action Plan.

Revenues from royalties, fees, and other operating revenues in fiscal year 2023 was $91.1 million or 13.8% of the total operating revenues. This represented an increase of $35.9 million in this revenue category compared with fiscal year 2022 mainly due to $23.2 million increase in Clean Truck program revenues, $12.6 million in higher harbor maintenance tax receipts, $6.8 million in higher operating reimbursements, $3.0 million in higher parking fee revenue offset by $9.7 million in lower tenant utility and accommodation work order reimbursements.

Continued…..

Operating Revenue, Fiscal Year 2022

Operating revenue for fiscal year 2022 increased to $627.8 million, reflecting a 10.2% increase from the prior year revenue of $569.7 million. The increase was primarily due to the initiation of new clean truck program, higher space assignment rates, higher utility reimbursements from Alternative Maritime Power (AMP) shore side electricity connection program, resumption of cruises, as well as the expiration of the empty container discount on wharfage. As stated earlier, the Port derives its operating revenues primarily from shipping services, rentals, and fees from royalties, concessions and other fees.

Shipping Services

Shipping services revenues represented 77.4% of fiscal year 2022 total operating revenues and consist of several classifications of fees assessed for various activities relating to vessel and cargo movement. Of these fees, wharfage is the most significant and comprised 91.0% of the total shipping service revenues in fiscal year 2022. Wharfage is the fee charged against merchandise for passage over wharf premises, to and from vessels, and barges. Wharfage was $6.5 million higher compared to fiscal year 2021 mainly due to the expiration of empty container discount on wharfage. Other shipping services revenues were $15.6 million higher as dockage and demurrage revenue, pilotage revenue, and assignment revenues increased by $1.3 million, $2.8 million, and $11.5 million, respectively.

Rentals

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

During fiscal year 2022, rental income at the Port, which represented 13.8% of fiscal year 2022 total operating revenues, increased by $8.7 million, or 11.1%, over last fiscal year. The increase was mainly due to net rental rate increases and new permits.

Royalties, Fees, and Other Operating Revenue

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

Revenues from royalties, fees, and other operating revenues in fiscal year 2022 was $55.2 million or 8.8% of the total operating revenues. This represented an increase of $27.5 million in this revenue category compared with fiscal year 2021 mainly due to $15.7 million increase in Clean Truck program revenues, $8.0 million higher utility reimbursements, and $3.7 million higher in parking fee revenue.

Continued…..

Operating Expenses

The following table presents a summary of the Port's operating expenses, net of direct and indirect costs allocated to capitalized construction projects for fiscal years 2023, 2022 and 2021. Included in other operating expenses are expenses for workers' compensation, clean truck program, pollution remediation, insurance premiums, travel and entertainment, customer incentive payouts, and miscellaneous other items.

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

		(Restated)	(Restated)	Increase (Decrease) Over Prior Year	
	FY 2023	FY 2022	FY 2021	FY 2023	FY 2022
Salaries and benefits	$ 141,735	$ 122,410	$ 146,200	$ 19,325	$ (23,790)
City services	47,823	45,531	45,876	2,292	(345)
Outside services	33,332	27,864	26,219	5,468	1,645
Utilities	27,210	33,708	23,241	(6,498)	10,467
Materials and supplies	5,974	5,106	4,517	868	589
Marketing and public relations	2,710	2,101	1,372	609	729
Other operating expenses	40,636	17,180	25,558	23,456	(8,378)
Total Operating Expenses	$ 299,420	$ 253,900	$ 272,983	$ 45,520	$ (19,083)

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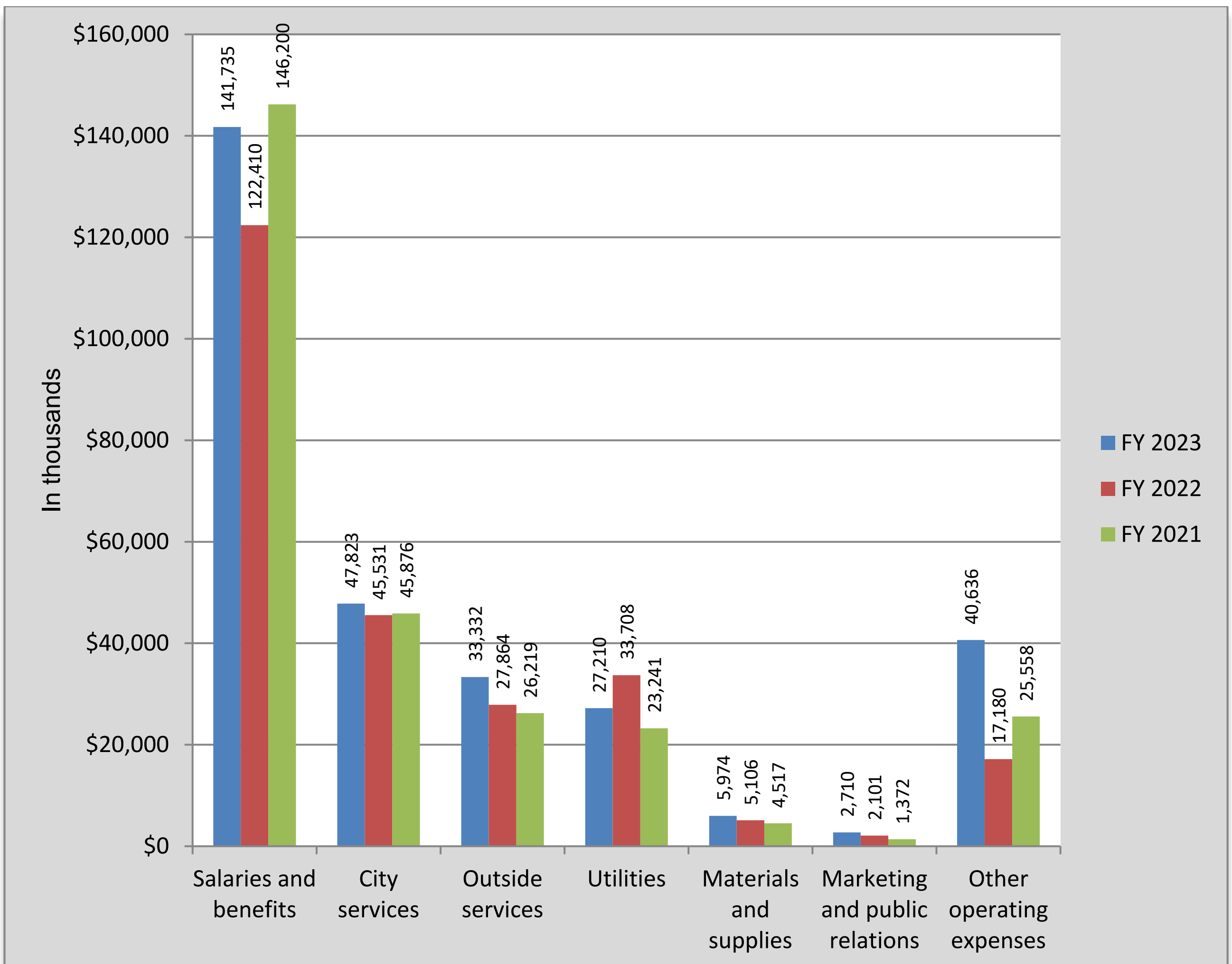
The following chart shows the graphical comparison of the Port's operating expenses, net of direct and indirect costs, for fiscal years 2023, 2022 and 2021:



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Operating Expenses, Fiscal Year 2023

Operating expenses are presented net of direct and indirect costs allocated to capitalized construction projects. Direct costs are costs of materials, labor, and expenses assigned or identified with specific capital projects. Indirect costs are overhead costs not directly identified with a particular capital project such as administrative expenses, maintenance costs and City services, and hence, are allocated based on the average outstanding balance of capitalized construction projects.

In fiscal year 2023, operating expenses increased by $45.5 million to $299.4 million, a 17.9% increase from prior fiscal year expenses of $253.9 million. Major components of operating expenses are salaries and benefits, city services, outside services, utilities, materials and supplies, and other operating expenses that are further discussed and analyzed below.

Salaries and benefits expense including pension and OPEB expenses increased by $19.3 million to $141.7 million, or 15.8% higher than the prior year expense of $122.4 million due to increases of $21.3 million in pension and OPEB expenses offset by a decrease of $2.0 million in salary and employee benefit expenses.

Total payments for City services of $47.8 million increased by $2.3 million or 5.0% relative to the prior fiscal year of $45.5 million due to $2.9 million in higher fire services and $0.2 million in higher city attorney services. These increases were partially offset by $0.7 million in lower recreation and park services and $0.1 million in lower city administrative office services.

Outside services expenses of $33.3 million increased by $5.4 million or 19.6% relative to the prior fiscal year of $27.9 million with spending increases of $1.7 million in operational costs to support growth of cruise business, $1.4 million in construction and maintenance services due to staffing shortage, as well as price increases for parts and materials, $1.0 million in information technology services due to higher spending in development activities supporting related to the Port Optimizer project, $1.2 million in environmental monitoring station, development activities for the Green Shipping Corridor, and regulatory support, and $0.1 million of higher spending in other contractual services supporting the Port's operations.

Utilities expense decreased by $6.5 million to $27.2 million or 19.3% from the prior fiscal year of $33.7 million mainly due to lower spending on Alternative Maritime Power (AMP) and non-AMP electricity consumption relative to fiscal year 2022.

Materials and supplies expenses of $6.0 million increased by $0.9 million or 17.0% relative to the prior fiscal year of $5.1 million primarily due to overall materials and supplies price increases across various divisions throughout the Port.

Other operating expenses (including workers' compensation claims and settlement expenses and clean truck program expenses on page 26) of $40.6 million represented an increase of $23.4 million, or 136.5%, relative to prior fiscal year other operating expenses of $17.2 million. This increase in other operating expenses was primarily attributable to higher provisioning for workers' compensation liabilities by $1.5 million based on claim experiences, higher provisioning for litigation and claim expenses by $12.4 million, higher accrued subsidies for clean truck programs by $3.2 million, higher container incentive payouts by $3.2 million, higher cruise incentive payouts by $1.6 million, higher insurance premiums by $0.8 million, and higher pollution remediation expense by $1.1 million offset by lower payouts on taxes, assessments, and other expenses by $0.4 million.

Continued…..

Operating Expenses, Fiscal Year 2022 (Restated)

Operating expenses are presented net of direct and indirect costs allocated to capitalized construction projects. Direct costs are costs of materials, labor, and expenses assigned or identified with specific capital projects. Indirect costs are overhead costs not directly identified with a particular capital project such as administrative expenses, maintenance costs and City services, and hence, are allocated based on the average outstanding balance of capitalized construction projects.

In fiscal year 2022, operating expenses decreased by $19.1 million to $253.9 million, a 7.0% decrease from prior fiscal year expenses of $273.0 million. Major components of operating expenses are salaries and benefits, city services, outside services, utilities, materials and supplies, and other operating expenses that are further discussed and analyzed below.

Salaries and benefits expense including pension and OPEB expenses decreased by $23.8 million to $122.4 million, or 16.3% lower than the prior year expense of $146.2 million due to decreases of $24.9 million in pension and OPEB expenses offset by an increase of $1.1 million in salary and employee benefit expenses.

Total payments for City services of $45.5 million decreased by $0.4 million or 0.9% relative to the prior fiscal year of $45.9 million due to $1.1 million related to lower utilization of fire service and $0.4 million in lower other city administrative services, which were partially offset by $1.1 million in higher city attorney, recreation and park services.

Outside services expenses of $27.9 million increased by $1.7 million or 6.3% relative to the prior fiscal year of $26.2 million with spending increases of $1.3 million in construction and maintenance services due to staffing shortage, supply chain disruptions as well as price increases and $0.4 million of higher spending in other contractual services supporting the Port's operations.

Utilities expense increased by $10.4 million to $33.7 million or 45.0% from the prior fiscal year of $23.2 million mainly due to higher spending on Alternative Maritime Power (AMP) and non-AMP electricity consumption relative to fiscal year 2021.

Materials and supplies expenses of $5.1 million increased by $0.6 million or 13.0% relative to the prior fiscal year of $4.5 million primarily due to overall materials and supplies price increases across various divisions throughout the Port.

Other operating expenses (including workers' compensation claims and settlement expenses and clean truck program expenses on page 26) of $17.2 million represented a decrease of $8.4 million, or 32.8%, relative to prior fiscal year other operating expenses of $25.6 million. This decrease in other operating expenses was primarily attributable to lower provisioning for workers' compensation liabilities by $1.7 million based on claim experiences, lower provisioning for litigation and claim expenses by $10.8 million, and lower pollution remediation expense by $0.9 million offset by higher expenses by $1.9 million for administering Clean Truck program and higher insurance premiums and customers incentive payouts by $3.1 million.

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Nonoperating Revenues and Expenses

Nonoperating revenues and expenses include income from investment in a joint powers authority, interest income and expenses along with receipts and expenses related with noncapital grants as well as pass through grant awards and discontinued capital projects closed to expense. The following table presents a summary of the Port's nonoperating revenues and expenses for fiscal years 2023, 2022 and 2021:

Summary of Nonoperating Revenues and Expenses
(amounts in thousands)

		(Restated)	(Restated)	Increase (Decrease) Over Prior Year	
	FY 2023	FY 2022	FY 2021	FY 2023	FY 2022
Nonoperating revenues					
Income from investments in Joint Powers Authority	$ 1,888	$ 1,513	$ 2,243	$ 375	$ (730)
Investment income-net	4,538	--	--	4,538	--
Interest income from leases	10,155	10,234	10,259	(79)	(25)
Grant revenues	32,925	20,502	2,695	12,423	17,807
Other nonoperating revenues	501	5,766	1,129	(5,265)	4,637
Total nonoperating revenues	50,007	38,015	16,326	11,992	21,689
Nonoperating expenses					
Interest expense	17,837	19,037	21,773	(1,200)	(2,736)
Investment loss-net	--	47,744	2,656	(47,744)	45,088
Pass-through grant expenses	27,267	18,521	854	8,746	17,667
Other nonoperating expenses	558	23,106	3,989	(22,548)	19,117
Total nonoperating expenses	45,662	108,408	29,272	(62,746)	79,136
Net nonoperating revenues (expenses)	$ 4,345	$ (70,393)	$ (12,946)	$ 74,738	$ 57,447

Nonoperating Revenues and Expenses, Fiscal Year 2023

In fiscal year 2023, the Port reported net nonoperating revenues of $4.3 million, increased by $74.7 million relative to net nonoperating expenses of $70.4 million in fiscal year 2022.

Net investment income increased by $52.2 million from a net investment loss of $47.7 million in fiscal year 2022 to a net investment income of $4.5 million in fiscal year 2023. The increase was due to the higher investment fair value fluctuations.

Nonoperating revenues increased by $12.0 million primarily due to higher pass-through and noncapital grant revenues by $12.4 million, higher income from an investment in the Intermodal Container Transfer Facility Joint Powers Authority by $0.4 million, and higher net investment income of $4.5 million. These increases were partially offset by a lower other nonoperating revenues in settlement recovery by $5.3 million.

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Nonoperating expenses decreased by $62.7 million in fiscal year 2023 due to favorable variances with respect to net investment loss by $47.7 million from investment value fluctuations, lower capital projects closed to expense by $22.4 million, lower interest expenses and other miscellaneous costs by $1.3 million. These decreases were partially offset by higher pass-through grant expenditures by $8.7 million.

Nonoperating Revenues and Expenses, Fiscal Year 2022 (Restated)

In fiscal year 2022, the Port reported net nonoperating expenses of $70.4 million, increased by $57.5 million relative to net nonoperating expenses of $12.9 million in fiscal year 2021.

Nonoperating revenues increased by $21.7 million due to higher pass-through and noncapital grant revenues by $17.8 million and higher other revenues from settlement recovery by $4.6 million offset by lower income from an investment in the intermodal Container Transfer Facility Joint Powers Authority by $0.7 million.

Nonoperating expenses increased by $79.1 million in fiscal year 2022 due to unfavorable variances with respect to unrealized investment loss by $45.1 million from investment value fluctuations, higher pass-through grant expenditures by $17.7 million, higher capital projects closed to expense by $18.8 million and higher bond administration and other miscellaneous costs by $0.3 million. These increases were partially offset by lower interest expenses by $2.7 million.

Long-Term Debt

The Port's long-term debt is comprised of senior lien debt in the form of Harbor Department Revenue Bonds. As of June 30, 2023 and 2022, the Port's outstanding long-term debt was $537.1 million and $577.3 million, respectively. For all outstanding bonds, the Port continues to maintain Aa2, AA+, and AA credit ratings from Moody's Investors Service (Moody's), S&P Global Ratings (S&P), and Fitch Ratings (Fitch), respectively. See Note 7 to Financial Statements for additional information.

Bonded Debt

Under Section 609 of the City Charter and the Bond Procedural Ordinance, the Port's capacity to issue debt is not limited. However, the Port's capacity is constrained under covenants of the currently outstanding debt to an aggregate ratio of annual net revenue to annual debt service of at least one hundred twenty-five percent (125%). The Port's financial policy requires that a minimum of 2.0x debt service coverage be maintained at all times. At June 30, 2023, the Port's debt service coverage was 6.0x debt service.

The Port's long-term debt consisted of the following as of June 30, 2023, 2022, and 2021 (in thousands):

	FY 2023	FY 2022	FY 2021
Revenue bonds payable	$ 537,125	$ 577,335	$ 665,670
Net unamortized premiums	45,289	54,391	65,687
Total	$ 582,414	$ 631,726	$ 731,357

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Capital Assets

The Port's investment in capital assets, net of accumulated depreciation and amortization as of June 30, 2023, 2022 and 2021 amounted to $3.6 billion, $3.7 billion, and $3.7 billion, respectively. These accounted for 67.5%, 69.9%, and 72.0%, of total assets, respectively. The following table presents the Port's capital assets, net of accumulated depreciation for fiscal years 2023, 2022 and 2021 (in thousands):

Summary of Capital Assets

		(Restated)	(Restated)	Increase (Decrease) Over Prior Year	
	FY 2023	FY 2022	FY 2021	FY 2023	FY 2022
Land	$ 1,106,805	$ 1,106,805	$ 1,106,805	$ --	$ --
Facilities and equipment, net	2,116,677	2,262,609	2,237,374	(145,932)	25,235
Intangible assets, net	12,900	16,598	20,296	(3,698)	(3,698)
Right-to-use lease assets, net	1,259	492	1,149	767	(657)
Right-to-use subscription assets, net	2,374	2,671	--	(297)	2,671
Construction in progress	280,921	198,177	234,786	82,744	(36,609)
Preliminary costs-capital projects	114,960	105,990	141,032	8,970	(35,042)
Total	$ 3,635,896	$ 3,693,342	$ 3,741,442	$ (57,446)	$ (48,100)

See Note 5 to Financial Statements for additional information.

Facilities and equipment, net of accumulated depreciation, decreased by $145.9 million or 6.4% from $2.3 billion at June 30, 2022 to $2.1 billion at June 30, 2023 primarily due to a $32.7 million true-up of additional depreciation for certain assets with shorter estimated useful lives and annual depreciation associated with the Port's existing facility and equipment. Facilities and equipment, net of accumulated depreciation, increased by $25.2 million or 1.1% from $2.2 billion at June 30, 2021 to $2.3 billion at June 30, 2022 primarily due to capitalization of completed projects of $163.6 million offset by annual depreciation associated with the Port's existing facility and equipment.

The Port has active construction projects as of June 30, 2023. The projects include San Pedro Waterfront Redevelopment, Wilmington Waterfront Redevelopment, State Route 47/Vincent Thomas Bridge and Front Street/Harbor Boulevard Interchange Reconfiguration, various infrastructure improvements at terminals, and other capital projects. At June 30, 2023, 2022, and 2021, the Port's commitments with contractors for capital projects were $1.8 million, $1.9 million, and $1.2 million, respectively.

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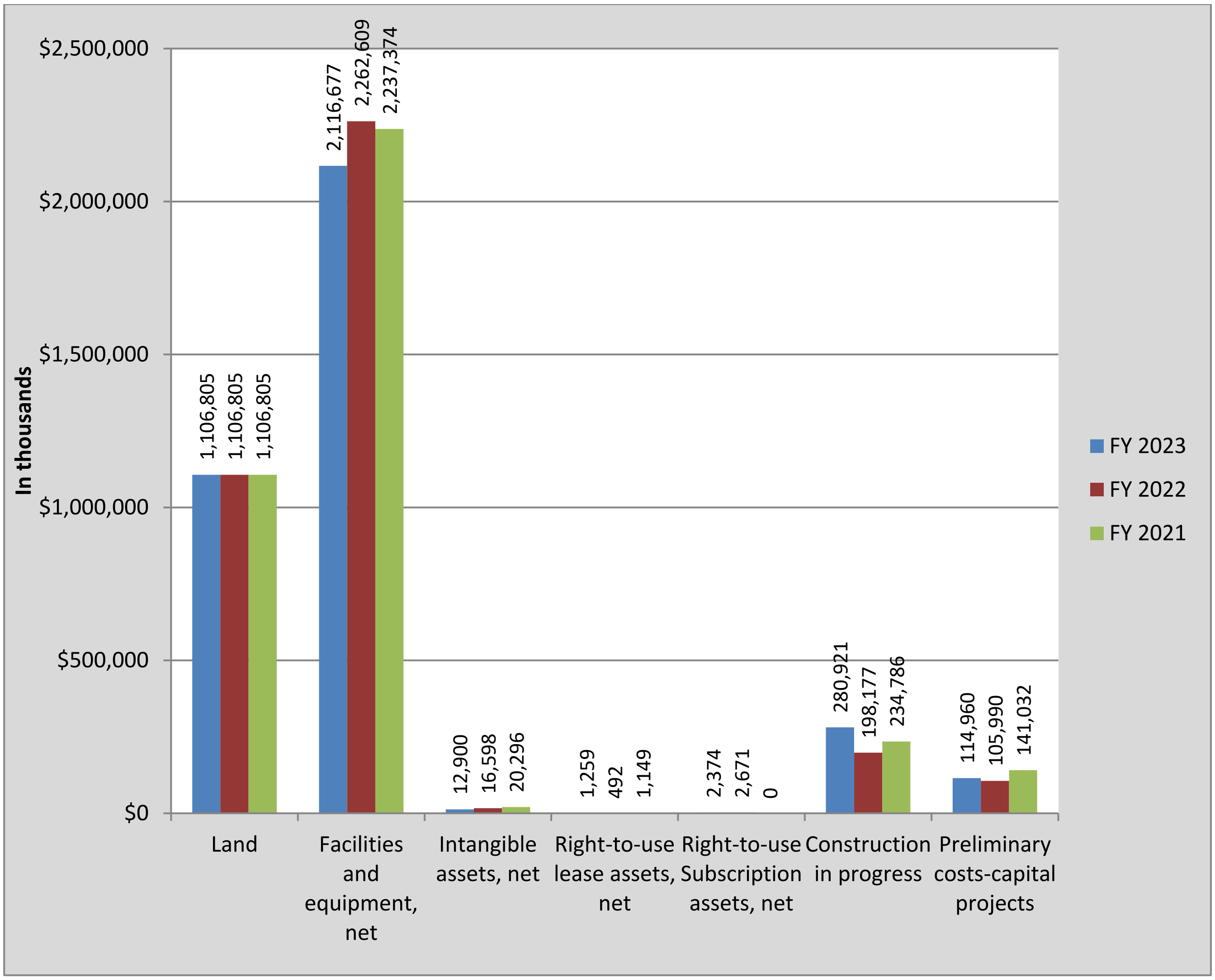
The following chart shows the graphical presentation of the Port's capital assets, net of accumulated depreciation for the fiscal years 2023, 2022 and 2021



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Capital Assets, Fiscal Year 2023

Major capital assets activities during fiscal year 2023 are as follows:

- $40.2 million – construction for expanding corridor storage tracks at Pier 400, including rail extension, additional railroad storage tracks, access roadway, as well as new crossovers, switches, and equipment.
- $19.3 million – construction of San Pedro Waterfront and Wilmington Waterfront Development projects including, but not limited to San Pedro Waterfront Ports O' Call Promenade and Town Square Waterfront Gateway, Harbor Boulevard roadway improvements, the Wilmington Waterfront Promenade, and the Avalon Promenade, pedestrian bridge, and Gateway.
- $13.8 million – various projects at berths with liquid bulk oil cargo handling facilities to comply with Marine Oil Terminal Engineering Maintenance Standards (MOTEMS).
- $9.0 million – various projects at buildings and facilities of the Port including enterprise resources planning (ERP) system migration, port pilot radio upgrade, Liberty Hill Plaza improvements, and various facilities and buildings improvements and remodel projects.
- $7.2 million – various transportation constructions including projects for Alameda Corridor southern terminus gap closure and reconfiguration of the interchange at State Route 47/Vincent Thomas Bridge and Front Street/Harbor Boulevard, and various lighting and street improvements and extensions.
- $3.9 million – various projects at Berth 171-181 (Pasha Terminal) including electrical infrastructure improvement, wharf restoration, and building improvements.
- $3.5 million – various projects at Berth 45-53 (Outer Harbor Cruise Facility) and Berth 90-93 (World Cruise Center) including passenger terminal gangway and pedestrian deck improvements, passenger terminal roof replacement, and cruise terminal development.
- $3.3 million – redevelopment projects at Berth 222-236 (Everport Terminal) including wharf and backlands improvements, terminal infrastructure reconstruction, and Alternative Maritime Power (AMP) upgrade and retrofit.
- $2.9 million – construction of new container wharf at Berth 306, on-deck railyard expansion project, and crane rail and foundation project at Berth 300-306 (Fenix terminal).
- $3.4 million – various miscellaneous projects for parking/storage lot constructions and improvements, barge landing ramp upgrade, building cover replacement, dockside facility improvements and Port Worker Training Facility.
- $2.6 million – various homeland security projects including construction of Port Cyber Resilience Center, Port Police headquarter security enhancement, and port police radio system.

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- $2.1 million – various environmental enhancement projects including advanced electrical infrastructure and air quality monitoring stations upgrade, shore side electricity upgrade.
- $1.4 million – redevelopment projects at various terminals including wharf rehabilitation, facility expansion, and infrastructure improvements.

Continued…..

Capital Assets, Fiscal Year 2022

Major capital assets activities during fiscal year 2022 are as follows:

- $30.0 million – construction of San Pedro Waterfront and Wilmington Waterfront Development projects including, but not limited to San Pedro Waterfront Ports O' Call Promenade and Town Square Waterfront Gateway, the Wilmington Waterfront Promenade, and the Avalon Promenade, pedestrian bridge, and Gateway.
- $2.4 million – various environmental enhancement projects including advanced electrical infrastructure, shore side electricity upgrade, and pavement improvements projects.
- $5.2 million – various projects at buildings and facilities of the Port including facilities and buildings improvements and remodel, pilot system enhancement, port pilot station wharf modification, fire alarm and security system installation and various utility projects.
- $15.0 million – various transportation constructions including projects for Alameda Corridor southern terminus gap closure and reconfiguration of the interchange at SR-47/Vincent Thomas Bridge and Front Street/Harbor Boulevard, lighting upgrades on 22nd Street, Via Cabrillo Marina, and Shoshonean Road, and various lighting and street improvements and extensions.
- $5.8 million – various homeland security projects including port police radio system, construction of Port Cyber Resilience Center, development of dispatch and records management system, port police fixed license plate reader system, and facility security improvements.
- $1.4 million – various miscellaneous projects for parking/storage lot construction, barge landing ramp upgrade, building cover replacement, and dockside facility improvements.
- $1.4 million – redevelopment projects at various terminals including wharf rehabilitation, facility expansion, and infrastructure improvements.
- $8.6 million – various projects at berths with liquid bulk oil cargo handling facilities to comply with Marine Oil Terminal Engineering Maintenance Standards (MOTEMS).
- $1.6 million – various projects at the Pasha Terminal including roof replacement, electrical infrastructure improvement, and wharf restoration.
- $3.4 million – improvement project at LAXT cargo support facility.
- $1.1 million – on-deck railyard expansion project at the Fenix (Berth 300-306) terminal.
- $6.6 million – redevelopment projects at the Everport Terminal including wharf and backlands improvements, terminal infrastructure reconstruction, and Alternative Maritime Power (AMP) upgrade and retrofit.

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Factors That May Affect the Port's Operations

There is significant competition for container traffic among North American ports. The availability of alternate port facilities at competitive prices affects the use of the Port's facilities and therefore the revenues of the Port. Formation of shipping alliances adds to the complexity as shipping lines which have ownership in terminals route cargo to terminals that are not owned by them, but by their Alliance partners. While the shipping industry remains volatile in 2023, shipping lines are searching for the best terminal handling rates and even looking to the Port to provide incentives. The Port cannot predict the scope of such impact.

All of the ports on the West Coast of the U.S. compete for discretionary intermodal cargo destined for locations across the U.S. and Canada. Discretionary cargo makes up approximately 33% of cargo arriving at the Port. Currently, this discretionary cargo moves eastward both by rail routes and by water routes through the Panama Canal, Magellan Straits, or Cape Horn, or westward through the Suez Canal. Factors such as capacity restrictions and service reliability of rail routes or water routes could impact decisions on cargo route and U.S. port of entry.

With the expansion of global economy and the surge in international trade, shipping lines began commissioning ships of greater size that carry more cargo, the Port has an existing ability to handle the New Panamax and Super Post-Panamax ships and continues to maintain and improve its strong infrastructure and intermodal capabilities.

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

The Port leases land to marine terminal operators who employ labor from the International Longshore and Warehouse Union (ILWU) who are not employees of the Port. In the past, protracted contract negotiations between the ILWU and the Pacific Maritime Association resulted in cargo moving to other gateways, such as the Gulf and East Coast. Once it moves to other gateways, it becomes challenging to regain market share.

Competitive Environment

As of the fiscal year ended June 30, 2023, five major container ports controlled 97.0% of the entire U.S. West Coast containerized cargo market: the ports of Los Angeles, Long Beach, and Oakland in California, and the ports of Seattle and Tacoma in Washington State. The ports of Los Angeles and Long Beach together had 74.3% of all U.S. West Coast market share based on a loaded TEU basis.

The industry is capital intensive and requires long lead times to plan and develop new facilities and infrastructure. Resources are typically allocated and facilities developed based upon the commitment of customers to long-term permits at the Port that currently range from 15 to 40 years before expiration. Occupancy remains high and West Coast ports have limited land areas for expansion. Additionally, the greater Los Angeles area represents not only a large destination market for waterborne goods, but also an attractive point of origin for supply chain distribution throughout the Southern California region and the rest of nation as the Port has extensive on-dock rail facilities creating intermodal connections that provide for time-

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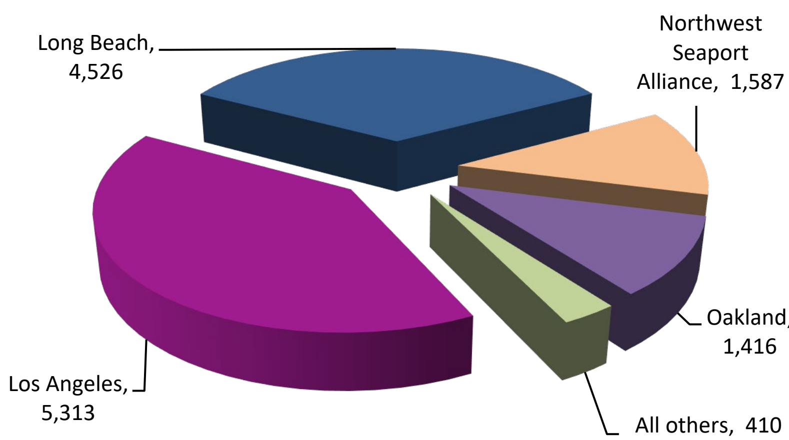
to-market advantages. In the Port's analysis, one third of the import cargo moves via intermodal to inland markets, another third transloaded into larger containers at local transload facilities and moves to inland markets in larger containers (i.e., 53-foot containers) and the last third remains in the five-county region around the Port, which serves over 20 million residents.

The following presents a summary of the West Coast container market share for fiscal years 2023 to 2021:

	Loaded TEUs (in thousands)*			Percentage Market Share		
Ports	FY 2023	FY 2022	FY 2021	FY 2023	FY 2022	FY 2021
Los Angeles	5,313	6,309	7,039	40.1%	39.8%	41.1%
Long Beach	4,526	5,529	5,762	34.2%	34.8%	33.7%
Northwest Seaport Alliance**	1,587	1,955	2,207	12.0%	12.3%	12.9%
Oakland	1,416	1,656	1,859	10.7%	10.4%	10.9%
All others	410	417	250	3.0%	2.7%	1.4%
	13,252	15,866	17,117	100.0%	100.0%	100.0%

* Source: PIERS
** Northwest Seaport Alliance consists of Seattle and Tacoma.

Following is the graphical presentation of the West Coast container market share for fiscal year 2023:



Loaded TEUs (in thousands)

Continued…..

Request for Information

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

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

Statements of Net Position
June 30, 2023 and 2022
(amounts in thousands)

	2023	(Restated) 2022
ASSETS		
Current assets		
Cash and cash equivalents, unrestricted	$ 1,281,573	$ 1,144,153
Cash and cash equivalents, restricted	50,236	11,488
Accounts receivable, net of allowance for doubtful accounts: 2023 - $8,472; 2022 - $7,534	52,225	37,404
Accrued interest receivable	6,368	6,417
Grants receivable	8,795	2,851
Materials and supplies inventories	2,876	2,820
Prepaid expenses	504	471
Lease receivable - current portion	29,673	36,008
Total current assets	1,432,250	1,241,612
Noncurrent assets		
Restricted investments – bond funds	37,105	37,452
Other restricted investments	10,311	10,399
Investment in Joint Powers Authority	4,434	5,546
Net pension assets	--	9,885
Net OPEB assets	773	11,791
Lease receivable - noncurrent portion	266,282	272,849
Capital assets		
Land	1,106,805	1,106,805
Facilities and equipment net of accumulated depreciation: 2023 - $2,982,592; 2022 - $2,809,855	2,116,677	2,262,609
Intangible assets, net of accumulated amortization: 2023 - $12,460; 2022 - $8,762	12,900	16,598
Right-to-use lease assets, net of accumulated amortization: 2023 - $555; 2022 - $1,727	1,259	492
Right-to-use subscription assets, net of accumulated amortization: 2023 - $594; 2022 - $297	2,374	2,671
Construction in progress	280,921	198,177
Preliminary costs – capital projects	114,960	105,990
Total capital assets	3,635,896	3,693,342
Total noncurrent assets	3,954,801	4,041,264
TOTAL ASSETS	5,387,051	5,282,876
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charges on debt refunding	8,833	9,343
Deferred outflows of resources related to pensions	84,285	69,159
Deferred outflows of resources related to other postemployment benefits (OPEB)	13,391	11,959
TOTAL DEFERRED OUTFLOWS OF RESOURCES	106,509	90,461

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

Statements of Net Position
June 30, 2023 and 2022
(amounts in thousands)

	2023	(Restated) 2022
LIABILITIES		
Current liabilities		
Accounts payable	$ 48,983	$ 43,140
Current maturities of bonds payable	43,355	40,210
Accrued interest payable	10,932	11,769
Accrued salaries and employee benefits	20,056	17,475
Obligations under securities lending transactions	5,259	15,996
Accrued construction cost payable	1,791	3,277
Other current liabilities payable from restricted assets	9,534	9,526
Other current liabilities	40,133	49,876
Total current liabilities	180,043	191,269
Long-term liabilities		
Long-term liabilities payable from unrestricted assets		
Bonds payable, net of unamortized discount/premium: 2023 - $45,289; 2022 - $54,391	539,059	591,516
Accrued employee benefits	16,018	16,029
Net pension liabilities	271,235	168,089
Net OPEB liabilities	8,778	--
Lease liabilities	1,279	506
Subscription liabilities	1,546	2,277
Other liabilities	76,198	79,449
Total long-term liabilities payable from unrestricted assets	914,113	857,866
Long-term liabilities payable from restricted assets	17,242	16,624
Total long-term liabilities	931,355	874,490
TOTAL LIABILITIES	1,111,398	1,065,759
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources related to pensions	13,390	107,660
Deferred inflows of resources related to OPEB	15,329	37,179
Deferred inflows of resources related to leases	276,968	296,225
TOTAL DEFERRED INFLOWS OF RESOURCES	305,687	441,064
NET POSITION		
Net investment in capital assets	3,057,698	3,064,900
Restricted	76,320	37,452
Unrestricted	942,457	764,162
TOTAL NET POSITION	$ 4,076,475	$ 3,866,514

See accompanying notes to financial statements.

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

Statements of Revenues, Expenses, and Changes in Net Position
For the Fiscal Years Ended June 30, 2023 and 2022
(amounts in thousands)

	2023	(Restated) 2022
OPERATING REVENUE		
Shipping services		
Wharfage	$ 405,046	$ 441,966
Dockage	3,619	5,914
Demurrage	123	133
Pilotage	13,209	13,432
Assignment charges	26,011	24,397
Total shipping services	448,008	485,842
Rentals		
Land	115,375	85,092
Buildings	266	215
Warehouses	633	588
Wharf and shed	1,016	942
Total rentals	117,290	86,837
Royalties, fees, and other operating revenues		
Fees, concessions, and royalties	8,094	5,418
Clean truck program fees	41,219	17,999
Other	41,789	31,746
Total royalties, fees, and other operating revenues	91,102	55,163
Total operating revenue	656,400	627,842
OPERATING EXPENSES		
Salaries and other benefits	107,747	109,778
Pension expense	33,200	14,840
OPEB (credit)/expense	788	(2,208)
City services	47,823	45,531
Outside services	33,332	27,864
Utilities	27,210	33,708
Materials and supplies	5,974	5,106
Marketing and public relations	2,710	2,101
Workers' compensation, claims and settlement	15,583	1,712
Clean truck program expenses	5,835	2,613
Other operating expenses	19,218	12,855
Total operating expenses before depreciation and amortization	299,420	253,900
Operating income before depreciation and amortization	356,980	373,942

continued….

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

Statements of Revenues, Expenses, and Changes in Net Position
For the Fiscal Years Ended June 30, 2023 and 2022
(amounts in thousands)

	2023	(Restated) 2022
Operating Income before depreciation and amortization	$ 356,980	$ 373,942
Depreciation and amortization	194,869	147,569
OPERATING INCOME	162,111	226,373
NONOPERATING REVENUES (EXPENSES)		
Nonoperating revenues		
Income from investments in Joint Powers Authority	1,888	1,513
Interest income from leases	10,155	10,234
Investment income - net	4,538	--
Noncapital and pass through grant revenue	32,925	20,502
Other nonoperating revenue	501	5,766
Total nonoperating revenues	50,007	38,015
Nonoperating expenses		
Interest expense	(17,837)	(19,037)
Investment loss - net	--	(47,744)
Pass through grant expense	(27,267)	(18,521)
Discontinued capital projects	(115)	(22,503)
Other nonoperating expenses	(443)	(603)
Total nonoperating expenses	(45,662)	(108,408)
Net nonoperating revenues (expenses)	4,345	(70,393)
INCOME BEFORE CAPITAL CONTRIBUTIONS	166,456	155,980
Capital contributions	43,505	11,906
CHANGES IN NET POSITION	209,961	167,886
NET POSITION, JULY 1	3,866,514	3,698,628
NET POSITION, JUNE 30	$ 4,076,475	$ 3,866,514

See accompanying notes to financial statements.

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

Statements of Cash Flows
For the Fiscal Years Ended June 30, 2023 and 2022
(amounts in thousands)

	2023	(Restated) 2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Shipping service fees collected	$ 437,893	$ 490,453
Rentals collected	108,375	80,739
Royalties, fees, and other operating revenues collected	89,045	55,686
Payments for employee salaries and benefits, net of capitalized amounts: 2023 - $28,261; 2022 - $26,454	(139,015)	(143,331)
Payments for goods and services	(168,544)	(125,312)
Net cash provided by operating activities	327,754	358,235
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITY		
Proceeds from noncapital grants	5,658	1,981
Net cash provided by noncapital financing activity	5,658	1,981
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Payments for property acquisitions and construction	(137,924)	(97,468)
Proceeds from sale of capital assets	188	228
Proceeds from capital grants and contributions	37,561	11,454
Proceeds from insurance recovery for damage of capital assets	41	5,345
Payments for lease assets	(578)	(899)
Interest received from leases	10,155	10,234
Payments for subscription assets	(732)	(690)
Principal repayment and redemption – bonds	(40,210)	(88,335)
Interest payments on bonds and financing activities	(27,267)	(30,455)
Net cash used in capital and related financing activities	(158,766)	(190,586)
CASH FLOWS FROM INVESTING ACTIVITIES		
Receipt of interest	26,724	12,170
(Decrease) increase in cash collateral received under the securities lending transactions	(10,737)	8,722
Purchase of investments	(17,813)	(67,004)
Receipts from bond reserve fund	348	4,982
Distribution from Joint Powers Authority	3,000	3,000
Net cash provided (used) by investing activities	1,522	(38,130)
NET INCREASE IN CASH AND CASH EQUIVALENTS	176,168	131,500
CASH AND CASH EQUIVALENTS, JULY 1	1,155,641	1,024,141
CASH AND CASH EQUIVALENTS, JUNE 30	$ 1,331,809	$ 1,155,641

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

Statements of Cash Flows
For the Fiscal Years Ended June 30, 2023 and 2022
(amounts in thousands)

	2023	(Restated) 2022
CASH AND CASH EQUIVALENTS COMPONENTS		
Cash and cash equivalents, unrestricted	$ 1,281,573	$ 1,144,153
Cash and cash equivalents, restricted	50,236	11,488
Total cash and cash equivalents	$ 1,331,809	$ 1,155,641
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	$ 162,111	$ 226,373
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation and amortization	194,869	147,569
Provision for doubtful accounts	937	852
Changes in assets, liabilities, and deferred outflows and inflows of resources		
Accounts receivable	(15,759)	5,107
Lease receivable	12,991	5,646
Materials and supplies inventories	(55)	51
Prepaid expenses	(33)	(55)
Deferred outflows of resources related to pensions and OPEB	(16,559)	22,191
Accounts payable	6,208	12,235
Net pension liabilities	113,031	(129,051)
Net OPEB liabilities	19,795	(37,324)
Accrued salaries and employee benefits	2,571	(373)
Other liabilities	(16,976)	(6,054)
Deferred inflows of resources related to pensions and OPEB	(116,120)	123,636
Deferred inflows of resources related to leases	(19,257)	(12,568)
Total adjustments to reconcile operating income to net cash provided by operating activities	165,643	131,862
Net cash provided by operating activities	$ 327,754	$ 358,235
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets, included in construction costs and accounts payables	$ 2,966	$ 4,817
Write-off of discontinued construction projects	115	22,503

See accompanying notes to financial statements.

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

Continued…..

1. Organization and Summary of Significant Accounting Policies

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

A. Organization and Reporting Entity

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

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

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

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

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

Continued…..

Reporting Entity

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

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

LAHIC is included in the reporting entity of the Port, and accordingly, the operations of LAHIC are blended in the Port's accompanying financial statements. LAHIC's cash balance in the amount of $21 thousand equaled to the payable amount owed to the Port as of both June 30, 2023 and 2022. LAHIC reported no net position at June 30, 2023 and 2022. Separate financial statements for LAHIC may be obtained from the Deputy Executive Director and Chief Financial Officer, Port of Los Angeles, 425 S. Palos Verdes Street, San Pedro, California 90731.

B. Summary of Significant Accounting Policies

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

Cash, Cash Equivalents, and Investments – The Port pools its available cash with that of the City. All cash and investments pooled with the City, plus cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition are considered cash and cash equivalents.

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

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

Continued…..

gains and losses on investments that had been held more than one fiscal year and sold in the current year may have been recognized as an increase or decrease in fair value of investments reported in the prior year and the current year.

Securities Lending – As a participant in the City's Investment Pool, the Port's funds are also part of the City's securities lending program (SLP). The investment collateral received by the City together with the corresponding liability is allocated among the City's participating funds based on the aggregate respective cash balances at fiscal year-end.

Inventories and Prepaid Items – Inventories of materials and supplies are stated at the weighted average cost. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. The cost of prepaid items is recorded as expenses when consumed rather than when purchased.

Accounts Receivable and Allowance for Doubtful Accounts – Accounts receivable are recorded for invoices issued to customers or tenants in accordance with the contractual provisions. Included in accounts receivable on the statements of net position, unbilled receivables are estimated and recorded when revenues are recognized upon service delivery and invoicing occurs after the fiscal year end. Receivables outstanding beyond 90 days are put into the collection process. An allowance for doubtful accounts is set up as a reserve based on specific identification of troubled accounts and delinquent receivables.

Grants Receivable – The Port receives federal, state and local grants on a reimbursement basis for both capital and non-capital activities. Grants receivable is recognized when all applicable eligibility requirements are met.

Capital Assets – Capital assets are carried at cost or at fair value at the date received, in the case of properties acquired by donation, and by termination of leases for tenant improvements, less allowance for accumulated depreciation. The Port has a capitalization threshold of $5,000. Capital assets include intangible assets for the Port's radio frequency licenses, emission mitigation credits with indefinite useful lives; and capitalized costs of the Port's integrated financial accounting system, the Enterprise Resource Planning System. The Port periodically reviews its assets for impairment. A capital asset is considered impaired when its service utility has declined significantly and unexpectedly.

Preliminary costs for developing proposed capital projects that are incurred prior to the finalization of formal capital projects are capitalized. Upon completion of capital projects, such preliminary costs are transferred to the appropriate property account. In the event the proposed capital projects are abandoned, the associated preliminary costs are charged to expense in the year of abandonment. Preliminary costs - capital projects as of June 30, 2023 and 2022 are $115.0 million and $106.0 million, respectively.

The Port capitalizes indirect project costs associated with the acquisition, development, and construction of new capital projects. Indirect project costs allocated to construction projects for fiscal years 2023 and 2022 were $22.8 million and $23.7 million, respectively.

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

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

Leases – *Port as lessee.* Leases are defined as the right to use an underlying asset. As a lessee, the Port recognized a lease liability and an intangible right-to-use (RTU) lease asset at the beginning of a lease unless the lease is considered a short-term lease or transfers ownership of the underlying asset. RTU lease assets are initially recorded at the initial measurement of the lease liability, plus lease payments made at or before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease, plus initial direct costs that are ancillary to place the asset into service. Lease assets are amortized on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset. Remeasurement of a lease liability occurs when there is a change in the lease term and/or other changes that are likely to have a significant impact on the lease liability.

The Port calculates the amortization of the discount on the lease liability and reports that amount as interest expense. Leases that do not have implicit interest rates, the incremental borrowing rates (IBR) are used. IBR's are estimated rates the Port would be charged for borrowing the lease payment amounts during the lease term. Payments are allocated first to accrued interest liability and then to the lease liability. Variable lease payments based on the usage of the underlying assets are not included in the lease liability calculations but are recognized as outflows of resources in the period in which the obligation was incurred.

Port as lessor. As a lessor, the Port recognizes a lease receivable. The lease receivable is measured using the net present value of future lease payments to be received for the lease term and deferred inflow of resources at the beginning of the lease term. Periodic amortization of the discount on the receivable are reported as interest revenue for that period. Deferred inflows of resources are recognized as inflows on a straight-line basis over the term of the lease. This recognition does not apply to short-term leases or certain regulated leases. Re-measurement of lease receivables occurs when there are modifications, including but not limited to changes in the contract price, lease term, and adding or removing an underlying asset to the lease agreements. In the case of a partial or full lease termination, the carrying value of the lease receivable and the related deferred inflow of resources will be reduced and will include a gain or loss for the difference.

Short-term real estate entitlement such as revocable permits and space assignments can be canceled on a 30-day notice by either party. For lease agreements that are short-term, the Port recognizes short-term lease payments as inflows of resources based on the payment provisions of the lease contract. Liabilities are only recognized if payments are received in advance, and receivables are only recognized if payments are received subsequent to the report period.

Continued…..

Leases between the Port and terminal operators and shipping lines are subject to external laws and regulations. The Port recognizes inflows of resources based on the payment provisions of the lease agreement. See note 12.A. for additional information.

Subscription-based Information Technology Arrangements (SBITA) – A SBITA is a contract that conveys control of the right to use a third-party's information technology software. SBITAs that have maximum possible term under the SBITA contract of 12 months or less are considered a short-term SBITA and recognized as outflows of resources.

The Port recognized a subscription liability and an intangible right-to-use (RTU) subscription asset at the beginning of a SBITA unless the SBITA is considered a short-term SBITA. A subscription liability is measured at the present value of subscription payments expected to be made during the subscription term using the Port's incremental borrowing rate. A subscription asset is initially recorded at the initial measurement of the subscription liability, plus subscription payments made at the commencement of the subscription term, less any incentives received from the SBITA vendor at or before the commencement of the subscription term. The commencement of the subscription term occurs when the Port has obtained control of the right to use the underlying subscription assets, and the subscription asset is placed into service.

A subscription asset is amortized on a straight-line basis over the shorter of the subscription term or the useful life of the underlying subscription asset. Remeasurement of subscription liability occurs when there is a change in the subscription term and/or other changes that are likely to have a significant impact on the subscription liability.

The Port calculates the amortization of the discount on the subscription liability and reports that amount as outflows of resources. SBITAs that do not have implicit interest rates, the incremental borrowing rates (IBR) are used. IBR's are estimated rates the Port would be charged for borrowing the payment amounts during the subscription term. Payments are allocated first to accrued interest liability and then to the lease liability. Variable payments based on the usage of the underlying assets are not included in the subscription liability calculations but are recognized as outflows of resources in the period in which the obligation was incurred. See note 12.B. for additional information.

Investment in Joint Powers Authority – Investment in joint powers authority is accounted for by the equity method. The value of the Port's investment in joint powers authority increases or decreases based on the Port's proportional share in the joint powers authority's ending net position less distributions, if any. The distribution from joint powers authority is proportional to the size of the equity investment.

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

Continued…..

Deferred Outflows and Inflows of Resources – In addition to assets, the Port reports a separate section for deferred outflows of resources. This represents a consumption of net assets that applies to future periods and so will not be recognized as an outflow of resources (expense) until then. The Port has three items that qualified for reporting in this category. They are deferred charges on debt refunding, deferred outflows of resources related to pensions, and deferred outflows of resources related to postemployment benefits other than pensions (other postemployment benefits or OPEB). A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the Port reports a separate section for deferred inflows of resources. This represents an acquisition of net assets that applies to future periods and so will not be recognized as an inflow of resources (revenue) until then. The Port has three items that qualified for reporting in this category – deferred inflows of resources related to pensions, deferred inflows of resources related to OPEB, and deferred inflows of resources related to leases.

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

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

Deferred inflows of resources related to leases are measured at the value of the lease receivable in addition to any payments received at or before the commencement of the lease term that relate to future periods that is recognized as revenue over the term of the lease. The lease payments included in the lease receivable relate to future reporting periods.

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

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

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

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

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

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

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For fiscal years ended June 30, 2023 and 2022, the Port reported total net pension assets, net pension liabilities, deferred outflows/inflows or resources related to pensions, and pension expense as follows (in thousands):

	2023	2022
Net pension assets:		
LAFPP - proportionate share	$ --	$ 9,885
Total net pension assets	$ --	$ 9,885
Deferred outflows of resources related to pensions:		
LACERS - proportionate share	$ 73,748	$ 57,670
LAFPP - proportionate share	10,537	11,489
Total deferred outflows of resources related to pensions	$ 84,285	$ 69,159
Net pension liabilities:		
LACERS - proportionate share	$ 270,252	$ 168,089
LAFPP - proportionate share	983	--
Total net pension liabilities	$ 271,235	$ 168,089
Deferred inflows of resources related to pensions:		
LACERS - proportionate share	$ 9,506	$ 90,437
LAFPP - proportionate share	3,884	17,223
Total deferred inflows of resources related to pensions	$ 13,390	$ 107,660
Pension expense:		
LACERS - proportionate share	$ 30,097	$ 13,875
LAFPP - proportionate share	3,103	965
Total pension expense	$ 33,200	$ 14,840

See note 13 and note 14, as well as Required Supplementary Information, for additional information.

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

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For the fiscal years ended June 30, 2023 and 2022, the Port reported total net OPEB assets, net OPEB liabilities, deferred outflows/inflows or resources related to OPEB, and OPEB expense as follows (in thousands):

	2023	2022
Net OPEB assets:		
LACERS - proportionate share	$ --	$ 9,891
LAFPP - proportionate share	773	1,900
Total net OPEB assets	$ 773	$ 11,791
Deferred outflows of resources related to OPEB:		
LACERS - proportionate share	$ 11,180	$ 9,658
LAFPP - proportionate share	2,211	2,301
Total deferred outflows of resources related to OPEB	$ 13,391	$ 11,959
Net OPEB liabilities:		
LACERS - proportionate share	$ 8,778	$ --
Total net OPEB liabilities	$ 8,778	$ --
Deferred inflows of resources related to OPEB:		
LACERS - proportionate share	$ 12,667	$ 32,707
LAFPP - proportionate share	2,662	4,472
Total deferred inflows of resources related to OPEB	$ 15,329	$ 37,179
OPEB expense (credit):		
LACERS - proportionate share	$ 351	$ (2,498)
LAFPP - proportionate share	437	290
Total OPEB expense (credit)	$ 788	$ (2,208)

See note 13 and note 14, as well as Required Supplementary Information, for additional information.

Capital Contributions – The Port may receive grants for the purpose of acquisition or construction of property and equipment. These grants are generally structured as reimbursements against expenditures. Grants and similar items are recognized as capital contributions as soon as all eligibility requirements imposed by the provider have been met.

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

- *Net investment in capital assets* – This category consists of capital assets, reduced by accumulated depreciation and amortization, accrued construction costs payable, and by the outstanding balances of any capital-related bonds, notes, or other debt/borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this category.
- *Restricted* – This category consists of restrictions placed on net position through external constraints imposed by creditors (such as debt covenants), grantors, contributors, or law or regulations of other governments. Constraints may also be imposed by law or constitutional provisions or enabling legislation.
- *Unrestricted* – This category consists of net position that does not meet the definition of "restricted" or "net investment in capital assets."

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

Use of Estimates – The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Reclassifications – Certain reclassifications have been made to amounts reported in fiscal year 2022 to conform to the fiscal year 2023 presentation. Such reclassification had no impact on the change in net position previously reported.

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2. Adoption of New GASB Pronouncements

GASB Statement No. 91, *"Conduit Debt Obligations."* Issued in May 2019, this statement provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The statement has been implemented at the beginning fiscal year 2023.

GASB Statement No. 94, *"Public-Private and Public-Public Partnerships and Availability Payment Arrangements."* Issued in March 2020, this statement is to improve financial reporting by establishing the definitions of public-private and public-public partnership arrangements (PPPs) and available payment arrangement (APAs) and providing uniform guidance on accounting and financial reporting for transactions that meet those definitions. The statement has been implemented at the beginning fiscal year 2023.

GASB Statement No. 96, *"Subscription-Based Information Technology Arrangements."* Issued in June 2020, the statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for governments by (1) defining a SBITA, (2) establishing that a SBITA results in a right-to-use subscription asset-an intangible asset-and a corresponding subscription liability, (3) providing the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA, and (4) requiring note disclosures regarding a SBITA. The statement has been implemented retroactively effective July 1, 2021.

The financial statements as of and for the year ended June 30, 2022 were restated as a result of the implementation of GASB Statement No. 96, *"Subscription-Based Information Technology Arrangements."*

	FY 2022 As Previously Reported	Restatement Related to Adoption of GASB 96	FY 2022 As Restated
Statement of Net Position			
Capital assets:			
Subscription assets, net of accumulated amortization	$ --	$ 2,671	$ 2,671
Current liabilities:			
Accrued interest payable	11,735	34	11,769
Long-term liabilities			
Subscription liability	--	2,277	2,277
Net position:			
Net investment in capital assets	3,065,012	(112)	3,064,900
Unrestricted	763,690	472	764,162

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	FY 2022 As Previously Reported	Restatement Related to Adoption of GASB 96	FY 2022 As Restated
Statement of Revenues, Expenses, and Changes in Net Position			
Operating Expenses:			
Outside services	$ 28,596	$ (732)	$ 27,864
Depreciation and Amortization	147,272	297	147,569
Nonoperating Revenue (Expenses):			
Interest expense	(18,962)	(75)	(19,037)
Statement of Cash Flows			
Cash Flow From Operating Activities:			
Payments for goods and services	$ (126,956)	$ 1,644	$ (125,312)
Cash Flow From Capital and Related Financing Activities:			
Payments for property acquisitions and construction	(97,708)	240	(97,468)
Payments for subscription assets	--	(690)	(690)
Interest payments on bonds and financing activities	(30,413)	(42)	(30,455)
Reconciliation of Operating Income to Net Cash Provided By Operating Activities:			
Operating income	225,938	435	226,373
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	147,272	297	147,569
Changes in assets, liabilities, and deferred outflows and inflows of resources:			
Other liabilities	(6,966)	912	(6,054)

GASB Statement No. 99, *"Omnibus 2022"* Issued in April 2022, the statement is to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees.

The requirements related to extension of the use of LIBOR, accounting for Supplemental Nutrition Assistance Program (SNAP) distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement No. 34, as amended, and terminology updates related to Statement No. 53 and Statement No. 63 have been implemented in prior fiscal year. The requirements related to leases, PPPs, and SBITAs have been implemented in fiscal year 2023. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement No. 53 will be effective beginning fiscal year 2024.

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3. Recent GASB Pronouncements for Future Adoption

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

GASB Statement No. 99, *"Omnibus 2022"* Issued in April 2022, the statement is to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees.

The requirements related to extension of the use of LIBOR, accounting for Supplemental Nutrition Assistance Program (SNAP) distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement No. 34, as amended, and terminology updates related to Statement No. 53 and Statement No. 63 are effective upon issuance. The requirements related to leases, PPPs, and SBITAs have been implemented in fiscal year 2023. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement No. 53 will be effective beginning fiscal year 2024.

GASB Statement No. 100, *"Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62."* Issued in June 2022, the statement provides guidance on the accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The statement will be effective beginning fiscal year 2024.

GASB Statement No. 101, *"Compensated Absences."* Issued in June 2022, the statement provides guidance on the recognition and measurement of compensated absences by amending and updating certain previously required disclosures under a unified model to better meet the information needs of financial statement users. The statement will be effective beginning fiscal year 2025.

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4. Cash, Cash Equivalents, and Investments

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

	2023	2022
Cash in bank and certificates of deposit	$ 229	$ 239
Investment in U.S. Treasury and money market fund	37,105	37,452
Equity in the City of Los Angeles Investment Pools	1,341,891	1,165,801
Total cash, cash equivalents, and investments	$ 1,379,225	$ 1,203,492

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

	2023	2022
Unrestricted cash and cash equivalents	$ 1,281,573	$ 1,144,153
Restricted cash and cash equivalents-current assets		
China Shipping Mitigation Fund	8,469	8,576
Community Mitigation Trust Fund – Trapac	--	385
Narcotics/Customs Enforcement Forfeiture Fund	744	697
Clean Truck Program and Fee Fund	39,215	5
Other	1,808	1,825
Subtotal-restricted cash and cash equivalents	50,236	11,488
Restricted investments-noncurrent assets		
Harbor Revenue Bond Funds	37,105	37,452
Customer Security Deposits	2,869	2,910
Batiquitos Environmental Fund	6,823	6,893
Harbor Restoration Fund	619	596
Subtotal-restricted investments	47,416	47,851
Total restricted cash, cash equivalents, and investments	97,652	59,339
Total cash, cash equivalents, and investments	$ 1,379,225	$ 1,203,492

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A. Deposits

The Port had cash deposits and certificates of deposit with several major financial institutions amounting to $0.2 million at June 30, 2023 and 2022. The deposits were entirely covered by federal depository insurance or collateralized by securities held by the financial institutions in the Port's name in conformance with the California Government Code.

B. Pooled Investments

The cash balances of substantially all funds on deposit in the City Treasury are pooled and invested by the City Treasurer for the purpose of maximizing interest earnings through pooled investment activities but safety and liquidity still take precedence over return. Interest earned on pooled investments is allocated to and recorded in certain participating funds, as authorized by the Los Angeles City Council (City Council) and permitted by the City Charter and the California Government Code, based on each fund's average daily deposit balance. Investments in the City Treasury are measured and categorized by using fair value measurement guidelines established by generally accepted accounting principles.

Pursuant to California Government Code Section 53607 (State Code) and the City Council File No. 94-2160, the City Treasury provides the City Council a statement of investment policy (the Policy) annually. City Council File No. 11-1740 was adopted for the City's investment policy effective September 1, 2018. This Policy shall remain in effect until the City Council and the Mayor approve a subsequent revision. The Policy governs the City's pooled investment practices. The Policy addresses soundness of financial institutions in which the City Treasurer will deposit funds and types of investment instruments permitted by California Government Code Sections 53600-53638, 16340 and 16429.1. The City Treasury further reports that the current policy allows for the purchase of investments with maturities up to thirty (30) years.

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

The Port had $1,341.9 million and $1,165.8 million invested in the City's General Pool and three Special Investment Pools, representing approximately 8.6% and 7.9% of the City Treasury's General Pool and Special Investment Pools at June 30, 2023 and 2022, respectively.

The complete disclosures for the entire cash and investment pool are included in a publicly available financial report issued by the City. The report may be obtained by writing or calling: City of Los Angeles Office of the City Controller, 200 N. Main Street, City Hall East Room 300, Los Angeles, CA 90012, (213) 978-7200 or the Los Angeles City Controller's website https://controller.lacity.gov/reports.

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C. Special Investment Pools

Out of $1,341.9 million and $1,165.8 million invested in the City's pooled investments, $60.0 million and $58.1 million were invested in the City's Special Investment Pools as of June 30, 2023 and 2022, respectively. They are the Emergency/ACTA Reserve Fund 751, the Restoration Fund 70L, and the Batiquitos Long-term Investment Fund 72W. Investments in the Special Investment Pools are managed in accordance with the California Government Code Sections 53600-53635 and the City's Policy.

At June 30, 2023 and 2022, investments held in the City's Special Investment Pools and their maturities are as follows (in thousands):

Fiscal Year 2023

		Investment Maturities			
Type of Investments	Amount	1 to 30 Days	31 to 60 Days	61 to 180 Days	Over 180 Days
U.S. Treasury Securities	$ 258	$ --	$ --	$ --	$ 258
U.S. Agencies securities	59,448	--	3,283	49,898	6,267
Short-term investment funds	298	298	--	--	--
Total investments in special pools	$ 60,004	$ 298	$ 3,283	$ 49,898	$ 6,525

Fiscal Year 2022

		Investment Maturities			
Type of Investments	Amount	1 to 30 Days	31 to 60 Days	61 to 180 Days	Over 180 Days
U.S. Treasury securities	$ 53,880	$ --	$ --	$ 47,398	$ 6,482
U.S. Agencies securities	858	--	--	595	263
Commercial paper	3,165	--	--	3,165	--
Short-term investment funds	147	147	--	--	--
Total investments in special pools	$ 58,050	$ 147	$ --	$ 51,158	$ 6,745

Interest Rate Risk. The Policy limits the maturity of its investments to five years for the U.S. Treasury and U.S. Agencies securities, local agency bonds, medium term notes, CD placement service, negotiable and non-negotiable certificates of deposit, collateralized bank deposits, mortgage pass-through securities, supranational obligations, state and local agency obligations, and bank/time deposits; one year for repurchase agreements; 270 days for commercial paper; 180 days for bankers' acceptances; 92 days for reverse repurchase agreements; and no maturity for mutual funds. The Policy also allows City funds with longer-term investments horizons, to be invested in securities that at the time of the investment have a term remaining to maturity in excess of five years, but with a maximum final maturity of thirty years.

Credit Risk. The Policy establishes minimum credit rating requirements for investments. There are no credit quality requirements for U.S. Treasury securities and U.S. Agencies securities. Investments in U.S. Agencies securities were not rated individually by S&P nor Moody's (issuers of these securities are rated "AA+/A-1+" by S&P and "Aaa/P-1" by Moody's).

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

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Concentration of Credit Risk. The Policy does not allow more than 40% of its investment portfolio to be invested in commercial paper and bankers' acceptances, 30% in certificates of deposit, and medium-term notes, 20% in mutual funds, money market mutual funds or mortgage pass-through securities. The Policy further provides for a maximum concentration limit of 10% in any one issuer including its related entities. There is no percentage limitation on the amount that can be invested in the U.S. Treasury and government agencies. The City's pooled investments comply with these requirements.

D. Other Investments

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

The Port evaluates the value of the reserve funds on or at August 1 of each year, in accordance with the Indenture of Trust (Indenture). The common reserve was $37.1 million at June 30, 2023 versus $37.5 million at June 30, 2022.

At June 30, 2023 and 2022, investments held in the reserve funds and their maturities are as follows (in thousands):

Fiscal Year 2023

		Investment Maturities			
Type of Investments	Amount	1 to 30 Days	31 to 60 Days	61 to 180 Days	Over 180 Days
U.S. Treasury securities	$ 25,573	$ --	$ --	$ --	$ 25,573
Short-term investment funds	11,532	11,532	--	--	--
Total investments in reserve funds	$ 37,105	$ 11,532	$ --	$ --	$ 25,573

Fiscal Year 2022

		Investment Maturities			
Type of Investments	Amount	1 to 30 Days	31 to 60 Days	61 to 180 Days	Over 180 Days
U.S. Treasury securities	$ 24,797	$ --	$ 14,630	$ --	$ 10,167
U.S. Agencies securities	9,385	--	--	--	9,385
Short-term investment funds	3,270	3,270	--	--	--
Total investments in reserve funds	$ 37,452	$ 3,270	$ 14,630	$ --	$ 19,552

Proceeds from any new money bonds should be invested in the "Permitted Investments" specified as follows: (1) direct obligations of the United States of America or obligations of the principal of and interest on which are unconditionally guaranteed by the United States of America; (2) bonds, debentures, notes, or other evidence of indebtedness issued or guaranteed by the federal or U.S. government agencies identified in the Indenture; (3) money market funds registered under the Federal Securities Act of 1933, and having a rating of AAAm-G, AAA-m, or AA-m by S&P and Aaa, Aa1, or Aa2 by Moody's; (4) certificates of deposit issued by commercial bank, savings and loan associations, or mutual saving banks and secured at all times by collateral held by a third

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party; (5) certificates of deposits, savings accounts, deposit accounts, or money market deposits, which are fully insured by the Federal Deposit Insurance Corporation (FDIC), including the Bank Insurance Fund (BIF) and the Savings Association Insurance Fund (SAIF); (6) investment agreements including guaranteed investment contracts, forward purchase agreements, and reserve fund agreements with a provider whose long-term unsecured debt is rated not lower than the second highest rating category of Moody's, and S&P; (7) commercial paper rated at the time of purchase, "Prime-1" by Moody's, and "A-1" or better by S&P; (8) bonds or notes issued by any state or municipality, which are rated by Moody's and S&P in one of the two highest rating categories assigned by such agencies; (9) federal funds or banker's acceptances with a maximum term of one year of any bank, which has an unsecured, uninsured, and unguaranteed obligation rating of "Prime-1" or "A3" or better by Moody's and "A-1" or "A" or better by S&P; and (10) repurchase agreements between the Port and a dealer bank and securities firm. The term of the repurchase agreement may be up to 30 days and the value of the collateral must be equal to 104% of the amount of cash transferred to the dealer bank plus accrued interest. If the value of securities held as collateral slips below 104% of the value of the cash transferred by the Port, then additional cash and/or acceptable securities must be transferred. If, however, the securities used as collateral are the Federal National Mortgage Association (FNMA) or the Federal Home Loan Mortgage Corporation (FHLMC) then the value of collateral must equal to 105%.

For investments in reserve funds, there are no credit quality requirements for U.S. Treasury securities that are unconditionally guaranteed by the United States of America. Investments in short-term investment funds were rated AAA-m by S&P and Aaa by Moody's. There were no investments containing 5 percent or more of total investments in a single issuer except for U.S. Treasury securities that are unconditionally guaranteed by the United States of America.

E. City of Los Angeles Securities Lending Program

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

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

Under the provisions of the SLP, and in accordance with the California Government Code, no more than 20% of the fair value of the General Investment Pool (the Pool) is available for lending.

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

During fiscal years 2023 and 2022, collateralizations on all loaned securities were compliant with the required 102% of the fair value. The City can sell collateral securities only in the event of borrower default. The lending agent provides indemnification for borrower default. There were no violations of legal or contractual provisions and no borrower or lending agent default losses during the fiscal year. There was no credit risk exposure to the City because the amounts owed to the borrowers exceeded the amounts borrowed. Loaned securities are held by the City's agents in the City's name and are not subject to custodial credit risk.

The Port's share in the assets and liabilities from the reinvested cash collateral amounted to $5.3 million and $16.0 million as of June 30, 2023 and 2022, respectively.

F. Fair Value Measurement

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets;
- Level 2 inputs are quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-derived from valuation techniques in which all significant inputs are observable; and
- Level 3 inputs are unobservable inputs.

The Port has the following recurring fair value measurements as of June 30, 2023:

	Total	Level 1	Level 2	Level 3
U.S. Treasury securities	$ 25,573	$ 25,573	$ --	$ --
Total investments - bond funds	$ 25,573	$ 25,573	$ --	$ --
U.S. Treasury securities	$ 258	$ 258	$ --	$ --
U.S. Agencies securities	59,448	--	59,448	--
Total investments - special pools	$ 59,706	$ 258	$ 59,448	$ --

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The Port has the following recurring fair value measurements as of June 30, 2022:

	Total	Level 1	Level 2	Level 3
U.S. Treasury securities	$ 24,797	$ 24,797	$ --	$ --
U.S. Agencies securities	9,385	--	9,385	--
Total investments - bond funds	$ 34,182	$ 24,797	$ 9,385	$ --
U.S. Treasury securities	$ 858	$ 858	$ --	$ --
U.S. Agencies securities	53,880	--	53,880	--
Commercial paper	3,165	--	3,165	
Total investments - special pools	$ 57,903	$ 858	$ 57,045	$ --

Securities classified in Level 1 of the fair value measurements are valued using prices quoted in active markets for those securities. Securities classified in Level 2 of the fair value hierarchy are valued using a multidimensional relationship model or matrix pricing model utilizing market data including, but not limited to, benchmark yields, reported trades, and broker-dealer quotes. Investments in Short-term Investment Funds (e.g., money market funds) of the City's Special Investment Pools and Bond Reserve Funds with maturity dates of one year or less are excluded from the fair value measurement.

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5. Capital Assets

The Port's capital assets consist of the following activities for the fiscal year ended June 30, 2023 (in thousands):

	(Restated) Balance July 1, 2022	Increase	Decrease	Adjustments and Transfers	Balance June 30, 2023
Capital assets not depreciated					
Land	$ 1,106,805	$ --	$ --	$ --	$ 1,106,805
Construction in progress	198,177	123,584	--	(40,840)	280,921
Preliminary costs – capital projects	105,990	8,970	--	--	114,960
Intangible assets	12,900	--	--	--	12,900
Total capital assets not depreciated	1,423,872	132,554	--	(40,840)	1,515,586
Capital assets depreciated/amortized					
Wharves and sheds	1,235,971	--	--	1,218	1,237,189
Buildings/facilities	3,636,620	496	--	26,979	3,664,095
Equipment	199,873	3,021	(17,552)	12,643	197,985
Intangible assets	12,460	--	--	--	12,460
Right-to-use lease assets	2,219	1,352	(1,757)	--	1,814
Right-to-use subscription assets	2,968	--	--	--	2,968
Total capital assets depreciated/amortized	5,090,111	4,869	(19,309)	40,840	5,116,511
Less accumulated depreciation/ amortization					
Wharves and sheds	(664,531)	(32,884)	--	--	(697,415)
Buildings/facilities	(1,972,937)	(144,549)	--	--	(2,117,486)
Equipment	(172,387)	(12,856)	17,552	--	(167,691)
Intangible assets	(8,762)	(3,698)	--	--	(12,460)
Right-to-use lease assets	(1,727)	(585)	1,757	--	(555)
Right-to-use subscription assets	(297)	(297)	--	--	(594)
Total accumulated depreciation/amortization	(2,820,641)	(194,869)	19,309	--	(2,996,201)
Total capital assets depreciated/ amortized, net	2,269,470	(190,000)	--	40,840	2,120,310
Capital assets, net	$ 3,693,342	$ (57,446)	$ --	$ --	$ 3,635,896

Continued…..

The Port's capital assets consist of the following activities for the fiscal year ended June 30, 2022, as restated (in thousands):

	(Restated) Balance July 1, 2021	Increase	Decrease	Adjustments and Transfers	(Restated) Balance June 30, 2022
Capital assets not depreciated					
Land	$ 1,106,805	$ --	$ --	$ --	$ 1,106,805
Construction in progress	234,786	115,357	--	(151,966)	198,177
Preliminary costs – capital projects	141,032	--	(23,430)	(11,612)	105,990
Intangible assets	12,900	--	--	--	12,900
Total capital assets not depreciated	1,495,523	115,357	(23,430)	(163,578)	1,423,872
Capital assets depreciated/amortized					
Wharves and sheds	1,213,512	--	--	22,459	1,235,971
Buildings/facilities	3,501,671	945	(26)	134,030	3,636,620
Equipment	190,949	4,214	(2,379)	7,089	199,873
Intangible assets	12,460	--	--	--	12,460
Right-to-use lease assets	1,978	241	--	--	2,219
Right-to-use subscription assets	2,968	--	--	--	2,968
Total capital assets depreciated/amortized	4,923,538	5,400	(2,405)	163,578	5,090,111
Less accumulated depreciation/ amortization					
Wharves and sheds	(631,320)	(33,211)	--	--	(664,531)
Buildings/facilities	(1,874,236)	(98,720)	19	--	(1,972,937)
Equipment	(163,202)	(10,866)	1,681	--	(172,387)
Intangible assets	(5,064)	(3,698)	--	--	(8,762)
Right-to-use lease assets	(829)	(898)	--	--	(1,727)
Right-to-use subscription assets	--	(297)	--	--	(297)
Total accumulated depreciation/amortization	(2,674,651)	(147,690)	1,700	--	(2,820,641)
Total capital assets depreciated/ amortized, net	2,248,887	(142,290)	(705)	163,578	2,269,470
Capital assets, net	$ 3,744,410	$ (26,933)	$ (24,135)	$ --	$ 3,693,342

Continued…..

6. Investment in Joint Powers Authority and Relationship with Other Entities

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

A. Intermodal Container Transfer Facility Joint Powers Authority

The Port and the Harbor Department of the City of Long Beach, California (POLB) entered into a joint powers agreement to form the Intermodal Container Transfer Facility Joint Powers Authority (ICTF) for the purpose of financing and constructing a facility to transfer cargo containers between trucks and railroad cars. Pursuant to the agreement creating the ICTF, the Port made several contributions amounting to $2.5 million to the ICTF. The facility, which began operations in December 1986, was developed and operated by Southern Pacific Transportation Company (SPTC) under a long-term lease agreement. SPTC was subsequently merged and continues operations as Union Pacific Corporation (UPC). The Port appoints two members of the ICTF's five-member governing board and accounts for its investment using the equity method. Both the Port and POLB share income and equity distributions equally.

ICTF has issued bonds in prior years. At June 30, 2023 and 2022, there were no outstanding bonds.

The ICTF's operations are financed from lease revenues by ICTF activities. The ICTF is empowered to perform those actions necessary for the development of the facility, including acquiring, constructing, leasing, and selling any of its property. The Port's share of the ICTF's net position totaled $4.4 million and $5.5 million at June 30, 2023 and 2022, respectively. Separate audited financial statements for ICTF may be obtained from the Executive Director, Intermodal Container Transfer Facility Joint Powers Authority, 415 W. Ocean Boulevard, Long Beach, California 90802 or the ICTF's website at http://ictf-jpa.org.

B. Alameda Corridor Transportation Authority

In August 1989, the Alameda Corridor Transportation Authority (ACTA) was established through a Joint Exercise of Powers Agreement between the Cities of Los Angeles and Long Beach, California. The purpose of ACTA is to acquire, construct, finance, and operate a 20-mile-long consolidated transportation corridor; including an improved railroad expressway between the Port, POLB, and downtown Los Angeles.

The Port has no share of the ACTA's net position and income at June 30, 2023 and 2022, and accordingly, they have not been recorded in the accompanying financial statements due to the separate legal status. If in the future, ACTA is entitled to distribute income or make equity distributions, the Port and POLB shall share such income and equity distributions equally. See Note 15.C. for additional discussion related to the guarantee the Port has made related to the ACTA.

Separate financial statements for ACTA may be obtained from the ACTA's website http://www.acta.org/revenue_finance/financial_statement.asp or the Chief Financial Officer, Alameda Corridor Transportation Authority, 3760 Kilroy Airport Way, Suite 200, Long Beach, California, 90806.

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7. Long-Term Debt

A. Bonds and Commercial Paper

Bonds issued by the Port are payable solely from the Port's revenues pledged under indentures and are not general obligations of the City. The Port has agreed to certain covenants with respect to the bonds. Significant covenants include the requirement that the Port's revenues, as defined under indentures, will be sufficient to pay future bond interest and principal maturities. In compliance with the bond indenture Article VII, Sections 7.01 and 7.02 in the event of default by the Port in the due and punctual payment of parity obligations, the trustee may and shall at the direction of the bond certificate owners of not less than a majority in aggregate principal amount of the bonds at the time outstanding, upon notice in writing to the Port, shall declare the principal of all of the bonds then outstanding, and the interest accrued thereon, to be due and payable immediately. Proceeds from sales of bonds are used to finance capital projects around the Port or refund prior issuances to generate debt service savings.

The Port's activities for bonds for fiscal year 2023 are as follows (in thousands):

Bond Issues	Call Provisions	Date of Issue	Interest Rate	Fiscal Maturity Year	Original Principal	Beginning Balance July 1, 2022	Additions	Deductions	Ending Balance June 30, 2023	Principal Due Within One Year
2014, Series A	8/1/24 @ 100%	9/18/2014	2.00–5.00%	2045	$ 203,280	$ 171,835	$ --	$ (6,000)	$ 165,835	$ 6,310
2014, Series B	8/1/24 @ 100%	9/18/2014	3.00–5.00%	2045	89,105	78,200	--	(1,875)	76,325	1,970
2014, Series C	8/1/24 @ 100%	9/18/2014	2.00–5.00%	2045	44,890	39,015	--	(955)	38,060	990
2015, Series A	8/1/25 @ 100%	10/14/2015	2.00–5.00%	2027	37,050	18,740	--	(3,590)	15,150	3,780
2016, Series A	Not applicable	10/13/2016	3.00–5.00%	2025	97,970	15,510	--	(1,710)	13,800	--
2016, Series B	8/1/26 @ 100%	10/13/2016	2.00–5.00%	2037	68,385	63,925	--	(1,010)	62,915	1,060
2016, Series C	8/1/26 @ 100%	10/13/2016	4.00%	2040	35,205	35,205	--	--	35,205	--
2019, Series A	Not applicable	9/18/2019	5.00%	2027	115,065	106,890	--	(25,070)	81,820	29,245
2019, Series B	Not applicable	9/18/2019	5.00%	2030	32,340	32,340	--	--	32,340	--
2019, Series C-1	Not applicable	9/18/2019	5.00%	2026	4,995	4,995	--	--	4,995	--
2019, Series C-2	Not applicable	9/18/2019	5.00%	2027	10,680	10,680	--	--	10,680	--
Total principal amount					$ 738,965	577,335	--	(40,210)	537,125	43,355
Unamortized bond premium						54,391	--	(9,102)	45,289	--
Net revenue bonds						631,726	--	(49,312)	582,414	43,355
Less: current maturities of long-term debt						(40,210)	(43,355)	40,210	(43,355)	--
						$ 591,516	$ (43,355)	$ (9,102)	$ 539,059	$ 43,355

Continued…..

The Port's activities for bonds for fiscal year 2022 are as follows (in thousands):

Bond Issues	Call Provisions	Date of Issue	Interest Rate	Fiscal Maturity Year	Original Principal	Beginning Balance July 1, 2021	Additions	Deductions	Ending Balance June 30, 2022	Principal Due Within One Year
2009, Series C	8/1/19 @ 100%	7/9/2009	4.00–5.25%	2032	$ 230,160	$ 5,000	$ --	$ (5,000)	$ --	$ --
2011, Series A	8/1/21 @ 100%	7/7/2011	3.00–5.00%	2023	58,930	17,410	--	(17,410)	--	--
2011, Series B	8/1/21 @ 100%	7/7/2011	4.00–5.00%	2026	32,820	32,820	--	(32,820)	--	--
2014, Series A	8/1/24 @ 100%	9/18/2014	2.00–5.00%	2045	203,280	177,540	--	(5,705)	171,835	6,000
2014, Series B	8/1/24 @ 100%	9/18/2014	3.00–5.00%	2045	89,105	79,985	--	(1,785)	78,200	1,875
2014, Series C	8/1/24 @ 100%	9/18/2014	2.00–5.00%	2045	44,890	39,940	--	(925)	39,015	955
2015, Series A	8/1/25 @ 100%	10/14/2015	2.00–5.00%	2027	37,050	22,160	--	(3,420)	18,740	3,590
2016, Series A	Not applicable	10/13/2016	3.00–5.00%	2025	97,970	29,595	--	(14,085)	15,510	1,710
2016, Series B	8/1/26 @ 100%	10/13/2016	2.00–5.00%	2037	68,385	64,885	--	(960)	63,925	1,010
2016, Series C	8/1/26 @ 100%	10/13/2016	4.00%	2040	35,205	35,205	--	--	35,205	--
2019, Series A	Not applicable	9/18/2019	5.00%	2027	115,065	113,115	--	(6,225)	106,890	25,070
2019, Series B	Not applicable	9/18/2019	5.00%	2030	32,340	32,340	--	--	32,340	--
2019, Series C-1	Not applicable	9/18/2019	5.00%	2026	4,995	4,995	--	--	4,995	--
2019, Series C-2	Not applicable	9/18/2019	5.00%	2027	10,680	10,680	--	--	10,680	--
Total principal amount					$ 1,060,875	665,670	--	(88,335)	577,335	40,210
Unamortized bond premium						65,687	--	(11,296)	54,391	--
Net revenue bonds						731,357	--	(99,631)	631,726	40,210
Less: current maturities of long-term debt						(47,190)	(40,210)	47,190	(40,210)	--
						$ 684,167	$ (40,210)	$ (52,441)	$ 591,516	$ 40,210

Continued…..

B. Bond Premium

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

The unamortized premium for the outstanding bonds for fiscal years 2023 and 2022 are as follows (in thousands):

Harbor Revenue Bonds	2023	2022
2014, Series A	$ 12,886	$ 14,178
2014, Series B	7,121	7,768
2014, Series C	3,703	4,015
2015, Series A	613	1,053
2016, Series A	480	930
2016, Series B	7,622	8,428
2016, Series C	3,126	3,286
2019, Series A	3,456	6,601
2019, Series B	4,585	5,838
2019, Series C-1	379	557
2019, Series C-2	1,318	1,737
Total	$ 45,289	$ 54,391

Continued…..

C. Principal Maturities and Interest

The Port's scheduled annual debt service payments for bonds as of June 30, 2023 are as follows (in thousands):

Fiscal Year	Principal	Interest	Total
2024	$ 43,355	$ 25,092	$ 68,447
2025	43,415	22,933	66,348
2026	47,955	20,654	68,609
2027	49,480	18,218	67,698
2028	12,295	16,674	28,969
2029-2033	89,840	72,004	161,844
2034-2038	126,370	44,432	170,802
2039-2043	91,465	18,143	109,608
2044-2045	32,950	1,668	34,618
Total	$ 537,125	$ 239,818	$ 776,943

D. New Issuances and Redemption of Debt

There were no new issuances in fiscal years 2023 and 2022.

E. Commercial Paper and Revolving Obligations

The Port has established a Commercial Paper program (Program) supported by bank credit lines to issue commercial paper notes to provide interim financing primarily for the construction, maintenance, and replacement of the Port's structures, facilities, and equipment needs.

Pursuant to an Indenture of Trust dated as of June 1, 2019 by and between the Port and U.S. Bank, National Association and the credit agreement dated as of June 1, 2019 by and between the Port and PNC Bank, National Association, the Port is authorized to issue and to have outstanding up to $150.0 million aggregate principal amount of the Harbor Department of the City of Los Angeles Revenue Revolving Obligations (Revolving Obligations) which constitute parity obligations. The credit agreement expired on June 10, 2022.

There were no outstanding revolving obligations as of June 30, 2023 and 2022.

Continued…..

8. Changes in Long-Term Liabilities

The changes in the Port's long-term liabilities for the year ended June 30, 2023 are as follows (in thousands):

	(Restated) Balance July 1, 2022	Additions	Deductions	Balance June 30, 2023	Due within one year
Revenue bonds	$ 577,335	$ --	$ (40,210)	$ 537,125	$ 43,355
Unamortized premium	54,391	--	(9,102)	45,289	--
Net revenue bonds	631,726	--	(49,312)	582,414	43,355
Accrued salaries and employee benefits	33,504	2,570	--	36,074	20,056
Net pension liabilities	168,089	103,146	--	271,235	--
Net OPEB liabilities	--	8,778	--	8,778	--
Litigation	16,986	15,196	(12,655)	19,527	19,527
Workers' compensation	10,315	388	(1,288)	9,415	1,312
Pollution remediation	67,065	4,522	(6,093)	65,494	2,678
Deposits	16,624	1,338	(720)	17,242	--
Lease liability	506	1,351	(578)	1,279	589
Subscription liability	2,277	--	(731)	1,546	805
Others	5,240	39	--	5,279	--
Total long-term liabilities	$ 952,332	$ 137,328	$ (71,377)	$ 1,018,283	$ 88,322

Continued…..

The changes in the Port's long-term liabilities for the fiscal year ended June 30, 2022, as restated, are as follows (in thousands):

	(Restated) Balance July 1, 2021	Additions	Deductions	(Restated) Balance June 30, 2022	Due within one year
Revenue bonds	$ 665,670	$ --	$ (88,335)	$ 577,335	$ 40,210
Unamortized premium	65,687	--	(11,296)	54,391	--
Net revenue bonds	731,357	--	(99,631)	631,726	40,210
Accrued salaries and employee benefits	33,877	--	(373)	33,504	17,475
Net pension liabilities	287,255	--	(119,166)	168,089	--
Net OPEB liabilities	25,534	--	(25,534)	--	--
Litigation	14,898	2,820	(732)	16,986	16,986
Workers' compensation	12,945	--	(2,630)	10,315	1,280
Pollution remediation	68,950	1,655	(3,540)	67,065	1,891
Deposits	13,378	4,315	(1,069)	16,624	--
Lease liability	1,164	241	(899)	506	277
Subscription liability	--	2,967	(690)	2,277	732
Others	5,218	29	(7)	5,240	--
Total long-term liabilities	$ 1,194,576	$ 12,027	$ (254,271)	$ 952,332	$ 78,851

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9. Pollution Remediation Obligations

The Port's estimated pollution remediation liability as of June 30, 2023 and 2022 totaled $65.5 million and $67.1 million, respectively. These costs relate mostly to soil and groundwater contamination on sites within the Port premises. As certain sites were formerly used for a variety of industrial purposes, legacy contamination or environmental impairments exist. The Port uses a combination of in-house specialists as well as outside consultants to perform estimates of potential liability and accrues pollution remediation liability when costs are incurred or amounts can be reasonably estimated based on expected outlays. Certain remediation contracts are included in site development plans as final uses for the sites have been identified.

The changes in the Port's pollution remediation obligations for fiscal year 2023 are as follows (in thousands):

	Balance July 1, 2022	Additions	Deductions	Balance June 30, 2023	Due Within One Year
Obligating Event					
Violation of pollution prevention related permit or license	$ 895	$ --	$ (11)	$ 884	$ 11
Named by regulator as a potential party to remediation	66,084	1,107	(2,638)	64,553	2,638
Voluntary commencement	86	--	(29)	57	29
Total	$ 67,065	$ 1,107	$ (2,678)	$ 65,494	$ 2,678
Pollution Type					
Soil and/or groundwater remediation	$ 67,065	$ 1,107	$ (2,678)	$ 65,494	$ 2,678

The changes in the Port's pollution remediation obligations for fiscal year 2022 are as follows (in thousands):

	Balance July 1, 2021	Additions	Deductions	Balance June 30, 2022	Due Within One Year
Obligating Event					
Violation of pollution prevention related permit or license	$ 909	$ --	$ (14)	$ 895	$ 14
Named by regulator as a potential party to remediation	67,936	--	(1,852)	66,084	1,857
Voluntary commencement	105	--	(19)	86	20
Total	$ 68,950	$ --	$ (1,885)	$ 67,065	$ 1,891
Pollution Type					
Soil and/or groundwater remediation	$ 68,950	$ --	$ (1,885)	$ 67,065	$ 1,891

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10. Employee Deferred Compensation Plan

The City offers a deferred compensation plan created in accordance with Internal Revenue Code Section 457 to its employees, in which Port employees participate, allowing them to defer receipt of income. All amounts deferred by the Port's employees are paid to the City, which in turn transfers them to the deferred compensation plan administrator. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts are held in such custodial account for the exclusive benefit of the employee participants and their beneficiaries. Information on the Port employees' share of plan assets is not available and is not recorded in the Port's financial statements.

While the City has full power and authority to administer and to adopt rules and regulations for the plan, all investment decisions under the plan are the responsibility of the plan participants. The City has no liability for losses under the plan, but does have the duty of due care that would be required of an ordinary prudent investor. Under certain circumstances, employees may modify their arrangements with the plan to provide for greater or lesser contributions or to terminate their participation. If participants retire under the plan or terminate service with the City, they may be eligible to receive payments under the plan in accordance with the provisions thereof. In the event of serious financial emergency, the City may approve, upon request, withdrawals from the plan by the participants, along with their allocated contributions.

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11. Risk Management

The Port purchases insurance for a variety of exposures associated with general liability, property, vessels, cyber, employment practices, pilotage, crime, aircraft, travel, police, special events, and terrorism. The City is self-insured for workers' compensation, and the Port participates in the City's self-insurance program. Automobile liability exposures are self-insured by the Port for $1.0 million and multiple layers of excess liability up to $149.0 million is maintained over the self-insured retention. The excess liability policies also supplement the Port's general and vessel liability policies. There have been no settlements in the past three years that have exceeded the Port's insurance coverage.

The actuarially determined accrued liability for workers' compensation includes provision for incurred but not reported claims and loss adjustment expenses. The Port's accrued workers' compensation liability at June 30, 2023 and 2022 were $9.4 million and $10.3 million, respectively.

A number of lawsuits were pending against the Port that arose in the normal course of operations. The Port recognizes a liability for claims and when it is probable that a loss has been incurred and the amount of that loss, including those incurred but not reported, can be reasonably estimated. The City Attorney provides estimates for the amount of liabilities to be probable of occurring from lawsuits. The Port's liability for litigation and other claims at June 30, 2023 and 2022 were $19.5 million and $17.0 million, respectively.

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

	2023	2022	2021
Unpaid claims, July 1			
Workers' compensation	$ 10,315	$ 12,945	$ 14,028
General liability/litigation	16,986	14,898	1,157
Total unpaid claims, July 1	27,301	27,843	15,185
Provision for current year's events and changes in provision for prior year's estimate			
Workers' compensation	388	(1,109)	634
General liability/litigation	15,196	2,820	13,759
Total provision	15,584	1,711	14,393
Claims payments			
Workers' compensation	(1,288)	(1,521)	(1,717)
General liability/litigation	(12,655)	(732)	(18)
Total claims payments	(13,943)	(2,253)	(1,735)
Unpaid claims, June 30			
Workers' compensation	9,415	10,315	12,945
General liability/litigation	19,527	16,986	14,898
Total unpaid claims, June 30	$ 28,942	$ 27,301	$ 27,843
Current portion			
Workers' compensation	$ 1,312	$ 1,280	$ 1,609
General liability/litigation	19,527	16,986	14,898
Total current portion	$ 20,839	$ 18,266	$ 16,507

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12. Leases and Subscription Based Information Technology Arrangements

A. Leases

The Port adopted GASB Statement No. 87, *"Leases."* effective July 1, 2020. The Port has recognized lease receivable, accrued interest receivable, deferred inflows of resources related to leases, lease revenues, interests received from leases as a lessor. The Port also recognized right-to-use (RTU) lease assets with related accumulated amortization, lease liabilities, lease expense, amortization expense, and accrued interest payable as a lessee.

Port as Lessor

The Port leases a portion of lands and facilities to tenants for purposes of supporting port operations and serve the surrounding communities. These leases generated 17.9% and 13.8% of the Port's operating revenues in fiscal years 2023 and 2022, respectively. These tenants operate restaurants, yacht clubs, ferry service, boat repair and maintenance shops, freight and logistics services, as well as oil and gas exploration. The terms of these leases are long-term in nature ranging from 1 to 66 years and are subject to periodic review and reset of base amounts. Certain provisions of these leases provide for fixed (i.e., minimum annual guarantee) and variable (i.e., percentage of gross receipts) rental payments.

For the fiscal year ended June 30, 2023, lease payments received by the Port are as follows (in thousands):

	Fixed	Variable	Total
Land and facility rentals	$ 53,883	$ 1,248	$ 55,131

For the fiscal year ended June 30, 2022, lease payments received by the Port are as follows (in thousands):

	Fixed	Variable	Total
Land and facility rentals	$ 45,415	$ 930	$ 46,345

Continued…..

The Port's future annual receipts for these leases as of June 30, 2023 are as follows (in thousands):

Fiscal Year	Principal	Interest	Total
2024	$ 29,673	$ 9,461	$ 39,134
2025	14,882	8,838	23,720
2026	10,871	8,455	19,326
2027	11,023	8,113	19,136
2028	8,765	7,789	16,554
2029 – 2033	45,903	34,294	80,197
2034 – 2038	46,780	26,488	73,268
2039 – 2043	51,139	18,101	69,240
2044 – 2048	66,595	7,694	74,289
2049 – 2053	10,324	154	10,478
Total	$ 295,955	$ 129,387	$ 425,342

The Port's future annual receipts for these leases as of June 30, 2022 are as follows (in thousands):

Fiscal Year	Principal	Interest	Total
2023	$ 36,008	$ 9,647	$ 45,655
2024	25,232	8,786	34,018
2025	10,541	8,309	18,850
2026	9,643	8,011	17,654
2027	9,036	7,729	16,765
2028 – 2032	218,398	93,288	311,686
Total	$ 308,858	$ 135,770	$ 444,628

Regulated Leases – The majority of the Port's leases contain nonexclusive right-to-use of the premises and provide retention of ownership by the Port under the State tidelands and Federal maritime regulations. These leases are considered regulated leases.

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For the fiscal years ended June 30, 2023 and 2022, the minimum rental income from such lease agreements was approximately $399.0 million and $367.6 million, respectively, and were reported under shipping services revenue. Certain agreements relate to shipping services and certain concessions provide for the additional payment beyond the fixed portion, based upon tenant usage, revenues, or volumes. Assuming that current agreements are carried to contractual termination, minimum tenant commitments due to the Port are as follows (in thousands):

Fiscal Year	Minimum Rental Income
2024	$ 424,014
2025	435,995
2026	441,718
2027	447,595
2028	453,321
2029-2033	783,997
2034-2038	790,771
2039-2043	356,250
Total	$ 4,133,661

The carrying cost and related accumulated depreciation of property held for regulated leases as of June 30, 2023 and 2022 are as follows (in thousands):

	2023	2022
Wharves and sheds	$ 1,237,189	$ 1,235,970
Wharf facilities	27,327	27,323
Municipal warehouses	13,987	13,987
Port pilot facilities and equipment	16,237	15,711
Buildings and other facilities	1,050,029	1,035,576
Cabrillo Marina	180,183	180,183
Total	2,524,952	2,508,750
Less accumulated depreciation	(1,630,758)	(1,553,185)
Net	$ 894,194	$ 955,565

Continued…..

Port as Lessee

The Port has obtained right-to-use (RTU) lease assets such as office space, equipment, radio tower space, and vanpool vehicles through long-term leases. At June 30, 2023, RTU lease assets and related accumulated amortization are as follows:

	Balance July 1, 2022	Increase	Decrease	Adjustments and Transfers	Balance June 30, 2023
RTU lease assets - equipment	$ 287	$ 292	$ (287)	$ --	$ 292
RTU lease assets - office space	841	--	(841)	--	--
RTU lease assets - radio tower	605	157	(142)	--	620
RTU lease assets - vehicles	486	902	(486)	--	902
Total RTU lease assets	2,219	1,351	(1,756)	--	1,814
Less accumulated amortization					
RTU lease assets - equipment	(168)	(289)	287	--	(170)
RTU lease assets - office space	(841)	--	841	--	--
RTU lease assets - radio tower	(232)	(170)	142	--	(260)
RTU lease assets - vehicles	(486)	(125)	486	--	(125)
Total accumulated amortization	(1,727)	(584)	1,756	--	(555)
Total RTU lease assets, net	$ 492	$ 767	$ --	$ --	$ 1,259

At June 30, 2022, RTU lease assets and related accumulated amortization are as follows:

	(Restated) Balance July 1, 2021	Increase	Decrease	Adjustments and Transfers	Balance June 30, 2022
RTU lease assets - equipment	$ 287	$ --	$ --	$ --	$ 287
RTU lease assets - office space	841	--	--	--	841
RTU lease assets - radio tower	364	241	--	--	605
RTU lease assets - vehicles	486	--	--	--	486
Total RTU lease assets	1,978	241	--	--	2,219
Less accumulated amortization					
RTU lease assets - equipment	(24)	(144)	--	--	(168)
RTU lease assets - office space	(459)	(382)	--	--	(841)
RTU lease assets - radio tower	(103)	(129)	--	--	(232)
RTU lease assets - vehicles	(243)	(243)	--	--	(486)
Total accumulated amortization	(829)	(898)	--	--	(1,727)
Total RTU lease assets, net	$ 1,149	$ (657)	$ --	$ --	$ 492

Continued…..

The Port's future annual payments under these leases as of June 30, 2023 are as follows (in thousands):

Fiscal Year	Principal	Interest	Total
2024	$ 589	$ 30	$ 619
2025	433	15	448
2026	257	3	260
Total	$ 1,279	$ 48	$ 1,327

B. Subscription Based Information Technology Arrangements (SBITA)

The Port adopted GASB Statement No. 96, *"Subscription Based Information Technology Arrangements."* effective July 1, 2021. The Port has recognized right-to-use (RTU) subscription assets with related accumulated amortization, subscription liabilities, subscription expense, amortization expense, and accrued interest payable.

The Port has SBITA's that provide subscriptions or license to use a third-party software supporting the Port's operations. Those SBITA's include user licenses for enterprise resources planning (ERP) system and specialized software applications for real estate, port pilot, and customer billing operations. At June 30, 2023, RTU subscription assets and related accumulated amortization are as follows:

	(Restated) Balance July 1, 2022	Increase	Decrease	Balance June 30, 2023
RTU subscription assets	$ 2,968	$ --	$ --	$ 2,968
Total RTU subscription assets	2,968	--	--	2,968
Less accumulated amortization RTU subscription assets	(297)	(297)	--	(594)
Total accumulated amortization	(297)	(297)	--	(594)
Total RTU subscription assets, net	$ 2,671	$ (297)	$ --	$ 2,374

Continued…..

At June 30, 2022, RTU subscription assets and related accumulated amortization are as follows:

	Balance July 1, 2021	Increase	Decrease	(Restated) Balance June 30, 2022
RTU subscription assets	$ 2,968	$ --	$ --	$ 2,968
Total RTU subscription assets	2,968	--	--	2,968
Less accumulated amortization RTU subscription assets	--	(297)	--	(297)
Total accumulated amortization	--	(297)	--	(297)
Total RTU subscription assets, net	$ 2,968	$ (297)	$ --	$ 2,671

The Port's future annual payments under these SBITAs as of June 30, 2023 are as follows (in thousands):

Fiscal Year	Principal	Interest	Total
2024	$ 805	$ 38	$ 843
2025	432	11	443
2026	309	1	310
Total	$ 1,546	$ 50	$ 1,596

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

A. General Information about LACERS

Plan description. All full-time employees of the Port are eligible to participate in LACERS, a single-employer public employee retirement system whose main function is to provide pension benefits such as service and disability retirement benefits as well as death benefits to the civilian employees of the City of Los Angeles. LACERS also administers and provides other postemployment benefits (OPEB) to eligible retirees and their eligible spouses/domestic partners. Under the provisions of the City Charter and California State Constitution, the Board of Administration (LACERS Board) has the responsibility and authority to administer LACERS and to invest its assets. The LACERS Board consists of seven members – four appointed by the Mayor, two elected by active members (current employees), and one elected by retired members. The LACERS Board serve as trustees and must act in the exclusive interest of the LACERS' members and beneficiaries. Changes to the benefit terms require approval of the City Council.

LACERS issues a publicly available financial report that may be obtained by writing or calling: Los Angeles City Employees' Retirement System, 977 N. Broadway, Los Angeles, CA 90012, (800) 779-8328 or LACERS' website https://lacers.org/reports.

Plan Memberships. As of June 30, 2022 and 2021 (measurement date), pension plan membership consisted of the following:

	2022	2021
Retired members or beneficiaries currently receiving benefits	22,399	22,012
Vested terminated members entitled to, but not yet receiving benefits	10,379	9,647
Active members	24,917	25,176
Total	57,695	56,835

As of June 30, 2022 and 2021 (measurement date), OPEB plan membership consisted of the following:

	2022	2021
Retired members or surviving spouses currently receiving benefits	17,753	17,500
Inactive vested members entitled to, but not yet receiving benefits	1,537	1,554
Retired members and beneficiaries entitled but not yet eligible for health benefits	139	141
Active members	24,917	25,176
Total	44,346	44,371

Benefits provided – Pension. LACERS provides service retirement, disability, death and survivor benefits to eligible employees based on employees' years of service, age, and final compensation. There are two tiers of memberships. Under Tier 1, employees with 10 or more years of continuous service may retire if they are at age 60 or at least 30 years of service at age 55, or with any years of service at age 70 or older. Full-unreduced retirement benefits are determined as 2.16% per year of the employee's service credit (not greater than 100%), multiplied by the employee's average monthly pensionable salary during the employee's last 12 months of service, or during any other 12 consecutive months of service. Normal retirement allowances are reduced for employees who retire at age 55 with 10 or more years of continuous service, or at any age with 30 or more years of service. Membership to Tier 1 is closed to new entrants. Eligible employees hired on or after July 1, 2013 become members of Tier 2. However, on July 9, 2015, the City and the Coalition of the Los Angeles City Unions representing more than half of the City's civilian workforce reached an agreement which rescinded Tier 2 and created a new tier of benefits. As a result, Ordinance 184134 was adopted on January 12, 2016, and all active Tier 2 members were transferred to Tier 1 as of February 21, 2016.

On or after February 21, 2016, new members became Tier 3 members of LACERS. Under Tier 3, employees may retire at age 60 with at least 10 or more years of service (including 5 years of continuous service) to receive full-unreduced benefits with a 1.50% retirement factor, or at age 55 with at least 30 years of service (including 5 years of continuous service) to receive full-unreduced retirement benefits with a 2.0% retirement factor. In addition, the employee may retire at age 63 with at least 10 years of service to receive an enhanced retirement benefit with a 2.0% retirement factor, or at age 63 with 30 years of service with a 2.1% retirement factor. Full-unreduced retirement benefits are determined as the applicable retirement factor (1.5%, 2.0%, or 2.1%) per year of the employee's service credit (not greater than 80%), multiplied by the employee's last 36 months of final average compensation or any other 36 consecutive months of service. Normal retirement allowances are reduced for employees who retire prior to age 55. LACERS does not have a mandatory retirement age.

Benefit terms provide for annual cost-of-living adjustments to each employee's retirement allowance subsequent to the employee's retirement date. The annual adjustments are made each July 1 based on the percentage change in the average Consumer Price Index for the Los Angeles-Long Beach-Anaheim Area – All Items For All Urban Consumers, to a maximum increase in retirement allowance of 3% per year, excess banked, for Tier 1 members and 2% per year, excess not banked, for Tier 3 members.

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

Benefits provided – OPEB. LACERS also provides postemployment health care benefits to eligible retirees and their eligible spouses/domestic partners who participate in the pension plan. These benefits may also extend to the coverage of other eligible dependent(s). Eligible retirees and their eligible spouses/domestic partners can choose from health plans including medical, dental, and vision benefits or participate in a premium reimbursement program. Members with ten or more years of service who retire after age 55, or employees who retire at age 70 with no minimum service requirement, are eligible for the benefits with an approved health carrier. The eligible employees earn 4% per year of service credit for their annual medical subsidy. Eligible spouses/domestic partners of plan members are entitled to the postemployment health care benefits after the retired member's death.

Continued…..

Contributions – pension. The LACERS Board establishes and may amend the contribution requirements of the System members and the City in accordance with Article XI Sections 1158 and 1160 of the Los Angeles City Charter, which provides for periodic employer contributions at actuarially-determined rates that, expressed as percentages of annual covered payroll together with certain fixed amounts, are sufficient to accumulate the required assets to pay benefits when due. The average employer contribution rates for pension benefits are 30.32% and 28.84% of covered payroll for the fiscal years ended June 30, 2023 and 2022, respectively. The Port has made 100% of the actuarially determined contributions for both fiscal years. All members are required to make pension contributions to LACERS regardless of the tier in which they are included. Currently, Tiers 1 and 3 members contribute at 11% of compensation.

Contributions – OPEB. The LACERS Board establishes and may amend the contribution requirements of the System members and the City in accordance with Article XI Sections 1158 and 1160 of the Los Angeles City Charter, which provides for periodic employer contributions at actuarially-determined rates that, expressed as percentages of annual covered payroll together with certain fixed amounts, are sufficient to accumulate the required assets to pay benefits when due. The average employer contribution rates are 3.96% and 4.40% of covered payroll for the fiscal years ended June 30, 2023 and 2022, respectively. The Port has made 100% of the actuarially determined contributions for both fiscal years. Members are not required to contribute to the OPEB plan.

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

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

At June 30, 2023 and 2022, the Port reported a liability of $270.3 million and $168.1 million, respectively, for its proportionate share of the net pension liability of LACERS. The net pension liability was measured as of June 30, 2022 and 2021, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Port's proportion of the net pension liability was based on the Port's share of actual contributions to the pension plan relative to the actual contributions of all participating departments, actuarially determined. The Port's proportionate share was determined to be 3.825% and 3.852% for fiscal years ended June 30, 2023 and 2022, respectively.

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For the fiscal years ended June 30, 2023 and 2022, the Port recognized pension expense of $30.1 million and $13.9 million, respectively.

At June 30, 2023 and 2022, the Port reported deferred outflows of resources related to pensions from the following sources (in thousands).

	2023	2022
Pension contributions subsequent to measurement date	$ 25,751	$ 23,421
Changes of assumptions or other inputs	8,943	17,091
Differences between actual and expected experience in the total pension liability	4,954	8,428
Changes in proportion and differences between employer's contributions and proportionate share of contributions	6,569	8,730
Net excess of projected and actual earnings on pension plan investments	27,531	--
Total	$ 73,748	$ 57,670

Pension contributions of $25.8 million and $23.4 million made subsequent to the measurement date were reported as deferred outflows of resources related to pensions at June 30, 2023 and 2022, respectively, and will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

At June 30, 2023 and 2022, the Port reported deferred inflows of resources related to pensions from the following sources (in thousands).

	2023	2022
Changes in proportion and differences between employer's contributions and proportionate share of contributions	$ 2,776	$ 3,689
Net excess of actual over projected earnings on pension investments	--	79,999
Differences between expected and actual experience in the total pension liability	6,730	6,749
Total	$ 9,506	$ 90,437

Continued…..

At June 30, 2023 and 2022, the net amount reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense during the next five years and thereafter as follows (in thousands):

	Deferred outflows/(inflows)	
Year ending June 30	2023	2022
2023	$ N/A	$ (9,692)
2024	10,823	(10,376)
2025	9,245	(11,972)
2026	(2,872)	(24,178)
2027	21,295	30
2028	--	--
Thereafter	--	--

The amortization table does not include pension contributions made after the measurement date. Deferred outflows of $25.8 million related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2024.

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Actuarial assumptions. The Port's net pension liabilities as of June 30, 2023 and 2022 were determined by actuarial valuations as of June 30, 2022 and 2021, respectively. The actuarial assumptions used in the June 30, 2022 and 2021 actuarial valuations were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2019. The following actuarial assumptions were applied to all periods included in the measurement for the June 30, 2022 and 2021 actuarial valuations:

Actuarial assumptions	2022	2021
Actuarial cost method	Entry age	Entry age
Inflation	2.75%	2.75%
Projected salary increases	Ranges from 4.25% to 9.95% based on years of service	Ranges from 4.25% to 9.95% based on years of service
Cost-of-living adjustments	2.75% maximum for Tier 1 and 2.00% maximum for Tier 3	2.75% maximum for Tier 1 and 2.00% maximum for Tier 3
Investment rate of return	7.00%	7.00%
Mortality (Post-Retirement)	Healthy: Pub-2010 General Healthy Retiree Amount-Weighted Above Median Mortality table projected with Scale MP-2019	Healthy: Pub-2010 General Healthy Retiree Amount-Weighted Above Median Mortality table projected with Scale MP-2019

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Long-term expected rate of return by asset class. The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and subtracting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rate of return for each major asset class, after deducting inflation, but before deducting investment expenses are summarized in the following table. These values were used in the derivation of the long-term expected investment rate of return assumption for the actuarial valuations as of June 30, 2022 and 2021. This information is subject to change every three years based on an actuarial experience study.

	June 30, 2022		June 30, 2021	
Asset Class	Target Allocation	Long-term Expected Arithmetic Real Rate of Return	Target Allocation	Long-term Expected Arithmetic Real Rate of Return
U.S. Larger Cap Equity	15.01%	5.54%	15.01%	5.54%
U.S. Small Cap Equity	3.99%	6.25%	3.99%	6.25%
Developed International Large Cap Equity	17.01%	6.61%	17.01%	6.61%
Developed International Small Cap Equity	2.97%	6.90%	2.97%	6.90%
Emerging International Large Cap Equity	5.67%	8.74%	5.67%	8.74%
Emerging International Small Cap Equity	1.35%	10.63%	1.35%	10.63%
Core Bonds	13.75%	1.19%	13.75%	1.19%
High Yield Bond	2.00%	3.14%	2.00%	3.14%
Bank Loan	2.00%	3.70%	2.00%	3.70%
TIPS	4.00%	0.86%	4.00%	0.86%
Emerging Market Debt (External)	2.25%	3.55%	2.25%	3.55%
Emerging Market Debt (Local)	2.25%	4.75%	2.25%	4.75%
Core Real Estate	4.20%	4.60%	4.20%	4.60%
Non-Core Real Estate	2.80%	5.76%	2.80%	5.76%
Cash	1.00%	0.03%	1.00%	0.03%
Commodities	1.00%	3.33%	1.00%	3.33%
Private Equity	14.00%	8.97%	14.00%	8.97%
Private Credit/Debt	3.75%	6.00%	3.75%	6.00%
Real Estate Investment Trusts (REITS)	1.00%	5.98%	1.00%	5.98%
Total	100.00%		100.00%	

Continued…..

Discount rate. The discount rate used to measure the total pension liability was 7.00% as of June 30, 2022 and 2021. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that employer contributions will be made at rates equal to actuarially determined contribution rates. For this purpose, only employee and employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of both June 30, 2022 and 2021.

Sensitivity of the Port's proportionate share of net pension liability to change in the discount rate. The following presents the Port's proportionate share of the net pension liability of LACERS as of June 30, 2023 and 2022, calculated using the discount rate of 7.00%, as well as what the Port's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate (in thousands):

Port's proportionate share of the net pension liability	1% Decrease (6.00%)	Discount rate (7.00%)	1% Increase (8.00%)
June 30, 2023	$391,770	$270,252	$169,684
June 30, 2022	$287,769	$168,089	$69,102

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

At June 30, 2023, the Port reported a liability of $8.8 million for its proportionate share of the net OPEB liability of LACERS. At June 30, 2022, the Port reported an asset of $9.9 million for its proportionate share of the net OPEB liability of LACERS. The net OPEB asset or liability was measured as of June 30, 2022 and 2021 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Port's proportion of the net OPEB liability was based on the Port's share of actual contributions to the OPEB plan relative to the actual contributions of all participating departments, actuarially determined. The Port's proportionate share was determined to be 3.769% and 3.781% for the fiscal years ended June 30, 2023 and 2022, respectively.

For the fiscal years ended June 30, 2023 and 2022, the Port recognized OPEB expense of $0.4 million and OPEB credit of $2.5 million, respectively.

At June 30, 2023 and 2022, the Port reported deferred outflows of resources related to OPEB from the following sources (in thousands).

	2023	2022
OPEB contributions subsequent to measurement date	$ 3,361	$ 3,571
Changes of assumptions or other inputs	3,228	4,758
Differences between expected and actual experience in the total OPEB liability	321	502
Changes in proportion and differences between employer's contributions and proportionate share of contributions	672	827
Net excess of projected over actual earnings on OPEB plan investments	3,598	--
Total	$ 11,180	$ 9,658

OPEB contributions of $3.4 million and $3.6 million made subsequent to the measurement date were reported as deferred outflows of resources related to OPEB at June 30, 2023 and 2022, respectively, and will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year.

Continued…..

At June 30, 2023 and 2022, the Port reported deferred inflows of resources related to OPEB from the following sources (in thousands).

	2023	2022
Changes in proportion and differences between employer's contributions and proportionate share of contributions	$ 590	$ 878
Changes of assumptions or other inputs	7,540	5,021
Net excess of actual over projected earnings on OPEB plan investments	--	20,589
Differences between expected and actual experience in the total OPEB liability	4,537	6,219
Total	$ 12,667	$ 32,707

At June 30, 2023 and 2022, the net amount reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense during the next five years and thereafter is as follows (in thousands):

	Deferred outflows/(inflows)	
Year ending June 30	2023	2022
2023	$ N/A	$ (6,367)
2024	(1,770)	(5,824)
2025	(2,267)	(6,323)
2026	(3,003)	(7,062)
2027	3,246	(792)
2028	(932)	(252)
2029	(122)	--
Thereafter	--	--

The amortization table does not include OPEB contributions made after the measurement date. Deferred outflows of $3.4 million related to contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2024.

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Actuarial assumptions. The Port's net OPEB liabilities as of June 30, 2023 and 2022 were determined by actuarial valuations as of June 30, 2022 and 2021, respectively. The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an experience study for the period the July 1, 2016 through June 30, 2019 dated June 17, 2020 and retiree health assumptions letter dated September 20, 2022.The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an experience study for the July 1, 2016 through June 30, 2019 dated June 17, 2020 and retiree health assumptions letter dated September 21, 2021. The following actuarial assumptions were applied to all periods included in the measurement for the June 30, 2022 and 2021 actuarial valuations:

Actuarial assumptions	2022	2021
Actuarial cost method	Entry age	Entry age
Inflation	2.75%	2.75%
Projected salary increases	Ranges from 4.25% to 9.95% based on years of service	Ranges from 4.25% to 9.95% based on years of service
Investment rate of return	7.00%	7.00%
Mortality (Post-Retirement)	Healthy: Pub-2010 General Healthy Retiree Headcount-Weighted Above-Median Mortality table projected with Scale MP-2019	Healthy: Pub-2010 General Healthy Retiree Headcount-Weighted Above-Median Mortality table projected with Scale MP-2019
Healthcare cost trend rates	7.12% graded down to 4.50% over 11 years for non-Medicare medical plan costs; 6.37% graded down to 4.50% over 8 years for Medicare medical plan costs; and 4.00% for dental; and 4.50% for Medicare Part B costs	7.37% graded down to 4.50% over 12 years for non-Medicare medical plan costs; 6.37% graded down to 4.50% over 8 years for Medicare medical plan costs; and 4.00% for dental; and 4.50% for Medicare Part B costs

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Long-term expected rate of return by asset class. The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage, adding expected inflation and subtracting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rate of return for each major asset class, after deducting inflation, but before deducting investment expenses, are summarized in the following table. These values were used in the derivation of the long-term expected investment rate of return assumption for the actuarial valuations as of June 30, 2022 and 2021. This information is subject to change every three years based on the actuarial experience study.

	June 30, 2022		June 30, 2021	
Asset Class	Target Allocation	Long-term Expected Arithmetic Real Rate of Return	Target Allocation	Long-term Expected Arithmetic Real Rate of Return
U.S. Larger Cap Equity	15.01%	5.54%	15.01%	5.54%
U.S. Small Cap Equity	3.99%	6.25%	3.99%	6.25%
Developed International Large Cap Equity	17.01%	6.61%	17.01%	6.61%
Developed International Small Cap Equity	2.97%	6.90%	2.97%	6.90%
Emerging International Large Cap Equity	5.67%	8.74%	5.67%	8.74%
Emerging International Small Cap Equity	1.35%	10.63%	1.35%	10.63%
Core Bonds	13.75%	1.19%	13.75%	1.19%
High Yield Bond	2.00%	3.14%	2.00%	3.14%
Bank Loan	2.00%	3.70%	2.00%	3.70%
TIPS	4.00%	0.86%	4.00%	0.86%
Emerging Market Debt (External)	2.25%	3.55%	2.25%	3.55%
Emerging Market Debt (Local)	2.25%	4.75%	2.25%	4.75%
Core Real Estate	4.20%	4.60%	4.20%	4.60%
Non-Core Real Estate	2.80%	5.76%	2.80%	5.76%
Cash	1.00%	0.03%	1.00%	0.03%
Commodities	1.00%	3.33%	1.00%	3.33%
Private Equity	14.00%	8.97%	14.00%	8.97%
Private Credit/Debt	3.75%	6.00%	3.75%	6.00%
Real Estate Investment Trusts (REITS)	1.00%	5.98%	1.00%	5.98%
Total	100.00%	5.50%	100.00%	5.50%

Continued…..

Discount rate. The discount rate used to measure the total OPEB liability were 7.00% as of June 30, 2022 and 2021. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rates. For this purpose, only employer contributions that are intended to fund benefits for current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries are not included. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability as of both June 30, 2022 and June 30, 2021.

Sensitivity of the Port’s proportionate share of net OPEB liability/(asset) to change in the discount rate. The following presents the Port’s proportionate share of the net OPEB liability/(asset) of LACERS as of June 30, 2023 and 2022, calculated using the discount rate of 7.00%, as well as what the Port’s proportionate share of the net OPEB liability/(asset) would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate (in thousands):

Port’s proportionate share of the net OPEB liability/(asset)	1% Decrease (6.00%)	Discount rate (7.00%)	1% Increase (8.00%)
June 30, 2023	$27,655	$8,778	$(6,698)
June 30, 2022	$8,746	$(9,891)	$(25,181)

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

Port’s proportionate share of the net OPEB liability/(asset)	1% Decrease	Current healthcare trend rate*	1% Increase
June 30, 2023	$(8,139)	$8,778	$29,858
June 30, 2022	$(26,623)	$(9,891)	$10,954

*See page 96 for current healthcare trend rate.

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

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

A. General Information about LAFPP

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

LAFPP is composed of six tiers. Tier 6 is the current tier for all Harbor Port Police Officers hired on or after July 1, 2011. Tier 5 was the tier for all Harbor Port Police officers hired on or after January 8, 2006 through June 30, 2011.

LAFPP issues a publicly available financial report that may be obtained by writing or calling: Los Angeles Fire and Police Pension system, 701 East 3rd Street, Suite 200, Los Angeles, CA 90013, (213) 279-3000 or LAFPP's website https://www.lafpp.com/financial-reports.

Plan memberships. As of June 30, 2022 and 2021 (measurement date), pension plan membership consisted of the following:

	2022	2021
Retired members or beneficiaries currently receiving benefits	13,821	13,527
Vested terminated members entitled to, but not yet receiving benefits	723	633
Active members	12,771	12,823
Total	27,315	26,983

As of June 30, 2022 and 2021 (measurement date), OPEB plan membership consisted of the following:

	2022	2021
Retired members, married dependents and beneficiaries currently receiving benefits	18,231	17,909
Vested terminated members, retirees, and beneficiaries entitled to, but not yet receiving benefits	1,011	948
Active members	12,771	12,823
Total	32,013	31,680

Benefits provided – pension. LAFPP provides service retirement, disability, death and survivor benefits to eligible sworn members. Sworn employees become members upon graduation from the Police Academy or Fire Drill Tower. Information about benefits for Tiers 1 through 4 members is available in the separately issued LAFPP financial report. Tier 5 members must be at least age

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50, with 20 or more years of service, to be entitled to a service pension. Annual pension benefits are equal to 50% of their one-year average compensation, increasing for each year of service over 20 years, to a maximum of 90% for 33 years. Tier 5 provides for postemployment COLAs based on the Consumer Price Index (CPI) to a maximum of 3% per year. However, any increase in CPI greater than 3% per year is placed into a COLA bank for use in years in which the increase in CPI is less than 3%. The City Council may also grant a discretionary ad-hoc COLA no more than every three years, subject to certain conditions. Members who terminate their employment are entitled to a refund of their contributions plus Board-approved interest if they do not qualify for a pension or if they waive their pension entitlements.

Tier 6 members must be at least age 50, with 20 or more years of service, to be entitled to a service pension. Annual pension benefits are equal to 40% of their two-year average compensation, increasing for each year of service over 20 years, to a maximum of 90% for 33 years. Tier 6 provides for postemployment COLAs based on the CPI to a maximum of 3% per year. However, any increase in the CPI greater 3% per year is placed into a COLA bank for use in years in which the increase in CPI is less than 3%. The City Council may also grant a discretionary ad-hoc COLA no more than every three years, subject to certain conditions. Members who terminate their employment are entitled to a refund of their contributions plus Board-approved interest if they do not qualify for a pension or if they waive their pension entitlements.

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

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

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

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

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

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

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Contributions – pension. The LAFPP Board establishes and may amend the contribution requirements of members and the City. The City's annual contribution for the LAFPP plan is actuarially determined and represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize unfunded actuarial liabilities over a period not to exceed thirty years. The City Administrative Code and related ordinance define member contributions.

All members are required to make contributions to LAFPP based on the member's contribution rate for his or her tier. These rates range from 8 to 9 % of salaries for members in Tiers 3 through 5, while members in Tier 6 contribute 11 % of salary. However, members are exempt from making contributions when their continuous service exceeds 30 years for Tier 1 through 4, and 33 years for Tier 5 and Tier 6. Members under Tiers 1 and 2 are retired or have completed at least 30 years of service and therefore no longer make pension contributions.

For fiscal years 2023 and 2022, the average employer contribution rates for pension benefits are 26.13% and 28.01%, respectively, of covered payroll. The Port has made 100% of the actuarially determined contributions for both fiscal years.

Contributions – OPEB. The LAFPP Board establishes and may amend the contribution requirements of members and the City. The City's annual contribution for the LAFPP plan is actuarially determined and represents a level of funding that, if paid on an ongoing basis, is expected to be sufficient to make all benefit payments to current members. The average employer contribution rates are 7.36% and 7.89% of covered payroll for fiscal years ended June 30, 2023 and 2022, respectively. Members are not required to contribute to the OPEB plan.

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

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

At June 30, 2023, the Port reported a liability of $1.0 million for its proportionate share of the net pension liability of LAFPP. At June 30, 2022, the Port reported an asset of $9.9 million for its proportionate share of the net pension liability of LAFPP. The net pension asset or liability was measured as of June 30, 2022 and 2021, respectively. The plan assets were valued as of the measurement dates and the total pension liability (TPL) as of June 30, 2022 and 2021 was determined based upon rolling forward the TPL from actuarial valuation as of June 30, 2021 and 2020, respectively. The Port's proportion of the net pension liability was based on the Port's share of actual contributions to the pension plan relative to the actual contributions of all participating employers, actuarially determined. The Port's proportionate share was determined to be 0.152% and 0.366% for fiscal years ended June 30, 2023 and 2022, respectively.

For the fiscal years ended June 30, 2023 and 2022, the Port recognized pension expense of $3.1 million and $1.0 million, respectively.

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At June 30, 2023 and 2022, the Port reported deferred outflows of resources related to pensions from the following sources (in thousands).

	2023	2022
Pension contributions subsequent to measurement date	$ 4,409	$ 4,637
Changes of assumptions or other inputs	1,477	2,355
Net difference between projected and actual earnings on pension plan investments	1,160	--
Differences between actual and expected experience in the total pension liability	3,491	4,497
Total	$ 10,537	$ 11,489

Pension contributions of $4.4 million and $4.6 million made subsequent to the measurement date were reported as deferred outflows of resources related to pensions at June 30, 2023 and 2022, respectively, and will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

At June 30, 2023 and 2022, the Port reported deferred inflows of resources related to pensions from the following sources (in thousands).

	2023	2022
Differences between expected and actual experience in the total pension liability	$ 3,884	$ 751
Net difference between actual and projected earnings on pension plan investments	--	16,472
Total	$ 3,884	$ 17,223

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At June 30, 2023 and 2022, the net amount reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense during the next five years and thereafter as follows (in thousands):

	Deferred outflows/(inflows)	
Year ending June 30	2023	2022
2023	$ N/A	$ (2,634)
2024	381	(2,211)
2025	34	(2,559)
2026	(1,109)	(3,702)
2027	3,329	735
2028	(391)	--
Thereafter	--	--

The amortization table does not include pension contributions made after the measurement date. Deferred outflows of $4.4 million related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2024.

Actuarial assumptions. The TPL as of June 30, 2022 and 2021 that were measured by actuarial valuations as of June 30 2021 and 2020, respectively, used the following actuarial assumptions, which were based on the July 1, 2016 through June 30, 2019 Experience Study Report dated May 13, 2020, applied to all periods included in the measurement.

Actuarial assumptions	2022	2021
Actuarial cost method	Entry age	Entry age
Inflation	2.75%	2.75%
Projected salary increases	Ranges from 4.15% to 12.25% based on years of service, including inflation	Ranges from 4.15% to 12.25% based on years of service, including inflation
Investment rate of return	7.00%, net of pension plan investment expense, including inflation	7.00%, net of pension plan investment expense, including inflation
Mortality (Post-Retirement)	Healthy: Pub-2010 Safety Healthy Retiree Amount-Weighted Above-Median Mortality table projected with Scale MP-2019	Healthy: Pub-2010 Safety Healthy Retiree Amount-Weighted Above-Median Mortality table projected with Scale MP-2019
Cost-of-living adjustments	3.00% of retirement income for all Tiers	3.00% of retirement income for all Tiers

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Long-term expected rate of return by asset class. The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and deducting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rate of return for each measurement class, after deducting inflation, but before reduction for investment expenses are summarized in the following table. These values were used in the derivation of the long-term expected investment rate of return assumption for the actuarial valuations as of June 30, 2022 and June 30, 2021. The information will change every three years based on the actuarial experience study.

	June 30, 2022		June 30, 2021	
Asset Class	Target Allocation	Long-term Expected Arithmetic Real Rate of Return	Target Allocation	Long-term Expected Arithmetic Real Rate of Return
Large Cap U.S. Equity	23.00%	5.40%	23.00%	5.40%
Small Cap U.S. Equity	6.00%	6.20%	6.00%	6.20%
Developed International Equity	16.00%	6.54%	16.00%	6.54%
Emerging Market Equity	5.00%	8.78%	5.00%	8.78%
U.S. Core Fixed Income	13.00%	1.07%	13.00%	1.07%
TIPS	4.00%	0.62%	4.00%	0.62%
High Yield Bonds	3.00%	3.31%	3.00%	3.31%
Real Estate	7.00%	4.65%	7.00%	4.65%
Commodities	5.00%	3.05%	5.00%	3.05%
Cash	1.00%	0.01%	1.00%	0.01%
Unconstrained Fixed Income	2.00%	1.37%	2.00%	1.37%
Private Equity	12.00%	8.25%	12.00%	8.25%
REITS	3.00%	4.40%	3.00%	4.40%
Total	100.00%	4.99%	100.00%	4.99%

Discount rate. The discount rate used to measure the total pension liability was 7.00% as of June 30, 2022 and 2021, respectively. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate for each tier and that employer contributions will be made at rates equal to the actuarially determined contribution rates for each tier. For this purpose, only employer contributions that are intended to fund benefits for current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included.

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Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of both June 30, 2022 and 2021.

Sensitivity of the Port's proportionate share of net pension liability/(asset) to change in the discount rate. The following presents the Port's proportionate share of the net pension liability/(asset) as of June 30, 2023 and 2022, calculated using the discount rate of 7.00%, as well as what the Port's proportionate share of the net pension liability/(asset) would be if it were calculated using a discount rate what is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate (in thousands):

Port's proportionate share of the net pension liability/(asset)	1% Decrease (6.00%)	Discount rate (7.00%)	1% Increase (8.00%)
June 30, 2023	$22,722	$983	$(16,263)
June 30, 2022	$10,886	$(9,885)	$(26,337)

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

At June 30, 2023, the Port reported an asset of $0.8 million for its proportionate share of the net OPEB liability of LAFPP. At June 30, 2022, the Port reported an asset of $1.9 million for its proportionate share of the net OPEB liability of LAFPP. The net OPEB asset or liability was measured as of June 30, 2022 and 2021 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Port's proportion of the net OPEB liability was based on the Port's share of actual contributions to the OPEB plan relative to the actual contributions of all participating departments, actuarially determined. The Port's proportionate share was determined to be -0.083% and -0.210% for the fiscal years June 30, 2023 and 2022, respectively.

For the fiscal years ended June 30, 2023 and 2022, the Port recognized OPEB expense of $0.4 million and $0.3 million, respectively.

At June 30, 2023 and 2022, the Port reported deferred outflows of resources related to OPEB from the following sources (in thousands).

	2023	2022
OPEB contributions subsequent to measurement date	$ 1,242	$ 1,306
Changes of assumptions or other inputs	673	884
Net difference between projected and actual earnings on OPEB plan investments	239	--
Differences between expected and actual experience in the total OPEB liability	57	111
Total	$ 2,211	$ 2,301

OPEB contributions of $1.2 million and $1.3 million made subsequent to the measurement date were reported as deferred outflows of resources related to OPEB at June 30, 2023 and 2022, respectively, and will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year.

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At June 30, 2023 and 2022, the Port reported deferred inflows of resources related to OPEB from the following sources (in thousands).

	2023	2022
Changes of assumptions or other inputs	$ 1,606	$ 495
Differences between expected and actual experience in the total OPEB liability	1,056	1,220
Net difference between actual and projected earnings on OPEB plan investments	--	2,757
Total	$ 2,662	$ 4,472

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

	Deferred outflows/(inflows)	
Year ending June 30	2023	2022
2023	$ N/A	$ (758)
2024	(352)	(711)
2025	(437)	(796)
2026	(528)	(887)
2027	164	(196)
2028	(325)	(129)
Thereafter	(215)	--

The amortization table does not include OPEB contributions made after the measurement date. Deferred outflows of $1.2 million related to contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2024.

Actuarial assumptions. The Port's net OPEB liability as of June 30, 2023 and 2022 were determined by actuarial valuations as of June 30, 2022 and 2021, respectively. The Total OPEB Liability (TOL) as of June 30, 2022 was determined by an actuarial valuation as of June 30, 2022. The actuarial assumptions were based on the results of an experience study for the period from July 1, 2016 through June 30, 2019 with the exception of the mortality assumption where the LAFPP adopted the updated Pub-2010 mortality tables proposed in a separate letter dated December 12, 2019 and health assumptions letter dated September 8, 2022. They are the same as the assumptions used in the June 30, 2022 funding actuarial valuation. The TOL as of June 30, 2021 was determined by an actuarial valuation as of June 30, 2021. The actuarial assumptions were based on the results of an experience study for the period from July 1, 2016

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through June 30, 2019 with the exception of the mortality assumption where the LAFPP adopted the updated Pub-2010 mortality tables proposed in a separate letter dated December 12, 2019 and health assumptions letter dated September 8, 2021. They are the same as the assumptions used in the June 30, 2021 funding actuarial valuation. The following actuarial assumptions were applied to all periods included in the measurement for the June 30, 2022 and 2021 actuarial valuations:

Actuarial assumptions	2022	2021
Actuarial cost method	Entry age	Entry age
Inflation	2.75%	2.75%
Projected salary increases	Ranges from 4.15% to 12.25% based on years of service, including inflation	Ranges from 4.15% to 12.25% based on years of service, including inflation
Investment rate of return	7.00%, net of OPEB plan investment expense, including inflation	7.00%, net of OPEB plan investment expense, including inflation
Mortality (Post-Retirement)	Healthy: Pub-2010 Safety Healthy Retiree Amount-Weighted Above-Median Mortality table projected with Scale MP-2019	Healthy: Pub-2010 Safety Healthy Retiree Amount-Weighted Above-Median Mortality table projected with Scale MP-2019
Healthcare cost trend rates	7.25% graded down to 4.50% over 11 years for non-Medicare medical plan costs; 6.50% graded down to 4.50% over 8 years for Medicare medical plan costs; 3.00% for all years for dental; and 4.50% for all years for Medicare Part B costs.	7.50% graded down to 4.50% over 12 years for non-Medicare medical plan costs; 6.50% graded down to 4.50% over 8 years for Medicare medical plan costs; 4.00% for all years for dental; and 4.50% for all years for Medicare Part B costs.

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Long-term expected rate of return by asset class. The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and deducting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rate of return for each measurement class, after deducting inflation, but before reduction for investment expenses are summarized in the following table. These values were used in the derivation of the long-term expected investment rate of return assumption for the actuarial valuations as of June 30, 2022 and June 30, 2021. The information will change every three years based on the actuarial experience study.

	June 30, 2022		June 30, 2021	
Asset Class	Target Allocation	Long-term Expected Arithmetic Real Rate of Return	Target Allocation	Long-term Expected Arithmetic Real Rate of Return
Large Cap U.S. Equity	23.00%	5.40%	23.00%	5.40%
Small Cap U.S. Equity	6.00%	6.20%	6.00%	6.20%
Developed International Equity	16.00%	6.54%	16.00%	6.54%
Emerging Market Equity	5.00%	8.78%	5.00%	8.78%
U.S. Core Fixed Income	13.00%	1.07%	13.00%	1.07%
TIPS	4.00%	0.62%	4.00%	0.62%
High Yield Bonds	3.00%	3.31%	3.00%	3.31%
Real Estate	7.00%	4.65%	7.00%	4.65%
Commodities	5.00%	3.05%	5.00%	3.05%
Cash	1.00%	0.01%	1.00%	0.01%
Unconstrained Fixed Income	2.00%	1.37%	2.00%	1.37%
Private Equity	12.00%	8.25%	12.00%	8.25%
REITS	3.00%	4.40%	3.00%	4.40%
Total	100.00%	4.99%	100.00%	4.99%

Discount rate. The discount rate used to measure the total OPEB liability was 7.00% as of June 30, 2022 and 2021. The projection of cash flows used to determine the discount rate assumed employer contributions will be made at rates equal to the actuarially determined contribution rates for each tier. For this purpose, only employer contributions that are intended to fund benefits for current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries are not included. Based on those assumptions, the Plan Fiduciary Net Position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the

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long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the TOL as of both June 30, 2022 and June 30, 2021.

Sensitivity of the Port's proportionate share of net OPEB liability/(asset) to change in the discount rate. The following presents the Port's proportionate share of the net OPEB liability/(asset) as of June 30, 2023 and 2022, calculated using the discount rate of 7.00%, as well as what the Port's proportionate share of the net OPEB liability/(asset) would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate (in thousands):

Port's proportionate share of the net OPEB liability/(asset)	1% Decrease (6.00%)	Discount rate (7.00%)	1% Increase (8.00%)
June 30, 2023	$3,041	$(773)	$(3,772)
June 30, 2022	$1,898	$(1,900)	$(4,875)

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

Port's proportionate share of the net OPEB liability/(asset)	1% Decrease	Current healthcare trend rate*	1% Increase
June 30, 2023	$(4,299)	$(773)	$3,901
June 30, 2022	$(5,404)	$(1,900)	$2,772

*See page 108 for current healthcare trend rate.

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

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15. Commitments, Litigation and Contingencies

A. Commitments

Open purchase orders and uncompleted construction contracts amounted to approximately $35.9 million and $25.3 million as of June 30, 2023 and 2022, respectively. Such open commitments do not lapse at the end of the Port's fiscal year and are carried forth to succeeding periods until fulfilled.

In 1985, the Port received a parcel of land, with an estimated value of $14.0 million from the federal government, for the purpose of constructing a marina. The Port has agreed to reimburse the federal government up to $14.0 million from excess revenues, if any, generated from marina operations after the Port has recovered all costs of construction. No such payments were made in fiscal years 2023 and 2022.

B. Litigation

The Port is also involved in certain litigation arising in the normal course of business. In the opinion of management, there is no pending litigation or unasserted claims, the outcome of which would materially affect the financial position of the Port.

C. Contingencies

As a recipient of federal and state grant funds, the Port is subject to audits and compliance reviews by, or on behalf of, the granting agencies to determine whether the expenditure of granted funds has been made in accordance with grant provisions. Such audits and compliance reviews could result in the potential disallowance of expenditures claimed by the Port. The Port's management believes that the Port has complied with the terms of its grant agreements and that the possible adverse effects, if any, of disallowed grant expenditures that may be determined by the granting agencies would not be material to the Port.

Agreement negotiations with customers could result in modifications of compensation provisions for the Port's revenues. Such modifications may have a cumulative impact on the Port's revenues.

D. Alameda Corridor Transportation Authority (ACTA) Agreement

In August 1989, the Port and the POLB (the Ports) entered into a joint exercise of powers agreement and formed ACTA for the purpose of establishing a comprehensive transportation corridor and related facilities consisting of street and railroad rights-of-way and an improved highway and railroad network along Alameda Street between the Santa Monica Freeway and the Ports in San Pedro Bay, linking the Ports to the central Los Angeles area. The Alameda Corridor began operating on April 15, 2002. ACTA is governed by a seven-member board, which is comprised of two members from each Port, one each from the Cities of Los Angeles and Long Beach and one from the Metropolitan Transportation Authority.

In October 1998, the Ports, ACTA, and the railroad companies, which operate on the corridor, entered into a Corridor Use and Operating Agreement (Corridor Agreement). The Corridor

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Agreement provides for operation of the corridor to transport cargo into and out of the Ports. Payment of use fees and container charges, as defined in the Corridor Agreement are used to pay (a) the debt service that ACTA incurs on outstanding bonds, (b) for the cost of funding required reserves and costs associated with the financing, including credit enhancement and rebate requirements, and (c) repayment and reimbursement obligations to the Ports, (collectively, ACTA Obligations). Use fees end in 2062 or sooner if the ACTA Obligations are paid off earlier.

If ACTA revenues are insufficient to pay ACTA Obligations outlined in (a) and (b) above, the Corridor Agreement obligates each Port to pay up to twenty percent (20%) of the shortfall (Shortfall) for each debt service payment date. If this event occurs, the Ports' payments to ACTA are intended to provide cash for debt service payments and to assure that the Alameda Corridor is available to maintain continued cargo movement through the Ports. The Ports are required to include expected Shortfall payments in their budgets, but Shortfall payments are subordinate to other obligations of the Port, including the bonds and commercial paper currently outstanding. The Port does not and is not required to take Shortfall payments into account when determining whether it may incur additional indebtedness or when calculating compliance with rate covenants under the respective bond indentures and resolutions related to each Port bond or indebtedness.

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

In 2022, ACTA issued Tax-Exempt Senior Lien Revenue Refunding Bonds, Series 2022A, Taxable Senior Lien Revenue Refunding Bonds, Series 2022B, and Tax-Exempt Second Subordinate Lien Revenue Refunding Bonds Series 2022C (Series 2022 Bonds). With the intent of reducing future Shortfall payments, the issuance of the Series 2022 Bonds restructured ACTA's debt. There were no Shortfall payments in both fiscal years 2023 and 2022.

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16. Related-Party Transactions

During the normal course of business, the Port is charged for services provided by the City, the most significant of which is related to fire protection, museum and park maintenance, and legal services. Total amounts charged by the City for services approximate $47.8 million and $45.5 million in fiscal years 2023 and 2022, respectively. In addition, the amounts charged by the City for water and electricity usage approximate $27.4 million and $34.9 million in fiscal years 2023 and 2022, respectively.

17. Capital Contributions

Amounts either received or to be reimbursed for the restricted purpose of the acquisition, construction of capital assets, or other grant-related capital expenditures are recorded as capital contributions. During the fiscal years ended June 30, 2023 and 2022, the Port reported capital contributions of $43.5 million and $11.9 million, respectively, for certain capital construction grant projects.

18. Cash Funding of Reserve Fund

As of June 30, 2023 and 2022, the Port had $582.4 million and $631.7 million of outstanding parity bonds (including net unamortized premiums). The Port holds cash reserves for each Indenture of the outstanding bonds, except for the 2019 Revenue Refunding Bonds that were issued without a reserve. On September 18, 2008, the BHC approved the full cash funding of the entire reserve requirement of $61.5 million that was transferred to the Port’s bond trustee in December 2008. The cash funding of the reserve took place to reassure bondholders of the strong commitment of the Port to its financial wherewithal as rating agencies had reduced the AAA ratings of the surety companies that had provided insurance for the bonds that the Port had issued.

As of June 30, 2023 and 2022, the balance in the Common Reserve fund totaled $37.1 million and $37.5 million, respectively. Any excess amounts in the Common Reserve resulting from principal repayments will be transferred to the interest fund and/or redemption fund to be used to pay interest and redeem bonds. The required amount for the reserve fund will be reevaluated on a yearly basis. The funds in the reserve are invested in the U.S. Treasury securities and money market funds.

Required Supplementary Section

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

Required Supplementary Information

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

($ In Thousands)

(Unaudited)

Los Angeles City Employees' Retirement System (LACERS)

Fiscal Year	Measurement Date as of June 30	Proportion of the Net Pension Liability	Proportionate Share of Net Pension Liability	Covered Payroll (1)	Proportionate Share of Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of Total Pension Liability
2014	2013	4.248%	$ 200,801	$ 73,746	272.29%	68.23%
2015	2014	4.224%	188,299	76,040	247.60%	72.57%
2016	2015	4.152%	207,158	75,963	272.71%	70.49%
2017	2016	3.940%	221,275	75,092	294.67%	67.77%
2018	2017	3.877%	204,609	76,204	268.50%	71.41%
2019	2018	3.773%	215,435	77,580	277.70%	71.37%
2020	2019	3.692%	220,724	77,954	283.15%	71.25%
2021	2020	3.674%	279,036	83,080	335.86%	66.29%
2022	2021	3.852%	168,089	87,461	192.19%	81.26%
2023	2022	3.825%	270,252	81,205	332.80%	70.66%

(1) Covered payroll is defined as the payroll on which contributions to a pension plan are based.

Los Angeles Fire and Police Pension Plan (LAFPP)

Fiscal Year	Measurement Date as of June 30	Proportion of the Net Pension Liability	Proportionate Share of Net Pension Liability/ (Assets)	Covered Payroll (2)	Share of Net Pension Liability/ (Assets) as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of Total Pension Liability
2014	2013	0.400%	$ 14,320	$ 10,302	139.00%	68.00%
2015	2014	0.559%	10,463	11,619	90.05%	79.16%
2016	2015	0.425%	8,671	12,301	70.49%	83.98%
2017	2016	0.408%	10,050	12,148	82.49%	83.02%
2018	2017	0.345%	6,273	13,541	46.33%	90.41%
2019	2018	0.365%	4,585	14,168	32.36%	93.77%
2020	2019	0.418%	7,260	14,584	49.78%	91.40%
2021	2020	0.319%	8,219	15,462	53.15%	91.28%
2022	2021	0.366%	(9,885)	15,758	-62.73%	109.02%
2023	2022	0.152%	983	16,554	5.94%	99.16%

(2) Covered payroll is defined as the payroll on which contributions to a pension plan are based.

See Note to Schedule on page 116.

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

Required Supplementary Information

Schedule of Pension Contributions – Last Ten Fiscal Years*

($ In Thousands)

(Unaudited)

Los Angeles City Employees' Retirement System (LACERS)

(Amount in thousands)	2023	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	$ 25,751	$ 23,421	$ 21,176	$ 19,284	$ 18,050	$ 17,317	$ 17,582	$ 17,557	$ 15,765
Contributions in relation to the actuarially determined contribution	25,751	23,421	21,176	19,284	18,050	17,317	17,582	17,557	15,765
Contribution deficiency (excess)	$ --	$ --	$ --	$ --	$ --	$ --	$ --	$ --	$ --
Port's covered payroll	$ 84,932	$ 81,205	$ 87,461	$ 83,080	$ 77,954	$ 77,580	$ 76,204	$ 75,092	$ 75,963
Contributions as a percentage of covered payroll	30.32%	28.84%	24.21%	23.21%	23.15%	22.32%	23.07%	23.38%	20.75%

Los Angeles Fire and Police Pension Plan (LAFPP)

(Amount in thousands)	2023	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	$ 4,409	$ 4,637	$ 4,300	$ 4,052	$ 3,883	$ 3,645	$ 3,716	$ 3,462	$ 3,648
Contributions in relation to the actuarially determined contribution	4,409	4,637	4,300	4,052	3,883	3,645	3,716	3,462	3,648
Contribution deficiency (excess)	$ --	$ --	$ --	$ --	$ --	$ --	$ --	$ --	$ --
Port's covered payroll	$ 16,874	$ 16,554	$ 15,758	$ 15,462	$ 14,584	$ 14,168	$ 13,541	$ 12,184	$ 12,301
Contributions as a percentage of covered payroll	26.13%	28.01%	27.29%	26.21%	26.63%	25.73%	27.44%	28.41%	29.66%

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

See Note to Schedule on page 116.

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

For the Fiscal Year Ended June 30, 2023

(Unaudited)

Los Angeles City Employees' Retirement System (LACERS)

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

Changes of assumptions: There were no changes in assumptions.

Los Angeles Fire and Police Pension Plan (LAFPP)

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

Changes of assumptions: There were no changes in assumptions.

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

Required Supplementary Information

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

($ In Thousands)

(Unaudited)

Los Angeles City Employees' Retirement System (LACERS)

Fiscal Year	Measurement Date as of June 30	Proportion of the Net OPEB Liability	Proportionate Share of Net OPEB Liability (Assets)	Covered Payroll (1)	Proportionate Share of Net OPEB Liability/ (Assets) as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of Total OPEB Liability
2017	2016	3.947%	$ 26,002	$ 75,092	34.63%	76.42%
2018	2017	3.865%	21,910	76,204	28.75%	81.14%
2019	2018	3.753%	21,785	77,580	28.08%	82.18%
2020	2019	3.655%	19,085	77,954	24.48%	84.34%
2021	2020	3.619%	22,993	83,080	27.68%	81.78%
2022	2021	3.781%	(9,891)	87,461	-11.31%	107.43%
2023	2022	3.769%	8,778	81,205	10.81%	93.49%

(1) Covered payroll is defined as the payroll on which contributions to an OPEB plan are based.

Los Angeles Fire and Police Pension Plan (LAFPP)

Fiscal Year	Measurement Date as of June 30	Proportion of the Net OPEB Liability/ (Assets)	Proportionate Share of Net OPEB Liability/ (Assets)	Covered Payroll (2)	Proportionate Share of Net OPEB Liability/ (Assets) as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of Total OPEB Liability
2017	2016	0.156%	$ 2,563	$ 12,184	21.04%	74.45%
2018	2017	0.148%	2,506	13,541	18.51%	78.65%
2019	2018	0.143%	2,447	14,168	17.27%	81.87%
2020	2019	0.191%	3,018	14,584	20.69%	80.65%
2021	2020	0.162%	2,541	15,462	16.43%	84.77%
2022	2021	-0.210%	(1,900)	15,758	-12.06%	110.55%
2023	2022	-0.083%	(773)	16,554	-4.67%	104.16%

(2) Covered payroll is defined as the payroll on which contributions to an OPEB plan are based.

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

See Note to Schedule on page 119.

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

Required Supplementary Information

Schedule of OPEB Contributions – Last Ten Fiscal Years*

($ In Thousands)

(Unaudited)

Los Angeles City Employees' Retirement System (LACERS)

(Amount in thousands)	2023	2022	2021	2020	2019	2018
Actuarially determined contribution	$ 3,361	$ 3,571	$ 3,863	$ 3,823	$ 4,011	$ 3,857
Contributions in relation to the actuarially determined contribution	3,361	3,571	3,863	3,823	4,011	3,857
Contribution deficiency (excess)	$ --	$ --	$ --	$ --	$ --	$ --
Port's covered employee payroll	$ 84,932	$ 81,205	$ 87,461	$ 83,080	$ 77,954	$ 77,580
Contributions as a percentage of covered employee payroll	3.96%	4.40%	4.42%	4.60%	5.15%	4.97%

Los Angeles Fire and Police Pension Plan (LAFPP)

(Amount in thousands)	2023	2022	2021	2020	2019	2018
Actuarially determined contribution	$ 1,242	$ 1,306	$ 1,211	$ 1,131	$ 1,084	$ 1,018
Contributions in relation to the actuarially determined contribution	1,242	1,306	1,211	1,131	1,084	1,018
Contribution deficiency (excess)	$ --	$ --	$ --	$ --	$ --	$ --
Port's covered employee payroll	$ 16,874	$ 16,554	$ 15,758	$ 15,462	$ 14,584	$ 14,168
Contributions as a percentage of covered employee payroll	7.36%	7.89%	7.68%	7.31%	7.43%	7.19%

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

See Note to Schedule on page 119.

Required Supplementary Information

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

For the Fiscal Year Ended June 30, 2023

(Unaudited)

Los Angeles City Employees' Retirement System (LACERS)

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

Changes of assumptions:

- Per Capita costs and first year trends were updated to reflect 2023 calendar year premiums, subsidies and more recent data.
- Medical carrier election assumptions were updated based on more recent data.
- Trend assumptions to project future medical costs after 2022-2023 were updated.

Los Angeles Fire and Police Pension Plan (LAFPP)

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

Changes of assumptions:

- Premiums and maximum subsidies were updated.
- Per capita costs were updated based on more recent data.
- Trend assumptions to project future medical costs were updated.

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Statistical Section

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

Statistical Section

For the Fiscal Year Ended June 30, 2023

(Unaudited)

The Statistical Section presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Port's overall financial health.

Contents **Page**

Financial Trends

This schedule contains trend information to help the reader understand how the Port's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the Port's most significant local revenue sources.

Debt Capacity

These schedules present information to help the reader assess the affordability of the Port's current level of outstanding debt and the Port's ability to issue additional debt in the future.

Demographic and Economic Information

This schedule offers demographic and economic indicators to help readers understand the environment within which the Port's financial activities occur.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the Port's financial report relates to the services the Port's provides and the activities it performs.

PORT OF LOS ANGELES

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

Summary of Revenues, Expenses, and Changes in Net Position

Last Ten Fiscal Years

($ In Thousands)

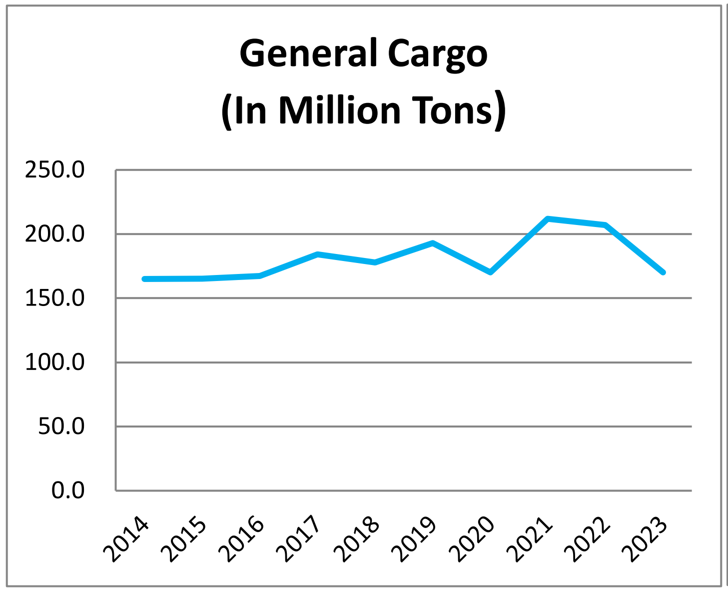
(Unaudited)

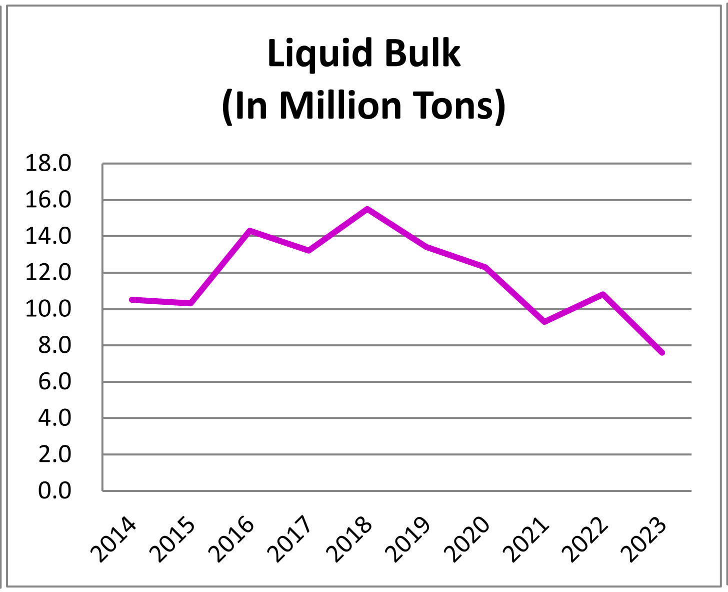
	2014	2015	2016	2017	2018	2019	2020	(Restated) 2021	(Restated) 2022	2023
Operating revenues										
Shipping services	$ 377,213	$ 364,899	$ 368,470	$ 398,255	$ 405,279	$ 410,328	$ 369,565	$ 463,849	$ 485,842	$ 448,008
Rentals	40,156	46,233	46,571	51,258	61,419	65,965	73,103	78,181	86,837	117,290
Royalties, fees, and other operating revenues	8,582	35,763	21,085	25,019	24,062	30,134	24,998	27,683	55,163	91,102
Total operating revenues	425,951	446,895	436,126	474,532	490,760	506,427	467,666	569,713	627,842	656,400
Operating expenses										
Salaries and benefits	112,053	111,788	114,719	118,582	121,533	123,058	145,826	146,200	122,410	141,735
Marketing and public relations	2,711	2,771	2,567	2,583	2,784	2,510	2,388	1,372	2,101	2,710
Outside services	26,331	28,983	28,970	25,022	29,904	33,418	31,815	26,219	27,864	33,332
Materials and supplies	6,883	6,257	6,340	5,314	6,960	6,593	5,672	4,517	5,106	5,974
City services	33,633	34,749	37,421	39,554	42,749	45,223	48,366	45,876	45,531	47,823
Other operating expenses	23,743	49,701	36,244	36,620	33,025	29,625	39,503	48,799	50,888	67,846
Total operating expenses before depreciation	205,354	234,249	226,261	227,675	236,955	240,427	273,570	272,983	253,900	299,420
Operating Income before depreciation and amortization	220,597	212,646	209,865	246,857	253,805	266,000	194,096	296,730	373,942	356,980
Depreciation and amortization	124,221	137,384	163,933	172,895	167,984	161,977	158,613	154,295	147,569	194,869
Operating Income	96,376	75,262	45,932	73,962	85,821	104,023	35,483	142,435	226,373	162,111
Nonoperating revenues (expenses)										
Income from investments in Joint Powers Authorities	2,129	2,811	2,544	2,162	2,001	2,596	2,461	2,243	1,513	1,888
Investment income (loss) - net	4,654	5,039	9,326	1,118	618	32,804	39,643	(2,656)	(47,744)	4,538
Interest expense	(1,530)	(331)	(507)	(604)	(1,612)	(1,290)	(24,707)	(21,773)	(19,037)	(17,837)
Other income and expenses, net	(27,364)	(2,226)	(3,851)	(1,146)	1,999	27,151	2,025	9,240	(5,125)	15,756
Net nonoperating revenues (expenses)	(22,111)	5,293	7,512	1,530	3,006	61,261	19,422	(12,946)	(70,393)	4,345
Income before capital contributions	74,265	80,555	53,444	75,492	88,827	165,284	54,905	129,489	155,980	166,456
Capital contributions	80,374	111,852	40,489	18,801	4,524	3,523	3,440	7,116	11,906	43,505
Special and extraordinary items	15,002	--	5,123	9,150	--	--	--	--	--	--
Changes in net position	169,641	192,407	99,056	103,443	93,351	168,807	58,345	136,605	167,886	209,961
Total net position – beginning of year	2,884,351	3,064,554	3,062,899	3,161,955	3,265,398	3,334,871	3,503,678	3,562,023	3,698,628	3,866,514
Cumulative effect of change in accounting principle	--	(194,062)	--	--	(23,878)	--	--	--	--	--
Net adjustment for write off prior period bond issues costs	10,562	--	--	--	--	--	--	--	--	--
Net position July 1, restated	2,894,913	2,870,492	3,062,899	3,161,955	3,241,520	3,334,871	3,503,678	3,562,023	3,698,628	3,866,514
Total net position – end of year	$ 3,064,554	$ 3,062,899	$ 3,161,955	$ 3,265,398	$ 3,334,871	$ 3,503,678	$ 3,562,023	$ 3,698,628	$ 3,866,514	$ 4,076,475
Net position:										
Net investment in capital assets	$ 2,863,795	$ 2,856,561	$ 2,945,412	$ 2,972,442	$ 2,964,553	$ 2,954,017	$ 2,979,268	$ 3,017,302	$ 3,064,900	$ 3,057,698
Restricted	58,054	68,373	66,599	62,255	62,230	63,348	42,281	42,435	37,452	76,320
Unrestricted	142,705	137,965	149,944	230,701	308,088	486,313	540,474	638,891	764,162	942,457
Total net position	$ 3,064,554	$ 3,062,899	$ 3,161,955	$ 3,265,398	$ 3,334,871	$ 3,503,678	$ 3,562,023	$ 3,698,628	$ 3,866,514	$ 4,076,475

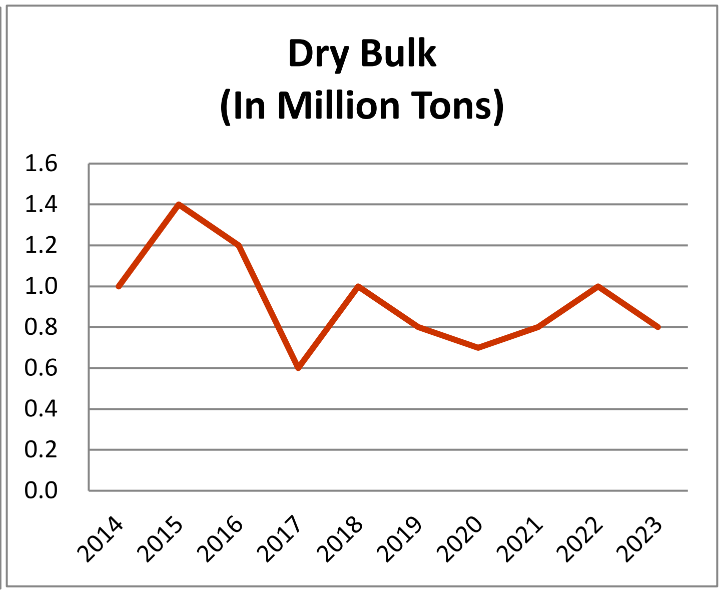
PORT OF LOS ANGELES
(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES, CALIFORNIA)

Revenue Statistics
Last Ten Fiscal Years
(Unaudited)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue Information										
Revenue Rates										
General cargo tariff rate	$ 6.25	$ 6.25	$ 6.25	$ 6.25	$ 6.25	$ 6.25	$ 6.25	$ 6.25	$ 6.25	$ 6.25
Basic dockage (600')	2,465	2,465	2,465	2,465	2,465	2,465	2,465	2,465	2,465	2,465
Required rate of return on improvements	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%
Required rate of return on land	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
Containerized cargo volume										
(in millions of TEUs)	8.2	8.2	8.4	9.2	9.2	9.7	8.6	10.9	10.7	8.6
Inbound tonnage (million tons)	99.1	102.9	105.6	105.8	103.0	113.8	99.8	113.6	113.4	90.7
Outbound tonnage (million tons)	74.3	74.6	79.3	92.4	88.3	97.4	84.2	102.1	109.3	87.8
Revenue tons (million)										
General cargo	165.0	165.1	167.3	184.3	178.0	193.1	170.1	211.9	207.0	170.2
Liquid bulk	10.5	10.3	14.3	13.2	15.5	13.4	12.3	9.3	10.8	7.6
Dry bulk	1.0	1.4	1.2	0.6	1.0	0.8	0.7	0.8	1.0	0.8
Total revenue tons (million)	176.5	176.8	182.8	198.1	194.5	207.3	183.1	222.0	218.8	178.6







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

Top Ten Individual Sources of Revenue by Alphabetical Order
Fiscal Year 2023 and Fiscal Year 2014
(Unaudited)

Fiscal Year 2023	Fiscal Year 2014
APM Terminals Pacific, Ltd.	APM Terminals Pacific, Ltd.
China Shipping Holding Company, Ltd.	China Shipping Holding Company, Ltd.
Everglades Company Terminal, Inc.	Eagle Marine Services, Ltd. [1]
Everport Terminal Services, Inc.	Everport Terminal Services, Inc.
Fenix Marine Services, Ltd. [1]	Rio Doce Pasha Terminal, LP
Ports America Cruise, Inc.	TraPac, LLC
TraPac, LLC	Union Pacific Railroad Company
Union Pacific Railroad Company	WWL Vehicle Services Americas, Inc.
WWL Vehicle Services Americas, Inc.	Yang Ming Marine Transport Corporation
Yusen Terminal, Inc./N.Y.K. (North America), Inc.	Yusen Terminal, Inc./N.Y.K. (North America), Inc.

[1] Eagle Marine Services, Ltd. was rebranded to Fenix Marine Services, Ltd. in 2018.

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

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

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

	2014	2015	2016	2017	2018	2019	2020	(Restated) 2021	(Restated) 2022	2023
Total revenues (1)	$ 446,910	$ 460,364	$ 452,398	$ 487,806	$ 501,663	$ 578,794	$ 524,346	$ 586,039	$ 665,857	$ 706,407
Operating expenses (2)	205,354	234,249	226,261	227,675	236,955	240,427	273,570	272,983	253,900	299,420
Net available revenue	$ 241,556	$ 226,115	$ 226,137	$ 260,131	$ 264,708	$ 338,367	$ 250,776	$ 313,056	$ 411,957	$ 406,987
Debt service, revenue bonds	$ 65,323	$ 69,916	$ 91,831	$ 87,570	$ 80,147	$ 84,884	$ 84,288	$ 79,070	$ 118,968	$ 67,377
Debt service, commercial paper and revolving obligations	165	187	—	—	—	—	—	—	—	—
Total debt service on parity obligations (3)	$ 65,488	$ 70,103	$ 91,831	$ 87,570	$ 80,147	$ 84,884	$ 84,288	$ 79,070	$ 118,968	$ 67,377
Net available revenue coverage	3.7	3.2	2.5	3.0	3.3	4.0	3.0	4.0	3.5	6.0
Net cash flow from operations	$ 131,284	$ 213,184	$ 184,869	$ 274,581	$ 228,920	$ 254,978	$ 237,631	$ 262,722	$ 356,592	$ 326,344
Net operating cash flow coverage	2.0	3.0	2.0	3.1	2.9	3.0	2.8	3.3	3.0	4.8

(1) Total revenues include operating revenues and nonoperating revenues.

(2) Depreciation and amortization expenses, interest expense, and other nonoperating expenses are not included.

(3) Debt service on parity obligations include principal and interest payments on issued bonds as well as on commercial paper notes and revolving obligations, which are senior debt backed by pledged-revenue.

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

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

Ratios of Outstanding Debts to Personal Income and Per Capita
Last Ten Fiscal Years

(Unaudited)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Outstanding Debts ($000's) (1)	$ 780,993	$ 1,059,603	$ 1,008,322	$ 969,343	$ 922,433	$ 870,060	$ 788,489	$ 731,357	$ 631,726	$ 582,414
Total Outstanding Debts Per Capita (2)	$ 198.32	$ 266.74	$ 252.13	$ 239.84	$ 227.51	$ 215.36	$ 196.60	$ 186.41	$ 165.39	$ 154.65
Percentage of Total Personal Income (3)	0.15%	0.19%	0.17%	0.16%	0.15%	0.13%	0.12%	0.10%	N/A	N/A

(1) Presented net of unamortized bond premiums and discounts.
(2) See page 127 for population data used in this calculation .
(3) See page 127 for personal income used in this calculation.
N/A - Data not available

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

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

Year	Estimated Population (1)	Personal Income ($000s) (2)	Per Capita Personal Income (2)	Median Age (3)	Public School Enrollment (4)	Unemploy-ment Rate (5)
2014	3,938,037	$ 525,088,691	$ 52,130	34.6	594,891	8.7 %
2015	3,972,348	560,484,548	55,366	34.9	582,430	7.0
2016	3,999,237	577,071,787	56,851	35.0	560,991	5.6
2017	4,041,707	593,741,110	58,419	35.2	547,246	4.4
2018	4,054,400	628,808,732	62,224	35.8	532,102	5.1
2019	4,040,079	653,482,910	65,094	35.6	516,935	4.7
2020	4,010,684	678,829,092	68,272	35.9	504,468	18.2
2021	3,923,341	728,772,915	74,141	37.0	439,013	10.3
2022	3,819,538	N/A	N/A	37.1	429,349	5.3
2023	3,766,109	N/A	N/A	N/A	N/A	5.5

(1) Obtained from California Department of Finance report E-1 Population Estimates for Cities, Counties, and the State.

(2) Obtained from U.S. Department of Commerce, Bureau of Economic Analysis - Census Bureau midyear population estimates.

(3) Obtained from the U.S. Census Bureau American Community Survey 1-Year Estimates.

(4) Obtained from the Open Data Portal (https://www.lausd.org/opendata) of the Los Angeles Unified School District.

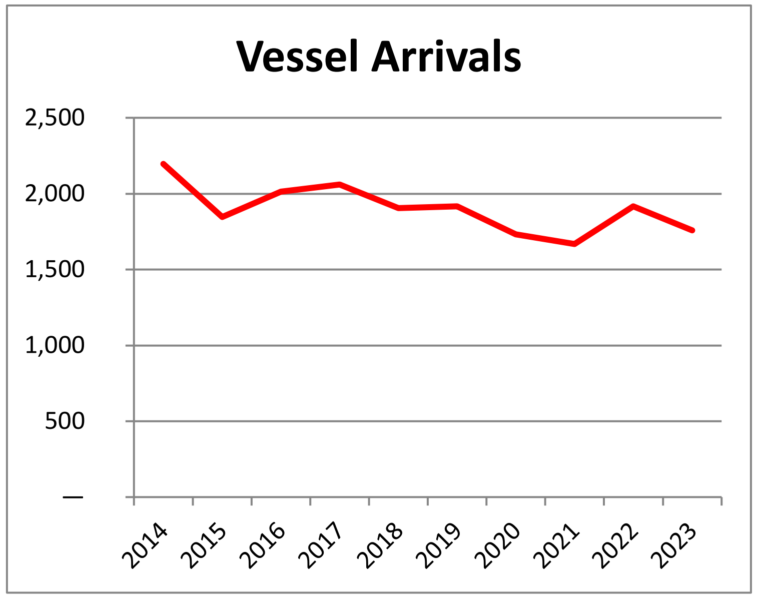
(5) Obtained from California Employment Development Department for City of Los Angeles, not seasonally adjusted.

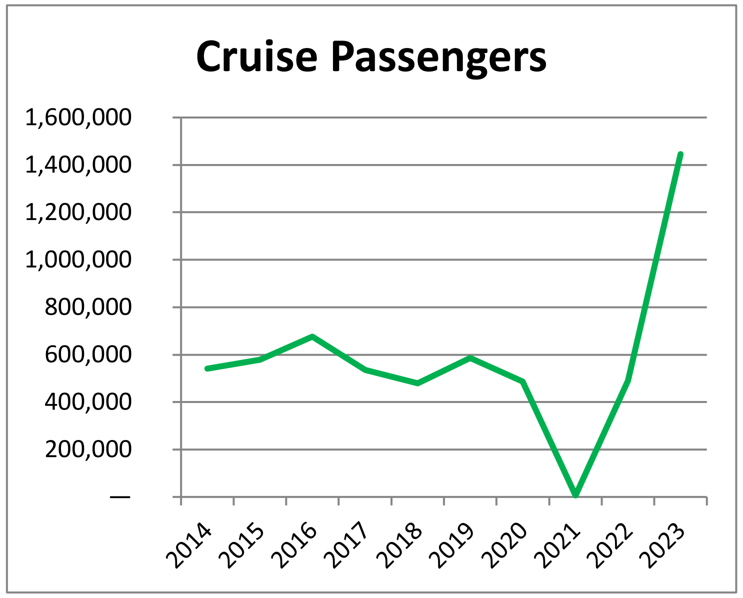
N/A Data was not readily available at the time of issuance.

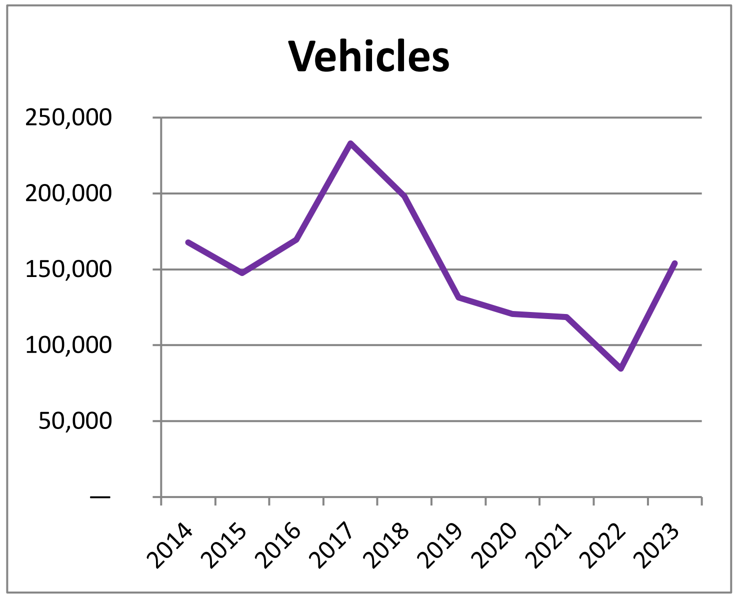
PORT OF LOS ANGELES
(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES, CALIFORNIA)

Operating Information
Last Ten Fiscal Years
(Unaudited)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Miles of waterfront	43	43	43	43	43	43	43	43	43	43
Number of major container terminals	8	8	8	8	8	8	8	8	8	8
Number of cargo terminals	23	23	23	23	23	23	23	23	23	23
Vessel arrivals	2,196	1,846	2,014	2,060	1,904	1,917	1,731	1,668	1,917	1,757
Cruise passengers	541,418	578,902	676,644	534,484	479,388	586,783	487,013	6,221	490,978	1,445,613
Vehicles	167,826	147,457	169,561	233,013	198,326	131,553	120,506	118,517	84,553	153,951
Full time employees	949	885	906	883	884	880	910	912	834	847







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

Principal Employers in the Los Angeles County [1]
FY 2023 and FY 2014
(Unaudited)

	2023			2014		
Employer	**Number of Employees**	**Rank**	**Percentage of Total County Employment**	**Number of Employees**	**Rank**	**Percentage of Total County Employment**
Kaiser Permanente	44,769	1	0.9 %	35,991	1	0.7 %
University of Southern California	23,227	2	0.5	14,722	5	0.3
Northrop Grumman Corp.	18,000	3	0.4	17,000	2	0.3
Cedars-Sinai Medical Center	16,730	4	0.3	10,243	10	0.2
Allied Universal	15,326	5	0.3	—	—	—
Target Corp.	15,000	6	0.3	15,000	3	0.3
Providence Health & Services Southern California	14,395	7	0.3	15,000	4	0.3
Ralphs/Food 4 Less (Kroger Co. Division)	14,000	8	0.3	13,500	7	0.3
Walt Disney Co.	12,200	9	0.2	—	—	—
Boeing	12,005	10	0.2	10,500	9	0.2
Bank of America Corp.	—	—	—	13,500	6	0.3
Home Depot	—	—	—	10,600	8	0.2
All Others	4,799,148	—	96.3	4,826,344	—	96.9
Total [2]	4,984,800		100.0 %	4,982,400		100.0 %

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

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

Other Report

MOSSADAMS

Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The Members of the Board of Harbor Commissioners
Port of Los Angeles
City of Los Angeles, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Port of Los Angeles (Harbor Department of the City of Los Angeles, California) (the "Port"), an Enterprise Fund of the City of Los Angeles (the "City"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, and have issued our report thereon dated December 15, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Port's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Port's internal control. Accordingly, we do not express an opinion on the effectiveness of the Port's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Port's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Moss Adams LLP

El Segundo, California
December 15, 2023

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APPENDIX B

CERTAIN INFORMATION REGARDING THE CITY OF LOS ANGELES

The following information has been provided to the Department by the City of Los Angeles. Capitalized terms not defined in this Appendix will have the meanings given to them in the Official Statement.

INTRODUCTION

The City of Los Angeles (the "City") is the second most populous city in the United States, with an estimated 2023 population of 3.8 million. Los Angeles is the principal city of a metropolitan region stretching from the City of Ventura to the north, the City of San Clemente to the south, the City of San Bernardino to the east, and the Pacific Ocean to the west.

Founded in 1781, Los Angeles was for its first century a provincial outpost under successive Spanish, Mexican and American rule. Incorporated in 1850 under the provisions of a Charter, the City experienced a population boom following its linkage by rail with San Francisco in 1876. Los Angeles was selected as the Southern California rail terminus because its natural harbor seemed to offer little challenge to San Francisco, home of the railroad barons. But what the region lacked in commerce and industry, it made up in temperate climate and available real estate, and soon tens and then hundreds of thousands of people living in the Northeastern and Midwestern United States migrated to new homes in the region. Agricultural and oil production, followed by the creation of a deep-water port, the opening of the Panama Canal, and the completion of the City-financed Owens Valley Aqueduct to provide additional water, all contributed to an expanding economic base. The City's population climbed to 50,000 persons in 1890, and had swelled to 1.5 million persons by 1940. During this same period, the automobile became the principal mode of American transportation, and the City developed as the first major city of the automotive age. Following World War II, the City became the focus of a new wave of migration, with its population reaching 2.4 million persons by 1960. By 2023, the population had grown to 3.8 million, and the City experienced further growth in its demographic and economic diversity.

The City's 470 square miles contain 11.5 percent of the area of the County of Los Angeles, California (the "County") and approximately 39 percent of the population of the County. Tourism and hospitality, professional and business services, direct international trade, entertainment (including motion picture, television and digital media production), and wholesale trade and logistics all contribute significantly to local employment. Emerging industries are largely technology driven, and include biomedical technology, digital information technology, environmental technology and aerospace. There were more than 319,000 manufacturing jobs in the County in 2023. Important manufacturing components of local industry include apparel, computer and electronic components, transportation equipment, fabricated metal, and food processing. Fueled by trade with the Pacific Rim countries, the Ports of Los Angeles and Long Beach combined are the busiest container ports in the nation. As home to the film, television and recording industries, as well as important cultural facilities, the City serves as a principal global cultural center.

SELECTED ECONOMIC AND DEMOGRAPHIC INFORMATION

The economic and demographic information below is provided as general background. Although it has been collected from sources that the City considers to be reliable, the City has made no independent verification of the information provided by non-City sources and the City takes no responsibility for the completeness or accuracy thereof. The current state of the economy of the City, State of California and the

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

Population

The table below summarizes historic City, County, and State population estimates since 2000.

Table B-1
CITY, COUNTY AND STATE POPULATION STATISTICS

Year(1)	City of Los Angeles	Percentage Change(2)	County of Los Angeles	Percentage Change(2)	State of California	Percentage Change(2)
2000	3,694,742	–	9,519,330	–	33,873,086	–
2005	3,769,131	2.01%	9,816,153	3.12%	35,869,173	5.89%
2010	3,792,621	0.62	9,818,605	0.02	37,253,956	3.86
2015	3,938,939	3.86	10,124,800	3.12	38,865,532	4.33
2020	3,898,536	(1.03)	10,014,009	(1.09)	39,538,223	1.73
2021	3,871,886	(0.68)	9,955,445	(0.58)	39,327,868	(0.53)
2022	3,822,940	(1.26)	9,861,493	(0.94)	39,114,785	(0.54)
2023	3,804,420	(0.48)	9,819,312	(0.43)	39,061,058	(0.14)
2024	3,814,318	0.26	9,824,091	0.05	39,128,162	0.17

(1) As of April 1 for 2000, 2010 and 2020 based on the Census benchmarks for such years. Estimated as of January 1 for other years.
(2) For five-year time periods, figures represent cumulative change over such five year period.
Source: State of California, Department of Finance, E-4 Population Estimates for Cities, Counties and the State, 2001-2010, with 2000 and 2010 Census Counts, Sacramento, California, November 2012 for years 2000 and 2005; State of California, Department of Finance, E-4 Population Estimates for Cities, Counties, and the State, 2011-2020, with 2010 Census Benchmark. Sacramento, California, May 2, 2022 for years 2010 and 2015; State of California, Department of Finance, E-4 Population Estimates for Cities, Counties, and the State, 2021-2023, with 2020 Census Benchmark. Sacramento, California, May 2024 for years 2020 through 2024.

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Industry And Employment

The following table summarizes the average number of employed and unemployed residents of the City and the County, based on the annual "benchmark," an annual revision process in which monthly labor force and payroll employment data, which are based on estimates, are updated based on detailed tax records. The "benchmark" data is typically released in March for the prior calendar year.

Table B-2
ESTIMATED AVERAGE ANNUAL EMPLOYMENT AND UNEMPLOYMENT OF RESIDENT LABOR FORCE[1]

	2019	2020	2021	2022	2023
Civilian Labor Force					
City of Los Angeles					
Employed	2,007,000	1,787,300	1,868,300	1,947,300	1,957,000
Unemployed	94,500	251,500	181,900	102,600	108,500
Total	2,101,400	2,038,800	2,050,200	2,049,900	2,065,500
County of Los Angeles					
Employed	4,920,800	4,350,500	4,547,600	4,739,900	4,763,600
Unemployed	230,700	609,800	445,900	244,900	252,000
Total	5,151,500	4,960,300	4,993,500	4,984,800	5,015,600
Unemployment Rates					
City	4.5%	12.3%	8.9%	5.0%	5.3%
County	4.5	12.3	8.9	4.9	5.0
State	4.1	10.1	7.3	4.2	4.8
United States	3.7	8.1	5.3	3.6	3.6

(1) March 2023 Benchmark report as of July 2024, not seasonally adjusted.
Note: Based on surveys distributed to households; not directly comparable to Industry Employment data reported in the table below.
Sources: California Employment Development Department, Labor Market Information Division for the State and County; U.S. Bureau of Labor, Department of Labor Statistics for the U.S.

The COVID-19 pandemic caused an unprecedented loss of jobs and an increase in unemployment. Unemployment for the City for April 2020 was 20.7 percent, increased from 5.5 percent in March (not seasonally adjusted). The previous high in unemployment was 12.3 percent at the height of the Great Recession in 2010. The California Employment Development Department has reported preliminary unemployment figures for April 2024 of 4.8 percent statewide, 4.5 percent for the County, and 4.6 percent for the City (not seasonally adjusted).

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The following table summarizes the California Employment Development Department's estimated annual employment for the County as of March 2023, which includes full-time and part-time workers who receive wages, salaries, commissions, tips, payment-in-kind, or piece rates. Separate figures for the City are not maintained. Percentages indicate the percentage of the total employment for each type of employment for the given year. For purposes of comparison, the most recent employment data for the State is also summarized.

Table B-3
LOS ANGELES COUNTY
ESTIMATED INDUSTRY EMPLOYMENT AND LABOR FORCE[1]

	County of Los Angeles 2023	% of Total	State of California 2023	% of Total
Agricultural	4,700	0.1%	406,700	2.2%
Mining and Logging	1,700	0.0	19,600	0.1
Construction	151,000	3.3	913,500	5.0
Manufacturing	319,200	7.0	1,334,200	7.3
Trade, Transportation and Utilities	826,400	18.2	3,107,100	17.0
Information	193,000	4.2	559,000	3.1
Financial Activities	211,000	4.6	814,300	4.5
Professional and Business Services	652,500	14.3	2,775,400	15.2
Educational and Health Services	914,500	20.1	3,100,000	17.0
Leisure and Hospitality	534,100	11.7	2,010,600	11.0
Other Services	157,800	3.5	587,900	3.2
Government	582,300	12.8	2,603,700	14.3
Total	**4,548,200**	**100.0**%	**18,232,000**	**100.0**%

(1) The California Employment Development Department has converted employer records from the Standard Industrial Classification coding system to the North American Industry Classification System.

Note: Based on surveys distributed to employers; not directly comparable to Civilian Labor Force data reported in Table 55.

Source: California Employment Development Department, Labor Market Information Division. Based on March 2023 Benchmark report as of June 11, 2024.

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Major Employers

The estimated top 25 major non-governmental employers in the County in 2023 are listed in the table below. Separate estimates for the City are not available. Based on these estimates, the top 25 major non-governmental employers represented 6.9 percent of the labor force.

Table B-4
LOS ANGELES COUNTY
2023 MAJOR NON-GOVERNMENTAL EMPLOYERS

Employer	Product/Service	Employees
Kaiser Permanente	Nonprofit health care plan	44,769
University of Southern California	Private university	23,227
Northrop Grumman Corp.	Systems and products in aerospace and information systems	18,000[(1)]
Cedars-Sinai	Health system	16,730
Allied Universal	Security professionals	15,326[(1)]
Target Corp.	Retailer	15,000
Providence	Health care	14,395[(1)]
Ralphs/Food 4 Less – Kroger Co.	Grocery retailer	14,000[(1)]
Walt Disney Co.	Media and entertainment	12,200[(1)]
Boeing Co.	Aerospace and defense, commercial jetliners, space and security systems	12,005[(1)]
UPS	Logistics, transportation and freight	11,643[(1)]
Home Depot	Home improvement specialty retailer	11,200[(1)]
NBCUniversal	Media and entertainment	11,000[(1)]
Amazon	Online retailer	10,500[(1)]
AT&T	Telecommunications, DirecTV, cable, satellite and television provider	10,500[(1)]
Albertsons Cos.	Grocery retailer	10,406[(1)]
California Institute of Technology	Private university, operator of Jet Propulsion Laboratory	9,224
Edison International	Electric utility, energy services	7,672[(1)]
City of Hope	Treatment and research center for cancer, diabetes and other life-threatening diseases	7,535
ABM Industries Inc.	Facility services, energy solutions, commercial cleaning, maintenance and repair	7,400[(1)]
FedEx Corp.	Shipping and logistics	6,750[(1)]
Children’s Hospital Los Angeles	Hospital	6,644[(1)]
Dignity Health	Health care	6,263[(1)]
Costco Wholesale	Membership chain of warehouse stores	6,002[(1)]
Space Exploration Technologies Corp.	Rockets and spacecraft	6,000[(1)]

(1) Business Journal estimate.
Source: Los Angeles Business Journal, Weekly Lists, published August 23, 2023.

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The estimated top 25 major governmental employers in the County in 2023 are listed in the table below. Separate estimates for the City are not available. Based on these estimates, the top 25 major governmental employers represented 9.7 percent of the labor force.

Table B-5
LOS ANGELES COUNTY
2023 LARGEST PUBLIC SECTOR EMPLOYERS

Employers	Employees
Los Angeles County	100,729(1)
Los Angeles Unified School District	74,000
University of California, Los Angeles	51,597
Federal Executive Board(2)	50,000
City of Los Angeles(3)	34,421
State of California(4)	32,300
Long Beach Unified School District	12,000(1)
Los Angeles County Metropolitan Transportation Authority	11,700(1)
Los Angeles Community College District	11,618(1)
Los Angeles Department of Water and Power	11,000(1)
California State University – Long Beach	8,477(1)
City of Long Beach	5,395
Mt. San Antonio Community College District	4,400(1)
California State University – Northridge	4,276
Glendale Unified School District	4,000
Los Angeles World Airports	3,662
Cal Poly Pomona	3,094
Compton Unified School District	3,071(1)
Montebello Unified School District	2,885(1)
Pomona Unified School District	2,800(1)
California State University – Los Angeles	2,621
City of Pasadena	2,314(1)
Santa Monica Community College District	2,023(1)
City of Santa Monica	1,979(1)
City of Glendale	1,774

(1) Business Journal estimate.
(2) Excludes law enforcement and judiciary employees.
(3) Excludes proprietary departments (LADWP, LAWA, Port of LA).
(4) Excludes education employees.
Source: Los Angeles Business Journal, Weekly Lists, published August 23, 2023.

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Personal Income

The U.S. Census Bureau defines personal income as the income received by all persons from all sources, and is the sum of "net earnings," rental income, dividend income, interest income, and transfer receipts. "Net earnings" is defined as wages and salaries, supplements to wages and salaries, and proprietors' income, less contributions for government social insurance, before deduction of personal income and other taxes.

The following table summarizes the latest available estimate of personal income for the County, State and United States; equivalent data is not available for the City.

Table B-6
COUNTY, STATE AND U.S.
PERSONAL INCOME

Year and Area	Personal Income (thousands of dollars)	Per Capita Personal Income[1] (dollars)
2018		
County[2]	$ 595,765,931	$59,004
State[3]	2,411,055,136	60,984
United States[3]	17,514,402,000	53,309
2019		
County[2]	$ 628,932,215	$62,573
State[3]	2,537,950,599	64,174
United States[3]	18,343,601,000	55,547
2020		
County[2]	$ 673,306,158	$67,383
State[3]	2,767,521,379	70,061
United States[3]	19,609,985,000	59,153
2021		
County[2]	$ 720,046,822	$73,385
State[3]	3,013,676,900	76,991
United States[3]	21,392,812,000	64,430
2022		
County[2]	$ 720,740,528	$74,142
State[3]	3,006,647,281	77,036
United States[3]	21,820,248,000	65,470
2023		
County[5]	n/a	n/a
State[3]	$ 3,133,678,900	$80,423
United States[4]	22,952,028,300	68,531

(1) Per capita personal income is total personal income divided by total midyear population.
(2) Last updated: November 16, 2023 – new statistics for 2022; revised statistics for 2018 – 2021.
(3) Last updated: May 23, 2024 – new statistics for 2023; revised statistics for 2018 – 2022.
(4) Last updated: May 23, 2024 – new statistics for 2023; revised statistics for 2018 – 2022.
(5) County information for 2023 not yet available.

Source: U.S. Bureau of Economic Analysis, "Table SAINC1: Personal Income Summary" for information for the State and the United States and "Table CAINC1: Personal Income Summary" for information for the County (accessed May 31, 2024).

Retail Sales

As the largest city in the County, the City accounted for $55.7 billion (or approximately 26.9 percent) of the total $207.4 billion in County taxable sales for 2023. The following table sets forth a history of taxable sales for the City for calendar years 2019 through 2023.

Table B-7
CITY OF LOS ANGELES
TAXABLE SALES
(in thousands)

	2019	2020	2021	2022	2023
Motor Vehicle and Parts Dealers	$4,920,618	$4,585,480	$5,927,499	$6,558,134	$6,094,730
Home Furnishings and Appliance Stores	1,879,295	1,523,470	2,025,904	1,974,419	1,735,366
Bldg. Materials and Garden Equip. and Supplies	2,633,786	2,774,916	3,040,639	3,207,718	3,129,813
Food and Beverage Stores	3,003,306	3,045,666	3,154,313	3,357,996	3,312,332
Gasoline Stations	4,634,896	2,903,295	4,469,765	5,873,754	5,156,169
Clothing and Clothing Accessories Stores	3,392,114	2,302,122	3,632,876	3,714,074	3,510,608
General Merchandise Stores	2,908,563	2,494,747	3,037,363	3,297,351	3,269,278
Food Services and Drinking Places	10,214,928	6,320,584	8,881,294	10,921,768	11,360,174
Other Retail Group	4,686,277	4,462,925	5,286,747	5,282,976	4,940,808
Subtotal Retail and Food Services	38,273,783	30,413,205	39,456,400	44,188,190	42,509,281
All Other Outlets	11,900,668	9,241,031	11,296,267	14,218,524	13,178,287
TOTAL ALL OUTLETS	**$50,174,451**	**$39,654,237**	**$50,752,667**	**$58,406,714**	**$55,687,568**
Year-over-year change	1.4%	(21.0%)	28.0%	15.1%	(4.7%)

Source: California Department of Tax and Fee Administration, Research and Statistics (last updated April 12, 2024).

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Land Use

The following table, derived from data maintained by the Los Angeles County Assessor, indicates various land uses within the City based on assessed valuation and the number of parcels.

Table B-8
CITY OF LOS ANGELES
ASSESSED VALUATION AND PARCELS BY LAND USE

	2023-24 Assessed Valuation[1]	% of Total	No. of Parcels	% of Total
Non-Residential				
Commercial Office	$123,594,027,700	15.57%	26,523	3.36%
Vacant Commercial	2,548,137,269	0.32	1,342	0.17
Industrial	59,295,429,779	7.47	17,784	2.26
Vacant Industrial	2,108,370,020	0.27	4,229	0.54
Recreational	2,956,403,429	0.37	779	0.10
Government/Social/Institutional	4,323,927,005	0.54	3,599	0.46
Miscellaneous	412,868,651	0.05	1,872	0.24
Subtotal Non-Residential	$195,239,163,853	24.60%	56,128	7.12%
Residential				
Single Family Residence	$406,072,545,247	51.16%	508,959	64.54%
Condominium/Townhouse	52,218,443,518	6.58	90,640	11.49
Mobile Homes and Lots	183,955,801	0.02	3,492	0.44
Mobile Home Park	265,659,820	0.03	93	0.01
2-4 Residential Units	40,999,689,306	5.17	75,013	9.51
5+ Residential Units/Apartments	95,306,649,303	12.01	35,601	4.51
Vacant Residential	3,512,123,137	0.46	18,620	2.36
Subtotal Residential	$598,559,066,132	75.40%	732,418	92.88%
Total	**$793,798,229,985**	**100.00%**	**788,546**	**100.00%**

(1) Local Secured Assessed Valuation, excluding tax-exempt property.
Source: California Municipal Statistics, Inc.

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Residential Value and Construction Activity

The following table indicates the array of assessed valuation for single-family residential properties in the City.

Table B-9
CITY OF LOS ANGELES
PER PARCEL ASSESSED VALUATION OF SINGLE-FAMILY RESIDENTIAL PROPERTIES

	No. of Parcels	2023-24 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
Single Family Residential Properties	508,959	$406,072,545,247	$797,849	$447,189

2023-24 Assessed Valuation	No. of Residential Parcels [1]	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
$0 - $49,999	6,115	1.201%	1.201%	$ 212,380,065	0.052%	0.052%
$50,000 - $99,999	13,986	2.748	3.949	1,056,068,874	0.260	0.312
$100,000 - $149,999	16,365	3.215	7.165	2,048,767,080	0.505	0.817
$150,000 - $199,999	25,083	4.928	12.093	4,422,383,730	1.089	1.906
$200,000 - $249,999	32,991	6.482	18.575	7,433,961,003	1.831	3.737
$250,000 - $299,999	41,330	8.120	26.696	11,339,794,760	2.793	6.529
$300,000 - $349,999	47,539	9.340	36.036	15,432,252,797	3.800	10.330
$350,000 - $399,999	48,812	9.591	45.627	18,290,393,332	4.504	14.834
$400,000 - $449,999	27,734	5.449	51.076	11,777,021,228	2.900	17.734
$450,000 - $499,999	30,245	5.943	57.018	14,362,715,355	3.537	21.271
$500,000 - $549,999	29,979	5.890	62.909	15,732,769,347	3.874	25.145
$550,000 - $599,999	28,002	5.502	68.410	16,085,636,892	3.961	29.107
$600,000 - $649,999	20,311	3.991	72.401	12,683,143,017	3.123	32.230
$650,000 - $699,999	15,882	3.120	75.522	10,712,043,714	2.638	34.868
$700,000 - $749,999	14,829	2.914	78.435	10,744,693,017	2.646	37.514
$750,000 - $799,999	12,606	2.477	80.912	9,757,321,332	2.403	39.917
$800,000 - $849,999	10,444	2.052	82.964	8,609,312,964	2.120	42.037
$850,000 - $899,999	10,213	2.007	84.971	8,931,339,991	2.199	44.236
$900,000 - $949,999	9,494	1.865	86.836	8,777,953,026	2.162	46.398
$950,000 - $999,999	8,063	1.584	88.420	7,858,627,139	1.935	48.333
$1,000,000-and greater	58,936	11.580	100.000	209,803,966,584	51.667	100.000
	508,959	100.000%		$ 406,072,545,247	100.000%	

(1) Improved single-family residential parcels. Excludes condominiums and parcels with multiple family units.
Source: California Municipal Statistics, Inc.

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

Table B-10
CITY OF LOS ANGELES
RESIDENTIAL BUILDING PERMIT VALUATIONS AND NEW UNITS

	2019	***2020***	***2021***	***2022***	***2023***
Valuation[(1)]	$8,520	$6,285	$6,091	$7,968	$5,306
Residential[(2)]	3,437	2,930	2,743	3,690	2,520
Non-Residential[(3)]	1,091	1,187	871	1,196	1,256
Miscellaneous Residential[(4)]	173	129	232	365	380
Miscellaneous Non-Residential[(5)]	146	46	18	2	388
Number of Residential Units:					
Single family[(6)]	3,739	2,685	3,122	4,430	3,918
Multi-family[(7)]	10,693	9,171	10,898	12,324	9,271
Subtotal Residential Units	14,432	11,856	14,020	16,754	13,189
Number of Non-Residential Units[(8)]	1	0	512	504	81
Miscellaneous Residential Units[(9)]	5,014	3,017	4,664	6,320	6,272
Miscellaneous Non-Residential Units[(10)]	475	257	480	46	164
Total Units	**19,922**	**15,130**	**19,676**	**23,624**	**19,706**

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

Source: City of Los Angeles, Department of Building and Safety.

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Education

The Los Angeles Unified School District ("LAUSD"), a separate government agency and one of the largest employers in the City, administers public instruction for kindergarten through 12th grade ("K-12"), adult, and occupational schools in the City and all or significant portions of a number of smaller neighboring cities and unincorporated areas. The LAUSD, which now encompasses approximately 710 square miles (making it significantly larger than the City at 470 square miles), was formed in 1854 as the Common Schools for the City of Los Angeles and became a unified school district in 1960. The LAUSD is governed by a seven-member Board of Education, elected by the district to serve alternating four-year terms. There are also a number of charter and private K-12 schools located in the City.

There are many public and private colleges and universities located in the City. Major colleges and universities located within the City include the University of California at Los Angeles, the University of Southern California, California State University at Los Angeles, California State University at Northridge, Occidental College and Loyola Marymount University. There are seven community colleges located within the City operated by the Los Angeles Community College District.

GENERAL INFORMATION REGARDING MUNICIPAL GOVERNMENT

The City is a charter city; under the State Constitution, charter cities such as the City are generally independent of the State Legislature in matters relating to municipal affairs. Charter cities, however, are subject to State Constitutional restrictions. The most recent Charter was adopted in 1999, became effective July 1, 2000, and has been amended a number of times by voter approval.

The City is governed by the Mayor and the Council. The Mayor is elected at-large for a four-year term. As executive officer of the City, the Mayor has the overall responsibility for administration of the City. The Mayor recommends and submits the annual budget to the Council and passes upon subsequent appropriations and transfers, approves or vetoes ordinances, and appoints certain City officials and commissioners. The Mayor supervises the administrative process of local government and works with the Council in matters relating to legislation, budget, and finance. The Mayor operates an executive department, of which the Mayor is the ex-officio head. The current Mayor, Karen Bass, was elected to the office at the November 8, 2022 general election and assumed office on December 12, 2022.

The Council, the legislative body of the City, is a full-time council. The Council enacts ordinances subject to the approval of the Mayor and may override the veto of the Mayor by a two-thirds vote. The Council orders elections, levies taxes, approves utility rates, authorizes public improvements, approves contracts, adopts zoning and other land use controls, and adopts traffic regulations. The Council adopts or modifies the budget proposed by the Mayor. The Council consists of 15 members elected by district for staggered four-year terms.

The other two elective offices of the City are the Controller and the City Attorney, both elected for four-year terms. The Controller is the chief accounting officer for the City. The current Controller, Kenneth Mejia, assumed office on December 12, 2022.

The City Attorney is the attorney and legal advisor to the City and to all City boards, departments, officers, and entities, and prosecutes misdemeanors and violations of the Charter and City ordinances. The current City Attorney, Hydee Feldstein Soto, assumed office on December 12, 2022.

All citywide elected officials are subject to term limits of two four-year terms, while Council members are subject to term limits of three four-year term.

The City Administrative Officer ("CAO") is the chief fiscal advisor to the Mayor and Council and reports directly to both. The CAO is appointed by the Mayor, subject to Council confirmation.

The Office of Finance ("Finance") serves as the custodian of all funds deposited in the City Treasury and all securities purchased by the City. Finance actively manages the investment of the City's general and special pool investment portfolios and cash programs.

The City has 41 departments and bureaus for which operating funds are annually budgeted by the Council. Two additional departments, the Los Angeles City Employees' Retirement System ("LACERS") and the Los Angeles Fire and Police Pension Plan ("LAFPP"), are under the control of boards whose memberships consist of mayoral appointees and representatives elected by system members. In addition, three departments (the Department of Water and Power ("DWP"), the Harbor Department, and the Department of Airports) and one State-chartered public agency (the Housing Authority of the City) are under the control of boards appointed by the Mayor and confirmed by the Council.

The City provides a full range of governmental services, which include police, fire and paramedics; residential refuse collection and disposal, wastewater collection and treatment, street maintenance, traffic management, storm water pollution abatement, and other public works functions; enforcement of ordinances and statutes relating to building safety; public libraries, recreation and parks and cultural events; community development, housing and aging services; and planning. The City also operates and maintains the water and power utilities, harbor and airport, all served by proprietary departments within the City.

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

General

The City has three single-employer defined-benefit pension plans created by the Charter: the Los Angeles City Employees' Retirement System ("LACERS"), the City of Los Angeles Fire and Police Pension Plan ("LAFPP") and, for employees of DWP, the Water and Power Employees' Retirement, Disability and Death Benefit Insurance Plan (the "Water and Power Plan"). Both LACERS and LAFPP (collectively, the "Pension Systems") are funded primarily from the City's General Fund, while the Water and Power Plan is funded by that department's proprietary revenues.

The Pension Systems provide retirement, disability, death benefits, post-employment healthcare and annual cost-of-living adjustments to plan members and beneficiaries. Both Pension Systems are funded pursuant to the Entry Age Cost Method, which is designed to produce stable employer contributions in amounts that increase at the same rate as the employer's payroll (i.e., level percent of payroll). Retired members and surviving spouses and domestic partners of LACERS and LAFPP members are eligible for certain subsidies toward their costs of medical and other benefits. These benefits are paid by the respective retirement system. These retiree health benefits are accounted for as "Other Post-Employment Benefits" ("OPEB"). The City began making payments to its Pension Systems to pre-fund OPEB obligations in the late 1980s. The calculations of OPEB funding requirements are made by the same actuaries that perform the analysis of the Pension Systems' retirement benefits, and generally rely on the same actuarial assumptions, other than those assumptions such as medical cost inflation specific to OPEB.

The actuarial valuations for both Pension Systems are prepared on an annual basis and the applicable actuary recommends contribution rates for the fiscal year beginning after the completion of that actuarial valuation. The Pension Systems' annual valuations determine the contribution rate, as a percentage of covered payroll, needed to fund the normal retirement costs accrued for current employment and to amortize any unfunded actuarial accrued liability ("UAAL"). The UAAL represents the difference between the present value of estimated future benefits accrued as of the valuation date and the actuarial value of assets currently available to pay these liabilities. The valuation for each plan is an estimate based on relevant economic and demographic assumptions, with the goal of determining the contributions necessary to sufficiently fund over time the benefits for currently active, vested former and retired employees and their beneficiaries.

Various actuarial assumptions are used in the valuation process, including the assumed rate of earnings on the assets of the plan in the future, the assumed rates of general inflation, salary increases, inflation in health care costs, assumed rates of disability, the assumed retirement ages of active employees, the assumed marital status at retirement, and the post-employment life expectancies of retirees and beneficiaries. As plan experience differs from adopted assumptions, the actual liabilities will be more or less than the liabilities calculated based on these assumptions. The contribution rates in the following year's valuations are adjusted to take into account actual plan experience in the current and prior years.

Each plan also generally performs an experience study every three years, comparing the plan's actual experience to the demographic assumptions previously adopted by its board. Based on the plan's experience, the board may adopt the actuary's recommendations to adjust various assumptions such as retirement rates, mortality, termination rates, and disability incidence rates in calculating its liabilities. Additionally, the experience study will review each plan's economic assumptions and the actuary may recommend adjustments based on future expectations for items such as general inflation, participant salary increases, and the plan's future expected rate of investment return. These economic assumptions are also adopted by each plan's board.

The valuations incorporate a variety of actuarial methods, some of which are designed to reduce the volatility of contributions from year to year. When measuring the value of assets for determining the UAAL, many pension plans, including the Pension Systems, "smooth" market value gains and losses over a period of years to reduce contribution volatility. These smoothing methodologies may result in an actuarial value of assets that is lower or higher than the market value of assets at a given point in time.

The Actuarial Standards Board, the organization that sets standards for appropriate actuarial practice in the United States through the development and promulgation of Actuarial Standards of Practice, approved the new Actuarial Standard of Practice No. 51 ("ASOP 51"), *Assessment and Disclosure of Risk Associated with Measuring Pension Obligations and Determining Pension Plan Contributions*, effective as of the June 30, 2019 actuarial valuations. ASOP 51 requires actuaries to identify and assess risks that "may reasonably be anticipated to significantly affect the plan's future financial condition" (referred to as a "Risk Report").

Examples of key risks that are particularly relevant to the Pension Systems are investment risk and longevity and other demographic risks. Among other things, the reports consider the cost to the City of alternative earning scenarios from variances in investment experience in past valuations, the Pension Systems' actuary has examined the risk associated with earning either higher or lower than the assumed investment rate in future valuations.

ASOP 51 also requires an actuary to consider if there is any ongoing contribution risk to the plan by evaluating the potential for and impact of actual contributions deviating from expected contributions in the future. The Risk Reports for both Pension Systems noted that the City has a well-established practice of making the Actuarially Determined Contribution. As a result, in practice both Pension Systems have been found to have essentially no contribution risk.

In the Risk Reports, the actuary noted that each Pension System had strengthened their respective actuarial assumptions over time in part by lowering the expected investment rate of return, utilizing generational mortality assumptions, and adopting a funding policy that controls future negative amortization. These changes may result in higher contributions in the short term, but in the medium to longer term avoid both deferring contributions and allowing unmanaged growth in the UAAL.

The Risk Reports also note that both of the Pension Systems have become more mature as evidenced by an increase in the ratio of members in pay status (retirees and beneficiaries) to active members employed by the City and by an increase in the ratios of plan assets and liabilities to active member payroll. The actuary expects these trends to continue going forward. Any increase in UAAL due to unfavorable investment and non-investment experience for the relatively larger group of non-active members would have to be amortized and funded over the payroll of the relatively smaller group of only active members; as a plan grows more mature, its contribution rate becomes more sensitive to investment volatility and liability changes.

In addition, in December 2021 the Actuarial Standards Board finalized and adopted changes to Actuarial Standard of Practice No. 4, *Measuring Pension Obligations and Determining Pension Plan Costs or Contributions* ("ASOP 4"). ASOP 4 adds significant disclosure requirements for all actuarial valuations issued on or after February 15, 2023, including a requirement to calculate and disclose a new market-based liability measurement called the Low-Default-Risk Obligation Measure ("LDROM"). Under the revised ASOP, the LDROM may be determined in a manner similar to the Actuarial Accrued Liability ("AAL") that is commonly used in public sector plan funding, but with a key difference: instead of basing the discount rate on the plan's expected rate of return (as is done in determining the AAL), the LDROM must use discount rates derived from "low-default-risk fixed income securities." Examples of these rates include U.S. Treasury yields and yields on high-rated corporate or tax-exempt general obligation municipal bonds. Public pension plans, including LACERS and LAFPP, typically invest in a diversified portfolio including stocks, bonds, real estate, and private equity, and funding calculations are based on the expected return of that portfolio. The new disclosure requirement, which is incorporated with LACERS' and LAFPP's June 30, 2023 valuations, does not change this approach for funding the plans but provides additional information on what the liability measurement would be if the plans were to adopt an all-bond investment strategy.

Each of the Pension Systems has adopted its own asset allocation plan to guide their respective investments in stocks, bonds, real estate, alternatives, and cash equivalents. Each plan reviews its asset allocation plan periodically and any adjustments are approved by the respective boards.

The City has never issued pension obligation bonds to fund either of its Pension Systems but may consider it in the future. The City typically pays all of its annual contributions to its Pension Systems in July at a discount, out of the proceeds of its annual issuance of tax and revenue anticipation notes.

This section, "SELECTED INFORMATION REGARDING THE CITY'S RETIREMENT AND PENSION SYSTEMS AND OTHER POST EMPLOYMENT BENEFITS," is primarily derived from information produced by LACERS and LAFPP and their independent actuaries. The City has not independently verified the information provided by LACERS and LAFPP. The comprehensive annual financial reports of the individual Pension Systems, actuarial valuations for retirement and health benefits, and other information concerning LACERS and LAFPP are available on their websites, at www.lacers.org/financial-reports-and-statistics and www.lafpp.com/financial-reports, respectively. Information set forth on such websites is not incorporated by reference herein. For additional information regarding the Pension Systems, see also Note 5 in the "Notes to the Basic Financial Statements" in the City's ACFR for the Fiscal Year Ended June 30, 2023.

Investors are cautioned that, in considering information on the Pension Systems, including the amount of the UAAL for retirement and other benefits, the funded ratio, the calculations of normal cost, and the resulting amounts of required contributions by the City, this is "forward-looking" information.

Such "forward-looking" information reflects the judgment of the boards of the respective Pension Systems and their respective actuaries as to the value of future benefits over the lives of the currently active employees, vested terminated employees, and existing retired employees and beneficiaries. These judgments are based upon a variety of assumptions, one or more of which may prove to be inaccurate and/or be changed in the future.

Los Angeles City Employees' Retirement System ("LACERS")

LACERS, established in 1937 under the Charter, is a contributory plan covering civilian employees other than employees of DWP and those Airport Peace Officers not participating in LAFPP. As of June 30, 2023, the date of its most recent actuarial valuation, LACERS had 25,875 active members, 22,510 retired members and beneficiaries, and 11,148 inactive members (members with a vested right to a deferred or immediate benefit or entitled to a return of their member contributions).

Over the past several years, LACERS has adopted various changes to its actuarial assumptions, including reducing the assumed investment return from 7.75 percent to 7.50 percent in 2014, to 7.25 percent in 2017, and to 7.0 percent in 2020.

In June 2023, the LACERS Board considered a new experience study and adopted a number of changes to actuarial assumptions, including reducing the assumed inflation from 2.75 percent to 2.50 percent while maintaining the assumed rate of return at 7.00 percent. The City's actuarial consultant calculated the City pension contribution rate to increase by 0.26 percent of payroll as a result of these changes. The new assumptions were used in the June 30, 2023 actuarial valuations, which determine the City's contribution rate for Fiscal Year 2024-25.

LACERS amortizes components that contribute to its UAAL over various periods of time, depending on how the unfunded liability arose, layering separate fixed amortization periods. Under current funding policy, market losses and gains are recognized over a seven-year asset smoothing period, where only 1/7 of annual market gains or losses are recognized in the actuarial value of assets each year. The remaining gains or losses are spread equally over the next six years. Other factors that affect the calculation of unfunded liability, including early retirement incentives, plan amendments, changes in assumptions and other actuarial gains and losses will be amortized over terms that range from 5 to 30 years.

LACERS' Board uses a market value "corridor" of 40 percent. A corridor is used in conjunction with asset smoothing, in order to keep the actuarial value of assets within a certain percentage of the market value of assets. For example, if a system has a 40 percent corridor, the actuarial value of assets must be between 60 percent and 140 percent of the market value of assets. If the actuarial value falls below 60 percent or rises above 140 percent of market value, the system must recognize the excess returns or losses, respectively, in that year without smoothing.

In 2012, the Council adopted a new civilian retirement tier ("Tier 2"), which applied to all employees hired on or after July 1, 2013. Subsequently, as part of an agreement with the Coalition of LA City Unions, both the City and the Coalition agreed to transfer all Tier 2 employees into Tier 1 effective February 21, 2016. Any new employee hired into a position eligible for LACERS membership on or after February 21, 2016, unless eligible for Tier 1 membership under specific exemptions, is enrolled in a new "Tier 3." Based on the actuarial valuation as of June 30, 2023, approximately 62 percent of the system's active membership was Tier 1 members and 38 percent was comprised of Tier 3 members.

Table B-11
COMPARISON OF LACERS TIER 1 AND TIER 3 PLAN DESIGNS

Plan Feature	Tier 1[1]	Tier 3
Normal Retirement (Age / Years of Service)	55 / 30 60 / 10 70 / Any	60 / 30 60 / 10
Early Retirement (Reduced)	55 / 10 Under 55 / 30	Under 60 / 30
Benefit Factors	Normal Retirement 2.16% per year of service	Normal Retirement 1.5% @ 60 / 10 2.0% @ 60 / 30
	Early Retirement Reduced by 3% per year before age 55; and 1.5% per year from ages 55-59	Early Retirement Reduced by 10.5% at age 54, plus an additional 3% reduction for every year below the age of 54; unreduced from ages 55 to 59
Compensation Used to Determine Retirement Allowance	Highest consecutive 12 months, including pensionable bonuses	Highest consecutive 36 months, including pensionable bonuses
Maximum Benefit	100%	80%
Employee Contribution Base	6%	7%
Early Retirement Incentive Program (ERIP) Employee Contribution	1% until 2026 or when ERIP debt is paid, whichever is sooner	N/A
Other Post-Employment Benefits (OPEB), e.g., retiree healthcare Employee Contribution	4%	4%
Maximum Annual COLA	3%	2%
COLA Bank	Yes	No
Government Service Buyback	Member pays employee contributions	Member pays employee and employer contributions, except for limited military or maternity leave time. Service purchase may not cause member's service retirement allowance to exceed eighty percent of final compensation.

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

The table below shows the actuarial value of the City's liability for retirement benefits (excluding retiree health care and other post-employment benefits), the actuarial value of assets available for retirement benefits, and two indicators of funding progress for LACERS, the funded ratio and the ratio of UAAL to annual payroll.

Table B-12
LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF FUNDING PROGRESS FOR RETIREMENT BENEFITS
ACTUARIAL VALUE BASIS
(Dollars in thousands)[1]

Actuarial Valuation As of June 30	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	UAAL[2]	Funded Ratio[3]	Covered Payroll[4]	UAAL as a Percentage of Covered Payroll[5]
2014	$ 10,944,751	$ 16,248,853	$ 5,304,103	67.4%	$ 1,898,064	279.5%
2015	11,727,161	16,909,996	5,182,835	69.4	1,907,665	271.7
2016	12,439,250	17,424,996	4,985,746	71.4	1,968,703	253.3
2017	13,178,334	18,458,188	5,279,854	71.4	2,062,316	256.0
2018	13,982,435	19,944,579	5,962,144	70.1	2,177,687	273.8
2019	14,818,564	20,793,421	5,974,857	71.3	2,225,413	268.5
2020	15,630,103	22,527,195	6,897,093	69.4	2,445,017	282.1
2021	16,660,585	23,281,893	6,621,308	71.6	2,254,165	293.7
2022	17,649,268	24,078,751	6,429,484	73.3	2,258,725	284.7
2023	18,493,821	25,299,537	6,805,716	73.1	2,512,179	270.9

(1) Table includes funding for retirement benefits only. Other Post-Employment Benefits (OPEB) are not included.
(2) Actuarial Accrued Liability minus Actuarial Value of Assets, commonly referred to as UAAL. Positive numbers represent a funded ratio less than 100 percent.
(3) Actuarial Value of Assets divided by Actuarial Accrued Liability.
(4) Projected annual pensionable payroll for members of LACERS.
(5) UAAL divided by covered payroll.
Source: Los Angeles City Employees' Retirement System Actuarial Valuation reports.

For the Retirement Plan, the City's contribution rate generally increased between the June 30, 2014 and the June 30, 2023 valuations, from 24.1 percent to 30.9 percent, primarily due to the amortization of UAAL increases from unfavorable investment experience and changes in actuarial assumptions. The introduction of Tier 3 has helped to mitigate costs as new members have been enrolled in the lower cost benefit tier since February 21, 2016. Furthermore, an additional employee contribution (4 percent for all affected employees effective January 1, 2013) was implemented by the City for certain bargaining groups and for all non-represented employees. For the post-employment Health Plan, the non-investment experience (primarily lower than projected medical premiums and subsidies) has had the most impact on declining contribution rates, from 5.8 percent in 2014 to 3.4 percent in 2023.

Table B-13
LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF FUNDING PROGRESS FOR RETIREMENT BENEFITS
MARKET VALUE BASIS
($ in thousands)(1)

Actuarial Valuation As of June 30	Market Value Of Assets	Actuarial Accrued Liability (AAL)	Unfunded Liability(2)	Funded Ratio (Market Value)(3)	Covered Payroll(4)	Unfunded Liability As a Percentage of Covered Payroll (Market Value)(5)
2014	$11,791,079	$16,248,853	$4,457,774	72.6%	$1,898,064	234.9%
2015	11,920,570	16,909,996	4,989,426	70.5	1,907,665	261.5
2016	11,809,329	17,424,996	5,615,667	67.8	1,968,703	285.2
2017	13,180,516	18,458,188	5,277,672	71.4	2,062,316	255.9
2018	14,235,231	19,944,579	5,709,348	71.4	2,177,687	262.2
2019	14,815,593	20,793,421	5,977,828	71.3	2,225,413	268.6
2020	14,932,404	22,527,195	7,594,791	66.3	2,445,017	310.6
2021	18,918,136	23,281,893	4,363,757	81.3	2,254,165	193.6
2022	17,013,091	24,078,751	7,065,660	70.7	2,258,725	312.8
2023	17,953,293	25,299,537	7,346,244	71.0	2,512,179	292.4

(1) Table includes funding for retirement benefits only. Other Post-Employment Benefits (OPEB) are not included.
(2) Actuarial Accrued Liability minus Market Value of Assets. Positive numbers represent a funded ratio less than 100 percent.
(3) Market Value of Assets divided by Actuarial Accrued Liability.
(4) Projected annual pensionable payroll for members of LACERS.
(5) Unfunded liability divided by covered payroll.
Source: Calculated based on data from Los Angeles City Employees' Retirement System Actuarial Valuation reports.

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The table below shows the actuarial funding progress of LACERS' liability for post-employment healthcare benefits:

Table B-14
LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF FUNDING PROGRESS FOR OTHER POST-EMPLOYMENT BENEFITS
($ in thousands)

Actuarial Valuation As of June 30	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	UAAL[1]	Funded Ratio[2]	Covered Payroll[3]	UAAL As a Percentage of Covered Payroll[4]
2014	$1,941,225	$2,662,853	$721,628	72.9%	$1,898,064	38.0%
2015	2,108,925	2,646,989	538,065	79.7	1,907,665	28.2
2016	2,248,753	2,793,689	544,935	80.5	1,968,703	27.7
2017	2,438,458	3,005,806	567,348	81.1	2,062,316	27.5
2018	2,628,844	3,256,828	627,984	80.7	2,177,687	28.8
2019	2,812,662	3,334,299	521,637	84.4	2,225,413	23.4
2020	2,984,424	3,486,531	502,107	85.6	2,445,017	20.5
2021	3,330,377	3,520,078	189,701	94.6	2,254,165	8.4
2022	3,472,956	3,580,696	107,741	97.0	2,258,725	4.8
2023	3,646,978	3,405,089	(241,890)	107.1	2,512,179	(9.6)

(1) Actuarial Accrued Liability minus Actuarial Value of Assets, commonly referred to as UAAL. Positive numbers represent an actuarial deficit.
(2) Actuarial Value of Assets divided by Actuarial Accrued Liability.
(3) Projected annual pensionable payroll against which UAAL amortized.
(4) UAAL divided by Covered Payroll.
Source: The City of Los Angeles City Employees' Retirement System Actuarial Valuations.

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The table below summarizes the City's payments to LACERS over the past four years and payments included in the Fiscal Year 2024-25 Adopted Budget. This table includes costs for contributions for both pensions and retiree health care.

Table B-15
LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM
SOURCES AND USES OF CONTRIBUTIONS
($ in thousands)[1]

	2020-21	*2021-22*	*2022-23*	*2023-24*	*Adopted Budget 2024-25*
Sources of Contributions					
Contributions for Council-controlled Departments[2]	$532,833	$601,450	$636,523	$675,824	$ 706,034
Airport, Harbor Departments, LACERS, LAFPP	114,828	124,074	131,166	138,617	148,263
Total	**$647,661**	**$725,524**	**$767,689**	**$814,441**	**$ 854,297**
Percent of payroll – Tier 1	29.43%	32.81%	33.93%	34.07%	34.34%
Percent of payroll – Tier 3	27.45%	30.16%	31.35%	31.45%	31.06%
Uses of Contributions					
Current Service Liability (Normal cost)	$229,795	$265,096	$285,162	$298,345	$ 322,980
UAAL	462,604	492,955	556,287	596,007	612,849
Adjustments[3]	(44,738)	(32,527)	(73,760)	(79,911)	(81,532)
Total	**$647,661**	**$725,524**	**$767,689**	**$814,441**	**$ 854,297**

(1) Includes funding for OPEB.
(2) Includes employees funded by certain special funds in addition to the General Fund.
(3) Adjustments include a "true-up" reconciling projected payroll against actual payroll, the family death benefit plan, the limited term retirement plan, excess benefits, and the enhanced benefit for the Airport Peace Officers who remain in LACERS.

Source: City of Los Angeles, Office of the City Administrative Officer.

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The table below illustrates the City's projected contributions to LACERS for the next four fiscal years from Council-Controlled Departments (excluding the proprietary departments) based on projected rates from the City's consulting actuary applied against projected payroll by the CAO. These projected contributions illustrate the projected cost of both pension and OPEB. The CAO's projected payroll assumes that there will be no negotiated employee compensation increases after the expiration in December 2027 or December 2028 of current labor agreements.

Table B-16
LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM
PROJECTED CONTRIBUTIONS
($ in thousands)

	Adopted Budget 2024-25	Projection 2025-26	Projection 2026-27	Projection 2027-28	Projection 2028-29
Contributions for Council-controlled Departments[(1)(2)]	$ 706,034	$ 778,946	$ 846,443	$ 902,265	$ 916,278
Percentage of Payroll[(3)]	33.29%	31.66%	32.37%	32.50%	32.21%
Incremental Change	$ 30,230	$ 72,911	$ 67,498	$ 55,822	$ 14,013
% Change	4.47%	10.33%	8.67%	6.59%	1.55%

(1) Includes the General Fund and various special funds.
(2) Assumes 7 percent return on investment.
(3) Reflects combined rates for July 15 payment.
Source: City of Los Angeles, Office of the City Administrative Officer (CAO), based on information commissioned by the CAO.

In addition, the LACERS Board has recently requested that the City Council review and consider a discretionary cost-of-living adjustment of 2.85 percent for Tier 1 participants. The recommendation is pending consideration by the City Council and Mayor.

Fire and Police Pension Plan ("LAFPP")

The LAFPP, established in 1899 and incorporated into the Charter in 1923, represents contributory plans covering uniformed fire, police, and some Department of Harbor and Department of Airports police. As of June 30, 2023, the date of its most recent actuarial valuation, the LAFPP had 12,571 active members (including 117 in Harbor and 96 in Airports), 14,131 retired members and beneficiaries, and 776 vested former members.

Six tiers of benefits are provided, depending on the date of the member's hiring. No active members are in Tier 1, while Tier 2 had only 3 active members as of June 30, 2023, although both tiers have retired members and beneficiaries. Approximately 57 percent of active members are in Tier 5, and 39 percent are in Tier 6.

Amortization of UAAL may be calculated differently for different tiers. A Charter amendment adopted by City voters on March 8, 2011 provided the LAFPP Board with the authority to establish amortization and plan funding policies. Under the LAFPP Board's current actuarial funding policy, actuarial gains or losses for all tiers are amortized over 20 years; changes in actuarial assumptions and cost methods are amortized over 20 years; plan amendments are amortized over 15 years; and actuarial funding surpluses are amortized over 30 years.

Similar to LACERS, LAFPP has adopted various asset smoothing methods. Generally, market gains or losses are recognized over seven years, so that approximately 1/7 of market losses or gains are recognized each year in the actuarial valuation. LAFPP uses a 40 percent market corridor, so that the actuarial value of assets must be between 60 percent and 140 percent of the market value of assets. If the actuarial value falls below 60 percent or rises above 140 percent of market value, the system must recognize the excess returns or losses, respectively, in that year without smoothing.

Based on the advice of its actuary, the LAFPP Board reduced its assumed rate of investment return from 7.50 percent to 7.25 percent in 2017, lowering it again to 7.00 percent in May 2020 (lowering its inflation assumption from 3.00 percent to 2.75 percent as well). In May 2023, the LAFPP Board adopted the actuary's recommendations to maintain the 7.00 percent assumed rate of investment return, but reduced the inflation assumption from 2.75 percent to 2.50 percent. In addition to the economic assumptions, the LAFPP Board adjusted various other demographic assumptions such as mortality, retirement, termination, and disability incidence rates. Adoption of the economic and demographic assumption changes in May 2023 was estimated to decrease City contributions by 0.45 percent of payroll. The new assumptions were used in the June 30, 2023 actuarial valuation, which determine the City's contribution rate for Fiscal Year 2024-25.

The table below shows the actuarial value of the City's liability for retirement benefits (excluding retiree health care and other post-employment benefits), the actuarial value of assets available for retirement benefits, and two indicators of funding progress for LAFPP, the funded ratio and the ratio of UAAL to annual payroll.

Table B-17
LOS ANGELES FIRE AND POLICE PENSION PLAN
SCHEDULE OF FUNDING PROGRESS FOR RETIREMENT BENEFITS
ACTUARIAL VALUE BASIS
($ in thousands)[1]

Actuarial Valuation As of June 30	*Actuarial Value of Assets*	*Actuarial Accrued Liability (AAL)*	*UAAL[2]*	*Funded Ratio[3]*	*Covered Payroll[4]*	*UAAL As a Percentage of Covered Payroll[5]*
2014	$ 15,678,480	$ 18,114,229	$ 2,435,749	86.6%	$ 1,402,715	173.6%
2015	16,770,060	18,337,507	1,567,447	91.5	1,405,171	111.5
2016	17,645,338	18,798,510	1,153,172	93.9	1,400,808	82.3
2017	18,679,221	20,411,024	1,731,803	91.5	1,475,539	117.4
2018	19,840,070	21,364,804	1,524,734	92.9	1,546,043	98.6
2019	21,037,711	22,474,125	1,436,414	93.6	1,583,808	90.7
2020	22,106,722	23,727,315	1,620,593	93.2	1,670,245	97.0
2021	23,689,349	24,461,267	771,918	96.8	1,684,785	45.8
2022	25,146,787	25,670,766	523,979	98.0	1,664,318	31.5
2023	26,430,735	26,556,702	125,967	99.5	1,698,778	7.4

(1) Table includes funding for retirement benefits only. Other post-employment benefits not included.
(2) Actuarial Accrued Liability minus Actuarial Value of Assets, commonly referred to as UAAL. Positive numbers represent an actuarial deficit.
(3) Actuarial Value of Assets divided by Actuarial Accrued Liability.
(4) Projected annual payroll against which UAAL amortized.
(5) UAAL divided by covered payroll.
Source: LAFPP Actuarial Valuations and Review of Retirement and Other Post-Employment Benefits as of June 30, 2023.

The actuarial value of assets is different from the market value of assets, as the actuarial value smooths asset gains and losses over a number of years. The following table shows the funding progress of LAFPP based on the market value of the portion of system assets allocated to retirement benefits.

Table B-18
LOS ANGELES FIRE AND POLICE PENSION PLAN
SCHEDULE OF FUNDING PROGRESS FOR RETIREMENT BENEFITS
MARKET VALUE BASIS
($ in thousands)[(1)]

Actuarial Valuation As of June 30	Market Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded (Overfunded) Liability[(2)]	Funded Ratio (Market Value)[(3)]	Covered Payroll[(4)]	Unfunded Liability As a Percentage of Covered Payroll (Market Value)[(5)]
2014	$16,989,705	$18,114,229	$1,124,525	93.8%	$1,402,715	80.2%
2015	17,346,554	18,337,507	990,953	94.6	1,405,171	70.5
2016	17,104,276	18,798,510	1,694,234	91.0	1,400,808	120.9
2017	18,996,721	20,411,024	1,414,303	93.1	1,475,593	95.8
2018	20,482,133	21,364,804	882,671	95.9	1,546,043	57.1
2019	21,262,200	22,474,125	1,211,925	94.6	1,583,808	76.5
2020	21,396,933	23,727,315	2,330,382	90.2	1,670,245	139.5
2021	27,862,307	24,461,267	(3,401,040)	113.9	1,684,785	(201.9)
2022	25,258,536	25,670,766	412,230	98.4	1,664,318	24.8
2023	26,437,300	26,556,702	119,402	99.6	1,698,778	7.0

(1) Table includes funding for retirement benefits only. Other post-employment benefits not included.
(2) Actuarial Accrued Liability minus Market Value of Assets. Positive numbers represent a deficit.
(3) Market Value of Assets divided by Actuarial Accrued Liability.
(4) Projected annual payroll against which liability is amortized.
(5) UAAL divided by covered payroll.
Source: Calculated by CAO based on data from LAFPP Actuarial Valuations.

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The table below provides a ten-year history of the funding progress for retiree healthcare benefit liabilities of the LAFPP.

Table B-19
LOS ANGELES FIRE AND POLICE PENSION PLAN
SCHEDULE OF FUNDING PROGRESS FOR OTHER POST-EMPLOYMENT BENEFITS
($ in thousands)

Actuarial Valuation As of June 30	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	UAAL[1]	Funded Ratio[2]	Covered Payroll[3]	UAAL As a Percentage of Covered Payroll[4]
2014	$1,200,874	$2,783,283	$1,582,409	43.1%	$1,402,715	112.8%
2015	1,344,333	2,962,703	1,618,370	45.4	1,405,171	115.2
2016	1,480,810	3,079,670	1,598,860	48.1	1,400,808	114.1
2017	1,637,846	3,322,746	1,684,900	49.3	1,475,539	114.2
2018	1,819,359	3,547,777	1,728,417	51.3	1,546,043	111.8
2019	2,016,202	3,590,023	1,573,821	56.2	1,583,808	99.4
2020	2,214,552	3,709,858	1,495,307	59.7	1,670,245	89.5
2021	2,455,726	3,793,174	1,337,448	64.7	1,684,785	79.4
2022	2,710,079	3,649,332	939,253	74.3	1,664,318	56.4
2023	2,966,078	3,815,027	848,948	77.8	1,698,778	50.0

(1) Actuarial Accrued Liability minus Actuarial Value of Assets, commonly referred to as UAAL. Positive numbers represent an actuarial deficit.
(2) Actuarial Value of Assets divided by Actuarial Accrued Liability.
(3) Projected annual payroll against which UAAL amortized.
(4) UAAL divided by covered payroll.
Source: The Fire and Police Pension Plan Actuarial Valuations.

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The table below summarizes the General Fund's payments to LAFPP over the past four years and payments included in the Fiscal Year 2024-25 Adopted Budget. This table includes costs for both pensions and retiree health care, as well as the plan's administrative expenses.

Table B-20
LOS ANGELES FIRE AND POLICE PENSION PLAN
SOURCES AND USES OF CONTRIBUTIONS
($ in thousands)

	2020-21	**2021-22**	**2022-23**	**2023-24**	**Adopted Budget 2024-25**
General Fund[1]	$ 738,908	$ 721,998	$ 660,945	$ 637,297	$ 660,048
Percent of Payroll	46.79%	45.89%	41.84%	40.63%	38.72%
Current Service Liability	$ 382,639	$ 393,940	$ 394,525	$ 390,133	$ 410,951
UAAL/(Surplus)	337,154	306,679	244,958	225,835	225,057
Administrative Costs	19,115	21,379	21,462	21,329	24,040
Total	**$ 738,908**	**$ 721,998**	**$ 660,945**	**$ 637,297**	**$ 660,048**

(1) The City funds an Excess Benefit Plan outside LAFPP to provide for any benefit payments to retirees that exceed IRS limits. Amounts deposited in that account are credited against the City's annual contribution to LAFPP.
Source: City of Los Angeles, Office of the City Administrative Officer.

Historically, plan members did not contribute to offset the City's costs of retiree healthcare subsidy benefits, as all such costs were funded from the employer's contribution and investment returns thereon. In 2011, the City negotiated with the sworn bargaining units the option of a 2 percent active employee contribution to offset the cost of retiree healthcare for its sworn workforce hired before July 1, 2011. Sworn employees hired on and after July 1, 2011 are members of Tier 6, which requires an additional 2 percent contribution to offset the cost of retiree healthcare. Employees who contribute to retiree healthcare benefits are vested in future subsidy increases authorized by the LAFPP board. For those sworn employees that opted not to make an additional contribution to offset the cost of retiree healthcare, their retiree health subsidy has been frozen and cannot surpass the maximum subsidy level in effect as of July 1, 2011.

A consolidated lawsuit challenged the LAFPP Board's exercise of its discretion to annually increase the subsidy for sworn employees. On May 2, 2022, the court ruled that LAFPP was not required to automatically grant the maximum possible increase in the retiree medical subsidy each year to employees who contribute the additional 2 percent. Rather, the LAFPP Board retained the discretion on the amount of any increase. The union filed a notice of appeal.

The table below illustrates the City's projected contributions to LAFPP for the next four fiscal years based on projected rates from the LAFPP's consulting actuary applied against projected payroll by the CAO. The CAO's projected payroll does not include compensation increases after the expiration of current labor agreements, with the exception of placeholder amounts related to a pending successor contract with the United Firefighters of Los Angeles City.

Table B-21
LOS ANGELES FIRE AND POLICE PENSION PLAN
PROJECTED CONTRIBUTIONS[1]
($ in thousands)

	Adopted Budget 2024-25	Projection 2025-26	Projection 2026-27	Projection 2027-28	Projection 2028-29
General Fund	$660,048	$593,566	$624,901	$639,460	$646,017
Percentage of Payroll	38.72%	31.51%	31.03%	30.97%	30.89%
Incremental Change	$22,751	($66,482)	$31,335	$14,559	$6,557
% Change	3.57%	(10.07%)	5.28%	2.33%	1.03%

(1) Assumes 7.00 percent return on investment.
Source: City of Los Angeles, Office of the City Administrative Officer (CAO), based on information commissioned by the CAO.

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APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

The following is a summary of certain provisions of the Indenture which are not described elsewhere in the Official Statement. This summary does not purport to be comprehensive and reference should be made to the Indenture for a full and complete statement of its provisions. All capitalized terms not defined herein or elsewhere in the Official Statement have the meanings set forth in the Indenture.

DEFINITIONS

Unless the context otherwise requires, the terms defined under this caption shall, for all purposes of this Official Statement have the meanings herein specified in the Indenture, to be equally applicable to both the singular and plural forms of any of the terms herein defined.

"Accountant" means any firm of Independent Certified Public Accountants selected by the Department in its sole discretion.

"ACTA Shortfall Advances" means the "Shortfall Advances" as more particularly defined and described in the Alameda Corridor Use and Operating Agreement, dated as of October 12, 1998, by and among the Department and the other parties thereto, as amended by any amendments and supplements thereto, which the Department is obligated to pay to the Alameda Corridor Transportation Authority pursuant to such Alameda Corridor Use and Operating Agreement.

"Agencies" means (1) obligations of any of the following federal agencies which obligations represent full faith and credit of the United States of America, including the Export - Import Bank; Farmers Home Administration; General Services Administration; U.S. Maritime Administration; Small Business Administration; Government National Mortgage Association (GNMA); U.S. Department of Housing & Urban Development (PHAs); and Federal Housing Administration; and (2) bonds, notes or other evidences of indebtedness rated "AAA" and "Aaa" by S&P and Moody's, respectively, and the highest rating by Fitch, if Fitch rates such instruments issued by the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation with remaining maturities not exceeding three years.

"Annual Debt Service" means, for any Fiscal Year, the sum of (1) the interest payable on all Parity Obligations in such Fiscal Year, (2) the principal amount or accreted value of all outstanding Parity Obligations maturing by their terms or becoming due in such Fiscal Year, and (3) the principal amount or accreted value of all outstanding term Parity Obligations required to be redeemed or paid in such Fiscal Year.

"Authorized Representative" means with respect to the Department, its Executive Director, any Deputy Executive Director, including its Deputy Executive Director and Chief Financial Officer, its Director of Debt and Financial Analysis, or any other person designated as an Authorized Representative of the Department by a Certificate of the Department signed by its Executive Director and filed with the Trustee.

"Average Annual Debt Service" means, as of any date of calculation, the average of Annual Debt Service for all Fiscal Years on all Series 2024 Bonds and Parity Obligations outstanding as of such date.

"Board" means the Board of Harbor Commissioners of the City of Los Angeles.

"Bond Counsel" means a firm of nationally-recognized attorneys experienced in the issuance of tax-exempt obligations the interest on which is excludable from gross income under Section 103 of the Code.

"Business Day" means (i) a day which is not a Saturday, Sunday or legal holiday on which banking institutions in the State, or in any other state in which the Office of the Trustee is located, are closed or (ii) a day on which the New York Stock Exchange is not closed.

"Certificate," "Direction," "Request," or "Requisition" of the Department mean a written certificate, direction, request or requisition signed in the name of the Department by an Authorized Representative. Any such instrument and supporting opinions or representations, if any, may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument. If and to the extent required by the Indenture, each such instrument shall include the statements provided for in the Indenture.

"Charter" means the Charter of the City of Los Angeles, effective on July 1, 2000, as the same may be amended or supplemented from time to time.

"Chief Financial Officer" means the person at a given time who is the Chief Financial Officer of the Department, or such other title as may from time to time be assigned to such position, and the officer or officers succeeding to such position as certified to the Trustee by the Department.

"City" means the City of Los Angeles, California and its successors and assigns.

"Closing Date" means September 25, 2024.

"Code" means the Internal Revenue Code of 1986, and the regulations issued thereunder, as the same may be amended from time to time, and any successor provisions of law. Reference to a particular section of the Code shall be deemed to be a reference to any successor to any such section.

"Common Reserve" means all reserve funds established with respect to Parity Obligations which have been designated by the Department to be a part of the Common Reserve in accordance with the Indenture or any Issuing Document for a Common Reserve Parity Obligation. The Series 2024 Bonds are not secured by the Common Reserve.

"Common Reserve Parity Obligation" shall have the meaning set forth under the caption "REVENUES, FUNDS AND ACCOUNTS; PAYMENT OF PRINCIPAL AND INTEREST – Reserve Fund" in this Appendix D. The Series 2024 Bonds are not Common Reserve Parity Obligations and are not secured by the Common Reserve or a Separate Reserve Fund.

"Common Reserve Requirement" shall have the meaning set forth in the Issuing Documents for Common Reserve Parity Obligations.

"Common Reserve Security Device" shall have the meaning set forth under the caption "REVENUES, FUNDS AND ACCOUNTS; PAYMENT OF PRINCIPAL AND INTEREST – Reserve Fund" in this Appendix D.

"Consultant's Report" means a report signed by an Independent Financial Consultant or Independent Certified Public Accountant and including (1) a statement that the person or firm making or giving such report has read the pertinent provisions of the Indenture to which such report relates; (2) a brief statement as to the nature and scope of the examination or investigation upon which the report is based; and

(3) a statement that, in the opinion of such person or firm, sufficient examination or investigation was made as is necessary to enable said Independent Financial Consultant or Independent Certified Public Accountant to express an informed opinion with respect to the subject matter referred to in the report.

"Continuing Disclosure Certificate" means that certain Continuing Disclosure Certificate executed by the Department dated the date of delivery of the Series 2024 Bonds, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

"Costs of Issuance" means all items of expense directly or indirectly payable by or reimbursable to the Department and related to the authorization, issuance, sale and delivery of the Series 2024 Bonds, including but not limited to costs of preparation and reproduction of documents, printing expenses, filing and recording fees, initial fees and charges of the Trustee and counsel to the Trustee, legal fees and charges, fees and disbursements of consultants and professionals, rating agency fees, title insurance premiums, letter of credit fees, bond insurance premiums and surety bond premiums (if any), fees and charges for preparation, execution and safekeeping of the Series 2024 Bonds and any other cost, charge or fee in connection with the original issuance of the Series 2024 Bonds.

"Costs of Issuance Account - Series 2024A-1" means the account by that name established pursuant to the Indenture.

"Costs of Issuance Account - Series 2024A-2" means the account by that name established pursuant to the Indenture.

"Costs of Issuance Account - Series 2024B-1" means the account by that name established pursuant to the Indenture.

"Costs of Issuance Account - Series 2024B-2" means the account by that name established pursuant to the Indenture.

"Costs of Issuance Account - Series 2024C" means the account by that name established pursuant to the Indenture.

"Costs of Issuance Fund" means the fund by that name established pursuant to the Indenture.

"Council" means the City Council of the City of Los Angeles.

"Debt Service" means, for any period of calculation, the sum of principal of and interest on the Series 2024 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 2024 Bonds during such period.

"Department" means the Harbor Department of the City of Los Angeles and its successors and assigns.

"Depository" or "DTC" means The Depository Trust Company, New York, New York, a limited purpose trust company organized under the laws of the State of New York in its capacity as securities depository for the Series 2024 Bonds.

"Director of Debt and Financial Analysis" means the person at a given time who is the Director of Debt and Financial Analysis of the Department, or such other title as may from time to time be assigned to such position, and the officer or officers succeeding to such position as certified to the Trustee by the Department.

"Escrow Agent" means U.S. Bank Trust Company, National Association, as escrow agent under the Escrow Agreement, and its successors.

"Escrow Agreement" means the Escrow Agreement, dated as of September 1, 2024, between the Department and U.S. Bank Trust Company, National Association, as Trustee and Escrow Agent.

"Event of Default" means any of the events specified in the Indenture.

"Executive Director" means the person at a given time who is the Executive Director of the Department, or such other title as may from time to time be assigned to such position, and the officer or officers succeeding to such position as certified to the Trustee by the Department.

"Federal Securities" means any direct, noncallable general obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury of the United States of America), or noncallable obligations the timely payment of principal of and interest on which are fully and unconditionally guaranteed by the United States of America.

"Fiscal Year" means the twelve-month period beginning on July 1 of each year and ending on the next succeeding June 30, both dates inclusive, or any other twelve-month period hereafter selected and designated as the official fiscal year period of the Department.

"Fitch" means Fitch, Inc., or any successor thereto.

"Governmental Bonds" means the Series 2024C Bonds.

"Governmental Projects" means improvements, utilities, structures, watercraft, appliances, facilities and services as the Board may deem necessary or convenient for the promotion or accommodation of maritime commerce, navigation or fishery, or for any use in connection therewith, or upon the lands and waters, or interests therein, in the possession and under the management, supervision and control of said Board, or for the payment of the cost of acquiring or taking such real property or any interest therein that the Board may deem necessary or convenient for such purposes. All Governmental Projects (other than projects to the extent the bond-financed cost thereof is not in excess of 10% of the proceeds of the bond issue, or series of bonds, as applicable, from which such costs are financed, net of amounts therefrom deposited in a debt service reserve fund) must not be used in a "private business use" within the meaning of Section 141(b) of the Code and the Treasury Regulations thereunder.

"Harbor District" shall have the meaning set forth in the Charter.

"Harbor Revenue Fund" means the Harbor Revenue Fund established pursuant to Section 656(a) of the Charter.

"Indenture" means the Indenture of Trust, as originally executed or as it may from time to time be supplemented, modified or amended by any Supplemental Indenture.

"Independent Certified Public Accountant" means any firm of certified public accountants appointed by the Department, and each of whom is independent pursuant to the Statement on Auditing Standards No. 1 of the American Institute of Certified Public Accountants.

"Independent Financial Consultant" means a financial consultant or firm of such consultants appointed by the Department, and who, or each of whom:

(A) is in fact independent and not under control of the Department;

(B) does not have any substantial interest, direct or indirect, with the Department; and

(C) is not connected with the Department as an officer or employee of the Department, but who may be regularly retained to make reports to the Department.

"Information Services" means the Electronic Municipal Market Access System ("EMMA"), a service of the Municipal Securities Rulemaking Board, or such other service providing information with respect to called bonds as the Department may designate in writing to the Trustee.

"Interest Account - Series 2024A-1" means the account by that name established pursuant to the Indenture.

"Interest Account - Series 2024A-2" means the account by that name established pursuant to the Indenture.

"Interest Account - Series 2024B-1" means the account by that name established pursuant to the Indenture.

"Interest Account - Series 2024B-2" means the account by that name established pursuant to the Indenture.

"Interest Account - Series 2024C" means the account by that name established pursuant to the Indenture.

"Interest Fund" means the fund by that name established pursuant to the Indenture.

"Interest Payment Date" means each February 1 and August 1, commencing February 1, 2025 with respect to the Series 2024 Bonds.

"Issuing Document" means any indenture of trust, trust agreement, credit agreement or other document pursuant which any Parity Obligations are issued or delivered; provided that, if a trustee is appointed under an Issuing Document, the trustee for all Parity Obligations shall be the Trustee. As of the Closing Date, the only Issuing Documents are the Indenture, the 2014 Indenture and the 2019 Indenture.

"Moody's" means Moody's Investors Service, Inc. or any successor thereto.

"Net Revenues" means Revenues less Operation and Maintenance costs.

"Nominee" means the nominee of the Depository, which may be the Depository, as determined from time to time pursuant to the Indenture.

"Office" means with respect to the Trustee, the office of the Trustee at 633 West Fifth Street, 24th Floor, Los Angeles, California 90071, Attention: Global Corporate Trust Services, provided however for the purposes of maintenance of the Registration Books and surrender of the Series 2024 Bonds for transfer, exchange or payment, such term shall mean the office or agency at which the Trustee conducts its corporate agency function or at such other or additional offices as may be specified in writing by the Trustee to the Department.

"Operation and Maintenance" means the necessary expenses of conducting the Department, including the operation, promotion and maintenance of all harbor or port improvements, works, utilities, appliances, facilities, services, maritime related recreation facilities and watercraft, owned, controlled or operated by the City for the promotion or accommodation of maritime commerce, navigation or fishery, or used in connection therewith, but shall not include any ACTA Shortfall Advances.

"Outstanding," when used as of any particular time with reference to Series 2024 Bonds, means (subject to the provisions of the Indenture relating to disqualified bonds) all Series 2024 Bonds theretofore, or thereupon being, authenticated and delivered by the Trustee under the Indenture except (a) Series 2024 Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation; (b) Series 2024 Bonds with respect to which all liability of the Department shall have been discharged in accordance with the defeasance provisions of the Indenture, including Series 2024 Bonds (or portions thereof) described under the caption "MISCELLANEOUS – Money Held for Particular Series 2024 Bonds"; and (c) Series 2024 Bonds for the transfer or exchange of or in lieu of or in substitution for which other Series 2024 Bonds shall have been authenticated and delivered by the Trustee pursuant to the Indenture.

"Owner" or "Series 2024 Bond Owner," whenever used in the Indenture with respect to a Series 2024 Bond, means the person in whose name the ownership of such Series 2024 Bond is registered on the Registration Books.

"Paired Obligation" means any Parity Obligations, or portion thereof, designated as Paired Obligations in the resolution, indenture or other document authorizing the issuance or execution and delivery thereof, which are simultaneously issued or executed and delivered (i) the principal of which is of equal amount maturing and to be redeemed or prepaid (or cancelled after acquisition thereof) on the same dates and in the same amounts, and (ii) the interest rates which, taken together, result in an irrevocably fixed interest rate obligation of the Department for the term of all or any portion of the term of such Parity Obligation.

"Parity Obligations" means the Series 2024 Bonds and all revenue bonds or notes of the Department authorized, executed, issued and delivered by the Department, and all contracts of the Department authorized and executed by the Department, the payments of which are on a parity with the Series 2024 Bonds and which are secured by a pledge of and lien on the Revenues..

"Participants" means those broker-dealers, banks and other financial institutions from time to time for which the Depository holds book-entry Series 2024 Bonds as securities depository.

"Permitted Investments" means any of the following:

(A) Direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury, and CATS and TIGRS) or obligations the principal of and interest on which are unconditionally guaranteed by the United States of America.

(B) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the agency itself):

U.S. Export-Import Bank (Eximbank)
Direct obligations or fully guaranteed certificates of beneficial ownership

Farmers Home Administration (FmHA)
Certificates of beneficial ownership

Federal Financing Bank

Federal Housing Administration Debentures (FHA)

General Services Administration
Participation certificates

Government National Mortgage Association (GNMA or “Ginnie Mae”)
GNMA – guaranteed mortgage-backed bonds
GNMA – guaranteed pass-through obligations

U.S. Maritime Administration
Guaranteed Title XI financing

U.S. Department of Housing and Urban Development (HUD)
Project Notes
Local Authority Bonds
New Communities Debentures – U.S. government guaranteed debentures
U.S. Public Housing Notes and Bonds – U.S. government guaranteed public housing notes and bonds

(C) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities are only permitted if they have been stripped by the agency itself):

Federal Home Loan Bank System
Senior debt obligations

Federal Home Loan Mortgage Corporation (FHLMC or “Freddie Mac”)
Participation Certificates
Senior debt obligations

Federal National Mortgage Association (FNMA or “Fannie Mae”)
Mortgage-backed securities and senior debt obligations

Resolution Funding Corp. (REFCORP) obligations

Farm Credit System
Consolidated systemwide bonds and notes

(D) Money market funds registered under the Investment Company Act of 1940, as amended, whose shares are registered under the Securities Act of 1933, as amended, and having a rating by S&P of AAAm-G; AAA-m; or AA-m and if rated by Moody’s rated Aaa, Aa1 or Aa2, including funds for which the Trustee, its parent holding company, if any, or any affiliates or subsidiaries of the Trustee provide investment advisory or other management services.

(E) Certificates of deposit secured at all times by collateral described in (A) and/or (B) above. Such certificates must be issued by commercial banks, savings and loan associations or mutual savings banks which may include the Trustee and its affiliates. The collateral must be held by a third party and the bondholders must have a perfected first security interest in the collateral.

(F) Certificates of deposit, savings accounts, deposit accounts or money market deposits of any bank where the short term obligations are rated "Prime-1" by Moody's and "A-1" or better by S&P.

(G) Investment Agreements, including guaranteed investment contracts, forward purchase agreements and reserve fund put agreements with a provider whose long-term unsecured debt is rated at the time of execution and delivery thereof in not lower than the second highest rating category of Moody's and S&P.

(H) Commercial paper rated, at the time of purchase, "Prime-1" by Moody's and "A-1" or better by S&P.

(I) Bonds or notes issued by any state or municipality which are rated by Moody's and S&P in one of the two highest rating categories assigned by such agencies.

(J) Federal funds or bankers acceptances with a maximum term of one year of any bank which has an unsecured, uninsured and unguaranteed obligation rating of "Prime-1" or "A3" or better by Moody's and "A-1" or "A" or better by S&P.

(K) Repurchase Agreements which meet the following criteria:

(i) Repurchase Agreements must provide for the transfer of securities from a dealer bank or securities firm (seller/borrower) to the Department (buyer/lender), and the transfer of cash from the Department to the dealer bank or securities firm with an agreement that the dealer bank or securities firm will repay the cash plus a yield to the Department in exchange for the securities at a specified date.

(ii) Repurchase Agreements must be between the Department and a dealer bank or securities firm, including:

(A) Primary dealers on the Federal Reserve reporting dealer list which are rated A or better by S&P and Moody's at the time of execution and delivery thereof, or

(B) Banks rated "A" or above by S&P and Moody's at the time of execution and delivery thereof.

(iii) The written Repurchase Agreement must include the following:

(A) securities which are acceptable for transfer are: (1) Direct U.S. governments; or (2) Federal agencies backed by the full faith and credit of the U.S. government (and FNMA & FHLMC)

(B) the term of the Repurchase Agreement may be up to 30 days; and

(C) the collateral must be delivered to the Department, the Trustee (if the Trustee is not supplying the collateral) or third party acting as agent for the Trustee (if the Trustee is supplying the collateral) before/simultaneous with payment (perfection by possession of certificated securities).

(iv) Valuation of Collateral. The securities must be valued weekly, marked-to-market at current market price plus accrued interest; and the value of the collateral must be equal to 104% of the amount of cash transferred by the Department to the dealer bank or security firm under the Repurchase Agreement plus accrued interest. If the value of securities held as collateral slips below 104% of the value of the cash transferred by the Department, then additional cash and/or acceptable securities must be transferred. If, however, the securities used as collateral are FNMA or FHLMC, then the value of collateral must equal 105%.

(v) A legal opinion must be delivered to the Department that the Repurchase Agreement meets the guidelines under State law for legal investment of public funds.

(L) Additional Notes.

(i) Any state administered pool investment fund in which the Department is statutorily permitted or required to invest will be deemed a Permitted Investment.

"Principal Account – Series 2024A-1" means the account by that name established pursuant to the Indenture.

"Principal Account – Series 2024A-2" means the account by that name established pursuant to the Indenture.

"Principal Account – Series 2024B-1" means the account by that name established pursuant to the Indenture.

"Principal Account – Series 2024B-2" means the account by that name established pursuant to the Indenture.

"Principal Account – Series 2024C" means the account by that name established pursuant to the Indenture.

"Principal Fund" means the fund by that name established pursuant to the Indenture.

"Private Activity Bonds" means the Series 2024A Bonds and the Series 2024B Bonds.

"Private Activity Projects" means improvements, utilities, structures, watercraft, appliances, facilities and services as the Board may deem necessary or convenient for the promotion or accommodation of maritime commerce, navigation or fishery, or for any use in connection therewith, or upon the lands and waters, or interests therein, in the possession and under the management, supervision and control of said Board, or for the payment of the cost of acquiring or taking such real property or any interest therein that the Board may deem necessary or convenient for such purposes. As more fully set forth in the Tax Certificate, all Private Activity Projects (other than projects to the extent the bond-financed cost thereof is not in excess of 3% of the proceeds of the bond issue, or series of bonds, as applicable, from which such costs are financed, net of amounts therefrom deposited in a debt service reserve fund) must constitute "dock or wharf" facilities, or property functionally related and subordinate thereto, within the meaning of Section 142(a)(2) of the Code and the Treasury Regulations and rulings thereunder.

"Procedural Ordinance" means that certain Charter implementation ordinance related to the procedures for issuance and sale of revenue bonds and other obligations by the Department, and amending Sections 11.28.1 through 11.28.9 of Division 11, Chapter 1, Article 6.5 of the Los Angeles Administrative Code to conform the procedures to Charter Sections 609(a) and 610.

"Projects" means, collectively, the Private Activity Projects and the Governmental Projects.

"Rating Agencies" means Fitch, S&P and Moody's.

"Rebate Fund" means the fund by that name established pursuant to the Indenture.

"Record Date" means, with respect to any Interest Payment Date, the fifteenth (15th) day of the calendar month preceding such Interest Payment Date, whether or not such day is a Business Day.

"Redemption Account – Series 2024A-1" means the account by that name established pursuant to the Indenture.

"Redemption Account – Series 2024A-2" means the account by that name established pursuant to the Indenture.

"Redemption Account – Series 2024B-1" means the account by that name established pursuant to the Indenture.

"Redemption Account – Series 2024B-2" means the account by that name established pursuant to the Indenture.

"Redemption Account – Series 2024C" means the account by that name established pursuant to the Indenture.

"Redemption Date" means any date fixed for a redemption prior to maturity of Series 2024 Bonds.

"Redemption Fund" means the fund by that name established pursuant to the Indenture.

"Redemption Price" means, with respect to any Series 2024 Bond (or portion thereof), the principal amount with respect to such Series 2024 Bond (or portion thereof), plus accrued and unpaid interest thereon to the Redemption Date, without premium, payable upon redemption thereof pursuant to the provisions of such Series 2024 Bond and the Indenture.

"Refunded Bonds" means the Series 2014A Bonds, the Series 2014B Bonds and the Series 2014C Bonds.

"Registration Books" means the records maintained by the Trustee for the registration of ownership and registration of transfer of the Series 2024 Bonds pursuant to the Indenture.

"Resolution" means Resolution Nos. 24-10395, 24-10396, 24-10397 and 24-10410 of the Board adopted on July 25, 2024 and Resolution Nos. 24-10406 and 24-10407 of the Board adopted on August 8, 2024.

"Responsible Officer of the Trustee" means any officer within the corporate trust division (or any successor group or department of the Trustee) including any vice president, assistant vice president, assistant secretary or any other officer or assistant officer of the Trustee with administrative responsibility for the Indenture on behalf of the Trustee.

"Revenues" means:

(a) all money received or collected from or arising out of the use or operation of any harbor or port improvement, work, structure, appliance, facility or utility, service, or watercraft, owned, controlled or operated by the City in or upon or pertaining to the lands and waters, or interests therein, of the City in the Harbor District; all tolls, charges and rentals collected by the Department; and all compensations or fees required to be paid for franchises or licenses, or otherwise by law or ordinance or order, to the City for the operation of any public service utility upon lands and waters, or interests therein, of the City in the Harbor District; provided that for the avoidance of doubt user fees collected by the Department on behalf of, or required to be transmitted to, third parties pursuant to applicable law and not commingled with Revenues, shall not be deemed to be Revenues; and

(b) all interest or gain derived from the investment of amounts in any of the funds or accounts established under the Indenture (except interest and gain derived from the Rebate Fund established and maintained under the Indenture).

"S&P" means S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC, or any successor thereto.

"Securities Depositories" means The Depository Trust Company, 55 Water Street, 50th Floor, New York, New York 10041-0099, Attention: Call Notification Department, Fax: (212) 855-7232; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other securities depositories as the Department may designate in a Request of the Department deliver to the Trustee.

"Separate Reserve Fund" means a reserve fund created pursuant to an Issuing Document for a Parity Obligation that is not a part of the Common Reserve.

"Separate Reserve Fund Requirement" shall have the meaning set forth for the term "Reserve Fund Requirement" in the Issuing Documents for the Parity Obligations that are not a part of the Common Reserve.

"Separate Reserve Fund Security Device" shall have the meaning set forth for the term "Reserve Fund Security Device" in the Issuing Documents for the Parity Obligations that are not a part of the Common Reserve.

"Series" wherever used in the Indenture with respect to Series 2024 Bonds, means all of the Series 2024 Bonds designated as being of the same series, authenticated and delivered in a simultaneous transaction, regardless of variations in maturity, interest rate, redemption and other provisions, and any Series 2024 Bonds thereafter authenticated and delivered upon transfer or exchange of or in lieu of or in substitution for (but not to refund) such Series 2024 Bonds as provided in the Indenture.

"Series 2014A Bonds" means the Harbor Department of the City of Los Angeles Revenue Bonds and Refunding Revenue Bonds, 2014 Series A (AMT).

"Series 2014B Bonds" means the Harbor Department of the City of Los Angeles Refunding Revenue Bonds, 2014 Series B (Exempt Facility Non-AMT).

"Series 2014C Bonds" means the Harbor Department of the City of Los Angeles Revenue Bonds, 2014 Series C (Governmental Non-AMT).

"Series 2024 Bonds" means the Harbor Department of the City of Los Angeles Refunding Revenue Bonds, Series 2024A-1 (AMT), Series 2024A-2 (AMT) (Green Bonds), Refunding Revenue Bonds, Series 2024B-1 (Exempt Facility Non-AMT), Refunding Revenue Bonds, Series 2024B-2 (Exempt Facility Non-AMT) (Green Bonds), and Refunding Revenue Bonds, Series 2024C (Non-AMT).

"Series 2024A-1 Bonds" means the Harbor Department of the City of Los Angeles Refunding Revenue Bonds, Series 2024A-1 (AMT).

"Series 2024A-2 Bonds" means the Harbor Department of the City of Los Angeles Refunding Revenue Bonds, Series 2024A-2 (AMT) (Green Bonds).

"Series 2024B-1 Bonds" means the Harbor Department of the City of Los Angeles Refunding Revenue Bonds, Series 2024B-1 (Exempt Facility Non-AMT).

"Series 2024B-2 Bonds" means the Harbor Department of the City of Los Angeles Refunding Revenue Bonds, Series 2024B-2 (Exempt Facility Non-AMT) (Green Bonds).

"Series 2024C Bonds" means the Harbor Department of the City of Los Angeles Refunding Revenue Bonds, Series 2024C (Governmental Non-AMT).

"State" means the State of California.

"Subordinate Obligations" means revenue bonds, revolving obligations and related bank notes, notes or other obligations of the Department authorized, executed, issued and delivered by the Department, and all contracts of the Department authorized and executed by the Department, the payments of which are secured by a pledge of and lien on the Revenues ranking junior and subordinate to the pledge of and lien on the Revenues securing the Series 2024 Bonds and Parity Obligations.

"Subseries" wherever used in the Indenture with respect to Series 2024 Bonds, means all of the Series 2024 Bonds designated as being of the same subseries within a Series, authenticated and delivered in a simultaneous transaction, regardless of variations in maturity, interest rate, redemption and other provisions, and any Series 2024 Bonds thereafter authenticated and delivered upon transfer or exchange of or in lieu of or in substitution for (but not to refund) such Series 2024 Bonds as provided in the Indenture.

"Supplemental Indenture" means any indenture hereafter duly authorized and entered into between the Department and the Trustee, supplementing, modifying or amending the Indenture; but only if and to the extent that such Supplemental Indenture is authorized pursuant to the Indenture.

"Tax Certificate" means the Tax Certificate concerning certain matters pertaining to the use and investment of proceeds of the Series 2024 Bonds, executed by the Department on the date of issuance of the Series 2024 Bonds, including any and all exhibits attached thereto, as such Tax Certificate may be amended or supplemented in connection with the issuance of the Series 2024 Bonds or otherwise.

"Trustee" means U.S. Bank National Association, a national banking association organized and existing under the laws of the United States of America, or its successor, as Trustee under the Indenture as provided in the Indenture.

"2014 Indenture" means the Indenture of Trust, dated as of September 1, 2014, by and between the Department and U.S. Bank Trust Company, National Association, as successor trustee, and as it may from time to time be supplemented, modified or amended in accordance with the terms thereof.

"2014A Escrow Fund" means the 2014A Refunding Escrow Fund held by the Escrow Agent under the terms of the Escrow Agreement, which fund is established and held for the purpose of providing for the redemption of the Series 2014A Bonds.

"2014B Escrow Fund" means the 2014B Refunding Escrow Fund held by the Escrow Agent under the terms of the Escrow Agreement, which fund is established and held for the purpose of providing for the redemption of the Series 2014B Bonds.

"2014C Escrow Fund" means the 2014C Refunding Escrow Fund held by the Escrow Agent under the terms of the Escrow Agreement, which fund is established and held for the purpose of providing for the redemption of the Series 2014C Bonds.

"2019 Indenture" means the Indenture of Trust, dated as of September 1, 2019, by and between the Department and U.S. Bank Trust Company, National Association, as successor trustee, and as it may from time to time be supplemented, modified or amended in accordance with the terms thereof.

"Value" means that the value of any investments shall be the lower of the initial cost of such investment and value calculated as follows:

(a) as to investments the bid and asked prices of which are published on a regular basis in The Wall Street Journal (or, if not there, then in The New York Times): the average of the bid and asked prices for such investments so published on or most recently prior to such time of determination;

(b) as to investments the bid and asked prices of which are not published on a regular basis in The Wall Street Journal or The New York Times: the average bid price at such time of determination for such investments by any two nationally recognized government securities dealers (selected by the Trustee in its absolute discretion) at the time making a market in such investments or the bid price published by a nationally recognized pricing service;

(c) as to certificates of deposit and bankers acceptances: the face amount thereof, plus accrued interest;

(d) as to any investment not specified above: the value thereof established by the Department and specified to the Trustee; or

(e) as to any investment, in the manner currently employed by the Trustee or any other manner consistent with corporate trust industry standard.

THE SERIES 2024 BONDS

Transfer of Series 2024 Bonds. Any Series 2024 Bond may, in accordance with its terms, be transferred on the Registration Books by the person in whose name it is registered, in person or by his or her duly authorized attorney, upon surrender of such Series 2024 Bond at the Office of the Trustee for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form approved by the Trustee. The Trustee shall not be required to register the transfer of any Series 2024 Bond during the period in which the Trustee is selecting Series 2024 Bonds for redemption and any Series 2024 Bond that has been selected for redemption.

Whenever any Series 2024 Bond or Series 2024 Bonds shall be surrendered for transfer, the Department shall execute and the Trustee shall authenticate and shall deliver a new Series 2024 Bond or Series 2024 Bonds of authorized denomination or denominations for a like aggregate principal amount of the same maturity and Series. The Trustee shall require the Series 2024 Bond Owner requesting such transfer to pay any tax or other governmental charge required to be paid with respect to such transfer. The cost of printing Series 2024 Bonds and any services rendered or expenses incurred by the Trustee in connection with any such transfer shall be paid by the Department.

Exchange of Series 2024 Bonds. Series 2024 Bonds may be exchanged at the Office of the Trustee for a like aggregate principal amount of other authorized denominations of the same maturity and Series. The Trustee shall not be required to exchange any Series 2024 Bond during the period in which the Trustee is selecting Series 2024 Bonds for redemption and any Series 2024 Bond that has been selected for redemption. The Trustee shall require the Series 2024 Bond Owner requesting such exchange to pay any tax or other governmental charge required to be paid with respect to such exchange. The cost of printing Series 2024 Bonds and any services rendered or expenses incurred by the Trustee in connection with any such exchange shall be paid by the Department.

Registration Books. The Trustee will keep or cause to be kept, at the Office of the Trustee, sufficient records for the registration and transfer of ownership of the Series 2024 Bonds, which shall upon reasonable notice and at reasonable times be open to inspection during regular business hours by the Department; and, upon presentation for such purpose, the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on such records, the ownership of the Series 2024 Bonds as provided in the Indenture.

REVENUES, FUNDS AND ACCOUNTS; PAYMENT OF PRINCIPAL AND INTEREST

Pledge and Assignment. Subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture, all of the Revenues and any other amounts (including proceeds of the sale of the Series 2024 Bonds) held in any fund or account established pursuant to the Indenture (except the Rebate Fund established and maintained under the Indenture), are pursuant to the Indenture irrevocably pledged to secure the payment of the principal of and interest, and the premium, if any, on the Series 2024 Bonds in accordance with their terms and the provisions of the Indenture. Said pledge of the Revenues is on a parity with the lien on and security interest in the Revenues of the Parity Obligations pursuant to the Issuing Documents for such Parity Obligations. Said pledge shall constitute a lien on and security interest in such amounts and shall attach, be perfected and be valid and binding from and after the Closing Date, without any physical delivery thereof or further act and shall be valid and binding against all parties having claims of any kind in tort, contract or otherwise against the Department, irrespective of whether such parties have notice hereof.

All Revenues shall be promptly deposited by the Department upon receipt thereof in the Harbor Revenue Fund in accordance with the Charter. The Trustee shall establish and maintain an Interest Fund, which shall contain an "Interest Account - Series 2024A-1," an "Interest Account - Series 2024A-2," an "Interest Account – Series 2024B-1," an "Interest Account - Series 2024B-2," and an "Interest Account – Series 2024C," and a Principal Fund, which shall contain a "Principal Account – Series 2024A-1," a "Principal Account – Series 2024A-2," a "Principal Account – Series 2024B-1," a "Principal Account –

Series 2024B-2," and a "Principal Account – Series 2024C." All amounts at any time on deposit in the Interest Fund and the Principal Fund shall be held by the Trustee in trust separate and apart from other funds held by it.

Application of Interest Fund. The Trustee shall, immediately upon receipt of any moneys from the Department for deposit in the Interest Fund, allocate to the Interest Account - Series 2024A-1 that sum, if any, required to cause the aggregate amount on deposit in the Interest Account - Series 2024A-1 to be at least equal to the amount of interest becoming due and payable on such date on all Series 2024A-1 Bonds then Outstanding; to the Interest Account - Series 2024A-2 that sum, if any, required to cause the aggregate amount on deposit in the Interest Account - Series 2024A-2 to be at least equal to the amount of interest becoming due and payable on such date on all Series 2024A-2 Bonds then Outstanding; to the Interest Account - Series 2024B-1 that sum, if any, required to cause the aggregate amount on deposit in the Interest Account - Series 2024B-1 to be at least equal to the amount of interest becoming due and payable on such date on all Series 2024B-1 Bonds then Outstanding; to the Interest Account - Series 2024B-2 that sum, if any, required to cause the aggregate amount on deposit in the Interest Account - Series 2024B-2 to be at least equal to the amount of interest becoming due and payable on such date on all Series 2024B-2 Bonds then Outstanding; and to the Interest Account - Series 2024C that sum, if any, required to cause the aggregate amount on deposit in the Interest Account - Series 2024C to be at least equal to the amount of interest becoming due and payable on such date on all Series 2024C Bonds then Outstanding . In the event such moneys are insufficient to fully fund such accounts, the Trustee shall, without preference or priority, allocate such moneys to such accounts ratably, in accordance with the amount of interest becoming due and payable on the Series 2024A-1 Bonds, the Series 2024A-2 Bonds, the Series 2024B-1 Bonds, the Series 2024B-2 Bonds and the Series 2024C Bonds on the next Interest Payment Date.

All amounts in the Interest Account – Series 2024A-1 shall be used and withdrawn by the Trustee solely for the purpose of paying interest on the Series 2024A-1 Bonds as it shall become due and payable (including accrued interest on any Series 2024A-1 Bonds purchased or redeemed prior to maturity pursuant to the Indenture).

All amounts in the Interest Account – Series 2024A-2 shall be used and withdrawn by the Trustee solely for the purpose of paying interest on the Series 2024A-2 Bonds as it shall become due and payable (including accrued interest on any Series 2024A-2 Bonds purchased or redeemed prior to maturity pursuant to the Indenture).

All amounts in the Interest Account – Series 2024B-1 shall be used and withdrawn by the Trustee solely for the purpose of paying interest on the Series 2024B-1 Bonds as it shall become due and payable (including accrued interest on any Series 2024B-1 Bonds purchased or redeemed prior to maturity pursuant to the Indenture).

All amounts in the Interest Account – Series 2024B-2 shall be used and withdrawn by the Trustee solely for the purpose of paying interest on the Series 2024B-2 Bonds as it shall become due and payable (including accrued interest on any Series 2024B-2 Bonds purchased or redeemed prior to maturity pursuant to the Indenture).

All amounts in the Interest Account – Series 2024C shall be used and withdrawn by the Trustee solely for the purpose of paying interest on the Series 2024C Bonds as it shall become due and payable (including accrued interest on any Series 2024C Bonds purchased or redeemed prior to maturity pursuant to the Indenture).

Application of Principal Fund. The Trustee shall immediately upon receipt of any money from the Department for deposit in the Principal Fund allocate to the Principal Account – Series 2024A-1 that sum, if any, required to cause the aggregate amount on deposit in the Principal Account – Series 2024A-1 to be at least equal to the principal amount of the Series 2024A-1 Bonds becoming due and payable on such date; to the Principal Account – Series 2024A-2 that sum, if any, required to cause the aggregate amount on deposit in the Principal Account – Series 2024A-2 to be at least equal to the principal amount of the Series 2024A-2 Bonds becoming due and payable on such date; to the Principal Account – Series 2024B-1 that sum, if any, required to cause the aggregate amount on deposit in the Principal Account – Series 2024B-1 to be at least equal to the principal amount of the Series 2024B-1 Bonds becoming due and payable on such date; to the Principal Account – Series 2024B-2 that sum , if any, required to cause the aggregate amount on deposit in the Principal Account – Series 2024B-2 to be at least equal to the principal amount of the Series 2024B-2 Bonds becoming due and payable on such date; and to the Principal Account – Series 2024C that sum, if any, required to cause the aggregate amount on deposit in the Principal Account – Series 2024C to be at least equal to the principal amount of the Series 2024C Bonds becoming due and payable on such date. In the event such moneys are insufficient to fully fund such accounts, the Trustee shall, without preference or priority, allocate such moneys to such accounts ratably, in accordance with the principal amount of the Series 2024A-1 Bonds, the Series 2024A-2 Bonds, the Series 2024B-1 Bonds, the Series 2024B-2 Bonds and the Series 2024C Bonds becoming due and payable on the next August 1.

All amounts in the Principal Account - Series 2024A-1 shall be used and withdrawn by the Trustee solely to pay the principal amount of the Series 2024A-1 Bonds at maturity, purchase, redemption or acceleration; provided, however, that at any time prior to maturity, purchase, selection for redemption or acceleration of any such Series 2024A-1 Bonds, upon written direction of the Department, the Trustee shall apply such amounts to the purchase of Series 2024A-1 Bonds at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account - Series 2024A-1 of the Interest Fund) as shall be directed pursuant to a Request of the Department, except that the purchase price (exclusive of accrued interest) may not exceed the Redemption Price then applicable to the Series 2024A-1 Bonds.

All amounts in the Principal Account - Series 2024A-2 shall be used and withdrawn by the Trustee solely to pay the principal amount of the Series 2024A-2 Bonds at maturity, purchase, redemption or acceleration; provided, however, that at any time prior to maturity, purchase, selection for redemption or acceleration of any such Series 2024A-2 Bonds, upon written direction of the Department, the Trustee shall apply such amounts to the purchase of Series 2024A-2 Bonds at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account - Series 2024A-2 of the Interest Fund) as shall be directed pursuant to a Request of the Department, except that the purchase price (exclusive of accrued interest) may not exceed the Redemption Price then applicable to the Series 2024A-2 Bonds.

All amounts in the Principal Account - Series 2024B-1 shall be used and withdrawn by the Trustee solely to pay the principal amount of the Series 2024B-1 Bonds at maturity, purchase, redemption or acceleration; provided, however, that at any time prior to maturity, purchase, selection for redemption or acceleration of any such Series 2024B-1 Bonds, upon written direction of the Department, the Trustee shall apply such amounts to the purchase of Series 2024B-1 Bonds at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account - Series 2024B-1 of the Interest Fund) as shall be directed pursuant to a Request of the Department, except that the purchase price (exclusive of accrued interest) may not exceed the Redemption Price then applicable to the Series 2024B-1 Bonds.

All amounts in the Principal Account - Series 2024B-2 shall be used and withdrawn by the Trustee solely to pay the principal amount of the Series 2024B-2 Bonds at maturity, purchase, redemption or acceleration; provided, however, that at any time prior to maturity, purchase, selection for redemption or acceleration of any such Series 2024B-2 Bonds, upon written direction of the Department, the Trustee shall apply such amounts to the purchase of Series 2024B-2 Bonds at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account - Series 2024B-2 of the Interest Fund) as shall be directed pursuant to a Request of the Department, except that the purchase price (exclusive of accrued interest) may not exceed the Redemption Price then applicable to the Series 2024B-2 Bonds.

All amounts in the Principal Account - Series 2024C shall be used and withdrawn by the Trustee solely to pay the principal amount of the Series 2024C Bonds at maturity, purchase, redemption or acceleration; provided, however, that at any time prior to maturity, purchase, selection for redemption or acceleration of any such Series 2024C Bonds, upon written direction of the Department, the Trustee shall apply such amounts to the purchase of Series 2024C Bonds at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account - Series 2024C of the Interest Fund) as shall be directed pursuant to a Request of the Department, except that the purchase price (exclusive of accrued interest) may not exceed the Redemption Price then applicable to the Series 2024C Bonds.

Application of Redemption Fund. The Trustee shall establish a special fund designated as the "Redemption Fund" which shall contain a "Redemption Account – Series 2024A-1," a "Redemption Account – Series 2024A-2," a "Redemption Account – Series 2024B-1," a "Redemption Account – Series 2024B-2," and a "Redemption Account – Series 2024C," to be held in trust by the Trustee separate and apart from other funds held by it. The Trustee shall, immediately upon receipt of any moneys from the Department to be applied towards the optional redemption of Series 2024 Bonds deposit such moneys into the applicable Redemption Account as directed in writing by the Department.

All amounts in the Redemption Account – Series 2024A-1 shall be used and withdrawn by the Trustee solely for the purpose of paying the Redemption Price of the Series 2024A-1 Bonds to be optionally redeemed on such Redemption Date pursuant to the Indenture; provided, however, that at any time prior to selection for redemption of any such Series 2024A-1 Bonds, upon written direction of the Department, the Trustee shall apply such amounts to the purchase of Series 2024A-1 Bonds at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account - Series 2024A-1 of the Interest Fund) as shall be directed pursuant to a Request of the Department, except that the purchase price (exclusive of accrued interest) may not exceed the Redemption Price then applicable to the Series 2024A-1 Bonds.

All amounts in the Redemption Account – Series 2024A-2 shall be used and withdrawn by the Trustee solely for the purpose of paying the Redemption Price of the Series 2024A-2 Bonds to be optionally redeemed on such Redemption Date pursuant to the Indenture; provided, however, that at any time prior to selection for redemption of any such Series 2024A-2 Bonds, upon written direction of the Department, the Trustee shall apply such amounts to the purchase of Series 2024A-2 Bonds at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account - Series 2024A-2 of the Interest Fund) as shall be directed pursuant to a Request of the Department, except that the purchase price (exclusive of accrued interest) may not exceed the Redemption Price then applicable to the Series 2024A-2 Bonds.

All amounts in the Redemption Account – Series 2024B-1 shall be used and withdrawn by the Trustee solely for the purpose of paying the Redemption Price of the Series 2024B-1 Bonds to be optionally redeemed on such Redemption Date pursuant to the Indenture; provided, however, that at any time prior to selection for redemption of any such Series 2024B-1 Bonds, upon written direction of the Department, the Trustee shall apply such amounts to the purchase of Series 2024B-1 Bonds at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account - Series 2024B-1 of the Interest Fund) as shall be directed pursuant to a

Request of the Department, except that the purchase price (exclusive of accrued interest) may not exceed the Redemption Price then applicable to the Series 2024B-1 Bonds.

All amounts in the Redemption Account – Series 2024B-2 shall be used and withdrawn by the Trustee solely for the purpose of paying the Redemption Price of the Series 2024B-2 Bonds to be optionally redeemed on such Redemption Date pursuant to the Indenture; provided, however, that at any time prior to selection for redemption of any such Series 2024B-2 Bonds, upon written direction of the Department, the Trustee shall apply such amounts to the purchase of Series 2024B-2 Bonds at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account - Series 2024B-2 of the Interest Fund) as shall be directed pursuant to a Request of the Department, except that the purchase price (exclusive of accrued interest) may not exceed the Redemption Price then applicable to the Series 2024B-2 Bonds.

All amounts in the Redemption Account – Series 2024C shall be used and withdrawn by the Trustee solely for the purpose of paying the Redemption Price of the Series 2024C Bonds to be optionally redeemed on such Redemption Date pursuant to the Indenture; provided, however, that at any time prior to selection for redemption of any such Series 2024C Bonds, upon written direction of the Department, the Trustee shall apply such amounts to the purchase of Series 2024C Bonds at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account - Series 2024C of the Interest Fund) as shall be directed pursuant to a Request of the Department, except that the purchase price (exclusive of accrued interest) may not exceed the Redemption Price then applicable to the Series 2024C Bonds.

Investments. All moneys in any of the funds or accounts established with the Trustee pursuant to the Indenture shall be invested by the Trustee solely in Permitted Investments. Such investments shall be directed by the Department pursuant to a Request of the Department filed with the Trustee at least two (2) Business Days in advance of the making of such investments (which directions shall be promptly confirmed to the Trustee in writing). The Trustee may conclusively rely on such Request of the Department as a certification that such investments constitute Permitted Investments. In the absence of any such directions from the Department, the Trustee shall promptly invest any such moneys in Permitted Investments described in clause (D) of the definition thereof. Obligations purchased as an investment of moneys in any fund shall be deemed to be part of such fund or account.

All interest or gain derived from the investment of amounts in any of the funds or accounts established hereunder other than the Costs of Issuance Account – Series 2024A-1, the Costs of Issuance Account – Series 2024A-2, the Costs of Issuance Account – Series 2024B-1, the Costs of Issuance Account – Series 2024B-2 and the Costs of Issuance Account – Series 2024C, shall be retained therein and used for the purposes thereof, unless otherwise provided in the Indenture. All interest or gain derived from investments of amounts in the Costs of Issuance Account – Series 2024A-1, the Costs of Issuance Account – Series 2024A-2, the Costs of Issuance Account – Series 2024B-1, the Costs of Issuance Account – Series 2024B-2 and the Costs of Issuance Account – Series 2024C shall be deposited, respectively, into the Interest Account – Series 2024A-1, the Interest Account – Series 2024A-2, the Interest Account – Series 2024B-1, the Interest Account – Series 2024B-2 and the Interest Account – Series 2024C. For purposes of acquiring any investments under the Indenture, other than investment of amounts in the Rebate Fund, the Trustee may commingle funds held by it under the Indenture upon the Request of the Department. The Trustee may act as principal or agent in the acquisition or disposition of any investment and may impose its customary charges therefor. The Trustee, or its affiliates, may act as sponsor, advisor, or depositary with regard to any Permitted Investment. The Trustee shall incur no liability for losses arising from any investments made pursuant to the Indenture.

The Department acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grants the Department the right to receive brokerage confirmations of security transactions as they occur, the Department specifically waives receipt of such confirmations to the extent permitted by law. The Trustee will furnish the Department periodic cash transaction statements which include detail for all investment transactions made by the Trustee under the Indenture.

Rebate Fund. The Trustee shall establish a special fund designated the "Rebate Fund." All amounts at any time on deposit in the Rebate Fund shall be held by the Trustee in trust, to the extent required to satisfy the requirement to make rebate payments to the United States (the "Rebate Requirement") pursuant to Section 148 of the Code and the Treasury Regulations promulgated thereunder (the "Treasury Regulations"). The Trustee shall be deemed conclusively to have complied with the Rebate Requirement if it follows the directions of the Department, and shall have no independent responsibility to, or liability resulting from its failure to, enforce compliance by the Department with the Rebate Requirement. All amounts on deposit in the Rebate Fund for the Series 2024 Bonds shall be free and clear of any lien under the Indenture and shall be governed by this Section and the Tax Certificate for the Series 2024 Bonds, unless and to the extent that the Department delivers to the Trustee an opinion of Bond Counsel that the exclusion from gross income for federal income tax purposes of interest on the Series 2024 Bonds will not be adversely affected if such requirements are not satisfied.

Deposits.

(1) Within 45 days of the end of each Bond Year (as such term is defined in the Tax Certificate), (1) the Department shall calculate or cause to be calculated with respect to the Series 2024 Bonds the amount that would be considered the "rebate amount" within the meaning of Section 1.148-3 of the Treasury Regulations, using as the "computation date" for this purpose the end of such Bond Year, and (2) upon the Department's written direction, the Trustee shall deposit to the Rebate Fund from deposits from the Department, if and to the extent required, amounts sufficient to cause the balance in the Rebate Fund to be equal to the "rebate amount" so calculated. The Department shall obtain expert advice as to the "rebate amount" to comply with this Section.

(2) The Trustee shall not be required to deposit any amount to the Rebate Fund in accordance with the preceding sentence if the amount on deposit in the Rebate Fund prior to the deposit required to be made under this subsection of the Indenture equals or exceeds the "rebate amount" calculated in accordance with the preceding sentence. Such excess may be withdrawn from the Rebate Fund to the extent permitted under the subsection of the Indenture described under the subcaption " – Withdrawal of Excess Amounts" below.

(3) The Department shall not be required to calculate the "rebate amount," and the Trustee shall not be required to deposit any amount to the Rebate Fund in accordance with this subsection of the Indenture, with respect to all or a portion of the proceeds of the Series 2024 Bonds (including amounts treated as proceeds of the Series 2024 Bonds) (1) to the extent such proceeds satisfy the expenditure requirements of Section 148(f)(4)(B) or (C) of the Code or Section 1.148-7(d) of the Treasury Regulations, or (2) to the extent such proceeds qualify for the exception to arbitrage rebate under Section 148(f)(4)(A)(ii) of the Code for amounts in a "bona fide debt service fund," or (3) to the extent the Department receives an opinion of Bond Counsel that the exclusion from gross income for federal income tax purposes of interest on the Series 2024 Bonds will not be adversely affected. In such event, and with respect to such amounts, the Department shall provide written direction to the Trustee that the Trustee shall not be required to deposit any amount to the Rebate Fund in accordance with this subsection of the Indenture.

Withdrawal Following Payment of Series 2024 Bonds. Any funds remaining in the Rebate Fund after redemption of all of the Series 2024 Bonds and any amounts described in the subsection of the Indenture described in paragraph (2) under the subcaption " – Withdrawal for Payment of Rebate" below, or provision made therefor satisfactory to the Trustee, including accrued interest and payment of any applicable fees and expenses to the Trustee, shall be withdrawn by the Trustee and remitted to the Department.

Withdrawal for Payment of Rebate. Upon the Department's written direction, but subject to the exceptions contained in the subsection of the Indenture described under the subcaption " – Deposits" above to the requirement to calculate the "rebate amount" and make deposits to the Rebate Fund, the Trustee shall pay to the United States, from amounts on deposit in the Rebate Fund,

(1) not later than 60 days after the end of (i) the fifth Bond Year, and (ii) each fifth Bond Year thereafter, an amount that, together with all previous rebate payments, is equal to at least 90% of the "rebate amount" calculated as of the end of such Bond Year in accordance with Section 1.148-3 of the Treasury Regulations; and

(2) not later than 60 days after the payment of all Series 2024 Bonds, an amount equal to 100% of the "rebate amount" calculated as of the date of such payment (and any income attributable to the "rebate amount" determined to be due and payable) in accordance with Section 1.148-3 of the Treasury Regulations.

Rebate Payments. Each payment required to be made pursuant to the subsection of the Indenture described under the subcaption " – Withdrawal for Payment of Rebate" above shall be made to the Internal Revenue Service, Ogden Submission Processing Center, Ogden, Utah 84201 on or before the date on which such payment is due, and shall be accompanied by Internal Revenue Service Form 8038-T, which shall be completed by or on behalf of the Department and provided to the Trustee.

Deficiencies in the Rebate Fund. In the event that, prior to the time any payment is required to be made from the Rebate Fund, the amount in the Rebate Fund is not sufficient to make such payment when such payment is due, the Department shall calculate the amount of such deficiency and direct the Trustee to deposit an amount received from the Department equal to such deficiency into the Rebate Fund prior to the time such payment is due.

Withdrawals of Excess Amounts. In the event that immediately following the calculation required by the subsection of the Indenture described under the subcaption " – Deposits" above, but prior to any deposit made under said subsection, the amount on deposit in the Rebate Fund exceeds the "rebate amount" calculated in accordance with such subcaption, upon written instructions from the Department, the Trustee shall withdraw the excess from the Rebate Fund and credit such excess to the Interest Fund.

Record Keeping. The Department shall retain records of all determinations made under the Indenture until three (3) years after the complete retirement of the Series 2024 Bonds.

Survival of Defeasance. Notwithstanding anything in the Indenture to the contrary, the Rebate Requirement shall survive the payment in full or defeasance of the Series 2024 Bonds.

Application of Funds and Accounts When No Series 2024 Bonds are Outstanding. On the date on which all Series 2024 Bonds shall be retired under the Indenture or provision made therefor pursuant to the defeasance provisions of the Indenture and after payment of all amounts due the Trustee under the Indenture, all moneys then on deposit in any of the funds or accounts (other than the Rebate Fund) established with the Trustee pursuant to the Indenture shall be withdrawn by the Trustee and paid to the Department.

Reserve Fund. In each Issuing Document, the Department may establish a reserve fund with respect to a Parity Obligation or Parity Obligations. With respect to each reserve fund established with respect to a Parity Obligation with interest payment dates on the Interest Payment Dates hereunder and with the Trustee as trustee under the related Issuing Document, the Department may elect to treat such reserve fund as a part of the Common Reserve securing all Parity Obligations designated by the Department to participate in the Common Reserve (each, a "Common Reserve Parity Obligation"). Each time that the Department elects to treat a reserve fund as a part of the Common Reserve, if necessary to meet the Common Reserve Requirement at the time of such election, the Department shall deposit cash and/or securities in, and/or provide one or more (i) surety bonds, (ii) insurance policies issued by one or more municipal bond insurance companies, (iii) letters of credit, or (iv) other security devices, and credit to such reserve fund to satisfy a portion of the Common Reserve Requirement in the Common Reserve, in each case with ratings in the highest rating category by two of the Rating Agencies as of the date of deposit therein, and with provision that such security device(s) shall be available to be drawn upon with respect to all Common Reserve Parity Obligations (each, a "Common Reserve Security Device"), in an amount sufficient to increase the balance in the Common Reserve to the Common Reserve Requirement calculated to take into account such additional Common Reserve Parity Obligations. If the Department establishes a reserve fund for any Parity Obligation but does not elect to make such reserve fund a part of the Common Reserve, then any Reserve Fund so established will be a Separate Reserve Fund and will secure only the Parity Obligations for which such reserve fund was created. The Trustee may withdraw amounts from the Common Reserve in accordance with each Issuing Document for a Common Reserve Parity Obligation to make payments to the owners of the Common Reserve Parity Obligations issued under such Issuing Document when due.

The Series 2024 Bonds are not Common Reserve Parity Obligations and are not secured by the Common Reserve or a Separate Reserve Fund.

PARTICULAR COVENANTS

No Priority.

No revenue bonds, revolving obligations and related bank notes, notes or other obligations of the Department payable out of the Harbor Revenue Fund shall be issued having any priority with respect to payment of principal or interest out of the Harbor Revenue Fund over the Series 2024 Bonds and Parity Obligations. No revenue bonds, revolving obligations and related bank notes, notes or other obligations of the Department payable out of the Harbor Revenue Fund shall be issued with payment of principal or interest out of the Harbor Revenue Fund on a basis subordinate to or on a parity with Parity Obligations, except in compliance with the provisions of the Indenture described under the caption "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2024 BONDS – Additional Debt."

No transfer of money shall be made out of the Harbor Revenue Fund in any one Fiscal Year for the purpose of paying the principal of or interest on any Subordinate Obligations unless and until the principal of and interest on the Series 2024 Bonds and Parity Obligations issued or incurred in compliance with the provisions of the Indenture described under the caption "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2024 BONDS – Additional Debt," due and payable in that Fiscal Year, have been paid or set aside in a separate fund held in trust and charged with such payments as described in paragraphs (a) and (b) under the caption "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2024 BONDS - Flow of Funds" and unless and until the replenishment of any reserve fund for any such Parity Obligations required pursuant to the Indenture as described under the caption "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2024 BONDS - Flow of Funds" are then current.

No transfer of money shall be made out of the Harbor Revenue Fund in any one Fiscal Year for the purpose of paying the principal of or interest on any revenue bonds, revolving obligations and related bank notes, notes or other obligations of the Department (other than the Series 2024 Bonds, Parity Obligations and Subordinate Obligations) serviced out of the Harbor Revenue Fund unless and until the principal of and interest on the Subordinate Obligations issued or incurred in compliance with the provisions of the Indenture described under the caption "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2024 BONDS – Additional Debt," due and payable in that Fiscal Year, have been paid or set aside in a separate fund held in trust and charged with such payments as described under the caption "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2024 BONDS - Flow of Funds" and unless and until the replenishment of any reserve fund for any such Subordinate Obligations required pursuant to the Indenture are then current.

Sale of Property. The property of the City which is under the management, supervision and control of the Board shall not be sold or otherwise disposed of, as a whole or substantially as a whole, unless such sale or other disposition shall provide for a continuance of payments into the Harbor Revenue Fund sufficient in amount to permit payment therefrom of principal of and interest on or with respect to Parity Obligations, or to provide for such payments into some other fund or account charged with such payments.

Exempt Facilities. The Department covenants and agrees that it will not expend the proceeds of the Series 2024 Bonds for any purpose or purposes, in any amount or amounts, or permit any user of the improvements to be financed or refinanced with the proceeds from the sale of the Series 2024 Bonds or any earnings thereon to undertake, or permit, any act or use of such improvements which has the effect of causing or allowing such improvements to be or become facilities which are not included within those set forth and described in Section 142(a) of the Code and the Treasury Regulations and rulings applicable thereto.

Waiver of Depreciation and Investment Tax Credit. The Department covenants and agrees that it will require any nongovernmental person which, so long as Series 2024 Bonds are Outstanding, is granted the right to use any of the improvements to be refinanced with the proceeds from the sale of the Series 2024 Bonds or any earnings thereon pursuant to any written lease, permit or other arrangement, to execute an election not to claim on such person's federal income tax return (or any consolidated federal income tax return which includes such person) any investment tax credit or deduction for depreciation with respect to (1) any of the Project and (2) any land, building, structural components of a building (including heating or air conditioning units) or other structure which is physically supported by, physically supports, or is physically connected to any of the Project.

In addition, the term of any such lease, permit or other arrangement will not exceed 80% of the reasonably expected economic life of such Project or component thereof. Each such election shall be executed not later than the later of the original delivery date of such Series 2024 Bonds or the execution of the lease, permit or other arrangement pursuant to which such nongovernmental person is granted the right to use a Public Improvement, and shall be binding upon such person and upon all successors in interest to such person. Each election shall be in substantially the form as is attached to the Indenture as Exhibit E which is by reference incorporated therein and made a part thereof. The Department further covenants and agrees that it will retain copies of each such election in its records for the entire term of any such lease, permit or other arrangement, and will require the nongovernmental person to retain the election in its records for the same period. Each such election shall be publicly recorded so as to be binding on any successor in interest to the initial nongovernmental person.

Insurance.

The Department will procure and maintain or cause to be procured and maintained insurance on its properties, facilities and equipment with responsible insurers in such amounts and against such risks (including accident to or destruction of its properties, facilities and equipment) as are usually covered in connection with harbor facilities similar to those of the Department owned by harbor departments similar to the Department so long as such insurance is available from reputable insurance companies at a reasonable cost.

The Department will procure and maintain such other insurance which it shall deem advisable or necessary to protect its interests and the interests of the Owners of the Series 2024 Bonds, which insurance shall afford protection in such amounts and against such risks as are usually covered in connection with harbor facilities similar to those of the Department owned by harbor departments similar to the Department.

Any insurance required by the two (2) preceding sentences may be maintained under a self-insurance program so long as such self-insurance is maintained in the amounts and manner usually maintained in connection with harbor facilities similar to those of the Department owned by harbor departments similar to the Department and is, in the opinion of an accredited actuary, actuarially sound.

Punctual Payment. The Department shall punctually pay or cause to be paid the principal and interest to become due in respect of all the Series 2024 Bonds, in strict conformity with the terms of the Series 2024 Bonds and of the Indenture, according to the true intent and meaning thereof, but only out of Revenues and other amounts pledged for such payment as provided in the Indenture.

Extension of Payment of Series 2024 Bonds. The Department shall not directly or indirectly extend or assent to the extension of the maturity of any of the Series 2024 Bonds or the time of payment of any claims for interest by the purchase of such Series 2024 Bonds or by any other arrangement, and in case the maturity of any of the Series 2024 Bonds or the time of payment of any such claims for interest shall be extended, such Series 2024 Bonds or claims for interest shall not be entitled, in case of any default under the Indenture, to the benefits of the Indenture, except subject to the prior payment in full for the principal of all of the Series 2024 Bonds then Outstanding and of all claims for interest thereon which shall not have been so extended. Nothing in the Indenture shall be deemed to limit the right of the Department to issue Series 2024 Bonds for the purpose of refunding any Outstanding Series 2024 Bonds, and such issuance shall not be deemed to constitute an extension of maturity of Series 2024 Bonds.

Against Encumbrances. The Department shall not create, or permit the creation of, any pledge, lien, charge or other encumbrances upon the Revenues and other amounts pledged or assigned under the Indenture while any of the Series 2024 Bonds are Outstanding, except (i) the parity pledge of and lien on the Revenues and assignment created by the Indenture or with respect to Parity Obligations issued or incurred in compliance with the provisions of the Indenture described under the caption "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2024 BONDS – Additional Debt," or (ii) the subordinate pledge of and lien on the Revenues and assignment securing Subordinate Obligations issued or incurred in compliance with the provisions of the Indenture described under the caption "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2024 BONDS – Additional Debt." Subject to this limitation, the Department expressly reserves the right to enter into one or more other indentures for any of its corporate purposes and reserves the right to issue other obligations for such purposes.

Power to Issue Series 2024 Bonds and Make Pledge and Assignment. The Department is duly authorized pursuant to law to issue the Series 2024 Bonds and to enter into the Indenture and to pledge and assign the Revenues and other amounts purported to be pledged and assigned under the Indenture in the manner and to the extent provided in the Indenture. The Series 2024 Bonds and the provisions of the

Indenture are and will be the legal, valid and binding special obligations of the Department in accordance with their terms, and the Department and the Trustee shall at all times, subject to the provisions of the Indenture and to the extent permitted by law, defend, preserve and protect said pledge and assignment of Revenues and other amounts and all the rights of the Series 2024 Bond Owners under the Indenture against all claims and demands of all persons whomsoever.

Tax Covenants.

(a) General. The Department covenants with the owners of the Series 2024 Bonds that, notwithstanding any other provisions of the Indenture, it shall not take any action, or fail to take any action, if any such action or failure to take action would adversely affect the exclusion from gross income of interest on the Series 2024 Bonds under Section 103 of the Code.

(b) Qualification as Exempt Facility Bonds. The Department shall not take any action, or fail to take any action, if any such action or failure to take action would cause the Private Activity Bonds to be other than "exempt facility bonds" within the meaning of Section 142(a)(2) of the Code, and in furtherance thereof, shall not make any use of the proceeds of the Private Activity Bonds or any earnings thereon, or of the portion of the Private Activity Projects refinanced with the proceeds of the Private Activity Bonds, or any portion thereof, as would cause the Private Activity Bonds not to qualify under Section 142(a)(2) of the Code as "exempt facility bonds." The Department shall not, directly or indirectly, use or permit the use of proceeds of the Governmental Bonds or any earnings thereon or portion thereof, by any person other than a governmental unit (as such term is used in Section 141 of the Code) in such manner or to such extent as would result in the loss of exclusion from gross income for federal income tax purposes of interest on the Governmental Bonds. To these ends, so long as any Series 2024 Bonds are Outstanding, the Department, with respect to such proceeds, earnings thereon and property and such other funds, will comply with applicable requirements of the Code and all regulations of the United States Department of the Treasury issued thereunder and under Section 103 of the Internal Revenue Code of 1954, as amended (the "1954 Code"), to the extent such requirements are, at the time, applicable and in effect. The Department shall establish reasonable procedures necessary to ensure continued compliance with the aforementioned Sections of the Code and the continued qualification of the portion of the Projects refinanced with the proceeds of the Series 2024 Bonds.

(c) Arbitrage. The Department shall not, directly or indirectly, use or permit the use of any proceeds of any Series 2024 Bonds, or of any property refinanced thereby, or other funds of the Department, or take or omit to take any action, that would cause the Series 2024 Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code. To that end, the Department shall comply with all requirements of Section 148 of the Code and all regulations of the United States Department of the Treasury issued thereunder to the extent such requirements are, at the time, in effect and applicable to the Series 2024 Bonds.

(d) Federal Guarantee. The Department shall not make any use of the proceeds of the Series 2024 Bonds or any other funds of the Department, or take or omit to take any other action, that would cause the Series 2024 Bonds to be "federally guaranteed" within the meaning of Section 149(b) of the Code.

(e) Compliance with Tax Certificate and Agreement. In furtherance of the foregoing tax covenants, the Department covenants that it will comply with the instructions and requirements of the Tax Certificate, which is incorporated in the Indenture. These covenants shall survive the payment in full or defeasance of the Series 2024 Bonds.

Further Assurances. The Department will make, execute and deliver any and all such further indentures, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the Indenture and for the better assuring and confirming unto the Owners of the Series 2024 Bonds of the rights and benefits provided in the Indenture.

Continuing Disclosure. The Department will comply with and carry out all of the provisions of the Continuing Disclosure Certificate to be executed by the Department in substantially the form approved by the Resolution, as originally executed and as it may be amended from time to time in accordance with the terms thereof. Any holder or Beneficial Owner of the Series 2024 Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Department to comply with its obligations under this provision. Noncompliance with this provision shall not be considered an "Event of Default" and shall not result in acceleration of the Series 2024 Bonds, and the sole remedy under the Continuing Disclosure Certificate (or the Indenture) in the event of any failure of the Department to comply with the Continuing Disclosure Certificate shall be an action to compel performance. For the purposes of this provision, "Beneficial Owner" means any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Series 2024 Bonds (including persons holding Series 2024 Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Series 2024 Bonds for federal income tax purposes.

No holder or Beneficial Owner of Series 2024 Bonds may institute such action, suit or proceeding to compel performance unless they shall have first delivered to the Department satisfactory written evidence of their status as such, and a written notice of and request to cure such failure and the Department shall have refused to comply therewith within a reasonable time.

EVENTS OF DEFAULT AND REMEDIES OF SERIES 2024 BOND OWNERS

Events of Default. The following events shall be Events of Default under the Indenture:

(a) Default by the Department in the due and punctual payment of the principal of any Series 2024 Bonds or any Parity Obligation (of such default relating to any Parity Obligations the Department agrees to notify the Trustee) when and as the same shall become due and payable, whether at maturity as therein expressed, by proceedings for redemption, by acceleration, or otherwise.

(b) Default by the Department in the due and punctual payment of any installment of interest on any Series 2024 Bonds or any Parity Obligation (of such default relating to any Parity Obligations the Department agrees to notify the Trustee) when and as the same shall become due and payable.

(c) Default by the Department in the observance of any of the other covenants, agreements or conditions on its part in the Indenture or in the Series 2024 Bonds contained, if such default shall have continued for a period of sixty (60) days after written notice thereof, specifying such default and requiring the same to be remedied, shall have been given to the Department by the Trustee or by the Owners of not less than 25 percent in aggregate principal amount of Series 2024 Bonds Outstanding; provided, however, that if in the reasonable opinion of the Department the default stated in the notice can be corrected, but not within such sixty (60) day period and corrective action is instituted by the Department within such sixty (60) day period and diligently pursued in good faith until the default is corrected, such default shall not be an Event of Default under the Indenture so long as such corrective action is diligently pursued.

(d) The Department shall file a petition or answer seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if a court of competent jurisdiction shall approve a petition filed with or without the consent of the Department seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if under the provisions of any other law for the relief or aid of debtors any court of competent jurisdiction shall assume custody or control of the Department or of the whole or any substantial part of its property.

Remedies Upon Event of Default. If any Event of Default shall occur, then, and in each and every such case during the continuance of such Event of Default, the Trustee may, and shall, at the direction of the Owners of not less than a majority in aggregate principal amount of the Series 2024 Bonds at the time Outstanding, upon notice in writing to the Department, shall declare the principal of all of the Series 2024 Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable, anything in the Indenture or in the Series 2024 Bonds contained to the contrary notwithstanding.

Any such declaration is subject to the condition that if, at any time after such declaration and before any judgment or decree for the payment of the moneys due shall have been obtained or entered, the Department shall deposit with the Trustee a sum sufficient to pay all the principal of and installments of interest on the Series 2024 Bonds payment of which is overdue, with interest on such overdue principal at the rate borne by the respective Series 2024 Bonds to the extent permitted by law, and the reasonable charges and expenses of the Trustee, including fees and expenses of its attorneys, and any and all other Events of Default known to the Trustee (other than in the payment of principal of and interest on the Series 2024 Bonds due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall have been made therefor, then, on behalf of the Owners of all of the Series 2024 Bonds, rescind and annul such declaration and its consequences and waive such Event of Default; but no such rescission and annulment shall extend to or shall affect any subsequent Event of Default, or shall impair or exhaust any right or power consequent thereon.

Application of Revenues and Other Funds After Default. If an Event of Default shall occur and be continuing, all Revenues shall be applied by the Department or the Trustee, as the case may be, and any amounts then held by the Trustee or thereafter received by the Trustee shall be applied by the Trustee as follows and in the following order:

(i) To the payment of any expenses necessary in the opinion of the Trustee to protect the interests of the Owners of the Series 2024 Bonds and payment of reasonable charges and expenses of the Trustee (including reasonable fees and disbursements of its counsel or advisors) incurred in and about the performance of its powers and duties under the Indenture; and

(ii) To the payment of the Operation and Maintenance costs; and

(iii) To the payment of the principal of and interest then due on the Series 2024 Bonds (upon presentation of the Series 2024 Bonds to be paid, and stamping or otherwise noting thereon of the payment if only partially paid, or surrender thereof if fully paid) in accordance with the provisions of the Indenture (on a parity with the payment of principal of and interest then due on any Parity Obligations in accordance with the provisions of the documents pursuant to which such Parity Obligations were issued or incurred), in the following order of priority:

First: To the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference;

Second: To the payment to the persons entitled thereto of the unpaid principal of any Series 2024 Bonds which shall have become due, whether at maturity or by acceleration or redemption, with interest on the overdue principal at the rate of eight percent (8%) per annum, and, if the amount available shall not be sufficient to pay in full all the Series 2024 Bonds, together with such interest, then to the payment thereof ratably, according to the amounts of principal due on such date to the persons entitled thereto, without any discrimination or preference; and

Third: For any lawful purpose.

Trustee to Represent Series 2024 Bond Owners. If an Event of Default shall occur and be continuing, the Trustee is irrevocably appointed pursuant to the Indenture (and the successive respective Owners of the Series 2024 Bonds, by taking and holding the same, shall be conclusively deemed to have so appointed the Trustee) as trustee and true and lawful attorney-in-fact of the Owners of the Series 2024 Bonds for the purpose of exercising and prosecuting on their behalf such rights and remedies as may be available to such Owners under the provisions of the Series 2024 Bonds or the Indenture and applicable provisions of any other law. Upon the occurrence and continuance of an Event of Default or other occasion giving rise to a right in the Trustee to represent the Series 2024 Bond Owners, the Trustee in its discretion may, and upon the written request of the Owners of a majority in aggregate principal amount of the Series 2024 Bonds then Outstanding, and upon being indemnified to its satisfaction therefor, shall, proceed to protect or enforce its rights or the rights of such Owners by such appropriate action, suit, mandamus or other proceedings as it shall deem most effectual to protect and enforce any such right, at law or in equity, either for the specific performance of any covenant or agreement contained in the Indenture, or in aid of the execution of any power in the Indenture granted, or for the enforcement of any other appropriate legal or equitable right or remedy vested in the Trustee or in such Owners under the Series 2024 Bonds or the Indenture or any other law; and upon instituting such proceeding, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver of the Revenues and other amounts pledged under the Indenture, pending such proceedings. All rights of action under the Indenture or the Series 2024 Bonds or otherwise may be prosecuted and enforced by the Trustee without the possession of any of the Series 2024 Bonds or the production thereof in any proceeding relating thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in the name of the Trustee for the benefit and protection of all the Owners of such Series 2024 Bonds, subject to the provisions of the Indenture.

Series 2024 Bond Owners' Direction of Proceedings. Anything in the Indenture to the contrary notwithstanding, the Owners of a majority in aggregate principal amount of the Series 2024 Bonds then Outstanding shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, to direct the method of conduct in all remedial proceedings taken by the Trustee under the Indenture, provided that such direction shall not be otherwise than in accordance with law and the provisions of the Indenture, and that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Series 2024 Bond Owners not parties to such direction or in its judgment expose the Trustee to liability.

Suit by Owners. No Owner of any Series 2024 Bonds shall have the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under the Indenture or any other applicable law with respect to such Series 2024 Bonds, unless (a) such Owners shall have given to the Trustee written notice of the occurrence of an Event of Default; (b) the Owners of not less than twenty-five percent (25%) in aggregate principal amount of the Series 2024 Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers granted pursuant to the Indenture or to institute such suit, action or proceeding in its own name; (c) such Owner or Owners shall have tendered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; (d) the Trustee shall have failed to comply with such request for a period of sixty (60) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee; and (e) no direction inconsistent with such written request shall have been given to the Trustee during such sixty (60) day period by the Owners of a majority in aggregate principal amount of the Series 2024 Bonds then Outstanding.

Such notification, request, tender of indemnity and refusal or omission are declared pursuant to the Indenture, in every case, to be conditions precedent to the exercise by any Owner of Series 2024 Bonds of any remedy under the Indenture or under law; it being understood and intended that no one or more Owners of Series 2024 Bonds shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the Indenture or the rights of any other Owners of Series 2024 Bonds, or to enforce any right under the Series 2024 Bonds, the Indenture or other applicable law with respect to the Series 2024 Bonds, except in the manner provided in the Indenture, and that all proceedings at law or in equity to enforce any such right shall be instituted, had and maintained in the manner provided in the Indenture and for the benefit and protection of all Owners of the Outstanding Series 2024 Bonds, subject to the provisions of the Indenture.

Absolute Obligation of Department. Nothing in the Indenture or in the Series 2024 Bonds contained shall affect or impair the obligation of the Department, which is absolute and unconditional, to pay the principal of and interest on the Series 2024 Bonds to the respective Owners of the Series 2024 Bonds at their respective dates of maturity, or upon call for redemption, as provided in the Indenture, but only out of the Revenues and other amounts pledged therefor, or affect or impair the right of such Owners, which is also absolute and unconditional, to enforce such payment by virtue of the contract embodied in the Series 2024 Bonds.

Remedies Not Exclusive. No remedy in the Indenture conferred upon or reserved to the Trustee or to the Owners of the Series 2024 Bonds is intended to be exclusive of any other remedy or remedies, and each and every such remedy, to the extent permitted by law, shall be cumulative and in addition to any other remedy given under the Indenture or now or hereafter existing at law or in equity or otherwise.

No Waiver of Default. No delay or omission of the Trustee or of any Owner of the Series 2024 Bonds to exercise any right or power arising upon the occurrence of any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or an acquiescence therein.

THE TRUSTEE

Duties, Immunities and Liabilities of Trustee. The Trustee shall, prior to an Event of Default, and after the curing of all Events of Default which may have occurred, perform such duties and only such duties as are expressly and specifically set forth in the Indenture and no implied covenants or duties shall be read into the Indenture against the Trustee. The Trustee shall, during the existence of any Event of Default (which has not been cured), exercise such of the rights and powers vested in it by the Indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

Appointment, Removal and Resignation of the Trustee. The Department may remove the Trustee at any time, unless an Event of Default shall have occurred and then be continuing, and shall if at any time requested to do so by an instrument or concurrent instruments in writing signed by the Owners of not less than a majority in aggregate principal amount of the Series 2024 Bonds then Outstanding (or their attorneys duly authorized in writing) or if at any time the Trustee shall cease to be eligible in accordance with the Indenture, or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or a receiver of the Trustee or its property shall be appointed, or any public officer shall take control or charge of the

Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation, in each case by giving written notice of such removal to the Trustee and thereupon shall promptly appoint a successor Trustee by an instrument in writing.

The Trustee may at any time resign by giving written notice of such resignation to the Department and by giving the Series 2024 Bond Owners notice of such resignation by mail at the addresses shown on the Registration Books. Upon receiving such notice of resignation, the Department shall promptly appoint a successor Trustee by an instrument in writing.

Any removal or resignation of the Trustee and appointment of a successor Trustee shall become effective upon acceptance of appointment by the successor Trustee. If no successor Trustee shall have been appointed and have accepted appointment within forty-five (45) days of giving notice of removal or notice of resignation as aforesaid, the resigning Trustee or any Series 2024 Bond Owner (on behalf of himself and all other Series 2024 Bond Owners) may petition any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Trustee. Any successor Trustee appointed under the Indenture shall signify its acceptance of such appointment by executing and delivering to the Department and to its predecessor Trustee a written acceptance thereof, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Trustee, with like effect as if originally named Trustee in the Indenture; but, nevertheless at the Request of the Department or the request of the successor Trustee, such predecessor Trustee shall execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Trustee all the right, title and interest of such predecessor Trustee in and to any property held by it under the Indenture and shall pay over, transfer, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions set forth in the Indenture. Upon request of the successor Trustee, the Department shall execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor Trustee all such moneys, estates, properties, rights, powers, trusts, duties and obligations. Upon acceptance of appointment by a successor Trustee as provided in the Indenture, the Department shall mail or cause the successor Trustee to mail a notice of the succession of such Trustee to the trusts under the Indenture to each Rating Agency which is then rating the Series 2024 Bonds and to the Series 2024 Bond Owners at the addresses shown on the Registration Books. If the Department fails to mail such notice within fifteen (15) days after acceptance of appointment by the successor Trustee, the successor Trustee shall cause such notice to be mailed at the expense of the Department.

Any Trustee appointed under the provisions of the Indenture in succession to the Trustee shall be a trust company, a national banking association or bank having the powers of a trust company having a corporate trust office in San Francisco or Los Angeles, California, having a combined capital and surplus of at least Seventy-Five Million Dollars ($75,000,000), and subject to supervision or examination for federal or state authority. If such bank, national banking association or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purpose of the Indenture the combined capital and surplus of such bank, national banking association or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of the Indenture, the Trustee shall resign immediately in the manner and with the effect specified in the Indenture.

Merger or Consolidation. Any bank, national banking association or trust company into which the Trustee may be merged or converted or with which it may be consolidated or any bank, national banking association or trust company resulting from any merger, conversion or consolidation to which it shall be a party or any bank, national banking association or trust company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided such bank, national banking association or trust company shall be eligible under the Indenture shall be the successor to such Trustee, without the execution or filing of any paper or any further act, anything in the Indenture to the contrary notwithstanding.

Liability of Trustee.

(a) The recitals of facts in the Indenture and in the Series 2024 Bonds contained shall be taken as statements of the Department, and the Trustee shall not assume responsibility for the correctness of the same, or make any representations as to the validity, sufficiency or priority of the Indenture or the Series 2024 Bonds, nor shall the Trustee incur any responsibility in respect thereof, other than as expressly stated in the Indenture in connection with the respective duties or obligations in the Indenture or in the Series 2024 Bonds assigned to or imposed upon it. The Trustee shall, however, be responsible for its representations contained in its certificate of authentication on the Series 2024 Bonds. The Trustee shall not be liable in connection with the performance of its duties under the Indenture, except for its own negligence or willful misconduct. The Trustee may become the Owner of Series 2024 Bonds with the same rights it would have if it were not Trustee, and, to the extent permitted by law, may act as depository for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Series 2024 Bond Owners, whether or not such committee shall represent the Owners of a majority in principal amount of the Series 2024 Bonds then Outstanding.

(b) The Trustee shall not be liable for any error of judgment made in good faith by a responsible officer or employee, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts.

(c) The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Owners of not less than a majority in aggregate principal amount of the Series 2024 Bonds at the time Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under the Indenture.

(d) The Trustee shall not be liable for any action taken by it in good faith and believed by it to be authorized or within the discretion or rights or powers conferred upon it by the Indenture.

(e) The Trustee shall not be deemed to have knowledge of any Event of Default under the Indenture or any other event which, with the passage of time, the giving of notice, or both, would constitute an Event of Default under the Indenture unless and until a Responsible Officer of the Trustee shall have actual knowledge of such event or the Trustee shall have been notified in writing, in accordance with the Indenture, of such event by the Department or the Owners of not less than 25% of the Series 2024 Bonds then Outstanding. Except as otherwise expressly provided in the Indenture, the Trustee shall not be bound to ascertain or inquire as to the performance or observance by the Department of any of the terms, conditions, covenants or agreements in the Indenture of any of the documents executed in connection with the Series 2024 Bonds, or as to the existence of an Event of Default thereunder or an event which would, with the giving of notice, the passage of time, or both, constitute an Event of Default thereunder. The Trustee shall not be responsible for the validity, effectiveness or priority of any collateral given to or held by it.

(f) No provision of the Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of its duties under the Indenture, or in the exercise of any of its rights or powers.

(g) The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by the Indenture at the request or direction of Owners pursuant to the Indenture, unless such Owners shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities (including reasonable attorneys' fees) which might be incurred by it in compliance with such request or direction. No permissive power, right or remedy conferred upon the Trustee under the Indenture shall be construed to impose a duty to exercise such power, right or remedy.

(h) Whether or not expressly provided in the Indenture, every provision of the Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of the Indenture. The immunities and exceptions from liability of the Trustee shall extend to its officers, directors, employees and agents.

(i) In the performance of its duties under the Indenture, the Trustee may employ attorneys, agents and receivers and shall not be liable for any action of such attorneys, agents and receivers to the extent selected by it with due care.

(j) The Trustee shall have no responsibility with respect to any information, statement or recital whatsoever in any official statement, offering memorandum or other disclosure material prepared or distributed with respect to the Series 2024 Bonds. The Trustee shall not be accountable for the use or application by the Department or any other party of any funds which the Trustee has released under the Indenture.

(k) In accepting the trust created by the Indenture, the Trustee acts solely as Trustee for the Owners and not in its individual capacity and all persons, including without limitations the Owners and the Department having any claim against the Trustee arising from the Indenture shall look only to the funds and accounts held by the Trustee under the Indenture for payment except as otherwise provided in the Indenture. Under no circumstances shall the Trustee be liable in its individual capacity for the obligations evidenced by the Series 2024 Bonds.

(l) The Trustee shall not be considered in breach of or in default in its obligations under the Indenture or progress in respect thereto in the event of enforced delay ("unavoidable delay") in the performance of such obligations due to unforeseeable causes beyond its control and without its fault or negligence, including, but not limited to: Acts of God or of the public enemy or terrorists; acts of a government; fires; floods; epidemics; quarantine restrictions; strikes; freight embargoes; earthquakes; explosion; mob violence; riot; inability to procure or general sabotage or rationing of labor, equipment, facilities, sources of energy, materials or supplies in the open market; litigation or arbitration relating to zoning or other governmental action or inaction pertaining to the Trust Estate; malicious mischief; condemnation; and unusually severe weather or delays of suppliers or subcontractors due to such causes or any similar event and/or occurrences beyond the control of the Trustee.

(m) The Trustee agrees to accept and act upon facsimile transmissions of written instructions and/or directions pursuant to the Indenture; provided, however, that: (a) subsequent to any such facsimile transmission of written instructions and/or directions, the Trustee shall forthwith receive the originally executed instructions and/or directions, (b) such originally executed instructions and/or directions shall be signed by a person as may be designated and authorized to sign for the party signing such instructions and/or directions, and (c) the Trustee shall have on file a current incumbency certificate containing the specimen signature of such designated person.

Right to Rely on Documents. The Trustee shall be protected in acting upon any notice, resolution, direction, requisition, request, consent, order, certificate, report, opinion, notes or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties but the

Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Trustee shall determine to make such further inquiry or investigation, it shall be entitled to examine the books, records and premises of the Department, personally or by agent. The Trustee may consult with counsel, who may be counsel of or to the Department, with regard to all matters concerning the trust created by the Indenture or the duties of the Trustee under the Indenture, and the opinion or advice of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it under the Indenture in good faith and in accordance therewith.

The Trustee may treat the Owners of the Series 2024 Bonds appearing in the Trustee's Registration Books as the absolute owners of the Series 2024 Bonds for all purposes and the Trustee shall not be affected by any notice to the contrary.

Whenever in the administration of the trusts imposed upon it by the Indenture the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action under the Indenture, such matter (unless other evidence in respect thereof be specifically prescribed in the Indenture) may be deemed to be conclusively proved and established by a Certificate, Request or Requisition of the Department, and such Certificate, Request or Requisition shall be full warrant to the Trustee for any action taken or suffered in good faith under the provisions of the Indenture in reliance upon such Certificate, Request or Requisition, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as it may deem reasonable.

All moneys received by the Trustee shall, until used or applied or invested as provided in the Indenture, be held in trust for the purposes for which they were received but need not be segregated from other funds except to the extent required by law. The Trustee shall not be under any liability for interest on any moneys received under the Indenture except such as may be agreed upon.

Preservation and Inspection of Documents. All documents received by the Trustee under the provisions of the Indenture shall be retained in its possession and shall be subject at all reasonable times upon reasonable prior notice to the inspection of the Department and any Series 2024 Bond Owner, and their agents and representatives duly authorized in writing, at reasonable hours and under reasonable conditions.

Compensation and Indemnification. The Department shall pay to the Trustee from time to time all reasonable compensation for all services rendered under the Indenture, and also all reasonable expenses, charges, legal and consulting fees and other disbursements and those of their attorneys, agents and employees, incurred in and about the performance of their powers and duties under the Indenture.

The Department shall indemnify, defend and hold harmless the Trustee its officers, employees, directors and agents against any loss, cost, liability or expense (including legal fees and expenses) incurred without negligence, misconduct or bad faith on its part, arising out of or in connection with the execution of the Indenture, acceptance or administration of this trust, including costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers under the Indenture or the enforcement of any of its rights or remedies. The rights of the Trustee and the obligations of the Department under the Indenture shall survive removal or resignation of the Trustee and the discharge of the Series 2024 Bonds and the Indenture.

MODIFICATION OR AMENDMENT OF THE INDENTURE

Amendments Permitted.

(a) The Indenture and the rights and obligations of the Department and of the Owners of the Series 2024 Bonds and of the Trustee may be modified or amended from time to time and at any time by an indenture or indentures supplemental thereto, which the Department and the Trustee may enter into when the written consent of the Owners of a majority in aggregate principal amount of (i) if all of the Outstanding Series 2024 Bonds of all Series are affected, the Series 2024 Bonds of all Series then Outstanding or (ii) if less than all of the Outstanding Series 2024 Bonds of all Series are affected, the Series 2024 Bonds of each affected Series (excluding, in each case, from such consent, and from the Outstanding Series 2024 Bonds, the Series 2024 Bonds of any specified Series and maturity if such amendment by its terms will not take effect so long as any of such Series 2024 Bonds remain Outstanding); provided, however, that in either case the Trustee shall exclude Series 2024 Bonds disqualified as provided in the Indenture, if proof of such disqualification shall have been filed with the Trustee. No such modification or amendment shall (1) extend the fixed maturity of any Series 2024 Bonds, or reduce the amount of principal thereof or premium (if any) thereon, or extend the time of payment, or change the method of computing the rate of interest thereon, or extend the time of payment of interest thereon, without the consent of the Owner of each Series 2024 Bond so affected, or (2) reduce the aforesaid percentage of Series 2024 Bonds the consent of the Owners of which is required to affect any such modification or amendment, or permit the creation of any lien on the Revenues and other assets pledged under the Indenture prior to or on a parity with the lien created by the Indenture except as permitted in the Indenture, or deprive the Owners of the Series 2024 Bonds of the lien created by the Indenture on such Revenues and other assets (except as expressly provided in the Indenture), without the consent of the Owners of all of the Series 2024 Bonds then Outstanding. It shall not be necessary for the consent of the Series 2024 Bond Owners to approve the particular form of any Supplemental Indenture, but it shall be sufficient if such consent shall approve the substance thereof. Promptly after the execution by the Department and the Trustee of any Supplemental Indenture pursuant to this subsection, the Department shall mail a notice, setting forth in general terms the substance of such Supplemental Indenture, to each Rating Agency and the Owners of the Series 2024 Bonds at the respective addresses shown on the Registration Books. Any failure to give such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such Supplemental Indenture.

(b) The Indenture and the rights and obligations of the Department, of the Trustee and the Owners of the Series 2024 Bonds may also be modified or amended from time to time and at any time by a Supplemental Indenture, which the Department and the Trustee may enter into without the consent of any Series 2024 Bond Owners, if the Trustee shall receive an opinion of Bond Counsel to the effect that the provisions of such Supplemental Indenture shall not materially adversely affect the interests of the Owners of the Outstanding Series 2024 Bonds, including, without limitation, for any one or more of the following purposes:

(1) to add to the covenants and agreements of the Department in the Indenture contained other covenants and agreements thereafter to be observed, to pledge or assign additional security for the Series 2024 Bonds (or any portion thereof), or to surrender any right or power reserved to or conferred upon the Department;

(2) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision, contained in the Indenture, or in regard to matters or questions arising under the Indenture, as the Department may deem necessary or desirable;

(3) to modify, amend or supplement the Indenture in such manner as to permit the qualification under the Trust Indenture Act of 1939, as amended, or any similar federal statute under the Indenture in effect, and to add such other terms conditions and provisions as may be permitted by said act or similar federal statute;

(4) to modify, amend or supplement the Indenture in such manner as to cause interest on the Series 2024 Bonds to remain excludable from gross income under the Code;

(5) to modify, amend or supplement the Indenture in such manner as to permit the deposit of a surety bond, an insurance policy, a letter of credit or any other security device in the Reserve Fund; or

(6) to modify, amend or supplement the Indenture in such manner as does not materially, adversely affect the Owners.

(c) The Trustee may in its discretion, but shall not be obligated to, enter into any such Supplemental Indenture authorized by subsections (a) or (b) above which materially adversely affects the Trustee's own rights, duties or immunities under the Indenture or otherwise.

(d) Prior to the Trustee entering into any Supplemental Indenture under the Indenture, there shall be delivered to the Trustee an opinion of Bond Counsel stating, in substance, that such Supplemental Indenture has been adopted in compliance with the requirements of the Indenture and that the adoption of such Supplemental Indenture will not, in and of itself, adversely affect the exclusion of interest on the Series 2024 Bonds from federal income taxation and from state income taxation.

Effect of Supplemental Indenture. Upon the execution of any Supplemental Indenture pursuant to the Indenture, the Indenture shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under the Indenture of the Department, the Trustee and all Owners of Series 2024 Bonds Outstanding shall thereafter be determined, exercised and enforced thereunder subject in all respects to such modification and amendment, and all the terms and conditions of any such Supplemental Indenture shall be deemed to be part of the terms and conditions of the Indenture for any and all purposes.

Endorsement of Series 2024 Bonds; Preparation of New Series 2024 Bonds. Series 2024 Bonds delivered after the execution of any Supplemental Indenture pursuant to the Indenture may, and if the Department so determines shall, bear a notation by endorsement or otherwise in form approved by the Department and the Trustee as to any modification or amendment provided for in such Supplemental Indenture, and, in that case, upon demand on the Owner of any Series 2024 Bonds Outstanding at the time of such execution and presentation of his or her Series 2024 Bonds for the purpose at the Office of the Trustee or at such additional offices as the Trustee may select and designate for that purpose, a suitable notation shall be made on such Series 2024 Bonds. If the Supplemental Indenture shall so provide, new Series 2024 Bonds so modified as to conform, in the opinion of the Department and the Trustee, to any modification or amendment contained in such Supplemental Indenture, shall be prepared and executed by the Department and authenticated by the Trustee, and upon demand on the Owners of any Series 2024 Bonds then Outstanding shall be exchanged at the Office of the Trustee, without cost to any Series 2024 Bond Owner, for Series 2024 Bonds then Outstanding, upon surrender for cancellation of such Series 2024 Bonds, in equal aggregate principal amount of the same maturity and Series.

Amendment of Particular Series 2024 Bonds. The provisions of the Indenture shall not prevent any Series 2024 Bond Owner from accepting any amendment as to the particular Series 2024 Bonds held by such Series 2024 Bond Owner.

DEFEASANCE

Discharge of Indenture. Series 2024 Bonds of one or more Series may be paid by the Department in any of the following ways, provided that the Department also pays or causes to be paid any other sums payable under the Indenture by the Department:

(a) by paying or causing to be paid the principal of and interest and redemption premiums (if any) on such Series 2024 Bonds, as and when the same become due and payable;

(b) by depositing with the Trustee, in trust, at or before maturity, money or securities in the necessary amount (as provided under the subcaption " – Deposit of Money or Securities with Trustee") to pay or redeem such Series 2024 Bonds then Outstanding; or

(c) by delivering to the Trustee, for cancellation by it, such Series 2024 Bonds then Outstanding.

If the Department shall also pay or cause to be paid all other sums payable under the Indenture by the Department, then and in that case, at the election of the Department (evidenced by a Certificate of the Department, filed with the Trustee, signifying the intention of the Department to discharge all such indebtedness and the Indenture), and notwithstanding that any such Series 2024 Bonds shall not have been surrendered for payment, the Indenture and the pledge of Revenues and other amounts made under the Indenture and all covenants, agreements and other obligations of the Department under the Indenture other than certain obligations with respect to transfer, registration and cancellation of Series 2024 Bonds pursuant to the Indenture, certain obligations with respect to the Trustee and any amount required to be paid to any provider of any Common Reserve Security Device or Separate Reserve Fund Security Device under the Indenture, shall cease, terminate, become void and be completely discharged and satisfied with respect to such Series 2024 Bonds. In such event, upon the Request of the Department, the Trustee shall execute and deliver to the Department all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Trustee shall pay over, transfer, assign or deliver all moneys or securities or other property held by them pursuant to the Indenture which are not required for the payment or redemption of such Series 2024 Bonds not theretofore surrendered for such payment or redemption to the Department.

Discharge of Liability on Series 2024 Bonds. Upon the deposit with the Trustee, in trust, at or before maturity, of money or securities in the necessary amount (as provided under the subcaption "- Deposit of Money or Securities with Trustee") to pay or redeem any Outstanding Series 2024 Bonds of one or more Series (whether upon or prior to the maturity or the redemption date of such Series 2024 Bonds); provided that, if such Outstanding Series 2024 Bonds are to be redeemed prior to maturity, notice of such redemption shall have been given as provided in the Indenture or provisions satisfactory to the Trustee shall have been made for the giving of such notice, then all liability of the Department in respect of such Series 2024 Bonds shall cease, terminate and be completely discharged, and the Owners thereof shall thereafter be entitled only to payment out of such money or securities deposited with the Trustee as aforesaid for their payment, subject however, to the provisions under the subcaption " – Payment of Series 2024 Bonds After Discharge of Indenture".

The Department may at any time surrender to the Trustee for cancellation by it any Series 2024 Bonds previously issued and delivered, which the Department may have acquired in any manner whatsoever, and such Series 2024 Bonds, upon such surrender and cancellation, shall be deemed to be paid and retired.

Deposit of Money or Securities with Trustee. Whenever in the Indenture it is provided or permitted that there be deposited with or held in trust by the Trustee money or securities in the necessary amount to pay or redeem any Series 2024 Bonds, the money or securities so to be deposited or held may include money or securities held by the Trustee in the funds and accounts established pursuant to the Indenture and shall be:

(a) lawful money of the United States of America in an amount equal to the principal amount of such Series 2024 Bonds and all unpaid interest thereon to maturity, except that, in the case of Series 2024 Bonds which are to be redeemed prior to maturity and in respect of which notice of such redemption shall have been given as provided in the Indenture or provisions satisfactory to the Trustee shall have been made for the giving of such notice, the amount to be deposited or held shall be the principal amount of such Series 2024 Bonds and all unpaid interest and premium, if any, thereon to the redemption date; or

(b) Federal Securities and Agencies the principal of and interest on which when due will, based upon a Consultant's Report filed with the Department and the Trustee, provide money sufficient to pay the principal of and all unpaid interest to maturity, or to the redemption date (with premium, if any), as the case may be, on the Series 2024 Bonds to be paid or redeemed, as such principal, interest and premium, if any, become due, provided that in the case of Series 2024 Bonds which are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as provided in the Indenture or provision satisfactory to the Trustee shall have been made for the giving of such notice;

provided, in each case, that (i) the Trustee shall have been irrevocably instructed (by the terms of the Indenture or by Request of the Department) to apply such money to the payment of such principal, interest and premium, if any, with respect to such Series 2024 Bonds and (ii) the Department shall have delivered to the Trustee an opinion of Bond Counsel addressed to the Department and the Trustee to the effect that such Series 2024 Bonds have been discharged in accordance with the Indenture (which opinion may rely upon and assume the accuracy of the Consultant's Report referred to above).

Payment of Series 2024 Bonds After Discharge of Indenture. Notwithstanding any provisions of the Indenture, any moneys held by the Trustee in trust for the payment of the principal of, or interest and premium, if any, on any Series 2024 Bonds and remaining unclaimed for two (2) years after such payment has become due and payable (whether at maturity or upon call for redemption or by acceleration as provided in the Indenture), if such moneys were so held at such date, or two (2) years after the date of deposit of such moneys if deposited after said date, shall be repaid to the Department free from the trusts created by the Indenture and all liability of the Trustee with respect to such moneys shall thereupon cease; provided, however, that before the repayment of such moneys to the Department as aforesaid, the Trustee shall at the written direction of the Department (at the cost of the Department) first mail to the Owners of Series 2024 Bonds which have not yet been paid, at the addresses shown on the Registration Books, a notice, in such form as may be deemed appropriate by the Trustee with respect to the Series 2024 Bonds so payable and not presented and with respect to the provisions relating to the repayment to the Department of the moneys held for the payment thereof. Pursuant to the Indenture, the Department indemnifies the Trustee against any claims of owners of Series 2024 Bonds which were not paid prior to the repayment of moneys to the Department in accordance with this section of the Indenture.

MISCELLANEOUS

Liability of Department Limited to Revenues; Not Indebtedness of Any Other Subdivision of the City. Notwithstanding anything in the Indenture or the Series 2024 Bonds, the Department shall not be required to advance any moneys derived from any source other than the Revenues and other amounts pledged under the Indenture for any of the purposes in the Indenture mentioned, whether for the payment of the principal of or interest on the Series 2024 Bonds or for any other purpose of the Indenture. Nevertheless, the Department may, but shall not be required to, advance for any of the purposes of the Indenture any funds of the Department which may be made available to it for such purposes.

The Series 2024 Bonds do not constitute or evidence an indebtedness of the City, the State of California or any subdivision thereof other than the Department, or a lien or charge on any property or the general revenues of the City, the State of California or any subdivision thereof other than the Department, and in any event the Series 2024 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 2024 Bonds do not constitute an indebtedness of the Department in contravention of any charter, statutory or constitutional debt or other limitation or restriction and do not constitute an obligation for which the Department or the City is obligated to levy or pledge any form of taxation or for which the Department or the City has levied or pledged any form of taxation.

Successor Is Deemed Included in All References to Predecessor. Whenever in the Indenture either the Department or the Trustee is named or referred to, such reference shall be deemed to include the successors or assigns thereof, and all the covenants and agreements in the Indenture contained by or on behalf of the Department or the Trustee shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

Limitation of Rights to Parties and Series 2024 Bond Owners. Nothing in the Indenture or in the Series 2024 Bonds expressed or implied is intended or shall be construed to give to any person other than the Department, the Trustee and the Owners of the Series 2024 Bonds, any legal or equitable right, remedy or claim under or in respect of the Indenture or any covenant, condition or provision therein or contained in the Indenture; and all such covenants, conditions and provisions are and shall be held to be for the sole and exclusive benefit of the Department, the Trustee and the Owners of the Series 2024 Bonds.

Waiver of Notice; Requirement of Mailed Notice. Whenever in the Indenture the giving of notice by mail or otherwise is required, the giving of such notice may be waived in writing by the person entitled to receive such notice and in any such case the giving or receipt of such notice shall not be a condition precedent to the validity of any action taken in reliance upon such waiver. Whenever in the Indenture any notice shall be required to be given by mail, such requirement shall be satisfied by the deposit of such notice in the United States mail, postage prepaid, by first-class mail.

Evidence of Rights of Series 2024 Bond Owners. Any request, consent or other instrument required or permitted by the Indenture to be signed and executed by Series 2024 Bond Owners may be in any number of concurrent instruments of substantially similar tenor and shall be signed or executed by such Series 2024 Bond Owners in person or by an agent or agents duly appointed in writing. Proof of the execution of any such request, consent or other instrument or of a writing appointing any such agent, or of the holding by any person of Series 2024 Bonds transferable by delivery, shall be sufficient for any purpose of the Indenture and shall be conclusive in favor of the Trustee and the Department if made in the manner provided in this section of the Indenture.

The fact and date of the execution by any person of any such request, consent or other instrument or writing may be proved by the certificate of any notary public or other officer of any jurisdiction, authorized by the laws thereof to take acknowledgments of deeds, certifying that the person signing such request, consent or other instrument acknowledged to him the execution thereof, or by an affidavit of a witness of such execution duly sworn to before such notary public or other officer.

The ownership of Series 2024 Bonds shall be proved by the Registration Books.

Any request, consent, or other instrument or writing of the Owner of any Series 2024 Bond shall bind every future Owner of the same Series 2024 Bond and the Owner of every Series 2024 Bond issued in exchange therefor or in lieu thereof, in respect of anything done or suffered to be done by the Trustee or the Department in accordance therewith or in reliance thereon.

Disqualified Series 2024 Bonds. In determining whether the Owners of the requisite aggregate principal amount of Series 2024 Bonds have concurred in any demand, request, direction, consent or waiver under the Indenture, Series 2024 Bonds which are known by the Trustee to be owned or held by or for the account of the Department, or by any other obligor on the Series 2024 Bonds, or by any person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the Department or any other obligor on the Series 2024 Bonds, shall be disregarded and deemed not to be Outstanding for the purpose of any such determination. Series 2024 Bonds so owned which have been pledged in good faith may be regarded as Outstanding for the purposes of this section of the Indenture if the pledgee shall establish to the satisfaction of the Trustee the pledgee's right to vote such Series 2024 Bonds and that the pledgee is not a person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the Department or any other obligor on the Series 2024 Bonds. In case of a dispute as to such right, any decision by the Trustee taken upon the advice of counsel shall be full protection to the Trustee. Upon request the Department shall certify to the Trustee those Series 2024 Bonds that are disqualified pursuant to this section of the Indenture.

Money Held for Particular Series 2024 Bonds. The money held by the Trustee for the payment of the interest, principal or premium due on any date with respect to particular Series 2024 Bonds (or portions of Series 2024 Bonds in the case of registered Series 2024 Bonds redeemed in part only) shall, on and after such date and pending such payment, be set aside on its books and held in trust by it for the Owners of the Series 2024 Bonds entitled thereto, subject, however, to the provisions described under the caption "DEFEASANCE – Payment of Series 2024 Bonds After Discharge of Indenture" but without any liability for interest thereon.

Funds and Accounts. Any fund or account required by the Indenture to be established and maintained by the Trustee may be established and maintained in the accounting records of the Trustee, either as a fund or an account, and may, for the purposes of such records, any audits thereof and any reports or statements with respect thereto, be treated either as a fund or as an account; but all such records with respect to all such funds and accounts shall at all times be maintained in accordance with corporate trust industry standards to the extent practicable, and with due regard for the audit requirements of the Indenture and for the protection of the security of the Series 2024 Bonds and the rights of every Owner thereof.

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 (a) Refunding Revenue Bonds, 2024 Series A-1 (AMT), in the aggregate principal amount of $102,955,000 (the "Series 2024A-1 Bonds"), (b) Refunding Revenue Bonds, 2024 Series A-2 (AMT) (Green Bonds), in the aggregate principal amount of $26,725,000 (the "Series 2024A-2 Bonds"), (c) Refunding Revenue Bonds, 2024 Series B-1 (Exempt Facility Non-AMT), in the aggregate principal amount of $34,400,000 (the "Series 2024B-1 Bonds"), (d) Refunding Revenue Bonds, 2024 Series B-2 (Exempt Facility Non-AMT) (Green Bonds), in the aggregate principal amount of $22,880,000 (the "Series 2024B-2 Bonds"), and (e) its Refunding Revenue Bonds, 2024 Series C (Governmental Non-AMT) in the aggregate principal amount of $28,305,000 (the "Series 2024C Bonds," and collectively with the Series 2024A-1 Bonds, the Series 2024A-2 Bonds, the Series 2024B-1 Bonds and the Series 2024B-2 Bonds, the "Series 2024 Bonds"). The Series 2024 Bonds are being issued pursuant to an Indenture of Trust, dated as of September 1, 2024 (the "Indenture"), by and between the Department and U.S. Bank Trust Company, 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 2024 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 2024 Bonds (including persons holding Series 2024 Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Series 2024 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 2024 Bonds.

"*Owner*" shall mean a registered owner of the Series 2024 Bonds.

"*Participating Underwriter*" shall mean any of the original underwriters of the Series 2024 Bonds required to comply with the Rule in connection with offering of the Series 2024 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 2024, 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, 13, 14 and 15 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 2024 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 2024 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 2024 Bonds or other material events affecting the tax status of the Series 2024 Bonds;

3. Modifications to rights of the Owners of the Series 2024 Bonds;

4. Series 2024 Bond calls;

5. Release, substitution or sale of property securing repayment of the Series 2024 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 2024 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 2024 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 2024 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 2024 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 2024 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 2024 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
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 2024 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 25th day of September, 2024.

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, 2024 Series A-1 (AMT)
	Harbor Department of the City of Los Angeles Refunding Revenue Bonds, 2024 Series A-2 (AMT) (Green Bonds)
	Harbor Department of the City of Los Angeles Refunding Revenue Bonds, 2024 Series B-1 (Exempt Facility Non-AMT)
	Harbor Department of the City of Los Angeles Refunding Revenue Bonds, 2024 Series B-2 (Exempt Facility Non-AMT) (Green Bonds)
	Harbor Department of the City of Los Angeles Refunding Revenue Bonds, 2024 Series C (Governmental Non-AMT)
Date of Issuance:	September 25, 2024
CUSIP:	544552____

NOTICE IS HEREBY GIVEN that the Harbor Department of the City of Los Angeles (the "Department") has not provided an Annual Report with respect to the above referenced Bonds as required by Section 3 of the Continuing Disclosure Certificate, dated September 25, 2024, executed by the Department for the benefit of the Owners and beneficial owners of the above referenced Series 2024 Bonds. The Department anticipates that the Annual Report will be filed by _________, 20__.

Dated:____________________________

HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES

By: ____
Authorized Representative

APPENDIX E

FORM OF OPINION OF BOND COUNSEL

Upon delivery of the Series 2024 Bonds, Hawkins Delafield & Wood LLP, Bond Counsel proposes to render its final opinion with respect to the Series 2024 Bonds in substantially the following form:

[Date of Issuance]

Harbor Department of the City of Los Angeles
San Pedro, California

Ladies and Gentlemen:

We have acted as Bond Counsel to the Harbor Department of the City of Los Angeles (the "Department") in connection with the issuance of its Harbor Department of the City of Los Angeles Refunding Revenue Bonds, 2024 Series A-1 (AMT) in the aggregate principal amount of $102,955,000 (the "Series 2024A-1 Bonds"), its Harbor Department of the City of Los Angeles Refunding Revenue Bonds, 2024 Series A-2 (AMT) (Green Bonds) in the aggregate principal amount of $26,725,000 (the "Series 2024A-2 Bonds" and together with the Series 2024A-1 Bonds, the "Series 2024A Bonds"), its Harbor Department of the City of Los Angeles Refunding Revenue Bonds, 2024 Series B-1 (Exempt Facility Non-AMT) in the aggregate principal amount of $34,400,000 (the "Series 2024B-1 Bonds"), its Harbor Department of the City of Los Angeles Refunding Revenue Bonds, 2024 Series B-2 (Exempt Facility Non-AMT) (Green Bonds) in the aggregate principal amount of $22,880,000 (the "Series 2024B-2 Bonds" and together with the Series 2024B-1 Bonds, the "Series 2024B Bonds") and its Harbor Department of the City of Los Angeles Refunding Revenue Bonds, 2024 Series C (Governmental Non-AMT) in the aggregate principal amount of $28,305,000 (the "Series 2024C Bonds," and together with the Series 2024A Bonds and the Series 2024B Bonds, the "Series 2024 Bonds").

The Series 2024 Bonds are issued under and pursuant to Section 609 of the Charter of the City of Los Angeles, California (the "City") and Section 11.28.1 et seq. of the Los Angeles Administrative Code (collectively, the "Charter"); Resolution Nos. 24-10395, 24-10396, 24-10397 and 24-10410 adopted by the Board of Harbor Commissioners of the City on July 25, 2024, approved by the City Council of the City on August 27, 2024 and approved by the Mayor of the City on August 30, 2024, respectively, and Resolution Nos. 24-10406 and 24-10407 adopted by the Board of Harbor Commissioners of the City on August 8, 2024 (collectively, the "Resolution"); and the Indenture of Trust, dated as of September 1, 2024 (the "Indenture"), by and between the Department and U.S. Bank Trust Company, National Association, as trustee (the "Trustee"). Capitalized terms used and not otherwise defined herein shall have the meanings ascribed thereto in the Indenture.

We have examined and relied on originals or copies, certified or otherwise identified to our satisfaction, of the Indenture, the Charter, the Resolution, the Tax Certificate of the Department concerning certain matters pertaining to the use and investment of proceeds of the Series 2024 Bonds, executed by the Department on the date of issuance of the Series 2024 Bonds, including any and all exhibits attached thereto, as such Tax Certificate may be amended or supplemented (the "Tax Certificate"), the opinion of the City Attorney, the opinion of counsel to the Trustee, certifications of the Department, the Trustee and others, and such other documents, opinions, instruments, proceedings or records as we deemed necessary or appropriate to render the opinions set forth herein.

We have assumed the genuineness of all documents and signatures presented to us (whether as originals or copies) and the due and legal execution and delivery thereof by, and validity against, the parties thereto. We have not undertaken to verify independently, and have assumed, the accuracy of the factual matters represented, warranted or certified in such documents. Furthermore, we have assumed compliance with all covenants and agreements contained in the Indenture, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Series 2024 Bonds to be included in gross income for federal income tax purposes.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the opinion that under existing law:

1. The Series 2024 Bonds constitute the valid and binding limited obligations of the Department.

2. The Indenture has been duly executed and delivered by, and constitutes the valid and binding obligation of, the Department and is enforceable in accordance with its terms.

3. The obligation of the Department to pay the principal of and interest on the Series 2024 Bonds is a limited obligation of the Department payable from all of the Revenues and certain amounts on deposit in certain funds and accounts established pursuant to the Indenture, subject to the provisions of the Indenture permitting the application thereof for the purposes, and on the terms and conditions, set forth in the Indenture. The Series 2024 Bonds do not constitute or evidence indebtedness of the City, the State of California or any political subdivision thereof other than the Department, or a lien or charge on any property or the general revenues of the City, the State of California or any political subdivision thereof other than the Department.

4. Under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein: (i) interest on the Series 2024 Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), except that no opinion is expressed as to such exclusion of interest on any Series 2024A Bond or Series 2024B Bond for any period during which the Series 2024A Bond or the 2024B Bond, as applicable, is held by a person who, within the meaning of Section 147(a) of the Code, is a "substantial user" of the facilities refinanced with the proceeds of the Series 2024A Bonds and the Series 2024B Bonds or a "related person," (ii) interest on the Series 2024B Bonds and the Series 2024C Bonds is not treated as a preference item in calculating the alternative minimum tax under the Code, however, interest on the Series 2024B Bonds and Series 2024C Bonds is included in the "adjusted financial statement income" of certain corporations that are subject to the alternative minimum tax under Section 55 of the Code, and (iii) interest on the Series 2024A Bonds is treated as a preference item in calculating the alternative minimum tax under the Code and is included in the "adjusted financial statement income" of certain corporations that are subject to the alternative minimum tax under Section 55 of the Code.

The Code establishes certain requirements that must be met subsequent to the issuance and delivery of the Series 2024 Bonds in order that, for federal income tax purposes, interest on the Series 2024 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 2024 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 2024 Bonds to become included in gross income for federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered.

On the date of delivery of the Series 2024 Bonds, the Department will execute the Tax Certificate containing provisions and procedures pursuant to which such requirements can be satisfied. In executing the Tax Certificate, the Department covenants that the Department will comply with the provisions and procedures set forth therein and that the Department will do and perform all acts and things necessary or desirable to assure that interest on the Series 2024 Bonds will, for federal income tax purposes, be excluded from gross income.

In rendering the opinion in paragraph 4 hereof, we have relied upon and assumed (a) the material accuracy of the representations, certifications of fact, and statements of reasonable expectations contained in the Tax Certificate with respect to matters affecting the status of interest on the Series 2024 Bonds, and (b) compliance by the Department with the procedures and covenants set forth in the Tax Certificate as to such tax matters.

5. Under existing statutes, interest on the Series 2024 Bonds is exempt from personal income taxes imposed by the State of California.

We express no opinion as to any other federal, state or local tax consequences arising with respect to the Series 2024 Bonds or the ownership or disposition thereof, except as stated in paragraphs 4 and 5 above. We render our opinion under existing statutes and court decisions as of the date hereof, and assume no obligation to update, revise or supplement our opinion to reflect any action hereafter taken or not taken, any fact or circumstance that may hereafter come to our attention, any change in law or interpretation thereof that may hereafter occur, or for any other reason. We express no opinion as to the consequence of any of the events described in the preceding sentence or the likelihood of their occurrence. In addition, we express no opinion on the effect of any action taken or not taken in reliance upon an opinion of other counsel regarding federal, state or local tax matters, including, without limitation, exclusion from gross income for federal income tax purposes of interest on the Series 2024 Bonds.

We undertake no responsibility for the accuracy, completeness or fairness of any official statement or other offering materials relating to the Series 2024 Bonds and express herein no opinion relating thereto.

The foregoing opinions are qualified to the extent that the enforceability of the Series 2024 Bonds, the Indenture and the Tax Certificate may be limited by bankruptcy, moratorium, insolvency or other laws affecting creditors' rights or remedies and are subject to general principles of equity (regardless of whether such enforceability is considered in equity or at law), and to the limitations on legal remedies against governmental entities in the State of California (including, but not limited to, rights of indemnification).

This opinion is issued as of the date hereof, and we assume no obligation to update, revise or supplement this opinion to reflect any action hereafter taken or not taken, or any facts or circumstances, or any changes in law or in interpretations thereof, that may hereafter arise or occur, or for any other reason.

Respectfully submitted,

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APPENDIX F

BOOK-ENTRY-ONLY SYSTEM

Introduction

Unless otherwise noted, the information contained under the caption "—General" below has been provided by DTC. The Department makes no representations as to the accuracy or the completeness of such information. The Beneficial Owners of the Series 2024 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 2024 BONDS UNDER THE INDENTURE, (C) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OR INTEREST DUE TO THE OWNERS OF THE SERIES 2024 BONDS; (D) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNERS OF SERIES 2024 BONDS; OR (E) ANY OTHER MATTER REGARDING DTC.

General

DTC will act as securities depository for the Series 2024 Bonds. The Series 2024 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 2024 Bond certificate will be issued for each maturity of the Series 2024 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC or held by the Trustee.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Bonds Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of "AA+." The DTC Rules applicable to Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. The Department has not undertaken any responsibility for and makes no representations as to the accuracy or the completeness of the content of such material contained on the websites described in the preceding sentence including, but not limited to, updates of such information or links to other Internet sites accessed through the aforementioned websites.

Purchases of the Series 2024 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2024 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2024 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 2024 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 2024 Bonds, except in the event that use of the book-entry system for the Series 2024 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2024 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 2024 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2024 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2024 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2024 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 2024 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Series 2024 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 2024 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 2024 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 2024 Bonds will be printed and delivered to the registered holders of the Series 2024 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 2024 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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APPENDIX G

SECOND PARTY OPINION REGARDING GREEN BONDS

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Second-Party Opinion

Port of Los Angeles Green Bond Framework

Second-Party Opinion
Reviewed by:
MORNINGSTAR | SUSTAINALYTICS

Evaluation Summary

Sustainalytics is of the opinion that the Port of Los Angeles Green Bond Framework is credible and impactful and aligns with the four core components of the Green Bond Principles 2021. This assessment is based on the following:

USE OF PROCEEDS The eligible category for the use of proceeds, Renewable Energy, is aligned with those recognized by the Green Bond Principles. Sustainalytics considers that investments in the eligible category will lead to positive environmental impacts and advance the UN Sustainable Development Goals, specifically SDG 7.

PROJECT EVALUATION AND SELECTION The Port has selected the eligible projects based on their commercial feasibility and alignment with their internal environmental management programme. The Port has confirmed that all projects have undergone an environmental impact review, including stakeholder consultation where applicable. Sustainalytics considers the Port's project selection process to be in line with market practice.

MANAGEMENT OF PROCEEDS The Port intends to refund outstanding bond amounts from previous green bond issuances related to eligible projects. Net proceeds will be applied to redeem the outstanding bonds immediately upon issuance. Sustainalytics considers this to be in line with market practice.

REPORTING The Port has reported amounts to be allocated to each eligible project along with details of impact indicators associated with each eligible project financed under the Framework. Sustainalytics views Port of Los Angeles' allocation and impact reporting as aligned with market practice.

Evaluation Date	August 13, 2024
Issuer Location	Los Angeles, CA, United States

Report Sections

For inquiries, contact the Sustainable Corporate Solutions project team:

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Introduction

The Port of Los Angeles ("the Port", or the "Issuer") is a department of the City of Los Angeles also known as the Los Angeles Harbor Department, governed by the Los Angeles Board of Harbor Commissioners, and is one of the busiest seaports in North America. In terms of physical size, the Port covers approximately 7,500 acres of land and water along 43 miles of waterfront. The Port includes both passenger and cargo terminals, including cruise, container, automobile, breakbulk, dry and liquid bulk, and warehouse facilities. The Port is in San Pedro Bay in the San Pedro and Wilmington neighbourhoods of Los Angeles, California, and handled up to 16% of the total international trade volume moving in containers through US seaports, as of 2023.[1]

The Port of Los Angeles has developed the Port of Los Angeles Green Bond Framework dated July 2024 (the "Framework") under which it intends to issue green bonds to refund portions of bonds issued in 2014 (Series 2014A and Series 2014B), to finance or refinance expenditures related to identified green projects. The Framework defines eligibility criteria in the following area:

1. Renewable Energy

A list of eligible projects and projected allocations for the 2024 issuance is provided in Appendix 1.

Port of Los Angeles engaged Sustainalytics to review the Framework and provide a Second-Party Opinion on the Framework's environmental credentials and its alignment with the Green Bond Principles 2021 (GBP).[2] The Framework has been published in a separate document.[3]

Scope of work and limitations of Sustainalytics' Second-Party Opinion

Sustainalytics' Second-Party Opinion reflects Sustainalytics' independent[4] opinion on alignment of the Framework with current market standards and the extent to which the eligible project categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework's alignment with the Green Bond Principles 2021, as administered by ICMA;
- The credibility and anticipated positive impacts of the use of proceeds; and
- The alignment of the issuer's sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.17, which is informed by market practice and Sustainalytics' expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with representatives of Port of Los Angeles to understand the sustainability impact of its business processes and planned use of proceeds, as well as the management of proceeds and reporting aspects of the Framework. Port of Los Angeles representatives have confirmed that: (1) they understand it is the sole responsibility of Port of Los Angeles to ensure that the information provided is complete, accurate and up to date; (2) they have provided Sustainalytics with all relevant information; and (3) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics' opinion of the Framework and should be read in conjunction with it.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and Port of Los Angeles.

Sustainalytics' Second-Party Opinion assesses alignment of the Framework with market standards but provides no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated impacts of eligible projects but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the issuer.

[1] Port of Los Angeles, "Annual Facts and Figures Card", at: https://www.portoflosangeles.org/business/statistics/facts-and-figures
[2] The Green Bond Principles are administered by the International Capital Market Association and are available at https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/.
[3] The Port of Los Angeles Green Bond Framework is available on Port of Los Angeles' website at: https://www.portoflabonds.org/port-of-los-angeles-bonds-ca/about/esg-program/i1683
[4] When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics' hallmarks is integrity, another is transparency.

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee their realized allocation towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument in favor or against the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that Port of Los Angeles has made available to Sustainalytics for the purpose of this Second-Party Opinion.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Port of Los Angeles Green Bond Framework

Sustainalytics is of the opinion that the Port of Los Angeles Green Bond Framework is credible and impactful and aligns with the four core components of the GBP. Sustainalytics highlights the following elements of the Framework:

- Use of Proceeds:
  - The eligible category, Renewable Energy, is aligned with those recognized by the GBP.
  - The Port has communicated to Sustainalytics that refinancing activities under the Framework will be limited to capital expenditures. Therefore, the Framework does not establish a look-back period for refinancing activities.
  - Under the Renewable Energy category, the Port may finance or refinance the acquisition, construction and installation of:
    - Solar photovoltaic (PV) panels.
    - Alternative maritime power (AMP), including outlets, electrical distribution and control systems. Sustainalytics notes that AMP infrastructure may provide shore power to conventional shipping vessels powered by fossil fuels such as heavy fuel oil, low-sulphur heavy fuel oil and marine diesel oil. Nonetheless, Sustainalytics recognizes the positive environmental impact of providing electrical power to ships to reduce their dependence on fossil fuels while at berth, and considers that the investments in AMP infrastructure have the potential to reduce GHG emissions and contribute to the decarbonization of ports. The Issuer estimates that more than 58,000 tonnes of carbon dioxide emission reductions were achieved in calendar year 2023 because of AMP utilization.
    - Sustainalytics considers expenditures under this category to be aligned with market practice.
- Project Evaluation and Selection:
  - The Port's Project Development Committee has selected projects based on the following: i) commercial feasibility (locational ease, land use, and availability of resources); ii) alignment with the Framework's eligibility criteria; and iii) alignment with the Port's internal environmental management programme, which ensures compliance with all applicable environmental laws and regulations. The Port has also confirmed that all projects have undergone an environmental impact review (EIR), including stakeholder consultation where applicable. The EIRs concluded that there was negligible environmental disruption from the projects.
  - Sustainalytics considers the Port's project evaluation and selection process to be in line with market practice.
- Management of Proceeds:
  - The Port intends to refund the outstanding bond amounts related to eligible projects. Net proceeds will be applied to redeem the outstanding amounts within 90 days of issuance. The redemption activity will be tracked by the Port's Debt and Financial Analysis division.
  - Sustainalytics considers this to be in line with market practice.
- Reporting:
  - The Port has reported amounts to be allocated to each eligible project along with the associated impact indicators.
  - Sustainalytics considers the Port's allocation and impact reporting to be in line with market practice.

Alignment with Green Bond Principles 2021

Sustainalytics has determined that the Port of Los Angeles Green Bond Framework aligns with the four core components of the GBP.

Section 2: Sustainability Strategy of Port of Los Angeles

Contribution to Port of Los Angeles' sustainability strategy

The Port's sustainability strategy focuses on the following key environmental areas: i) commitment to environmental stewardship and reduction of air emissions; ii) improving water quality; iii) modernizing facilities; and iv) cultivating the development of new technologies.[5]

In 2006, the Harbor Department of the City of Los Angeles, in partnership with the Port of Long Beach, developed the Clean Air Action Plan (CAAP) with input from the US Environmental Protection Agency, California Air Resources Board (CARB) and South Coast Air Quality Management District (AQMD).[6] The CAAP identifies strategies to reduce pollution from all sources, including ships, trucks, trains, harbour craft and cargo handling equipment. Some of these strategies include increasing renewable energy generation,[7] the use of shore power to reduce emissions from ships at berth,[8] and the use of low-emission cargo handling equipment.[9] The Port attributes an 88% reduction in emissions of diesel particulate matter, a 62% reduction in nitrogen oxide and a 97% reduction in sulphur oxide emissions, compared to a 2005 baseline, to its sustainability initiatives.[10] In 2009, the Port also adopted the Water Resources Action Plan (WRAP) which sets goals to: i) support the attainment of full beneficial uses of harbour waters and sediments by addressing the impacts of past, present and future port operations; and ii) prevent port operations from degrading existing water and sediment quality.[11] Additionally, the Port has adopted the Sustainable City Plan, a collection of 14 social and environmental initiatives with short- and long-term targets. These targets include a commitment to achieve net zero emissions, divert 100% of waste from landfills by 2050, generate 100% energy from renewable sources by 2045, and source 70% of all water from local sources.[12]

Sustainalytics is of the opinion that the Port of Los Angeles Green Bond Framework is aligned with the Port of Los Angeles' overall sustainability strategy and initiatives and will further its actions on its key environmental priorities.

Approach to managing environmental and social risks associated with the projects

Sustainalytics recognizes that proceeds from the bonds issued under the Framework will be directed towards eligible projects that are expected to have positive environmental impacts. However, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Some key environmental and social risks associated with the eligible projects may include land use and biodiversity issues associated with large-scale infrastructure development; emissions effluents and waste generated in construction; community relations and stakeholder participation; and occupational health and safety.

Sustainalytics is of the opinion that the Port is able to manage or mitigate potential risks through implementation of the following:

- To manage risks related to land use and biodiversity associated with large-scale infrastructure development, the Port has an Environmental Management System (EMS) in place, certified with ISO 14001:2015.[13] The EMS promotes continual growth through a step-by-step process, setting goals, implementing actions, monitoring progress and taking action based on progress.[14] Additionally, the Environmental Management Policy[15] has been put in place to ensure compliance with all environmental laws and regulations and to define and establish environmental objectives, targets and management practices. Further, the Port has communicated that it has conducted an Environmental Impact Review, including stakeholder consultation, to identify and mitigate the environmental impact of the selected projects.

- To manage risks associated with emissions, effluents and waste, the Port has implemented a Zero Waste Plan. Through this plan, several strategies, policies and programmes have been put

[5] Port of Los Angeles, "Environment", at: https://www.portoflosangeles.org/environment
[6] Port of Los Angeles, "San Pedro Bay Ports Clean Air Action Plan (CAAP)", at: https://www.portoflosangeles.org/environment/air-quality/san-pedro-bay-ports-clean-air-action-plan
[7] Port of Los Angeles, "Energy", at: https://cleanairactionplan.org/strategies/energy/
[8] Port of Los Angeles, "Ships", at: https://cleanairactionplan.org/strategies/ships/
[9] Port of Los Angeles, "Cargo-Handling Equipment", at: https://cleanairactionplan.org/strategies/cargo-handling-equipment/
[10] CAAP, "Strategies", at: https://cleanairactionplan.org/strategies/
[11] Port of Los Angeles and Port of Long Beach, "Water Resources Action Plan", at: https://kentico.portoflosangeles.org/getmedia/d5b77f8e-46e0-46d1-a2b9-8cc15bca75cb/WRAP_Final
[12] City of Los Angeles, "LA's Green New Deal", at: https://plan.mayor.lacity.gov/
[13] Port of Los Angeles, "Environmental Management System", at: https://www.portoflosangeles.org/environment/environmental-management-system
[14] Ibid.
[15] Port of Los Angeles, "Environmental Management Policy", at: Environmental Management Policy | Environment | Port of Los Angeles | Port of Los Angeles

in place to encourage waste reduction, recycling and waste collection.[16] The Los Angeles Harbor Department Construction and Demolition Waste Management Specifications mandate that each project reuse or recycle a minimum of 80% of inert debris and 65% of the remaining waste generated by construction and demolition.[17] Sustainalytics has noted that the Port has been involved in litigation relating to violations of the California Environmental Quality Act with respect to air pollution from shipping and cargo-handling activities at the China Shipping terminal in San Pedro,[18] and a pending litigation related to alleged violations of the Clean Water Act.[19] To manage risks associated with air and water pollution, the Port has established in collaboration with the Port of Long Beach, the Clean Air Action Plan (CAAP)[20] and the Water Resources Action Plan (WRAP),[21] respectively. The CAAP lays out strategies to reduce air pollution by promoting cleaner equipment and practices used by all port-related sources, including ships, trucks, trains, harbour craft and cargo handling equipment. Through WRAP, the Port identifies and implements landside and on-water measures to minimize water pollution, which include sediment management plans, participation in regional initiatives to reduce upstream pollution, guidance to vessels on allowable and prohibited discharges, and best management practices.

- To mitigate risks associated with community relations and stakeholder participation, the Port's Public Relations division conducts extensive community outreach through workshops, meetings and hearings to include community members in its decision-making processes.[22] The Port also publishes an Annual Continuing Disclosure Report which provides updated financial and operating information to the investors.[23]

- For risks associated with occupational health and safety, the Port has communicated to Sustainalytics that it relies on its internal processes to ensure compliance with all regional laws and regulations with respect to working conditions, including the federally mandated Occupational Health and Safety Act.[24] Further, the Port has communicated that it shares best practices and safety tips regularly to mitigate health and safety hazards related to its operations.

- Sustainalytics notes that the Port's operations are conducted in the US which is recognized as a Designated Country under the Equator Principles, indicating the presence of robust environmental and social governance systems, legislation and institutional capacity for protecting the environment and communities.[25]

Based on these policies, standards and assessments, Sustainalytics is of the opinion that the Port of Los Angeles has implemented adequate measures and is well positioned to manage and mitigate environmental and social risks commonly associated with the eligible categories.

Section 3: Impact of Use of Proceeds

The use of proceeds category is aligned with those recognized by the GBP. Sustainalytics has focused below on where the impact is specifically relevant in the local context.

Importance of alternative maritime power (AMP) infrastructure in Los Angeles

As of 2020, 80% of the global merchant trade by volume was carried out by maritime vessels,[26] contributing more than 2% to total global energy-related CO_2 emissions.[27] Since maritime transportation largely runs on marine diesel oil (MDO) and heavy fuel oil (HFO), the shore electrical power provides a clean alternative that reduces the need for ships' reliance on such fuels while at berth.

[16] City of Los Angeles Harbor Department, "Zero Waste Plan", at: https://kentico.portoflosangeles.org/getmedia/8c622c57-2dcb-4ed5-b618-3713d438303b/lahd-zero-waste-plan-2024
[17] Ibid.
[18] NRDC, "Court Orders Port of Los Angeles to Clean Up Pollution", (2024), at: https://www.nrdc.org/press-releases/court-orders-port-angeles-clean-pollution
[19] The Hill, "California environmentalists sue Port of Los Angeles, alleging clean water violations", (2024), at: https://thehill.com/policy/energy-environment/4788520-port-of-los-angeles-environmental-lawsuit/
[20] Port of Los Angeles, "San Pedro Bay Ports Clean Air Action Plan 2017", at: https://kentico.portoflosangeles.org/getmedia/9d371f7b-9812-4c75-bcfd-23e83a191435/CAAP_2017_Draft_Document-Final
[21] Port of Los Angeles, "Water Resources Action Plan" (2009), at: https://kentico.portoflosangeles.org/getmedia/d5b77f8e-46e0-46d1-a2b9-8cc15bca75cb/WRAP_Final
[22] Port of Los Angeles, "Sustainability Report", at: https://kentico.portoflosangeles.org/getmedia/abbaaa8c-af23-412d-9313-175972ace992/POLA-20FY13-14-20Sustainablity-20Report-202016-2002-2029
[23] Port of Los Angeles, "Annual Continuing Disclosure Report", at: https://kentico.portoflosangeles.org/getmedia/c1ebbf24-5e5f-4598-9ae1-b732c40fbea6/FY-2023-Annual-Continuing-Disclosure-Report
[24] U.S. Department of Labor, "OSH Act of 1970", at: https://www.osha.gov/laws-regs/oshact/completeoshact
[25] Equator Principles, "Designated & Non-designated Countries", at: https://equator-principles.com/about-the-equator-principles/
[26] UNCTAD, "Review of Maritime Transport", (2020), at: https://unctad.org/system/files/official-document/rmt2020_en.pdf
[27] IEA, "International Shipping, (2020), at: https://www.iea.org/reports/international-shipping

Alternative maritime power (also known as cold ironing or shore power) is a port-based emissions reduction technology that allows ships at berth to "plug in" to shoreside electrical power, enabling such ships to turn off their diesel auxiliary engines.[28]

In 2004, the Port opened the world's first berth to run a container ship on shore-side electricity. As of 2024, all container, cruise, and reefer vessels are required to use grid-based power or another CARB-approved emissions control technology while at berth at the Port of Los Angeles.[29] AMP supports decarbonization and protects local communities by eliminating at-berth ship emissions, conserving fuel, reducing engine noise pollution, and reducing health risks associated with air pollution in port communities.[30,31] As of 2024, the Port has 80 AMP-equipped berths where vessels plug-in and run their onboard systems using electricity.[32] The impact of AMP on emissions reduction is substantial and has helped the Port to reduce diesel particulate matter (DPM) emissions by 88%, nitrogen oxide (NOx) emissions by 62%, and sulphur oxide (SOx) emissions by 97% by 2022, versus 2005 levels.[33]

Following this initiative at the Port, the California Air Resources Board approved the At Berth Regulation[34] in 2007 for statewide adoption, under which ocean-going vessels must reduce at-berth emissions by 80%.[35] The update of the At Berth Regulation in 2020 aims to achieve greater emissions reduction from ocean-going vessels while they are docked by expanding coverage to more vessel types, such as roll-on and roll-off vehicle carriers and tankers, which produce a significant portion of fine particulate pollution from ocean-going vessels at berth.[36]

Given the above, Sustainalytics is of the opinion that the Port's investments in AMP infrastructure, including related electrical equipment and systems, under the Framework have the potential to contribute to the reduction of GHG emissions from the port infrastructure in Los Angeles and, more broadly, to the US' GHG emissions reduction targets.

Contribution to SDGs

The Sustainable Development Goals were adopted in September 2015 by the United Nations General Assembly and form part of an agenda for achieving sustainable development by 2030. The instruments issued under the Port of Los Angeles Green Bond Framework are expected to advance the following SDG and target:

Use of Proceeds Category	SDG	SDG target
Renewable Energy	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix

Conclusion

Port of Los Angeles has developed the Port of Los Angeles Green Bond Framework under which it may issue green bonds and use the proceeds to refund portions of bonds issued previously in 2014 (Series 2014A and 2014B), to finance and refinance expenditures related to identified renewable energy projects. Sustainalytics considers that the eligible projects are expected to provide positive environmental impacts.

The Framework outlines processes for tracking, allocation and management of proceeds, and makes commitments for reporting on allocation and impact. Sustainalytics considers that the Port of Los Angeles Green Bond Framework is aligned with Port of Los Angeles' sustainability strategy and that the use of proceeds will contribute to the advancement of UN Sustainable Development Goal 7. Additionally, Sustainalytics considers that the Port of Los Angeles has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects.

[28] Port of Los Angeles, "Alternative Maritime Power", at: https://www.portoflosangeles.org/environment/air-quality/alternative-maritime-power-%28amp%29
[29] Ibid.
[30] Maritime Professional, "Alternative Maritime Power Solutions Key to Greener Ports", at: https://www.maritimeprofessional.com/news/alternative-maritime-power-solutions-greener-384494
[31] Port of Los Angeles, "Committed to Clean Air", at: https://www.portoflosangeles.org/environment/air-quality
[32] Port of Los Angeles, "Alternative Maritime Power", at: https://www.portoflosangeles.org/environment/air-quality/alternative-maritime-power-%28amp%29
[33] Port of Los Angeles, "Air Quality Report Card 2022", at: https://kentico.portoflosangeles.org/getmedia/8ac5fb42-6cd0-4838-bdb3-70f244edabc2/2022-Air-Quality-Report-Card
[34] California Air Resources Board, "Ocean-Going Vessels At Berth Regulation", at: https://ww2.arb.ca.gov/our-work/programs/ocean-going-vessels-berth-regulation
[35] California Air Resources Board, "Ocean-Going Vessels At Berth Regulation – About", at: https://ww2.arb.ca.gov/our-work/programs/ocean-going-vessels-berth-regulation/about
[36] Sustainable Ships, "Ocean-Going Vessels at Berth Regulation", at: https://www.sustainable-ships.org/rules-regulations/ogvb

Based on the above, Sustainalytics is confident that the Port of Los Angeles is well positioned to issue green bonds and that the Port of Los Angeles Green Bond Framework is robust, transparent and in alignment with the four core components of the Green Bond Principles 2021.

Appendix 1

Following an examination of Series 2014A bond drawdown statements spanning September 2014 through July 2016, the Port has disclosed that the following amount of proceeds were drawn down from the Port's Construction Fund related to the eligible green bond projects:

Green Project	Green Drawdown (Draft) – USD	Percentage of 2014A bonds
B. 100 – Wharf – South Extension – AMP	1,031,542	0.5%
B. 212-216 – AMP Phase II	3,524,954	1.7%
B. 121-126 – AMP	3,307,683	1.6%
B. 401-406 – AMP	28,300,407	13.9%
B. 230-232 – AMP	6,048,254	3.0%
Total	**42,212,840**	**20.8%**

Following an examination of requisition statements spanning December 2010 through July 2014 which support the commercial paper drawdowns refunded by the Series 2014B bonds, the Port has disclosed that the following amount of proceeds were drawn down to finance the eligible green bond projects:

Green Project	Green Drawdown (Draft) – USD	Percentage of 2014B bonds
B. 91-93 World Cruise Center AMP	205,512	0.2%
B. 102 Wharf AMP	4,935,315	5.5%
B. 144 & 145-147 AMP	11,039,593	12.4%
B. 93 A&B Cruise Terminal Solar Power Generation	3,094,328	3.5%
B. 136-139 AMP	9,625,512	10.8%
B. 93 World Cruise Center AMP	6,331,271	7.1%
Total	**35,231,531**	**39.5%**

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