

THE PORT OF LOS ANGELES

POLA is obligated only to make certain payments required by the Operating Agreement and is not responsible for paying, and is not guaranteeing the payment of, the principal or accreted value of, premium, if any, or interest on the Bonds, including the Series 2022 Bonds. The Bonds are not secured by a lien on any properties or improvements of the City of Los Angeles or of POLA, or by a pledge of any revenues of POLA. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Limited Obligations” in the forepart of this Official Statement. Under certain circumstances, the Operating Agreement requires POLA to pay Shortfall Advances, the payment of which is a limited obligation, payable solely from POLA’s net revenues, after all of POLA’s other obligations, including operation and maintenance costs, are paid. See “AUTHORITY REVENUES—Shortfall Advances” and “BONDHOLDERS’ RISKS—Shortfall Advances are Limited, Subordinate Obligations of the Ports” in the forepart of this Official Statement. POLA has agreed that it will include in its budget Shortfall Advances of which it has notice, but POLA is not required to reserve or to set aside any funds, and the payment of Shortfall Advances by POLA is payable after all of POLA’s other obligations, including operation and maintenance costs, have been paid.

The information about POLA in this Official Statement was provided by POLA. The Authority makes no representation concerning such information.

General

The Harbor Department of the City of Los Angeles (the “LA Harbor Department”) is a proprietary, independent department of the City of Los Angeles similar to the Los Angeles Department of Water and Power and the Los Angeles Department of Airports. The LA Harbor Department operates POLA independently from the City of Los Angeles, using POLA’s own revenues, and administers and controls its fiscal activities by and through the Los Angeles Board of Harbor Commissioners (the “POLA Board”), subject to oversight by the City Council of the City of Los Angeles. The City of Los Angeles holds in trust and the LA Harbor Department administers POLA’s facilities, located in San Pedro Bay, approximately 20 miles south of downtown Los Angeles. POLA’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.

POLA has three major continuing sources of revenue: shipping revenue, which is a function of cargo throughput; revenue from the rental of POLA’s land and buildings (i.e., revenue from permit and lease agreements); and the smallest component, fee and royalty revenue.

POLA operates as a landlord, issuing permits for the use of POLA land, docks, wharves, transit sheds, terminals and other facilities. POLA also is landlord to various shipyards, 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 tariffs or fees established by POLA. Permittees are generally shipping or terminal companies, agents or other private firms. POLA has no direct role in managing the daily movements of cargo. POLA also recovers its costs of providing services and improvements through tariff charges for shipping services.

Most of the property on which POLA’s land, docks, wharves, transit sheds, terminals and other facilities are located is owned by the City of Los Angeles and administered by POLA, subject to a trust created pursuant to certain tideland grants from the State. These tidelands were granted to the City of Los Angeles under the State Tidelands Trust Act by the California State Legislature in 1911 for the purpose of promoting commerce, navigation and fishery. Subsequent state legislative action 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 of Los Angeles'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 Los Angeles Harbor Revenue Fund are subject to the tidelands trust use restrictions. POLA does not expect that restrictions on the use of tidelands or with respect to tidelands funds will materially adversely affect POLA's operations or finances of POLA. Tidelands grants and terms of the tidelands trusts are subject to amendment or revocation by the California Legislature, as grantor of the trust and as representative of the beneficiaries (the people of the State).

During calendar year 2021, POLA was the busiest container port in North America in terms of cargo volume, handling approximately 10.7 million TEUs. According to the Pacific Merchant Shipping Association (PMSA), POLA and the Port of Long Beach ("POLB"), combined, handled approximately 20.1 million TEUs during calendar year 2021, as compared to approximately 17.3 million TEUs during calendar year 2020.

Physical Description and Geography

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.), 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 depth of 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. POLA currently has the capability to handle modern, deeper-draft vessels. Because there is no significant source of river sand or silt in the POLA harbor, these channels do not require frequent dredging for maintenance purposes.

Many of the container terminal operators located at POLA utilize the Intermodal Container Transfer Facility (the "ICTF"), a specialized rail yard for the transfer of containers to and from trucks and railcars, located five miles from POLA. The ICTF was financed and constructed by Southern Pacific Transportation Company and the Intermodal Container Transfer Facility Joint Powers Authority, a joint powers authority organized by the Ports. The ICTF is operated by Union Pacific under a long-term lease agreement.

POLA's major permittees (tenants) as of June 30, 2021 are listed in Table B-1 below.

TABLE B-1

MAJOR PERMITTEES (TENANTS) OF THE PORT OF LOS ANGELES (In Alphabetical Order) As of June 30, 2021

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

* Eagle Marine Services, Ltd. was rebranded to Fenix Marine Services, Ltd. in late 2018.
Source: Harbor Department of the City of Los Angeles

POLA sets tariff charges for, among other things, wharfage, dockage, storage, pilotage, land usage, passenger fees and demurrage applicable to all ships and cargo using POLA-owned property and necessary for the orderly movement of cargo. POLA and all other California public ports control and determine their own individual tariff structures. The ports cooperate, however, 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. CAPA’s goal is to permit California ports to obtain an adequate return on investment 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.

Source of Funds for Payment of Shortfall Advances

Pursuant to the Operating Agreement, POLA is obligated to include in its budget each fiscal year an amount equal to the amount of projected Shortfall Advances for such fiscal year that has been forecasted by the Authority and for which due notice thereof has been provided to POLA by the Authority. The payment of Shortfall Advances by POLA is payable after all of POLA’s other obligations, including operation and maintenance costs and POLA’s debt service, are paid. POLA has established a special reserve fund known as the “Emergency/ACTA Fund”, the purpose of which is to pay for any unexpected expense that may arise during a fiscal year, including,

but not limited to, Shortfall Advances. As of June 30, 2021, approximately \$50.6 million is on deposit in the Emergency/ACTA Fund.

Financial and Operation Information

The Los Angeles Harbor Revenue Fund is a separate fund established by the Charter of the City of Los Angeles. All fees, charges, rentals and revenue from every source collected by POLA in connection with its possession, management and control of the Los Angeles Harbor District and Los Angeles Harbor Assets (as defined in the Charter of the City of Los Angeles) are deposited in the Los Angeles Harbor Revenue Fund. All such moneys and revenues deposited in the Los Angeles Harbor Revenue Fund are under the direction and control of the POLA Board. POLA expends moneys in the Los Angeles Harbor Revenue Fund, from time to time, to pay operating and maintenance expenses and debt service on its outstanding indebtedness. Remaining revenues constitute surplus revenues and may be used for any lawful purposes, including, among other things, payment of Shortfall Advances.

The following Table B-2 sets forth a breakdown of the POLA's operating revenues, expenses and net assets for fiscal years ended June 30, 2017 through 2021.

TABLE B-2
PORT OF LOS ANGELES
SUMMARY OF REVENUES, EXPENSES AND NET ASSETS
FISCAL YEARS ENDED JUNE 30, 2017 THROUGH 2021
(in thousands of dollars)

| | 2017 | 2018 | 2019 | 2020 | 2021 |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|
| REVENUES | | | | | |
| Shipping Services | | | | | |
| Wharfage | \$ 369,715 | \$ 376,165 | \$ 383,549 | \$ 345,195 | \$ 435,513 |
| Dockage | 4,113 | 4,532 | 4,348 | 4,257 | 4,509 |
| Demurrage | 213 | 219 | 202 | 200 | 207 |
| Pilotage | 9,558 | 10,502 | 10,985 | 9,495 | 10,682 |
| Assignment Charges | 14,657 | 13,861 | 11,244 | 10,418 | 12,938 |
| Total Shipping Services ⁽¹⁾ | <u>\$ 398,256</u> | <u>\$ 405,279</u> | <u>\$ 410,328</u> | <u>\$ 369,565</u> | <u>\$ 463,849</u> |
| Rentals | | | | | |
| Land | \$ 50,554 | \$ 60,746 | \$ 65,291 | \$ 72,099 | \$ 78,773 |
| Other | 704 | 672 | 674 | 1,004 | 1,706 |
| Total Rentals | <u>\$ 51,258</u> | <u>\$ 61,419</u> | <u>\$ 65,965</u> | <u>\$ 73,103</u> | <u>\$ 80,479</u> |
| Royalties, Fees and Other Operating Revenues ⁽²⁾ | 25,019 | 24,062 | 30,134 | 24,998 | 27,683 |
| Total Operating Revenues | <u>\$ 474,532</u> | <u>\$ 490,760</u> | <u>\$ 506,427</u> | <u>\$ 467,666</u> | <u>\$ 572,011</u> |
| EXPENSES | | | | | |
| Operating and Administrative Expenses | | | | | |
| Salaries and Benefits | \$ 94,677 | \$ 96,208 | \$ 98,062 | \$ 113,342 | \$ 108,646 |
| Pension Expense Adjustment | 23,905 | 20,843 | 20,913 | 28,805 | 33,086 |
| OPEB Expense ⁽³⁾ | -- | 4,482 | 4,083 | 3,679 | 4,468 |
| City Services and Payments | 39,554 | 42,749 | 45,223 | 48,366 | 45,876 |
| Outside Services | 25,022 | 29,904 | 33,418 | 31,815 | 26,219 |
| Utilities | 15,573 | 15,642 | 19,946 | 18,443 | 23,290 |
| Materials and Supplies | 5,314 | 6,960 | 6,593 | 5,672 | 4,517 |
| Pollution Remediation Expenses | (536) | (3,795) | (4,106) | 89 | 924 |
| Marketing and Public Relations | 2,583 | 2,784 | 2,510 | 2,388 | 1,372 |
| Workers' Compensation, Claims and Settlement | 4,977 | 4,009 | 193 | 3,272 | 14,255 |
| Clean Truck Program Expenses | 704 | 831 | 3,120 | 1,014 | 752 |
| Travel ⁽⁴⁾ | 536 | 749 | 733 | 508 | 71 |
| Other Operating Expenses | 15,367 | 15,590 | 9,739 | 16,177 | 10,492 |
| Total Operating and Administrative Expenses | <u>227,675</u> | <u>236,955</u> | <u>240,427</u> | <u>273,570</u> | <u>273,968</u> |
| Income from Operations before Depreciation | 246,857 | 253,805 | 266,000 | 194,096 | 298,043 |
| Depreciation | 172,895 | 167,984 | 161,977 | 158,613 | 153,304 |
| Operating Income | <u>\$ 73,962</u> | <u>\$ 85,821</u> | <u>\$ 104,023</u> | <u>\$ 35,483</u> | <u>\$ 144,739</u> |
| Nonoperating Revenues/(Expenses) | | | | | |
| Income from Investments in JPAs and Other Entities | 2,162 | 2,001 | 2,596 | 2,461 | 2,243 |
| Interest and Investment Income | 1,118 | 618 | 32,804 | 39,643 | (2,656) |
| Interest Expense | (604) | (1,612) | (1,290) | (24,707) | (21,763) |
| Other Income and Expenses, net | (1,145) | 1,999 | 27,151 | 2,025 | (1,019) |
| Net Nonoperating Revenues/(Expenses) | <u>1,531</u> | <u>3,006</u> | <u>61,261</u> | <u>19,422</u> | <u>(23,195)</u> |
| Income Before Capital Contributions | <u>\$ 75,492</u> | <u>\$ 88,827</u> | <u>\$ 165,283</u> | <u>\$ 54,905</u> | <u>\$ 121,544</u> |
| Capital Contributions | 18,801 | 4,524 | 3,523 | 3,440 | 7,116 |
| Special Item ⁽²⁾ | 9,150 | -- | -- | -- | -- |
| Changes in Net Assets | 103,443 | 93,351 | 168,807 | 58,345 | 128,660 |
| Total Net Assets – Beginning of Year | <u>3,161,955</u> | <u>3,265,398</u> | <u>3,334,871</u> | <u>3,503,678</u> | <u>3,562,023</u> |
| Cumulative effect of change in accounting principle ⁽³⁾ | -- | (23,879) | -- | -- | -- |
| Total Net Assets – End of Year | <u>\$3,265,398</u> | <u>\$3,334,871</u> | <u>\$3,503,678</u> | <u>\$3,562,023</u> | <u>\$3,690,683</u> |

⁽¹⁾ For the fiscal year ended June 30, 2021, increase in shipping services revenues is, in part, attributed to the worldwide Covid-19 pandemic.

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

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

⁽⁴⁾ This line-item was previously named "Travel and Entertainment". For fiscal year ended June 30, 2021, decrease in "Travel" expenses is due to the worldwide Covid-19 pandemic.

Note: TEU = twenty-foot equivalent units.

Source: Harbor Department of the City of Los Angeles

The following Table B-3 provides a summary of the type and volume of cargo handled at POLA for the past ten fiscal years.

TABLE B-3

**PORT OF LOS ANGELES
REVENUE TONNAGE BY CARGO TYPE⁽¹⁾
FISCAL YEARS 2012-2021
(In Thousands of Metric Revenue Tons)**

| Fiscal Year Ended June 30 | General Cargo⁽²⁾ | Liquid Bulk | Dry Bulk⁽³⁾ | Total⁽⁴⁾ | % Increase (Decrease) in Total Tonnage over Prior Year |
|--------------------------------------|--|------------------------|-----------------------------------|----------------------------|---|
| 2012 ⁽⁵⁾ | 163,900 | 9,900 | 1,100 | 174,900 | 8.7% |
| 2013 | 156,300 | 7,800 | 1,000 | 165,100 | (5.6) ⁽⁶⁾ |
| 2014 | 165,000 | 10,500 | 900 | 176,400 | 6.8 |
| 2015 | 165,100 | 10,300 | 1,400 | 176,800 | 0.2 |
| 2016 | 167,300 | 14,300 | 1,200 | 182,800 | 3.4 |
| 2017 | 184,300 | 13,200 | 600 | 198,100 | 8.4 |
| 2018 | 178,000 | 15,500 | 1,000 | 194,500 | (1.8) ⁽⁷⁾ |
| 2019 | 193,000 | 13,400 | 900 | 207,300 | 6.6 |
| 2020 | 170,000 | 12,200 | 800 | 183,000 | (11.7) ⁽⁸⁾ |
| 2021 | 211,900 | 9,300 | 800 | 222,000 | 21.3 ⁽⁹⁾ |

⁽¹⁾ Numbers are rounded.

⁽²⁾ General Cargo tonnage comprised of both TEU tonnage and non-TEU tonnage.

⁽³⁾ Dry bulk cargo includes steel slabs, pipe, beams, scrap metal and cement.

⁽⁴⁾ Computed on an accrual basis, adjusted for unverified amounts.

⁽⁵⁾ Tonnage changes due to post-close adjustments.

⁽⁶⁾ In October 2012, Transpacific 8, a service route jointly operated by Mediterranean Shipping Co., Maersk Line and CMA CGM, transferred from the Port of Los Angeles to the Port of Long Beach and initially it impacted both cargo volume and associated revenue at the Port of Los Angeles. The Port of Los Angeles has since recovered from the initial impact through ongoing capital investment to enhance capacity and recent favorable movement of alliance traffic.

⁽⁷⁾ Decline is attributed to realignment and consolidation of vessel services among the shipping alliances.

⁽⁸⁾ Decline in tonnage is, in part, attributed to the worldwide Covid-19 pandemic.

⁽⁹⁾ Increase in tonnage is, in part, attributed to the worldwide Covid-19 pandemic.

Source: Harbor Department of the City of Los Angeles

The following Tables B-4 and B-5 provide information about the container traffic at POLA for calendar years 2017 through 2021 and for fiscal years 2017 through 2021.

TABLE B-4

**PORT OF LOS ANGELES
CONTAINER TRAFFIC
CALENDAR YEARS 2017-2021
(TEUs)**

| | 2017 | 2018 | 2019 | 2020 | 2021 |
|---------------------------------|-------------|-------------|-------------|-------------|-------------|
| Inbound⁽¹⁾ | 4,716,089 | 4,867,269 | 4,714,266 | 4,827,040 | 5,513,286 |
| Outbound⁽¹⁾ | 1,899,934 | 1,904,240 | 1,756,177 | 1,531,406 | 1,184,145 |
| Empties | 2,727,170 | 2,688,921 | 2,867,190 | 2,854,950 | 3,980,179 |
| Total TEUs⁽²⁾ | 9,343,193 | 9,460,430 | 9,337,632 | 9,213,396 | 10,677,610 |

⁽¹⁾ Fully loaded.

⁽²⁾ Totals may not sum due to rounding.

Source: POLA.

TABLE B-5

**PORT OF LOS ANGELES
CONTAINER TRAFFIC
FISCAL YEARS 2017-2021
(TEUs⁽¹⁾)**

| | 2017 | 2018 | 2019 | 2020 | 2021 |
|---------------------------------|-------------|-------------|-------------|-------------|-------------|
| Inbound⁽²⁾ | 4,662,882 | 4,691,342 | 4,910,807 | 4,404,634 | 5,710,620 |
| Outbound⁽²⁾ | 1,921,635 | 1,870,997 | 1,860,452 | 1,595,607 | 1,447,132 |
| Empties | 2,621,239 | 2,609,527 | 2,916,993 | 2,560,642 | 3,721,632 |
| Total TEUs⁽³⁾ | 9,205,755 | 9,171,866 | 9,688,252 | 8,560,882 | 10,879,384 |

⁽¹⁾ TEU counts are subject to adjustments which may occur throughout the year.

⁽²⁾ Full containers.

⁽³⁾ Totals may not sum due to rounding.

Source: POLA.

The following Table B-6 shows the breakdown of shipping revenues by container and noncontainer for fiscal years 2012 through 2021. Shipping revenues are comprised of wharfage, dockage, demurrage, cranes, pilotage, assignment charges, and storage

TABLE B-6

**PORT OF LOS ANGELES
SHIPPING REVENUE BREAKDOWN⁽¹⁾
FISCAL YEARS ENDED JUNE 30, 2012-2021**

| Fiscal Year Ended June 30 | Total Shipping Revenues (000s) | Container Shipping Revenues (000s) | TEUs (000s) | Container Shipping Revenue Per TEU | Non-Container Shipping (000s) | Non-Container Tons (000s) | Non-Container Shipping Revenue Per Ton |
|----------------------------------|---------------------------------------|---|--------------------|---|--------------------------------------|----------------------------------|---|
| 2012 | \$357,700 | \$321,900 | 8,186 | \$39.32 | \$35,800 | 13,800 | \$2.59 |
| 2013 ⁽²⁾ | 347,900 | 313,700 | 7,777 | 40.34 | 34,200 | 11,700 | 2.92 |
| 2014 | 377,200 | 335,700 | 8,210 | 40.89 | 41,500 | 14,900 | 2.79 |
| 2015 | 364,900 | 325,500 | 8,191 | 39.74 | 39,400 | 15,100 | 2.61 |
| 2016 | 368,500 | 324,100 | 8,391 | 38.62 | 44,400 | 18,500 | 2.40 |
| 2017 | 398,300 | 351,800 | 9,206 | 38.21 | 46,500 | 17,300 | 2.69 |
| 2018 ⁽³⁾ | 405,300 | 353,600 | 9,170 | 38.56 | 51,700 | 19,500 | 2.65 |
| 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 ⁽⁴⁾ | 463,800 | 421,400 | 10,879 | 38.74 | 42,400 | 12,800 | 3.31 |

⁽¹⁾ Numbers are rounded.

⁽²⁾ In October 2012, Transpacific 8, a service route jointly operated by Mediterranean Shipping Co., Maersk Line and CMA CGM, transferred from the Port of Los Angeles to the Port of Long Beach and initially it impacted both cargo volume and associated revenue at the Port of Los Angeles. The Port of Los Angeles has since recovered from the initial impact through ongoing capital investment to enhance capacity and recent favorable movement of alliance traffic.

Note: TEU = twenty-foot equivalent units.

⁽³⁾ Non-Container Shipping Revenue was previously recorded as \$51,800 (in thousands) and stated as such in Prior Reports. As a result, Non-Container Shipping Revenue Per Ton was adjusted from \$2.66 (in Prior Reports) to \$2.65.

⁽⁴⁾ Increase in shipping revenues is, in part, attributed to the worldwide Covid-19 pandemic.

Source: Harbor Department of the City of Los Angeles

The following Table B-7 shows a breakdown of total TEUs by country of origin for imports and country of destination for exports.

TABLE B-7

**PORT OF LOS ANGELES
TEU⁽¹⁾ COUNT BY COUNTRY
FISCAL YEAR ENDED JUNE 30, 2021**

| Exports | | | Imports | | |
|----------------|-------------|-------------------|----------------|-------------|-------------------|
| Country | TEUs | % of Total | Country | TEUs | % of Total |
| China | 298,140 | 21.6% | China | 3,367,628 | 59.5% |
| Japan | 208,280 | 15.1 | Vietnam | 603,423 | 10.7 |
| Taiwan | 178,237 | 12.9 | Taiwan | 332,353 | 5.9 |
| South Korea | 164,231 | 11.9 | Japan | 273,005 | 4.8 |
| Vietnam | 85,860 | 6.2 | South Korea | 219,408 | 3.9 |
| Indonesia | 70,295 | 5.1 | Thailand | 143,091 | 2.5 |
| Malaysia | 65,887 | 4.8 | Indonesia | 134,515 | 2.4 |

| | | | | | |
|---------------|-----------|--------|---------------|-----------|--------|
| Singapore | 50,467 | 3.7 | Malaysia | 120,085 | 2.1 |
| Thailand | 30,733 | 2.2 | India | 66,417 | 1.2 |
| Philippines | 26,437 | 1.9 | Philippines | 49,663 | 0.9 |
| All Others | 202,119 | 14.6 | All Others | 349,419 | 6.2 |
| Total Exports | 1,380,688 | 100.0% | Total Imports | 5,659,006 | 100.0% |

⁽¹⁾ TEU = twenty-foot equivalent units.

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

Security

POLA security operations are conducted by the Los Angeles Port Police. POLA's port security program is designed to secure POLA through prevention, deterrence and in collaboration with our many port partners. The POLA security program consists of operational security measures consisting of sworn and civilian personnel providing patrols, inspections and investigations both on land and on the water. These operations are supported by advanced surveillance, communications, command and control and sensor systems. Additionally, POLA is engaged in development and implementation of national and international port and cargo security standards and regulations. The security program is closely coordinated with a number of federal, State and local agencies. POLA has been awarded numerous grants to fund safety and security projects by federal and State government agencies, including the U.S. Department of Homeland Security, the Federal Emergency Management Agency, the Transportation Security Administration and the State Office of Homeland Security.

Maritime Transportation Security Act ("MTSA") of 2002 requires interagency teamwork within the Department of Homeland Security, including the U.S. Coast Guard, the Transportation Security Administration ("TSA"), the Bureau of Customs and Border Protection and the Department of Transportation's Maritime Administration to develop security regulations. The security regulations focus on those sectors of the maritime industry that have a higher risk of involvement in a transportation security incident, including various tank vessels, barges, large passenger vessels, cargo vessels, towing vessels, offshore oil and gas platforms and port facilities that handle certain kinds of dangerous cargo or service the vessels included in this list. These regulations require, among other things, that port and vessels owners assess their vulnerabilities and then develop plans that may include implementing vehicle, container and baggage screening procedures, accessing control measures and/or installing surveillance equipment. Additionally, there is great emphasis placed on securing and patrolling our railways and roadways within the port complex. The Department has procedures in place for compliance with MTSA.

In 2014, the Department established its Cybersecurity Operations Center (the "Center"), operated by a dedicated cybersecurity team, as a centralized location to monitor network traffic in order to prevent, detect and respond to cyber incidents under the Department's control. The Center prevents approximately 20 million cyber-intrusion attempts per month. Since 2015, the Department also continues to maintain its ISO 27001 certification for the Center. ISO 27001 certification demonstrates that the Department is following information security best practice and delivers an independent, expert assessment of whether the Department's information security management system complies with this international cybersecurity standard.

In April 2019, the Department determined to form a cross-sector Cyber Resilience Center (the "CRC") in order to further reduce the risks of cybersecurity threats that could disrupt the flow of cargo at the Port. The CRC will expand the scope of stakeholder engagement to encompass the key parties operating in the Port complex: shipping lines, marine terminal operators, railroad companies, labor and representatives from the trucking industry. The CRC will enable key stakeholders to share cyber threat indicators and take 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.

Capital Improvement Projects.

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

Expenditures for capital improvement projects for the fiscal year ended June 30, 2021 were approximately \$114.6 million, comprised of: Terminal Projects (a total of approximately \$46.6 million), Transportation Projects (a total of approximately \$5.3 million), Security Projects (a total of approximately \$3.2 million), Public Access/Environmental Enhancement Projects (a total of approximately \$46.2 million), and Maritime Services Projects (a total of approximately \$13.3 million).

Table B-8 provides a summary of the total estimated project costs by category of POLA’s capital improvement program for fiscal years ending June 30, 2022 through 2026.

TABLE B-8
PORT OF LOS ANGELES
CAPITAL IMPROVEMENT PROGRAM BY CATEGORY
FISCAL YEARS 2022-2026

| Project Category | Estimated Total Cost (\$ millions) |
|--|--|
| Terminal Projects | \$246 |
| Transportation Projects | 98 |
| Security Projects | 14 |
| Public Access/Environmental Enhancement Projects | 200 |
| Maritime Projects | <u>183</u> |
| Total | <u>\$741</u> |

Source: POLA

Terminal and Infrastructure Projects. Following are summaries of certain of POLA’s major Terminal and Infrastructure Projects.

Berths 167-169, MOTEMS/Shell. The primary goal of this proposed \$44.8 million project is to comply with the Marine Oil Terminal Engineering and Maintenance Standards (MOTEMS) to protect public health, safety, and the environment. Work includes demolition of the existing timber wharves, and replacing the structure with a new concrete loading platform, access trestle, mooring dolphins, and steel catwalks. The proposed project would also include a new 30-year lease. Construction started July 2021, with completion by 2024.

Berths 238-239, MOTEMS/PBF Energy. The Port is finalizing design of a new marine oil platform at the PBF Energy Oil Terminal. The primary goal of the proposed \$35 million project is to comply with the MOTEMS to protect public health, safety and the environment. The new project will construct two new MOTEMS- compliant wharf structures at Berth 238 with berthing and mooring dolphins, catwalks, and an access ramp. The project will require the demolition and removal of the existing concrete loading platform, catwalks, access ramps, and mooring and berthing dolphins. The proposed project would also include a new 30-year lease. Construction is expected to start in January 2023, with completion estimated by 2026.

Berths 302-305, On-Dock Railyard Expansion at Fenix Marine Services Container Terminal.

An expansion of the existing railyard at Berths 302-305 is in design, which will add five new tracks of approximately 12,000 linear feet. This project will increase the capacity of the existing overall on-dock railyard by about 10%. Total project cost is \$52.4 million with an \$18.1 million federal grant awarded by the United States Maritime Administration (MARAD) and a \$19.2 million federal grant awarded by the State of California and Metro. Design is expected to be completed in September 2022, with construction completion estimated by 2025.

Pier 400 Corridor Storage Tracks Expansion Project. The existing Pier 400 rail storage yard is in need of expansion to accommodate future rail volumes on Terminal Island. The project scope includes an extension to the existing rail bridge, five new railroad storage tracks, an asphalt access roadway, new crossovers and switches, as well as modifications to the existing compressed air system of the Pier 400 rail storage yard and bridge. Work also includes the relocation of a portion of the Pier 400 lead track onto Port property, realignment of the track connection to the existing rail storage yard, modifications to Reeves Avenue, and relocation of the existing at-grade crossing at Nimitz Avenue to Reeves Avenue. The project is currently budgeted at \$73.2 million and was awarded approximately \$21.6 million of California Trade Corridor Enhancement Program (TCEP) federal funding by the State of California. Construction started in February 2022 and completion is expected in 2024.

B. 171-181 Development (Pasha). Pasha Terminal improvements include 382 linear feet of concrete wharf upgrade to seismic analysis to comply with the Port of Los Angeles seismic code, replacement of the terminal's main electrical equipment, construction of a new switchgear yard, and re-roof of the office building. The wharf project cost is approximately \$11.4 million and will begin construction in 2022 and the electrical upgrade project is approximately \$7.7 million and is expected to be complete in 2023.

Transportation Projects. Following are summaries of certain of POLA's current Transportation Projects.

State Route (SR) 47/Vincent Thomas Bridge (VTB) & Front Street/Harbor Boulevard Interchange Reconfiguration. This interchange is an important transportation nexus 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. The \$70.5 million in improvements, partially offset by \$64.9 million in grant funding, will include replacing the existing westbound off-ramp from the VTB currently located on the south side with a new off-ramp located on the north side. Additional improvements include realigning the existing westbound on-ramp onto the SR 47 and I-110 connector; modifying the westbound off-ramp onto Harbor Boulevard; and modifying the eastbound on-ramp onto the VTB toward Terminal Island. Construction is expected to start in late 2022, with completion estimated by 2025.

Alameda Corridor Gap Closure Expansion. This \$17.3 million project will provide a second mainline track between the West Basin area of the Port and the Alameda Corridor, eliminating a short gap in trackage and reducing delays for trains servicing West Basin Container Terminal (WBTC), TraPac, Pasha Terminals, as well as other current and future customers. The project will involve construction of approximately 5,000 track feet of rail parallel to the existing San Pedro Main track, as well as modifications to the West Basin Intermodal Container Transfer Facility lead track, relocation and protection of existing underground utilities, relocation of power poles, utility meters and perimeter fencing. The project was awarded \$6.0 million of California Trade Corridor Enhancement Program (TCEP) federal funding by the State of California. Construction started in April 2021, with completion anticipated in July 2022.

Public Access/Environmental Enhancement Projects. Following are summaries of certain of POLA's current Public Access/Environmental Enhancement Projects.

San Pedro Waterfront - B. 74-83 Promenade Phase II. The projects consists of a 30 foot wide and 1,100 foot long promenade along the water's edge. Design & construct a 30-ft wide public promenade along the water's edge from Berths 74 and 78-79 (approx. 1100' for the Jankovich and San Pedro Fish Market Restaurant areas). The promenade is along the former Ports O' Call site and will be part of the West Harbor development. Project cost is \$16.5 million and is scheduled to begin construction in fall 2022 with completion expected in March 2024.

Wilmington Waterfront Promenade. The project consists of 1,200 feet of waterfront promenade, reconstruction of the seawall from Berths 183 to 186, realignment of Water Street between Fries Ave and Avalon Blvd, as well as the construction of open green space, public plaza, parking courts, landscaping, and hardscaping. Project cost is \$70.8 million and construction is expected to be complete in 2023.

Berth 46 Outer Harbor Cruise Terminal Alternative Maritime Power (AMP). Design and install a new 11 KV system for Cruise Ships at Berth 46. In addition, this project requires the extension of a new LADWP 34.5KV circuit through existing LADWP underground conduit (from 22nd Street to Berth 46 along Miner Street). Project cost is \$35 million and design is expected to be complete in 2023 with construction completion by 2025.

Harbor Department HQ Facility Improvements. The project consists of the design and replacement of the Heating, Ventilation, and Air Conditioning (HVAC) system at the Harbor Administration Building (HAB) with a project cost of \$14 million. Additional work includes new ductwork and the cleaning and reutilization of existing ductwork. The expanded scope will install a separate, dedicated 24/7 AC units for the critical ITD facilities on the 1st and 2nd floors. Construction is expected to start in 2022 with completion in 2023.

Joint Ports Goods Movement Workforce Training Campus. Preliminary planning and design including geotechnical investigation site and environmental assessment (phase I) for a 20-acre Joint Ports (POLA and POLB) Goods Movement Workforce Training Campus located at Anchorage Road and Shore Road. The preliminary project cost estimate for the full build out of the facility is approximately \$150 million. Phase I preliminary planning started November 2021 with Phase I completion by 2023.

Environmental and Regulatory Matters

Environmental Compliance. POLA was the first port in the nation to have an Environmental Management Division. POLA's Environmental Management Division provides full environmental services related to water, soils and sediments, air and associated living resources, as well as environmental assessment documentation. In 2003, the LA Harbor Department adopted an environmental policy, which calls for continuous environmental improvement and the implementation of pollution prevention measures. POLA's Environmental Management System meets the specifications of the International Organization for Standardization Standard 14001 for environmental management systems.

POLA 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 POLA 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 California Air Resource Board, the South Coast Air Quality Management District, and the California Department of Toxic Substances Control. POLA also is 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, POLA has instituted additional programs and procedures to protect the environment, each of which are designed to, among other things, limit POLA's liabilities. In 2006, POLA and POLB established the Clean Air Action Plan (the "CAAP"). See "Clean Air Action Plan" below. In the fiscal year ended June 30, 2010, POLA 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.

Clean Air Action Plan. In 2006, POLA, together with the POLB, developed the CAAP with input from the U.S. Environmental Protection Agency, the California Air Resources Board, and the South Coast Air Quality Management District. The CAAP was updated and reauthorized in 2010 and 2017. The CAAP is POLA's comprehensive plan to address air pollution emissions from port-related sources and contains aggressive long-term goals through 2023 to reduce health risk, diesel particulate matter, nitrogen and sulfur oxides, and greenhouse gases. Pursuant to the CAAP, POLA has undertaken several programs to lower air pollution levels at POLA. Emission sources targeted by the CAAP include ships, trains, cargo handling equipment, harbor craft and heavy-duty trucks. POLA's voluntary Vessel Speed Reduction 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. The CAAP also includes a Technology Advancement Program that evaluates and demonstrates new and emerging emissions treatment technologies. In 2008, the CAAP Clean Truck Program was implemented, which essentially replaced older polluting trucks with newer clean trucks, thereby reducing truck emissions by over 90 percent at the port and the surrounding communities. Through implementation of the CAAP, since 2005, there has been an 89% reduction in diesel particulate matter, a 98% reduction in sulfur oxides, a 64% reduction in nitrogen oxides emissions, and 12% for greenhouse gases from Port-related sources. The CAAP and its associated various measures have cost POLA 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 POLA, POLB 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 POLA and POLB. Starting April 1, 2022, POLA and POLB will be charging a Clean Truck Fund (CTF) Rate on all loaded containers entering/exiting the two ports. The CTF Rate is \$10 per a twenty-foot equivalent unit (TEU) or \$20 for anything longer than twenty feet. It is expected to generate approximately \$90 million for the first year of collection for both ports. POLA is expected to receive approximately \$45 million out of the \$90 million collected. The collected money will be used to facilitate the purchase of zero-emission trucks and associated infrastructure that services the ports.

Stevedoring and Cargo Handling

Arranging for cargo handling services is the responsibility of each shipping line. Cargo handling at POLA is provided pursuant to a contract between the Pacific Maritime Association (the "Association") and the International Longshore and Warehouse Union ("ILWU"). The Association represents most of the steamship lines, marine terminal operators, car loading bureaus and cargo companies on the Pacific Coast. Most ILWU employees work under contract with the Association. The current contract between the Association and the ILWU was entered into on May 21, 2015 and was ratified by the ILWU membership on May 22, 2015, as a five year contract retroactive to July 1, 2014. In 2017, the ILWU and Association reached an agreement to extend the contract three additional years. The current contract expires on July 1, 2022.

The previous contract between the Association and ILWU expired on June 30, 2014. The Association and the ILWU began negotiating a new contract in May 2014, but did not agree on a new contract until February 2015.

Since 2002, there have been two other periods of prolonged labor unrest which led to an interruption of the normal course of business at POLA. In October 2002, after the Association and the ILWU failed to negotiate a new contract, there was a lock out of the stevedoring companies, thereby shutting down all West Coast ports, including POLA, for ten days. Work resumed when then-President Bush ordered the ports to re-open pursuant to the Taft Hartley Act. Additionally, in November 2012, after the Harbor Employers Association (“HEA”) and ILWU Marine Clerks Association Local 63 Office Clerical Unit (“ILWU 63”) failed to negotiate a new contract, the approximately 600 clerical workers represented by ILWU 63 walked off the job. Although only about 450 clerical workers throughout both POLA and POLB 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 POLA and POLB were shut down for eight days. Work resumed when the HEA and ILWU 63 reached a tentative agreement whereby ILWU 63 members received modest increases in wage and pension benefits, and the HEA promised to outsource no more than 14 jobs over a four-year period.

Other than the periods of unrest which occurred in 2002, 2012 and 2014/15, there has generally been a history of cooperative working relationships between the ILWU and the employer groups represented by the Association and HEA. Prolonged work slowdowns or stoppages, if they occur, could adversely affect POLA revenues and its ability to pay any Shortfall Advances. POLA 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 Port of Los Angeles created a new division, Labor Relations & Workforce Development, focused on promoting greater coordination with the ILWU, Association, POLA, and other labor partners.

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 POLA and POLB. The amendment allows the two ports to discuss and agree on projects and programs that address congestion issues (including, establishing initiatives to increase terminal productivity, facilitate chassis availability and usage, and improve drayage truck turn times), transportation infrastructure needs and the reduction of pollution caused by port-related activities.

On April 23, 2015, POLA and POLB hosted a meeting of supply chain stakeholders to gather input, insights and solutions focused on improving the performance of the supply chain. On May 27, 2015, POLA and POLB announced the creation of issue-specific working groups focusing on peak operations and terminal optimization to develop ways to strengthen the competitiveness of the San Pedro Bay Ports.

Outstanding Indebtedness

As of March 22, 2022, POLA had approximately \$577.3 million in parity debt outstanding, comprised of long-term revenue bonds. The long-term revenue bonds mature on or before 2045 and bear interest at rates between 3.00% and 5.00%. The POLA has established a Commercial Paper (CP) Program supported by bank credit lines to issue commercial paper notes to provide interim financing primarily for the construction, maintenance and replacement of the POLA’s structures, facilities and equipment needs. As per POLA Board Resolution No. 15-7817 approved in June 2015, the last CP liquidity facility established was in August 2015 which expired on August 24, 2018. As of August 24, 2018, the \$200 million credit available under the last liquidity facility expired with no CP notes outstanding. On March 7, 2019 the POLA Board approved a three-year Revolving Line of Credit Agreement with PNC Bank for up to \$150 million. On May 28, 2019 the Los Angeles City Council approved the three-year Revolving Line of Credit Agreement with PNC Bank

for up to \$150 million and the Mayor approved by signing on May 29, 2019. As of March 22, 2022 the Revolving Line of Credit remains unused with a \$150 million available line of credit.

POLA Parity Obligations are special, limited obligations of POLA payable solely from revenues of POLA, which are generally derived from ownership and operation of POLA and which include shipping revenue, rental revenue and fees and royalty revenue. Neither the full faith and credit nor the taxing power of the City of Los Angeles, the State of California or any political subdivision thereof is pledged to payment or principal of, premium, if any, or interest on the POLA Parity Obligations. POLA has no taxing power. The POLA Parity Obligations are senior in payment to POLA's obligation to make Shortfall Advances.

Audited Financial Statements

The audited financial statements of POLA for the fiscal years ended June 30, 2021 and 2020, and the report of the auditor dated December 6, 2021, are included below in this Appendix B. Moss Adams LLP, the independent auditor, has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements of POLA addressed in that report. Moss Adams LLP also has not performed any procedures relating to POLA's information included in this Official Statement.

**AUDITED FINANCIAL STATEMENTS OF
PORT OF LOS ANGELES
(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES)
FOR FISCAL YEARS ENDED JUNE 30, 2021 AND 2020**