

# City of Hermosa Beach

*City Hall  
1315 Valley Drive  
Hermosa Beach, CA 90254*



## Regular Meeting Agenda

**Tuesday, September 22, 2020**

**5:00 PM**

**Closed Session - 5:00 P.M.**

**Regular Meeting - 6:00 P.M.**

**Duly Posted Online 9/17/20 at 8:35 p.m. By E.S.**

### **City Council**

**Mayor**  
**Mary Campbell**

**Mayor Pro Tem**  
**Justin Massey**

**Councilmembers**  
**Hany S. Fangary**  
**Michael Detoy**  
**Stacey Armato**

**City Treasurer**  
**Karen Nowicki**

**City Attorney**  
**Michael Jenkins**

### **Executive Team**

Suja Lowenthal, City Manager

Eduardo Sarmiento, City Clerk  
Viki Copeland, Finance Director  
Marnell Gibson, Public Works Director  
Paul LeBaron, Chief of Police

Nico De Anda-Scaia, Assistant to the City Manager  
Ken Robertson, Community Development Director  
Vanessa Godinez, Human Resources Manager  
Kelly Orta, Community Resources Manager

**PLEASE NOTE:**

This is a full Packet including all pages and sub-pages, of all staff-reports and other materials of each agenda item as if physically stacked together and represents the complete agenda Packet as a single PDF file as of the date and time the agenda was initially posted (unless otherwise indicated here). It is meant to be an aid, but not intended as a replacement for the 'Living' agenda.

This full Packet does not contain additions, modifications, or supplementals that have been added after the first posting of the 'Living' agenda unless indicated here.

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Agenda/Minutes page which for this agenda is: [9-22-20 Agenda Packet Disclaimer](#)

Note again, that the agenda appearing below the following items' page number table may have changed and represents the page numbers to the agenda and materials contained in this full agenda packet only.

The agenda-items page number table below provides the starting page of each item in this full contiguous packet PDF file. To better utilize these page numbers, note that the *Adobe Acrobat* reader has a feature to display page thumb-nails down the left edge of your screen. With the page-thumbnails displayed you may click on a page's thumb-nail to immediately move to the item's starting page directly.

Be aware, that as this full packet may include MINUTES of prior meetings, if searching the entire Packet for particular text, understand that when you find such text, that if it is within a MINUTES page of minutes, that are included in this agenda for approval, that it may appear to you that you are at an agenda item within the current agenda. Avoid such confusion by noting that pages that contain MINUTES included for approval are so identified at the top of each such page within this full packet.

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**5:00 P.M. - CLOSED SESSION****CALL TO ORDER****ROLL CALL****PUBLIC COMMENT ON THE CLOSED SESSION AGENDA****TO PARTICIPATE BY PHONE:**

1. Email [Esarmiento@hermosabeach.gov](mailto:Esarmiento@hermosabeach.gov) to be added to the speaker list. Please indicate which item you would like to speak on.
2. Dial-in to meeting:
  - Toll Free: 833-548-0276
  - Meeting ID: 342 231 9288
  - Passcode: 343028
3. ATTENDEES WILL BE MUTED UNTIL THE PUBLIC PARTICIPATION PERIOD IS OPENED.  
Comments from the public are limited to 3 minutes per speaker.

**RECESS TO CLOSED SESSION**

- 1)      **20-0630**            **MINUTES:** Approval of minutes of Closed Session held on September 8, 2020.
- 2)      **20-0629**            **CONFERENCE WITH LEGAL COUNSEL: Initiation of Litigation**  
                                 **Government Code Section 54956.9(d)(4)**  
                                 The City finds, based on advice from legal counsel, that discussion in open session will prejudice the position of the City in the litigation.

**ADJOURNMENT OF CLOSED SESSION**



**6:00 P.M. - REGULAR AGENDA****PUBLIC PARTICIPATION**

City Hall will be closed to the public until further notice. Virtual Meetings are held pursuant to Executive Order N-29-20 issued by Governor Gavin Newsom on March 17, 2020. Members of the public may email comments to [Esarmiento@hermosabeach.gov](mailto:Esarmiento@hermosabeach.gov) or submit eComments until 3:00 p.m. on the meeting date. Members of the public may also participate by phone.

**TO PARTICIPATE BY PHONE:**

1. Email [Esarmiento@hermosabeach.gov](mailto:Esarmiento@hermosabeach.gov) to be added to the speaker list. Please indicate which item you would like to speak on.
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Comments from the public are limited to 3 minutes per speaker.

**Oral and Written Communication**

Persons who wish to have written materials included in the agenda packet at the time the agenda is published on the City's website must submit the written materials to the City Manager's office by email ([esarmiento@hermosabeach.gov](mailto:esarmiento@hermosabeach.gov)) or in person by noon of the Tuesday, one week before the meeting date.

Written materials pertaining to matters listed on the posted agenda received after the agenda has been posted will be added as supplemental materials under the relevant agenda item on the City's website at the same time as they are distributed to the City Council by email. Supplemental materials may be submitted via eComment (instructions below) or emailed to [esarmiento@hermosabeach.gov](mailto:esarmiento@hermosabeach.gov). Supplemental materials must be received before 4:00 p.m. on the date of the meeting to ensure Council and staff have the ability to review materials prior to the meeting. Supplemental materials submitted after 4:00 p.m. on the date of the meeting or submitted during the meeting will be posted online the next day.

**Submit Supplemental eComments in three easy steps:**

Note: Your comments will become part of the official meeting record. You must provide your full name, but please do not provide any other personal information (i.e. phone numbers, addresses, etc) that you do not want to be published.

1. Go to the Agendas/Minutes/Video webpage and find the meeting you'd like to submit comments on. Click on the eComment button for your selected meeting.
2. Find the agenda item for which you would like to provide a comment. You can select a specific agenda item/project or provide general comments under the Oral/Written Communications item.
3. Sign in to your SpeakUp Hermosa Account or as a guest, enter your comment in the field provided, provide your name, and if applicable, attach files before submitting your comment.

## I. CALL TO ORDER

## II. PLEDGE OF ALLEGIANCE

### III. ROLL CALL

#### IV. CLOSED SESSION REPORT

## V. ANNOUNCEMENTS - UPCOMING CITY EVENTS

## VI. APPROVAL OF AGENDA

## VII. PROCLAMATIONS / PRESENTATIONS

- a. 20-0607 COVID-19 HEALTH UPDATE FROM BEACH CITIES HEALTH DISTRICT**

**VIII. CITY MANAGER REPORT - The City Manager and staff may provide brief reports on pending City business. Longer oral reports to be provided are as follows:**

- |    |         |   |
|----|---------|---|
| a) | 20-0617 | COVID-19 UPDATE   |
| b) | 20-0618 | UPDATE ON LOS ANGELES COUNTY FIRE SERVICES AND MCCORMICK AMBULANCE REPORT FOR JULY 2020 |

**IX. PUBLIC PARTICIPATION -- ORAL AND WRITTEN COMMUNICATIONS FROM THE PUBLIC:** This is the time for members of the public to address the City Council on any items within the Council's jurisdiction not on this agenda, on items on this agenda as to which public comment will not be taken (City Manager Reports, City Councilmember Reports and Future Agenda Items), or to request the removal of an item from the consent calendar. Public comments on the agenda items called City Manager Reports, City Councilmember Reports and Future Agenda Items will only be heard at this time. Comments on public hearing items are heard only during the public hearing. Members of the audience may also speak during discussion of items removed from the Consent Calendar; during Public Hearings; and, during discussion of items appearing under Municipal Matters.

All comments from the public under this agenda item are limited to three minutes per speaker, but this time allotment may be reduced due to time constraints. The City Council acknowledges receipt of the oral and written communications listed below. No action will be taken on matters raised in written communications, provided that the Council may take action to schedule issues raised in oral and written communications for a future agenda. Speakers with comments regarding City management or departmental operations are encouraged to submit those comments to the City Manager.

a. [20-0614](#)

**WRITTEN COMMUNICATION**

**Recommendation:** Staff recommends that the City Council receive and file the written communication.

**Attachments:** [1. Written Communication from Bob Atkins \(Submitted 9-10-20 at 1.45 p.m.\)](#)  
[2. Written Communication from Tony Higgins \(Submitted 9-14-20 at 5.50 a.m.\)](#)  
[3. Written Communication from Matt McCool \(Submitted 9-15-20 at 11.57 a.m.\)](#)

**X. CITY COUNCILMEMBER COMMENTS:** Councilmembers may briefly respond to public comments, may ask a question for clarification or make a brief announcement or report on his or her own activities or meetings attended.

a) **20-0608**

**UPDATES FROM CITY COUNCIL AD HOC SUBCOMMITTEES  
AND STANDING COMMITTEE DELEGATES/ALTERNATES**

**XI. CONSENT CALENDAR:** The following more routine matters will be acted upon by one vote to approve with the majority consent of the City Council. The title is deemed to be read and further reading waived of any ordinance listed on the consent calendar for introduction or adoption. There will be no separate discussion of these items unless a Council member removes an item from the Consent Calendar. Items removed will be considered under Agenda Item XII (12), with public comment permitted at that time.

a) [REPORT](#)  
[20-0595](#)

**CHECK REGISTERS**

(Finance Director Viki Copeland)

**Recommendation:** Staff recommends that the City Council ratify the following check registers.

**Attachments:** [8-27-20](#)

b) [REPORT](#)  
[20-0609](#)

**CITY COUNCIL MEETING MINUTES**

(City Clerk Eduardo Sarmiento)

**Recommendation:** Staff recommends that the City Council approve the following minutes:

1. September 8, 2020 Adjourned Regular Meeting

**Attachments:** [9-8-20 CC Regular Adjourned Meeting Minutes](#)

c) [REPORT](#)  
[20-0622](#)

**MEMORANDUM REGARDING REVENUE AND  
EXPENDITURE REPORTS, CIP REPORT BY PROJECT,**

**CITY TREASURER'S REPORT AND CASH BALANCE  
REPORT FOR AUGUST 2020**

(Finance Director Viki Copeland)

**Recommendation:** Staff recommends that the City Council receive and file the memorandum regarding financial reports.

d) [REPORT](#) **ACTION MINUTES OF THE PUBLIC WORKS COMMISSION  
20-0620 MEETING OF JULY 15, 2020**

(Public Works Director Marnell Gibson)

**Recommendation:** Staff recommends that the City Council receive and file the action minutes of the Public Works Commission meeting of July 15, 2020.

**Attachments:** [Minutes July 15 2020](#)

e) [REPORT](#) **CAPITAL IMPROVEMENT PROGRAM STATUS REPORT  
20-0621 AS OF SEPTEMBER 10, 2020**

(Public Works Director Marnell Gibson)

**Recommendation:** Staff recommends that the City Council receive and file the Capital Improvement Program Status Report as of September 10, 2020.

**Attachments:** [Capital Improvement Program Status Report as of September 10, 2020](#)

f) [REPORT](#) **ACTION SHEET OF THE PLANNING COMMISSION  
20-0615 MEETING OF SEPTEMBER 15, 2020**

(Community Development Director Ken Robertson)

**Recommendation:** Staff recommends that the City Council receive and file the action sheet of the Planning Commission meeting of September 15, 2020.

**Attachments:** [Action Sheet of the September 15, 2020 Planning Commission meeting](#)

g) [REPORT](#) **PLANNING COMMISSION TENTATIVE FUTURE AGENDA ITEMS  
20-0616**

(Community Development Director Ken Robertson)

**Recommendation:** Staff recommends that the City Council receive and file the October 20, 2020 Planning Commission tentative future agenda items.

**Attachments:** [Planning Commission October 20, 2020 Tentative Future Agenda](#)

h) [REPORT](#) **RECOMMENDATION TO REJECT CLAIM  
20-0623**

(Human Resources Manager Vanessa Godinez)

**Recommendation:** Staff recommends that the City Council reject the following claim and refer it to the City's Liability Claims Administrator.

Claimant: Shaan Harris

Date of Loss: May 5, 2020

Date Filed: May 19, 2020

Allegation: The claimant was involved in a single vehicle traffic collision and his vehicle was impounded and towed away. Claimant is alleging his personal belongings were stolen from his vehicle (golf clubs and sunglasses). He is seeking a total of \$1,107.24 for replacement costs of his personal belongings and towing fees.

**Attachments:**      [Shaan Harris claim](#)

- i)      [REPORT](#)  
         [20-0613](#)
- RETROACTIVELY APPROVE FIRST AMENDMENT TO LEASE  
AGREEMENT BETWEEN THE CITY OF HERMOSA BEACH  
AND STAR EDUCATION TO PROVIDE CHILDCARE SERVICES  
FOR CHILDREN ENROLLED IN THE HERMOSA BEACH  
CITY SCHOOL DISTRICT**
- (Community Resources Manager Kelly Orta)

**Recommendation:** Staff recommends that the City Council:

1. Retroactively approve a first amendment to lease agreement with STAR Education to provide enhanced childcare services for children enrolled in the Hermosa Beach City School District participating in virtual instruction; and
2. Add estimated lease revenue of \$4,664.40 to the 2020-21 Budget.

**Attachments:**      [1. Lease Agreement with STAR Education](#)  
                             [2. First Amendment to Lease Agreement with STAR Education](#)

- j)      [REPORT](#)  
         [20-0631](#)
- CONFIRM CITY MANAGER/DIRECTOR OF  
EMERGENCY  
SERVICES ORDER NO. 2020-12 IMPLEMENTING  
EMERGENCY  
MEASURES TO TEMPORARILY DEFER PAYMENT OF  
CITY  
BUSINESS TAXES DURING THE COVID-19 PANDEMIC**
- (City Attorney Michael Jenkins)

**Recommendation:** Staff recommends that the City Council confirm City Manager/Director of Emergency Services Executive Order No. 2020-12 (Attachment 1) temporarily suspending City of Hermosa Beach Municipal Code sections 5.04.190, 5.04.200 and 5.04.240 to defer payment of City business taxes and waive interest and penalties for any business that ceased all business operations between March 16 and 31, 2020 and has been entirely closed and remains closed as of the date of the Order due to the COVID-19 pandemic.

**Attachments:**      [Executive Order 2020-12 -Coronavirus Response Actions 2](#)

**XII. ITEMS REMOVED FROM THE CONSENT CALENDAR FOR SEPARATE DISCUSSION - Items pulled from the Consent Calendar will be handled separately. Public comment will be taken prior to Council deliberation and action on each item pulled from the Consent Calendar.**

**XIII. PUBLIC HEARINGS - TO COMMENCE AT 6:30 P.M.**

NONE

**XIV. MUNICIPAL MATTERS**

- a) [REPORT](#)  
[20-0612](#)
- RESOLUTION OF THE CITY COUNCIL OF THE CITY OF  
HERMOSA BEACH APPROVING THE ISSUANCE AND  
SALE OF REFUNDING LEASE REVENUE BONDS BY THE  
HERMOSA BEACH PUBLIC FINANCING AUTHORITY TO  
REFUND OUTSTANDING 2015 LEASE REVENUE BONDS  
AND APPROVE RELATED DOCUMENTS AND ACTIONS**
- (Finance Director Viki Copeland)

**Recommendation:** Staff recommends that the City Council approve the resolution entitled "Resolution of the City Council of the City of Hermosa Beach Approving the Issuance and Sale of Refunding Lease Revenue Bonds by the Hermosa Beach Public Financing Authority to Refund Outstanding 2015 Lease Revenue Bonds and Approving Related Documents and Actions."

**Attachments:**

- [1. Resolution 20-xxxx City Council Issuance and Sale of Lease Revenue Bonds Resolution](#)
- [2. Amended and Restated Lease Agreement](#)
- [3. Amended and Restated Site Lease](#)
- [4. Indenture of Trust](#)
- [5. Escrow Agreement](#)
- [6. Hermosa Beach Bond Purchase Agreement FINAL](#)
- [7. Hermosa Beach POS FINAL AGENDA VERSION](#)

## **RECESS TO MEETING OF PUBLIC FINANCING AUTHORITY**

### **PUBLIC FINANCING AUTHORITY AGENDA**

#### **I. CALL TO ORDER**

#### **II. ROLL CALL**

#### **III. CONSENT CALENDAR**

- a) [REPORT](#)  
[20-0619](#)
- RESOLUTION OF THE BOARD OF DIRECTORS OF THE HERMOSA  
BEACH PUBLIC FINANCING AUTHORITY APPROVING THE  
ISSUANCE AND SALE OF REFUNDING LEASE REVENUE BONDS  
BY THE HERMOSA BEACH PUBLIC FINANCING AUTHORITY  
TO REFUND OUTSTANDING 2015 LEASE REVENUE BONDS  
AND APPROVE RELATED DOCUMENTS AND ACTIONS**
- (Finance Director Viki Copeland)

**Recommendation:** Staff recommends that the Public Financing Authority approve the Resolution entitled "Resolution of the Board of Directors of the Hermosa Beach Public Financing Authority Authorizing the Issuance and Sale of Refunding Lease Revenue Bonds and Approving Related Documents and Actions".

- Attachments:**
- [1. Resolution 20-xxxx HB Public Financing Authority Issuance and Sale of Lease Revenue Bonds Resolution](#)
  - [2. Amended and Restated Lease Agreement](#)
  - [3. Assignment Agreement](#)
  - [4. Amended and Restated Site Lease](#)
  - [5. Indenture of Trust](#)
  - [6. Escrow Agreement](#)
  - [7. Hermosa Beach Bond Purchase Agreement FINAL](#)
  - [8. Hermosa Beach POS FINAL AGENDA VERSION](#)

## ADJOURNMENT OF PUBLIC FINANCING AUTHORITY

## RECONVENE REGULAR CITY COUNCIL MEETING

### XIV. MUNICIPAL MATTERS

- b) [REPORT](#)  
[20-0610](#)
- RECEIVE REPORT ON EMERGENCY  
ENFORCEMENT MEASURES TO ENSURE  
COMPLIANCE WITH PANDEMIC-RELATED HEALTH  
ORDERS FROM BOTH THE CITY AND THE COUNTY  
OF LOS ANGELES HEALTH DEPARTMENT**  
(City Manager Suja Lowenthal)  
(*This will be a verbal report*)

**Attachments:** [1. Hermosa Beach Table of COVID-19 Related Actions](#)

- c) [REPORT](#)  
[20-0625](#)
- ADOPTION OF AN URGENCY ORDINANCE OF THE  
CITY OF HERMOSA BEACH, CALIFORNIA, CLARIFYING  
THE TEMPORARY MORATORIUM ON EVICTIONS DURING  
THE COVID-19 PANDEMIC TO REFLECT STATE LAW AND  
SETTING FORTH THE FACTS CONSTITUTING SUCH URGENCY**  
(City Attorney Michael Jenkins)  
(Assistant City Attorney Lauren Langer)

**Recommendation:** Staff recommends that the City Council:

- 1. Adopt an Urgency Ordinance No. 20-1417U of the City of Hermosa Beach to clarify provisions of the moratorium on residential evictions to reflect state law; and
- 2. Extend the temporary moratorium on commercial evictions, setting forth the facts constituting such urgency (Attachment 1).

The urgency ordinance requires four-fifths vote of the City Council and if approved, will take effect immediately

**Attachments:** [1. Urgency Ordinance 20-1417U -Eviction Moratorium](#)  
[2. Hermosa Beach Table of COVID-19 Related Actions](#)

d) [REPORT](#) **DESIGNATION OF VOTING DELEGATE & ALTERNATE FOR THE**  
[20-0601](#) **LEAGUE OF CALIFORNIA CITIES 2020 ANNUAL CONFERENCE**  
**AND CONSIDERATION OF THE LEAGUE OF CALIFORNIA**  
**CITIES ANNUAL CONFERENCE RESOLUTION**

(Assistant to the City Manager Nico De Anda-Scaia)

**Recommendation:** Staff recommends that City Council:  
1. Designate a Voting Delegate and an alternate for the League of California Cities Annual Business Meeting scheduled for Friday, October 9; and  
2. Concur with staff's position and authorize the City Council's Voting Delegate to support the League of California Cities General Assembly Resolution.

**Attachments:** [2020 League Annual Conference Resolution Packet](#)

e) [REPORT](#) **CITY COUNCIL COMMITTEE LIST UPDATE**  
[20-0627](#) (City Clerk Eduardo Sarmiento)

**Recommendation:** Staff recommends that the City Council:  
1. Approve retiring the Compact Committee and allowing the City-School District Partnership to continue with the Mayor and School Board President meeting informally as needed; and  
2. Provide direction on new target decommission dates for the City Council temporary subcommittees.

**Attachments:** [City Council Committee List as of 09-01-20.pdf](#)

f) [REPORT](#) **ESTABLISHMENT OF A POLICY FOR THE SELECTION**  
[20-0632](#) **OF THE CITY'S MAYOR AND MAYOR PRO TEMPORE**  
(City Attorney Michael Jenkins)

**Recommendation:** Staff recommends that the City Council consider adoption of a formal policy governing selection of the Mayor and Mayor Pro Tempore.

**XV. FUTURE AGENDA ITEMS - Requests from Councilmembers for possible future agenda items and questions from Councilmembers regarding the status of future agenda items. No discussion or debate of these requests shall be undertaken; the sole action is whether to schedule the item for consideration on a future agenda. No public comment will be taken. Councilmembers should consider the city's work plan when considering new items.**

a) [20-0611](#) **TENTATIVE FUTURE AGENDA ITEMS**

**Attachments:** [Tentative Future Agenda.pdf](#)

**XVI. ADJOURNMENT**



**FUTURE MEETINGS AND CITY HOLIDAYS****CITY COUNCIL MEETINGS:**

September 29, 2020 - Tuesday - Adjourned Regular Meeting:

6:00 PM - Joint City Council and Parks & Recreation Commission Study Session:  
Community Theater Needs Assessment

October 10, 2020 - Saturday - Adjourned Regular Meeting:

8:00 AM - City Council Retreat

October 13, 2020 - Tuesday - 5:00 PM - Closed Session,

6:00 PM - City Council Meeting

October 27, 2020 - Tuesday - 5:00 PM - Closed Session,

6:00 PM - City Council Meeting

November 4, 2020 - Wednesday - Adjourned Regular Meeting:

6:00 PM - Study Session

November 10, 2020 - Tuesday - 5:00 PM - Closed Session,

6:00 PM - City Council Meeting

November 12, 2020 - Thursday - Adjourned Regular Meeting:

6:00 PM - Appointment of Mayor & Mayor Pro Tem

November 24, 2020 - Tuesday - 5:00 PM - Closed Session,

6:00 PM - City Council Meeting

December 2, 2020 - Wednesday - Adjourned Regular Meeting:

6:00 PM - Study Session

December 8, 2020 - Tuesday - 5:00 PM - Closed Session,

6:00 PM - City Council Meeting

December 22, 2020 - Tuesday - No Meeting (Dark)

**BOARDS, COMMISSIONS AND COMMITTEE MEETINGS:**

September 29, 2020 - Tuesday - Adjourned Regular Meeting:

6:00 PM - Joint City Council and Parks & Recreation Commission Study Session:  
Community Theater Needs Assessment

October 5, 2020 - Monday - 6:00 PM - Economic Development Committee

October 6, 2020 - Tuesday - 7:00 PM - Parks and Recreation Advisory Commission Meeting

October 20, 2020 - Tuesday - 7:00 PM - Planning Commission Meeting

November 2, 2020 - Monday - 6:00 PM - Economic Development Committee

November 5, 2020 - Thursday - 7:00 PM - Parks and Recreation Advisory Commission Meeting

November 17, 2020 - Tuesday - 7:00 PM - Planning Commission Meeting

November 18, 2020 - Wednesday - 7:00 PM - Public Works Commission Meeting

December 1, 2020 - Tuesday - 7:00 PM - Parks and Recreation Advisory Commission Meeting

December 7, 2020 - Monday - 6:00 PM - Economic Development Committee

December 15, 2020 - Tuesday - 7:00 PM - Planning Commission Meeting

**CITY OFFICES CLOSED FRIDAY-SUNDAY AND ON THE FOLLOWING DAYS:**

November 11, 2020 - Wednesday - Veteran's Day

November 26, 2020 - Thursday - Thanksgiving Day



# City of Hermosa Beach

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1315 Valley Drive  
Hermosa Beach, CA 90254

## Staff Report

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### Staff Report

20-0607

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**Honorable Mayor and Members of the Hermosa Beach City Council  
Regular Meeting of September 22, 2020**

### **COVID-19 HEALTH UPDATE FROM BEACH CITIES HEALTH DISTRICT**



# City of Hermosa Beach

City Hall  
1315 Valley Drive  
Hermosa Beach, CA 90254

## Staff Report

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### Staff Report

20-0617

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**Honorable Mayor and Members of the Hermosa Beach City Council  
Regular Meeting of September 22, 2020**

### **COVID-19 UPDATE**



# City of Hermosa Beach

City Hall  
1315 Valley Drive  
Hermosa Beach, CA 90254

## Staff Report

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### Staff Report

20-0618

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**Honorable Mayor and Members of the Hermosa Beach City Council  
Regular Meeting of September 22, 2020**

**UPDATE ON LOS ANGELES COUNTY FIRE SERVICES AND  
MCCORMICK AMBULANCE REPORT FOR JULY 2020**



# City of Hermosa Beach

City Hall  
1315 Valley Drive  
Hermosa Beach, CA 90254

## Staff Report

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### Staff Report

20-0614

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**Honorable Mayor and Members of the Hermosa Beach City Council  
Regular Meeting of September 22, 2020**

### WRITTEN COMMUNICATION

#### **Recommended Action:**

Staff recommends that the City Council receive and file the written communication.

#### **Attachments:**

Email from Tony Higgins dated September 14, 2020

Email from Bob Atkins dated September 10, 2020

Email from Matt McCool dated September 15, 2020

**From:** [Bob Atkins](#)  
**To:** [City Council](#); [City Clerk](#)  
**Cc:** [Eduardo Sarmiento](#)  
**Subject:** Revised> Hermosa Beach approves closing a lane on Pier Avenue  
**Date:** Thursday, September 10, 2020 1:17:16 PM  
**Importance:** High

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This is revised from my earlier email sent at 9:59am.

I want the following email to be added to the Oral/Written Communications **verbatim** for the NEXT City Council meeting on 9/22/20.

Confirm receipt of this email and acknowledgement of my request!

---Bob Atkins

Open letter to the Hermosa Beach City Council:

You idiots will never give up!! You have to make things worse for everyone just for your own personal bullshit agenda!!

A single lane on Pier Ave was disaster in the past - now you selfish morons want to make it even worse by having drivers back into parking spaces!!

You will end up spending hundreds of thousands on your selfish and petty project to re-stripe the lanes, re-stripe parking spaces, move meters, lose even more parking spaces since bordering curbs aren't designed for back in spaces and then when the inevitable backlash occurs against your selfish, senseless and ill conceived plan happens - you will need to put everything back the way it was. Meanwhile your arrogant selfishness will gridlock the city's main downtown road - causing drivers to divert through secondary residential roads to avoid the problem that YOU WILL CAUSE!! If this wasn't enough - you are spending money on a senseless and regressive project at a time when the city's income has been decimated by the Covid-19 pandemic!!

Your combined irresponsible arrogance is beyond comprehension!

You just couldn't leave well enough alone!! This is what we get when ignorant and arrogant morons (aka lawyers) who know nothing about traffic engineering nor care for the greater good of those who didn't vote for them get on their high horses along with the other idiots and their respective sycophant supporters who just want to smile and look like they are getting along running the city!!

You all don't give a shit about the fact that car owners PAY FOR THE ROADS THAT YOU ARE SHUTTING DOWN CAPACITY ON just so the occasional bicyclist who could easily share the road with the majority of users driving the cars that PAID FOR THE ROAD in the first place!!

You disgust me!! You don't give a shit about anyone other than your own petty bullshit agendas to the detriment of the rest of us and countless others who attempt to visit our city.

People like YOU are the reason the country is so pissed off with government!!

---

Bob Atkins

**From:** [tony higgins](#)  
**To:** [Eduardo Sarmiento](#)  
**Subject:** Fwd: When will the lies & misrepresentations stop?  
**Date:** Friday, September 11, 2020 7:18:19 AM

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Written communications to city council.

Thanks!

Start

**Subject: When will the lies & misrepresentations stop?**

Dear City Manager Lowenthal  
Dear Mayor Campbell

It was with great disappointment I read the Easyreader article that the city is continuing with its plans for lane closures on Pier & Hermosa Avenues despite its own commitments that this so called road diet would only be implemented while traffic was significantly reduced because of the pandemic.

That's no longer the case and proceeding with the lane closures despite the near normal traffic patterns on the roads most impacted by the lane closures was a blatant lie.

27th street bears the brunt of any lane closures on Pier.

27th has had normal traffic patterns since mid May and has recently been inundated at all hours of the day and NIGHT, especially from Thursday-Sunday night with obnoxiously LOUD sports cars with modified mufflers that can be heard easily as they shift from 1-3 gears even a couple of blocks away.

These sports cars are using 27th as a circuit down to Hermosa Ave and the drivers seem to enjoy the fact that our street with its steep narrow roads that load-up the engines for maximum noise.

And 27th's densely packed houses greatly amplify the sound compared to wider streets and the noise from these obnoxious loud vehicles reverberates between the houses at all hours of the night making it impossible to sleep at night with your windows open without being jarred from a deep sleep several times a night.

And these cars are tuned to BACKFIRE when they downshift under load and it's intentional.

The steep hills and downshifting create engine load that creates loud backfiring.  
POP POP POP POP.

And you want to add more noise to our densely packed residential street by



closing lanes on pier Ave????

Did you see the newsfeed I sent the council and the City Manager a few weeks back saying that traffic had returned to 70% of pre-pandemic levels?

A new study by the Southern California Association of Governments found since mid-May traffic has nearly returned to pre-pandemic levels. ... At one point, traffic was down 80% from its peak. According to the study, 70% percent of traffic has returned  
Aug 21, 2020

Councilman Detoy said the city was conducting its own traffic analysis.

Didn't it include looking at when traffic would begin returning to pre-pandemic levels?

Didn't it include looking at existing noise levels of the streets that would most likely be impacted by these lane closures and whether these noise levels comported with the General Plan?

If not, why not?

***The argument for the lane closures or the so-called road-diet on main thoroughfares including Pier Ave and Hermosa Ave was contingent on substantially reduced traffic caused by the Pandemic; but the city went ahead with the lane closures on Hermosa and Pier anyway, despite the fact that traffic was quickly returning to normal levels***

The contingency that the lane closures would only exist so long as traffic was **significantly** reduced by the pandemic was a lie.

The truth is the lane closures will exist as long as the pandemic is restricting indoor dining and once that Covid risk finally dissipates Suja wants to make these lane closures permanent and turn pier and Hermosa avenues into a haven for outdoor dining just like it is on 2nd street in Long Beach.

That's her plan and but she isn't saying that publically is she?

Our city manager is using the Covid crisis to promote her own downtown agenda and the agenda of several overly pro-business Council Members and the agenda of the chamber of commerce.

That's the truth but you don't speak to that you just give us more misrepresentations, misdirection and lies.

On 27th traffic has been back to normal levels for several months now.

The Pier Ave closure will only bring still more vehicle and truck traffic to 27th, and Pier Ave is the only East/West truck route in the city.

The council has stated many times we have a real shortage of East-West roads. It should be obvious the city shouldn't be **reducing** this capacity unless there are significant reductions in East west traffic.

That was the council's and the city manager's position as they pushed these lane closures forward and now it turns out that was a lie. Traffic is quickly returning to pre-pandemic levels and lane closures should be removed not expanded.

Related to the additional traffic closing lanes on Pier will push to 27th, I've done noise measurements with 3 different noise meters and believe we are already well over the noise limits allowed in the general plan for an R2 zoned neighborhood on 27th.

Yet the city manager said in the city council meeting that there is nothing inconsistent with the general plan happening on 27th.

How could Suja know there is nothing inconsistent with the general plan happening on 27th if the city has never done noise measurements on the steep narrow segments of 27th.

How about answering that question?

Claiming there was nothing inconsistent with the General Plan was just another boldface lie wasn't it?

The lane closure on pier will only make it more unfriendly to vehicles **and especially large trucks**, shifting more Hermosa ave and Plaza commercial traffic to 27th. This will bring even more noise and pollution to our steep narrow street where westbound trucks roar by less than 10 feet from our front doors.

The NNTMP identified an unexpected ~100% jump in vehicular and truck traffic on Gould (aka 27th) adjacent to Valley Park between 2016-2019!

The size of trucks on 27th has jumped dramatically with the increase in the number of monster houses built on the westside over the last 10 years.

Nearly every jobsite north of pier uses 27th for access to the westside.

More and more larger and larger trucks on 27th... If that's consistent with the general plan the plan ain't worth crap.

Yesterday at about 3:15PM vehicle traffic on 27th was backed up all the way from valley drive past Morningside and over the hill going down to Manhattan Ave and you are calling for a road diet?

You promised a traffic analysis on the impact of the lane closures but I'll bet my bottom dollar the city didn't consider the general plan and whether the existing noise thresholds on 27th which will obviously be impacted by closing lanes on pier will be adversely affect 27th. - you just rammed it down our throat.

The businesses you are bending over backwards for on Hermosa ave don't give a damn about the residents of 27th.

They continue to send larger and larger delivery trucks via 27th even though it's not the most direct route to the downtown business district.

27th is the longer route downtown by over 33%, both from Artesia and from PCH southbound.

Big rigs and 40ft box trucks serving the downtown business district are common and it's illegal.

Even the former police chief captain McKinnion was caught in boldfaced lies saying the direct route laws for heavy trucks on 27th were enforced and he did issue tickets.

A public records requests proved he was lying. There were no direct route violation tickets issued, ever.

The city lied when it said the lane closures and road diet was contingent on a reduction in traffic.

The city lied about the traffic analysis.

I've asked for this analysis but you refuse to provide it.

The city manager lied when she said that what's going on 27th traffic was consistent with the General Plan.

She didn't know that. She couldn't have without doing the noise measurements on the steep narrow road segments on 27th.

The city manager and the council have refused to do those noise measurements as they continue to ram more and more traffic down our steep narrow residential street.

And what of the waste water recovery drainage ditch at the intersection of 27th and Morningside that has existed the last 20 years? Trucks slam over this ditch all day long. Would you like to live next to that?

Why hasn't it been fixed?

When will the lies and mischaracterizations stop?

TH

**Matt McCool**  
mccool.matt@gmail.com

July 23, 2020

**VIA ELECTRONIC MAIL**

City Attorney Michael W. Webb  
City of Redondo Beach  
415 Diamond Street  
Redondo Beach, CA 90277

**RE: Formal complaint of City Prosecutor services for the City of Hermosa Beach**

Dear Mr. Webb:

Please accept this letter as a formal complaint against the City Prosecutor's Office for the City of Redondo Beach in violating my rights as declared in Article I, Section 28 of the Constitution of California. This complaint is submitted to you because at the September 9, 2014 Hermosa Beach City Council meeting you were appointed to provide City Prosecutor services to the City of Hermosa Beach.

I am a former City of Hermosa Beach Commissioner and 2017 candidate for City Council, but more importantly a 2014 victim of a violent crime in Hermosa Beach. During my campaign for City Council my 2014 case became a topic in social media and an article in the Easy Reader News. In that article, HBPD [REDACTED] knowingly and willfully made false, incomplete and misleading statements, which effectively ended my run for City Council, and seriously damaging my reputation. His statement "*there was nothing wrong with the department's work in the case*" was a lie to cover up police misconduct and a police conspiracy to conceal a crime. I filed a [formal complaint](#) into record before City Council. (Exhibit A).

I am fully aware that the City of Redondo Beach City Prosecutor's Office inherited my corrupt case over six months after me being attacked. The case was buried from investigation until it was called before the Planning Commission, which followed with Councilman Hany Fangary wanting to review cases before City Council. Only then were charges filed by the newly contracted Redondo Beach City Prosecutor's Office.

**However the city prosecutors failed to interview me or take a statement, mislead me as to the original criminal charges, and the subsequent plea bargain. Finally and most importantly, I was denied my right to give a victim impact statement at sentencing. Clearly prosecution was representing the interest of the perpetrator rather than the people of California.**

All of my mutual associates speak very highly of Ms. Sydne Michel. I even sent a commendation to the Police Chief for her work regarding an August 22, 2017 hearing for me to testify. (Exhibit B). Furthermore I publicly endorsed Ms. Michel during her campaign for Superior Court Judge. (Exhibit C).

It is my contention that the HBPD pressured the City Prosecutor's Office in this case, and therefore I am respectfully requesting an investigation into the City Prosecutor's Office regarding this case.

Sincerely,

MCCOOL.MATTHEW.  
TODD.1280758457  
Matt McCool

Digitally signed by  
MCCOOL.MATTHEW.TODD.1280758457  
DN: c=US, o=U.S. Government, ou=DoD, ou=PKI,  
ou=USN, cn=MCCOOL.MATTHEW.TODD.1280758457  
Date: 2020.07.23 16:12:45 -07'00'

cc: Bill Brand, Redondo Beach Mayor (via email)  
Redondo Beach City Council (via email)  
Joe Hoefgen, Redondo Beach City Manager (via email)  
Redondo Beach City Clerk (via email)



# City of Hermosa Beach

City Hall  
1315 Valley Drive  
Hermosa Beach, CA 90254

## Staff Report

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### Staff Report

20-0608

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**Honorable Mayor and Members of the Hermosa Beach City Council  
Regular Meeting of September 22, 2020**

**UPDATES FROM CITY COUNCIL AD HOC SUBCOMMITTEES  
AND STANDING COMMITTEE DELEGATES/ALTERNATES**



# City of Hermosa Beach

City Hall  
1315 Valley Drive  
Hermosa Beach, CA 90254

## Staff Report

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### Staff Report

REPORT 20-0595

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**Honorable Mayor and Members of the Hermosa Beach City Council  
Regular Meeting of September 22, 2020**

**CHECK REGISTERS**  
(Finance Director Viki Copeland)

**Recommended Action:**

Staff recommends that the City Council ratify the following check registers.

**Attachments:**

1. Check Register 8/27/2020

**Respectfully Submitted by:** Viki Copeland, Finance Director

**Approved:** Suja Lowenthal, City Manager

**Check Register**  
**CITY OF HERMOSA BEACH**

Page: 1

08/27/2020 6:04:38PM

Bank code : boa

Voucher	Date	Vendor	Invoice	Description/Account	Amount	
95624	8/27/2020	21696	ACCESS, INC.	20-0044	INSPECTION/CONSTRUTION MGMT/JUL20 001-4202-4201	1,140.00
			20-0044 (PO 34941)	INSPECTION/CONSTRUCTION MGMT/JUN20 001-4202-4201	2,900.00	
		21696		Total :	4,040.00	
95625	8/27/2020	21887	ADAMS, DEANNA	Receipt 2002523.003	CAMP 8934 WITHDRAWAL REFUND 001-2111	380.00
		21887		Total :	380.00	
95626	8/27/2020	20795	ATSPS	PO 35254	CITATIONS 32012975/35014639 OVERPAY REFU 001-3302	60.00
		20795		Total :	60.00	
95627	8/27/2020	22045	BECKERSON, BONNIE M	Parcel 4182-024-029	STREET LIGHT & SEWER TAX REBATE 001-6871 105-3105	124.12 24.61
		22045		Total :	148.73	
95628	8/27/2020	21685	BRUFFY'S TOW	2020003476	TOWING FEE REFUND/CASE DR 20-1249 001-3302-4201	179.50
		21685		Total :	179.50	
95629	8/27/2020	09632	CDWG	ZRZ0622	MAT REQ 649689/MICR TONER 715-1206-4305	254.27
		09632		Total :	254.27	
95630	8/27/2020	22043	CHECKETTES, CAMILLE	Receipt 2002522.003	CAMP 8943 REFUND 001-2111	390.00
		22043		Total :	390.00	
95631	8/27/2020	20786	COMMLINE, INC.	0238309-IN	10 RADIO BELT CLIPS 001-2101-4314 001-2101-4314	120.12 9.88
		20786		Total :	130.00	
95632	8/27/2020	09436	COMPLETES PLUS	01AF3742 to 01AH2343	VEHICLE MAINT/REPAIR PARTS/JUL20 715-2101-4311 715-4201-4311	314.02 15.96

**Check Register**  
**CITY OF HERMOSA BEACH**

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Bank code : boa

Voucher	Date	Vendor	Invoice	Description/Account	Amount
95632	8/27/2020	09436	COMPLETES PLUS	(Continued)	<b>Total : 329.98</b>
95633	8/27/2020	01962	FEDERAL EXPRESS CORP	7-087-77387	MAT REQ 549900/SHIP TO NV5 (VENDOR)
		01962		001-4202-4305	67.14
				<b>Total :</b>	<b>67.14</b>
95634	8/27/2020	21217	FJR PACIFIC, INC.	22621	COMM CTR HEATER REPAIR/REDO PIPES
		21217		301-8650-4201	1,740.00
				<b>Total :</b>	<b>1,740.00</b>
95635	8/27/2020	22005	GATHERCOLE, VERONICA	Receipt 2001052.002	CLASS 8924 REFUND DUE TO SCHEDULE
		22005		001-2111	380.00
				<b>Total :</b>	<b>380.00</b>
95636	8/27/2020	00427	GFOA	PO 35316	NEWKIRK/MEMBERSHIP/SEP20-AUG21
		00427		001-1202-4315	150.00
				<b>Total :</b>	<b>150.00</b>
95637	8/27/2020	20627	GOLDEN TOUCH CLEANING, INC.	67343	JANITORIAL SRVCS/JUL20
		20627		001-4204-4201	6,861.00
				157-2702-4201	3,866.69
				<b>Total :</b>	<b>10,727.69</b>
95638	8/27/2020	22044	GRABHER, LAURA	Receipt 2002525.003	CAMP 8962 WITHDRAWAL REFUND
		22044		001-2111	345.00
				<b>Total :</b>	<b>345.00</b>
95639	8/27/2020	21831	HAMILL, MEGHAN	Rcpt 2001050/1.002	CAMP 8926/35-6/81 WITHDRAW REFUND
		21831		001-2111	696.00
				<b>Total :</b>	<b>696.00</b>
95640	8/27/2020	10607	LOS ANGELES COUNTY DEPARTMENT	PO 35322	CO SHARE PKG STRUCTURE INCOME 19/20
		10607		001-3306-4251	227,271.43
				<b>Total :</b>	<b>227,271.43</b>
95641	8/27/2020	22038	MARQUEZ-VIRAMONTES, MARIA	PO 35282	EDUCATION REIMB/FALL '20/TUITION/BKS
		22038		001-2101-4317	3,701.94
				<b>Total :</b>	<b>3,701.94</b>
95642	8/27/2020	18071	MERCHANTS LANDSCAPE SERVICES	56583	LIBRARY PLANERS/NEW PLANTS



**Check Register**  
**CITY OF HERMOSA BEACH**

Page: **3**

08/27/2020 6:04:38PM

Bank code : boa

Voucher	Date	Vendor	Invoice	Description/Account	Amount
95642	8/27/2020	18071	MERCHANTS LANDSCAPE SERVICES	(Continued)	
		18071		001-6101-4201	250.00
				<b>Total :</b>	<b>250.00</b>
95643	8/27/2020	20582	MONETTE, JUANITA J.	Parcel 4184-015-026	
				STREET LIGHT & SEWER TAX REBATE	
				001-6871	124.12
				105-3105	24.61
		20582		<b>Total :</b>	<b>148.73</b>
95644	8/27/2020	13791	MONTROSE AND ASSOCIATES INC	25970	
				CHAMBERS A/V TROUBLESHOOT/JUL-20-AUG20	
				715-4204-4201	1,740.00
		13791		<b>Total :</b>	<b>1,740.00</b>
95645	8/27/2020	22020	MORALES, DOMINIC	PO 35272	
				CITATIONS 36007914/37010113 OVERPAY REFU	
				001-3302	166.00
		22020		<b>Total :</b>	<b>166.00</b>
95646	8/27/2020	21893	MORENO, GEORGINA	Receipt 2002521.003	
				CAMP 8936 REFUND/SCHEDULE CONFLICT	
				001-2111	380.00
		21893		<b>Total :</b>	<b>380.00</b>
95647	8/27/2020	16663	NATIONAL CONSTRUCTION RENTALS	5822338	
				SEA VIEW PARK FENCE 7/23/20-1/23/21	
				157-2702-4201	601.92
		16663		<b>Total :</b>	<b>601.92</b>
95648	8/27/2020	21033	NV5, INC	175359	
				GRNWCH UNDRGRND/ASSESS ENGINEER/JUL20	
				001-2133	2,880.00
		21033		<b>Total :</b>	<b>2,880.00</b>
95649	8/27/2020	13114	OFFICE DEPOT	115226184001	
				MAT REQ 874191/BINDERS 1" (20)	
				001-3302-4201	64.17
		13114		<b>Total :</b>	<b>64.17</b>
95650	8/27/2020	15103	PLUMBERS DEPOT INC	PD-46134	
				NEW CORD FOR SEWER SNAKE/PARTS/LABOR	
				160-3102-4201	210.64
		15103		<b>Total :</b>	<b>210.64</b>
95651	8/27/2020	11539	PROSUM TECHNOLOGY SERVICES	SIN026997	
				REMOTE SUPPORT LICENSING/JUL20	
				157-2702-4201	224.00
			SIN027634	REMOTE SUPPORT LICENSING/AUG20	

**Check Register**  
**CITY OF HERMOSA BEACH**

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Bank code : boa

Voucher	Date	Vendor	Invoice	Description/Account	Amount
95651	8/27/2020	11539	PROSUM TECHNOLOGY SERVICES	(Continued)	
				157-2702-4201	228.00
		11539		<b>Total :</b>	<b>452.00</b>
95652	8/27/2020	21153	RJ PRINTING & PROMOTIONAL	553	
				#10 ENVELOPES WITH RETURN ADDRESS	
				001-1208-4305	985.20
				001-1208-4305	87.99
		21153		<b>Total :</b>	<b>1,073.19</b>
95653	8/27/2020	15582	ROADLINE PRODUCTS INC	15888	
				REBUILD PUMP ON PAINT TRUCK	
				001-3104-4201	1,093.00
				001-3104-4201	67.74
		15582		<b>Total :</b>	<b>1,160.74</b>
95654	8/27/2020	03353	SBCU VISA	00G0034513168 CC	
				DRINKING WATER DELIVERY 6/13-7/12/20	
				001-2101-4305	173.41
			16399 CC	LEBARON/ANNUAL TRAINING SYMPOSIUM	
				001-2101-4317	50.00
			65742 CC	AED MED DIRECTION SUBSCRIP THRU JUL21	
				001-1201-4201	1,349.91
			IC30411-0620 CC	CONFERENCE LINE/JUN20	
				001-1201-4304	95.16
			Mat Req 479466	BRIEFING/JAIL/CUPS/FORKS/PLATES/COFFEE	
				001-2101-4306	66.91
				001-2101-4305	66.90
			Order CP-11979331 CC	JAIL REFRIGERATOR FILTER	
				001-2101-4306	33.90
				001-2101-4306	2.47
			Order ML070VX682 CC	SENIOR CENTER MUSIC SUBSCRIPTION/JUL20	
				001-4601-4328	9.99
			PO 34499 CC	CITY-RELATED EVENT ADS 6/11/20-7/4/20	
				001-1201-4201	60.77
			PO 35120 CC	OZIUM AIR SANITIZER SPRAY FOR JAIL	
				001-2101-4306	64.95
				001-2101-4306	6.17
			PO 35129 CC	K9 KEEF SHADOW BOX/FRAME	
				001-2101-4305	77.15
			PO 35131 CC	4TH OF JULY WEEKEND DEPLOYMENT FOOD	
				001-2101-4305	118.00

**Check Register**  
**CITY OF HERMOSA BEACH**

Page: 5

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Bank code : boa

Voucher	Date	Vendor	Invoice	Description/Account	Amount
95654	8/27/2020	03353	SBCU VISA	(Continued)	
			PO 35132 CC	DINNER FOR 4TH OF JULY WEEKEND DEPLOYMEN 001-2101-4305	310.00
			PO 35150 CC	DETECTIVE BRUNN/GIFT CARD/GET WELL 001-1201-4305	100.00
			PO 35151 CC	K9 KEEF MEMORIAL FLOWERS 001-1201-4305	49.99
				001-1101-4305	64.99
				001-1201-4305	4.75
				001-1101-4305	6.17
			PO 35152 CC	FLOWERS FOR KEEFS MEMORIAL 001-2101-4305	272.63
			PO 35162 CC	EMPLOYEE APPRECIATION GIFT BOXES 001-1203-4201	175.12
			PO 35197 CC	5 WALL-MOUNTED THERMOMETERS 157-2702-4320	711.50
			PO 35200 CC	JULY 4TH BEACH CLOSURE SIGNS (100) 157-2702-4201	531.55
				157-2702-4201	50.50
			PO 35311 CC	TESLA CHARGING OUTSIDE CITY LIMITS/JUL20 715-2101-4310	3.74
			PO 35313 CC	ADD'L CELL PHONE STORAGE/JUL20 001-2101-4305	0.99
			PO 35315 CC	BOOSTED RECRUITMENT POSTS/JUL20 001-2101-4201	24.00
			Receipt CC	TOLERANCE TRAINING PROGRAM MEETING 001-2101-4305	62.29
		03353		<b>Total :</b>	<b>4,543.91</b>
95655	8/27/2020	21900	SHARP, SHANNON	Receipt 2002520.003	
		21900		CAMP 8935 REFUND/SCHEDULE CONFLICT 001-2111	390.00
				<b>Total :</b>	<b>390.00</b>
95656	8/27/2020	20539	SHOETERIA	0009910-IN	
		20539		MAT REQ 703645/MOLINA/BOOTS 001-4202-4314	125.00
				<b>Total :</b>	<b>125.00</b>
95657	8/27/2020	00146	SPARKLETTS	4472788 081320	
				DRINKING WATER/AUG20 001-4601-4305	48.50

**Check Register**  
**CITY OF HERMOSA BEACH**

Page: 6

08/27/2020 6:04:38PM

Bank code : boa

Voucher	Date	Vendor	Invoice	Description/Account	Amount
95657	8/27/2020	00146	SPARKLETTS	(Continued)	<b>Total : 48.50</b>
95658	8/27/2020	21538	SPECIALIZED ELEVATOR SERVICES	17590 CITY HALL ELEVATOR MAINT/AUG20	83.81
				001-4204-4201	76.19
				001-3304-4201	
			17591	PARKING STRUCTURE ELEVATOR MAINT/AUG20	160.00
				001-3304-4201	
		21538		<b>Total :</b>	<b>320.00</b>
95659	8/27/2020	21372	THE JACK TRACY COMPANY LLC	PO 35240 STATE OF THE CITY ADDRESS MUSIC	100.00
				001-1101-4319	
		21372		<b>Total :</b>	<b>100.00</b>
95660	8/27/2020	00123	TRIANGLE HARDWARE	768342 thru 791143 MAINTENANCE SUPPLIES/AUG20	
				001-3104-4309	493.11
				001-4204-4309	580.26
				001-6101-4309	37.44
				105-2601-4309	622.01
				157-2702-4309	1,237.18
				715-4206-4309	40.62
				001-2021	67.43
				001-2022	-67.43
		00123		<b>Total :</b>	<b>3,010.62</b>
95661	8/27/2020	14148	UPS	000023R14340 REQ 479483/SHIP BADGES TO V&V	
				001-2101-4305	9.30
		14148		<b>Total :</b>	<b>9.30</b>
95662	8/27/2020	21828	VIZIA, ANTOINETTE	Receipt 2002524.003 CAMP 8943 WITHDRAWAL REFUND	
				001-2111	760.00
		21828		<b>Total :</b>	<b>760.00</b>
<b>39 Vouchers for bank code : boa</b>					<b>Bank total : 269,426.40</b>
<b>39 Vouchers in this report</b>					<b>Total vouchers : 269,426.40</b>

08/27/2020 6:04:38PM

Check Register  
CITY OF HERMOSA BEACH

Page: 7

Bank code : boa

Voucher	Date	Vendor	Invoice	Description/Account	Amount
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"I hereby certify that the demands or claims covered by the checks listed on pages 1 to 7 inclusive, of the check register for 8/27/2020 are accurate funds are available for payment, and are in conformance to the budget."

By 

Finance Director

Date 9/8/2020



# City of Hermosa Beach

City Hall  
1315 Valley Drive  
Hermosa Beach, CA 90254

## Staff Report

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### Staff Report

REPORT 20-0609

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**Honorable Mayor and Members of the Hermosa Beach City Council  
Regular Meeting of September 22, 2020**

### **CITY COUNCIL MEETING MINUTES** (City Clerk Eduardo Sarmiento)

#### **Recommended Action:**

Staff recommends that the City Council approve the following minutes:

1. September 8, 2020 Adjourned Regular Meeting

Due to staffing shortages in the City Clerk's office, the following minutes will be provided as soon as they become available.

1. April 28, 2020 Regular Meeting
2. May 12, 2020 Regular Meeting
3. May 21, 2020 Special Meeting
4. May 26, 2020 Special Meeting
5. June 9, 2020 Regular Meeting
6. June 23, 2020 Special Meeting

**Respectfully Submitted by:** Eduardo Sarmiento, City Clerk

**Approved:** Suja Lowenthal, City Manager



**Hermosa Beach City Council Adjourned  
Regular Meeting Minutes**

**Tuesday, September 08, 2020**

**Closed Session 4:30 P.M Regular Session 6:00 P.M.**

**Virtual Meeting via Zoom**

**City Council**

**Mary Campbell, Mayor**

**Justin Massey, Mayor Pro Tem**

**Stacy Armato, Councilmember**

**Michael Detoy, Councilmember**

**Hany Fangary, Councilmember**

**I. CALL TO ORDER**

The City Council Regular Meeting of the City of Hermosa Beach met via a virtual meeting held pursuant to Executive Order N-29-20 issued by Governor Gavin Newsom March 17, 2020 on the above date. Meeting was called to order by Mayor Campbell at 6:10 p.m.

**II. PLEDGE OF ALLEGIANCE**

The pledge of allegiance was led Mayor Campbell

**III. ROLL CALL**

**Present:** Councilmembers Armato, Detoy, Fangary, Mayor Pro Tem Massey, and Mayor Campbell

**IV. CLOSED SESSION REPORT**

City Attorney Michael Jenkins provided his Closed Session report. He stated Closed Session was called to order at 5 p.m. and there were no public comments on the closed session agenda. He added that no items were added to Closed Session, there were no reportable actions taken.

## **V. ANNOUNCEMENTS**

The Mayor announced that Behavioral Health Services will be hosting a teen suicide awareness program September 10. The City will be hosting its semi-annual paper shredding and compost giveaway event October 3<sup>rd</sup>. More information on these events can be found on the City's website. The Mayor also announced that it is not too late to participate in the Census and residents can visit [www.2020census.gov](http://www.2020census.gov). Ms. Campbell also reminded people to register to vote. The City will be remembering the anniversary of 9-11 and the Mayor asked the community to pay its respects this Friday at the 9-11 Memorial Bench in the Greenbelt. [09-08-20 Adjourned Regular City Council Meeting](#)

## **VI. APPROVAL OF AGENDA**

**MOTION:** Councilmember Armato moved to approve the agenda, seconded by Councilmember Detoy. Motion carried by unanimous consent.

**AYES:** Councilmembers Armato, Detoy, Fangary, Mayor Pro Tem Massey, and Mayor Campbell

## **VII. PROCLAMATIONS / PRESENTATIONS**

The City's Emergency Management Coordinator announced that the remodeled station is now open and presented a virtual tour of the station, which is also available on the city's website.

Members of Leadership Hermosa discussed their recent project at the Fire Station and presented a slideshow of the project.

Jacqueline Sun from the BCHD provided an update on the status of COVID-19 in the region and what services they provide to assist the community.

(Complete audio and video is available upon request at the City Clerk's office or can be accessed by clicking the following link. [09-08-20 Adjourned Regular City Council Meeting](#)

## **VIII. CITY MANAGER REPORTS**

The City Manager provided an update on the status of the City's COVID-19 response including business assistance and programs to enhance use of the public right-of-way for socially distanced dining and services. (Complete audio and video is available upon request at the City Clerk's office or can be accessed by clicking the following link: [09-08-20 Adjourned Regular City Council Meeting](#)

## **IX. PUBLIC COMMUNICATIONS/ORAL AND WRITTEN COMMUNICATIONS**

The following people provided public comment:



1. Craig Cadwallder
2. Jon David

(Complete audio and video is available upon request at the City Clerk's office or can be accessed by clicking the following link: [09-08-20 Adjourned Regular City Council Meeting.](#))

## **X. CITY COUNCIL COMMENTS**

### **a. UPDATES FROM CITY COUNCIL AD HOC SUBCOMMITTEES AND STANDING COMMITTEE DELEGATES/ALTERNATES**

Councilmember Fangary spoke about the City's Health Enforcement Officers and barriers placed on the Strand.

Councilmember Armato gave an update that the Water Board granted a year extension to the AES Power Plant

Councilmember Detoy announced that the City is partnering with Heal the Bay to have a beach clean up month in September

Mayor Campbell gave an update from the recent Economic Development Subcommittee meeting.

or can be accessed by clicking the following link: [09-08-20 Adjourned Regular City Council Meeting.](#))

## **XI. CONSENT CALENDAR**

The consent calendar was approved unanimously with Items 2c and 2f pulled by Councilmember Fangary.

**MOTION:** Councilmember Armato moved to approve the balance of the consent calendar, seconded by Mayor Pro Tem Massey. Motion carried by unanimous consent.

**AYES:** Councilmembers Armato, Detoy, Fangary, Mayor Pro Tem Massey, and Mayor Campbell

### **a. CITY COUNCIL MEETING MINUTES**

### **b. CHECK REGISTER**

### **c. MEMORANDUM OF UNDERSTANDING BETWEEN THE CITY OF REDONDO BEACH, THE CITY OF HERMOSA BEACH, THE CITY OF MANHATTAN BEACH, THE CITY OF TORRANCE, AND THE LOS ANGELES COUNTY FLOOD CONTROL DISTRICT REGARDING THE ADMINISTRATION AND COST SHARING FOR UPDATING THE ENHANCED WATERSHED**

## **MANAGEMENT PROGRAM AND REASONABLE ASSURANCE ANALYSIS FOR THE BEACH CITIES WATERSHED MANAGEMENT GROUP**

Item pulled from Consent Calendar by Councilmember Fangary for separate discussion.

- d. AWARD OF AGREEMENT WITH THE HERMOSA BEACH YOUTH BASKETBALL LEAGUE TO PROVIDE A COED YOUTH BASKETBALL LEAGUE FOR A THREE-YEAR TERM**
- e. TOWING AND STORAGE SERVICES CONTRACT AMENDMENT**
- f. AUTHORIZE THE CITY MANAGER TO AMEND CONTRACT WITH ARAKELIAN SERVICES (ATHENS SERVICES) FOR SWEEPING/CLEANING OF STREETS, ALLEYS, WALKSTREETS, PARKING LOTS AND THE PIER IN HERMOSA BEACH TO INCREASESIDEWALK CLEANING SERVICE IN THE DOWNTOWN AREA**

Item pulled from Consent Calendar by Councilmember Fangary for separate discussion.

## **XII. ITEMS REMOVED FROM THE CONSENT CALENDAR FOR SEPARATE DISCUSSION**

**XIc. MEMORANDUM OF UNDERSTANDING BETWEEN THE CITY OF REDONDO BEACH, THE CITY OF HERMOSA BEACH, THE CITY OF MANHATTAN BEACH, THE CITY OF TORRANCE, AND THE LOS ANGELES COUNTY FLOOD CONTROL DISTRICT REGARDING THE ADMINISTRATION AND COST SHARING FOR UPDATING THE ENHANCED WATERSHED MANAGEMENT PROGRAM AND REASONABLE ASSURANCE ANALYSIS FOR THE BEACH CITIES WATERSHED MANAGEMENT GROUP**

Item 2c was discussed by Council and one caller spoke on the item. Mayor Pro Tem Massey made a motion for staff to bring the item back with more information at an upcoming Council meeting, seconded Mayor Campbell. Councilmember Fangary voted no on the motion to bring back the item.

(Complete audio and video is available upon request at the City Clerk's office or can be accessed by clicking the following link: [09-08-20 Adjourned Regular City Council Meeting.](#))

**MOTION:** Mayor Pro Tem Massey moved to bring back the item with more information at an upcoming City Council meeting, seconded by Mayor Campbell. Motion carried by majority consent.

**AYES:** Councilmembers Armato, Detoy, Mayor Pro Tem Massey, and Mayor Campbell

**NOES:** Councilmember Fangary

#### **XIf. CAPITAL IMPROVEMENT PROGRAM STATUS REPORT**

Item 2f was discussed by Council and Amanda Mejia made herself available during public comment to answer any of the City Council's questions. Mayor Pro Tem Massey made a motion to approve which Councilmember Armato seconded. Council voted 4-1 to approve with Councilmember Fangary voting no.

(Complete audio and video is available upon request at the City Clerk's office or can be accessed by clicking the following link: [09-08-20 Adjourned Regular City Council Meeting.](#))

**MOTION:** Mayor Pro Tem Massey moved to approve staff recommendation, seconded by Councilmember Armato. Motion carried by majority consent.

**AYES:** Councilmembers Armato, Detoy, Mayor Pro Tem Massey, and Mayor Campbell

**NOES:** Councilmember Fangary

#### **XIII. PUBLIC HEARINGS – TO COMMENCE AT 6:30 P.M.**

None

#### **XIV. MUNICIPAL MATTERS**

##### **a. RECEIVE REPORT ON EMERGENCY ENFORCEMENT MEASURES TO ENSURE COMPLIANCE WITH PANDEMIC-RELATED HEALTH ORDERS FROM BOTH THE CITY AND THE COUNTY OF LOS ANGELES HEALTH DEPARTMENT**

LeBaron Chief Paul LeBaron gave an update on enforcement efforts during the Labor Day Weekend. No callers spoke on this item. (Complete audio and video is available upon request at the City Clerk's office or can be accessed by clicking the following link: [09-08-20 Adjourned Regular City Council Meeting.](#))

**MOTION:** Councilmember Armato moved to approve staff recommendation, seconded by Mayor Campbell. Motion carried by unanimous consent.

**AYES:** Councilmembers Armato, Detoy, Fangary, Mayor Pro Tem Massey, and Mayor Campbell

**NOES:** None

**b. CONSIDERATION OF DRAFT CONCEPTS FOR TEMPORARY LANE CLOSURES ON PIER AVENUE TO FACILITATE FOOT TRAFFIC AND OUTDOOR DINING AND RETAIL OPTIONS WITHIN THE PUBLIC RIGHT-OF-WAY**

The following people provided public comment:

1. Laura Pineda
2. Jon David

**MOTION:** Councilmember Armato moved to approve concept #1 and staff recommendation, seconded by Mayor Campbell. Motion carried by unanimous consent.

**AYES:** Councilmembers Armato, Detoy, Fangary, Mayor Pro Tem Massey, and Mayor Campbell

**NOES:** None

(Complete audio and video is available upon request at the City Clerk's office or can be accessed by clicking the following link: [09-08-20 Adjourned Regular City Council Meeting.](#))

**c. AUTHORIZATION OF CITY CLERK TO ADVERTISE AND REQUEST APPLICATIONS FOR A REPRESENTATIVE TO THE LOS ANGELES COUNTY WEST VECTOR AND VECTOR-BORNE CONTROL DISTRICT BOARD**

**MOTION:** Councilmember Armato moved to approve staff recommendation, seconded by Councilmember Detoy. Motion carried by unanimous consent.

**AYES:** Councilmembers Armato, Detoy, Fangary, Mayor Pro Tem Massey, and Mayor Campbell

**NOES:** None

(Complete audio and video is available upon request at the City Clerk's office or can be accessed by clicking the following link: [09-08-20 Adjourned Regular City Council Meeting.](#))

**XV. FUTURE AGENDA ITEMS**

**a. TENTATIVE FUTURE AGENDA ITEMS**

Councilmember Armato requested staff include an item be brought to Council at the next meeting regarding the mayoral rotation policy. Mayor Campbell and Mayor Pro Tem Massey offered their support for this.

### **ADJOURNMENT**

Mayor Campbell adjourned the City Council meeting to Tuesday September 22, 2020 at 5:00 p.m. for closed session. Mayor Campbell also adjourned the Council meeting in memory of Scotty Hemstreet. Meeting concluded at 10:27 p.m.

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Eduardo Sarmiento, City Clerk



# City of Hermosa Beach

City Hall  
1315 Valley Drive  
Hermosa Beach, CA 90254

## Staff Report

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### Staff Report

REPORT 20-0622

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**Honorable Mayor and Members of the Hermosa Beach City Council  
Regular Meeting of August 22, 2020**

**MEMORANDUM REGARDING REVENUE AND  
EXPENDITURE REPORTS, CIP REPORT BY PROJECT,  
CITY TREASURER'S REPORT AND CASH BALANCE  
REPORT FOR AUGUST 2020  
(Finance Director Viki Copeland)**

**Recommended Action:**

Staff recommends that the City Council receive and file the memorandum regarding financial reports.

**Summary:**

The August 2020 Revenue and Expenditure Reports, the CIP Report by Project, the City Treasurer's and Cash Balance Reports are not available at this time due to the increased workload related to the lease revenue bond refunding. The reports will be provided at the October 13 City Council meeting.

**Respectfully Submitted by:** Viki Copeland, Finance Director  
Karen Nowicki, City Treasurer

**Noted for Fiscal Impact:** Viki Copeland, Finance Director

**Noted:** Suja Lowenthal, City Manager



# City of Hermosa Beach

City Hall  
1315 Valley Drive  
Hermosa Beach, CA 90254

## Staff Report

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### Staff Report

REPORT 20-0620

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**Honorable Mayor and Members of the Hermosa Beach City Council  
Regular Meeting of September 22, 2020**

### **ACTION MINUTES OF THE PUBLIC WORKS COMMISSION**

**MEETING OF JULY 15, 2020**

(Public Works Director Marnell Gibson)

#### **Recommended Action:**

Staff recommends that the City Council receive and file the action minutes of the Public Works Commission meeting of July 15, 2020.

#### **Attachments:**

Minutes of July 15, 2020

**Approved:** Marnell Gibson, Public Works Director

**Noted:** Suja Lowenthal, City Manager

## ACTION MINUTES

### PUBLIC WORKS COMMISSION REGULAR MEETING OF WEDNESDAY, July 15, 2020 CITY HALL, COUNCIL CHAMBERS 1315 VALLEY DRIVE 7:00 P.M.

#### COMMISSIONERS

Kathy Dunbabin

Janice Brittain

Kent F. Brown

David Grethen

Andrea N. Giancoli

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THIS MEETING IS HELD PURSUANT TO EXECUTIVE ORDER N-29-20 ISSUED BY GOVERNOR GAVIN NEWSOM ON MARCH 17, 2020. ANY OR ALL COMMISSION MEMBERS MAY ATTEND AND PARTICIPATE BY TELECONFERENCE/VIRTUAL MEETING. MEMBERS OF THE PUBLIC MAY PARTICIPATE BY TELECONFERENCE.

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#### Public Participation

City Hall will be closed to the public until further notice. Members of the public may email comments to [anguyen@hermosabeach.gov](mailto:anguyen@hermosabeach.gov) until 5:00 p.m. on the meeting date. Members of the public may also participate by phone or through Zoom.

#### PARTICIPATE BY PHONE:

1. Email [anguyen@hermosabeach.gov](mailto:anguyen@hermosabeach.gov) to be added to the speaker list. Please indicate which item you would like to speak on.
2. Dial-in to meeting:
  - Toll Free: 877-853-5257
  - Meeting ID: 893 8875 6805, then #
  - Participant ID: press # to bypass
3. ATTENDEES WILL BE MUTED UNTIL THE PUBLIC PARTICIPATION PERIOD IS OPENED. When you are called on to speak, press \* 6 to unmute your line. Comments from the public are limited to 3 minutes per speaker.

Note: Your comments will become part of the official meeting record. You must provide your full name, but please do not provide any other personal information (i.e. phone numbers, addresses, etc.) that you do not want to be published.

Public Works Commission agendas and staff reports are available for your review on the City's web site located at [www.hermosabeach.gov](http://www.hermosabeach.gov).



1. Call to Order
2. Pledge of Allegiance
3. Roll Call
4. Approval of Action Minutes

A. May 20, 2020

Clarifications were requested in regard to item number 11B – Restroom Renovations. The description in the minutes has been updated to better reflect the construction of new restrooms.

Minutes approved.

5. Public Comment on Non-Agenda Items – None
6. Correspondence – None
7. Presentations – None
8. Items for Consideration

A. North School Neighborhood Transportation Management Program

**Recommendation:**

It is recommended that the Public Works Commission consider:

1. Review and provide input on the July 2020 Revised Draft of the North School Neighborhood Transportation Management Plan (Attachment 1).

Commissioner Dunbabin resides within 500-feet of the North School project site and thus she recused herself from this item to avoid possible conflicts of interest. Environmental Analyst LEEANNE SINGLETON provided a brief summary on the development of the North School Neighborhood Transportation Management Plan. Commissioners had the opportunity to ask questions about the project.

Chairperson Brown inquired about the use of the parking lots at the Kiwanis Club and Rotary Club facilities. He and Commissioner Brittain encouraged further discussions with the Rotary Club and Kiwanis Club, as the adjacent parking lot is considered in the long-term as a potential drop off area, in addition to the meetings that have already been held with Steve Peterson, Rotary Club Representative who served on the Stakeholder Working Group.

Other questions posed included the utilization of public parking on Gould Avenue and Hermosa Avenue. Chairperson Brown was concerned that the utilization of these spaces would minimize parking availability to patrons of the park. Another concern was the lack of traffic flow patterns presented. Chairperson Brown encouraged the inclusion of these patterns in the presentation. He also asked for Ms. Singleton to consider the addition of an on-site drop off area and a drop-off area on Hermosa Avenue.

Commissioner Grethen asked Ms. Singleton to consider the tradeoffs associated with making 26<sup>th</sup> Street a one way street, and asked about the complete costs for the design associated

with the possible on-site drop-off area. Ms. Singleton noted that the on-site drop-off area had already been incorporated into the school's construction costs.

As there were no public comments, Commissioners proceeded to state their comments.

Commissioner Brittain suggested there be more precise details regarding the traffic patterns for the general public, particularly on Valley Drive to improve the understanding of the impacts the new school will have in the area.

Commissioner Giancoli shared her concern about the impacts the overnight utilization of public parking spaces might present. She also recommended alternatives to speed humps be sought for speed control.

Commissioner Grethen recommended a preliminary travel routes map and a pedestrian route map be developed prior to the School Board and City Council review. His suggestion was supported by Chairperson Brown and Commissioners Giancoli and Brittain. Commissioner Grethen commented using an adaptive management approach is cost effective and creates opportunities for future mitigations if necessary. He also appreciated the fact that ideas shared for this project were presented by residents in the area.

Chairperson Brown expressed concern about consultant Fehr and Peers viewing the Kiwanis Club and Rotary Club facilities as a long-term implementation as a drop-off site. His first suggestion was for the City to convert 25<sup>th</sup> Street and 24<sup>th</sup> Place into one-way streets, a recommendation that was included in an earlier draft NTMP but has been removed from the revised draft NTMP, during the drop-off and pick-up times to help ease traffic flow. His final recommendation was for parking spaces to be increased from the originally intended 8 to make it easier for parents to pick-up and drop-off their children.

#### 9. Commissioners' Reports – None

#### 10. Monthly Reports

A. Monthly Activity Reports – March 2020, April 2020, May 2020  
*Accepted and Approved*

B. CIP Status with Verbal Updates

#### **Above items are presented for information purposes only**

Director Gibson and Deputy City Engineer provided a brief summary of the following CIP projects.

#### Annual Storm Drain Improvements

There are multiple storm drain projects to be completed citywide. Director Gibson shared the catch basin project is scheduled to start construction after the item is presented to City Council during the July 28, 2020 Council Meeting. Commissioner Grethen urged Public Works staff to prioritize storm drain projects this year, given the lack of such projects last year.

#### CIP 188 - Strand Bikeway and Walkway Improvements at 35th Street

Commissioner Dunbabin inquired about the status of the project. Deputy City Engineer

Rodriguez stated the project is moving slowly given the project is funded by the Sea Level Rise Improvements Grant. Upon receiving the grant, Public Works staff will work with a consultant to continue the project.

CIP 672 – Council Chamber Audio Visual Improvements  
The project kicked off the week of July 13, 2020.

CIP 689 – Clark Building Renovations  
Deputy City Engineer Rodriguez shared the design and architect firm was awarded a task order from the on call contracts level. The next step is for PWC Commissioners to meet with Clark Building Renovations Sub-Committee, and Parks and Recreation staff to discuss the project. Following this initial meeting, Public Works staff will meet with the architect.

#### 11. Director's Verbal Updates

Director Gibson proposed adding a future agenda item to consider a new time for future Public Works Commission (PWC) meetings should the Commission so desire. The proposal could be reviewed during the September 16, 2020 PWC meeting

#### 12. Commissioner Items (Other Matters) - None

#### 13. Commissioner's Announcements

Commissioner Giancoli announced the recruitment for a new Leadership Hermosa Beach class. Applications will be accepted through July 31, 2020. Anyone interested in learning more about Leadership Hermosa Beach is invited to visit [leadershiphermosa.org](http://leadershiphermosa.org).

#### 14. Adjournment – Next meeting scheduled for September 16, 2020.



## Staff Report

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### Staff Report

REPORT 20-0621

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Honorable Mayor and Members of the Hermosa Beach City Council  
Regular Meeting of September 22, 2020

**CAPITAL IMPROVEMENT PROGRAM STATUS REPORT  
AS OF SEPTEMBER 10, 2020**  
(Public Works Director Marnell Gibson)

**Recommended Action:**

Staff recommends that the City Council receive and file the Capital Improvement Program Status Report as of September 10, 2020.

Number of Projects/Studies by Phase	# of Projects/Studies
Study/Conceptual Planning	6
Preliminary Design	17
Final Engineering Design	12
Project Approvals/ Bidding	1
Construction	1
Closeout	1
<i>Total Projects</i>	<i>31</i>
<i>Total Studies</i>	<i>7</i>

Number of Projects/Studies by Completion Timeline	# of Projects/Studies
1 - Complete by end of FY 19-20	12
2 - Complete in FY 20-21	4
3 - 3 years to completion	0
4 - 5 years to completion	0
5 - TBD	21
Projects/Studies Complete	1
<i>Total Projects</i>	<i>31</i>
<i>Total Studies</i>	<i>7</i>

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## Staff Report

REPORT 20-0621

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Number of Projects/Studies by Category	<i># of Projects/Studies</i>
Street & Highway Improvements	10
Sewer & Storm Drain Improvements	6
Park Improvements	2
Public Building & Ground Improvements	20
<i>Total Projects</i>	<i>31</i>
<i>Total Studies</i>	<i>7</i>

Number of Projects/Studies by Manager	<i># of Projects/Studies</i>		
	<i>Lead</i>	<i>Support</i>	<i>Total</i>
Lucho Rodriguez	6	0	6
Reed Salan	0	0	0
Romany Basilyous	6	0	6
Andrew Nguyen	6	2	8
Doug Krauss	2	1	3
Leeanne Singleton	1	0	1
Kelly Orta	2	0	2
TBD	16	0	16
<i>Total Projects/Studies</i>	<i>38</i>		

### **Attachments:**

Capital Improvement Program Status Report as of September 10, 2020.

**Respectfully Submitted by:** Marnell Gibson, Public Works Director

**Approved:** Suja Lowenthal, City Manager

Project Category	CIP No.	Project Name	Project Budget	Project Manager	Study/Conceptual Planning	Preliminary Design	Final Engineering Design	Project Approvals/Bidding	Construction	Closeout	Tentative Date to Next Milestone/ Update	Estimated Project Completion Date	Current Project Status	Project Description
SH	102	Bus Stops Improvements	\$ 900,000	TBD		X					TBD	TBD	Preliminary Design. Pending staff availability.	This project will improve bus stops throughout the City. These improvements will include Americans with Disabilities Act (ADA) accessible curb ramps, concrete bus pads, crosswalk, striping improvements, furnishing, and other general improvements within direct vicinity of the bus stops.
SH	143	PCH Mobility Improvement Project	\$ 541,680	Lucho Rodriguez	X						TBD	TBD	On Hold. Study/Conceptual Planning. Staff in conversation with Cal Trans, Metro and Council of Governments for funding possibilities.	This project would retain the existing number of lanes including north and south bound flex lanes and maintain lane widths of ten (10) feet, and flex lanes of twelve (12) feet with zero (0) feet shoulders. Collectively, the improvements will address existing, near-term, and long-range future traffic conditions along this corridor by improving intersection operations, reducing instances of unsafe turning movements, create a safe and more comfortable environment for pedestrians and transit riders, and improving the efficient movement of vehicles along the corridor.
SH	164	Hermosa Avenue Green Street	\$ 140,000	Doug Krauss Lucho Rodriguez		X					TBD	TBD	Preliminary Design. Secure design services as part of Study 103 Sea Level Rise Risk Assessment Grant along with City of Torrance securing grant and design services to prepare plans and specifications.	The project will design and implement Low Impact Development (LID) and green infrastructure on Hermosa Ave from 4th Street to Herondo Avenue, which will include a variety of green street design elements. This project is part of Study 103 Sea Level Rise Risk Assessment Grant recipient for preliminary design. This project is also part of a multicity green street project lead by City of Torrance.
SH	186	Street Improvements - Various Locations	\$ 1,609,000	Romany Basilyous			X				Complete Final Engineering Design - 9/20	06/21	Final Engineering Design. Finalizing plans and specifications in house.	This project provides for pavement rehabilitation of streets at various locations. The project will also repair/replace deteriorated portions of sidewalk, curb and gutter, and curb ramps. This project also includes the resurfacing of 24th Street between Valley Drive and Park Avenue. The scope of work includes the construction of curb and gutter as needed to correct street drainage deficiencies as well as lowering of public utilities (by utility companies) to standard depth to permit the proper street construction. This work will be performed following the sewer and storm drain repairs identified in the Sewer and Drainage Master Plans. Project will be bided out together with Project 190.
SH	188	Strand Bikeway and Walkway Improvements at 35th Street	\$ 10,000	TBD		X					TBD	TBD	Preliminary Design. Secure design services as part of Study 103 Sea Level Rise Risk Assessment Grant.	This project would provide improved accessibility and connectivity for bicyclists travelling between the Cities of Hermosa Beach and Manhattan Beach via The Strand at 35th Street. The project will also consider the addition of a dedicated ADA path to provide greater ADA accessibility to The Strand. This project is part of Study 103 Sea Level Rise Risk Assessment Grant recipient for preliminary design.
SH	190	Annual Street Improvements	\$ 200,000	Romany Basilyous			X				Complete Final Engineering Design - 9/20	06/21	Final Engineering Design. Finalizing plans and specifications in house.	This project provides for pavement rehabilitation of streets at various locations. The project will also repair/replace deteriorated portions of sidewalk, curb and gutter, and curb ramps. This work will be performed following the sewer and storm drain repairs identified in the Sewer and Drainage Master Plans. Project will be combined with Project 186.
SH	191	Annual Street Improvements	\$ 50,000	TBD		X					TBD	TBD	Preliminary Design. Pending staff availability.	This project provides for pavement rehabilitation of streets at various locations. The project will also repair/replace deteriorated portions of sidewalk, curb and gutter, and curb ramps. This work will be performed following the sewer and storm drain repairs identified in the Sewer and Drainage Master Plans.
SH	192	Annual Striping Improvements (NEW)	\$ 100,000	TBD		X					TBD	TBD	Preliminary Design. Pending staff availability.	This project provides traffic striping, markings, and signage improvements and modifications throughout the City at various locations to improve safety and visibility. This project will help address needed thermoplastic striping which the City is not capable of installing directly.
SH	193	Pedestrian Crossing Safety Improvements (NEW)	\$ 450,000	TBD		X					TBD	TBD	Preliminary Design. Pending staff availability.	This project will implement rectangular rapid flashing beacons and other measures at several uncontrolled pedestrian crossings on Hermosa Avenue at 4th, 6th, 19th, 24th, 25th Streets, and at Herondo Street and Monterey Blvd. and the crossing in front of Clark Building on Valley Drive.

Project Category	CIP No.	Project Name	Project Budget	Project Manager	Study/Conceptual Planning	Preliminary Design	Final Engineering Design	Project Approvals/Bidding	Construction	Closeout	Tentative Date to Next Milestone/ Update	Estimated Project Completion Date	Current Project Status	Project Description
SSD	417	Annual Storm Drain Improvements - Various Locations	\$ 2,044,966	Romany Basilyous			X				Complete Final Engineering Design - 10/20	06/21	Final Engineering Design. On-call design firm finalizing plans and specifications.	Storm drain improvements throughout the City. Locations will be as identified and prioritized per the Storm Drain Master Plan. Projects will address deficiencies, ponding, and repairs as well as where new storm drains are needed citywide. This project will also address operational deficiencies at the outfall structures at 18th Street and 19th Street. Improvements include for design and construction activities on an annual basis. Project to be bided out together with Project 422.
SSD	419	Storm Drain Pipe Screens	\$ 120,000	Romany Basilyous					X		Complete Construction - 12/20	12/20	Construciton. Obtaining permits from LA County. Construciton to be completed by December.	The City has revised its strategy for addressing the Santa Monica Bay Debris Total Maximum Daily Load (TMDL) using State Board-approved full capture devices or systems to achieve 100% reduction of trash from the Municipal Separate Storm Sewer System (MS4). The City will install approximately 160 screen assemblies inside various storm drain catch basins throughout the City, in front of the outlet pipe, preventing debris from entering the storm drain system. They City has installed approximately 120 screens previously.
SSD	421	Annual Sewer Improvements	\$ 2,210,783	Andrew Nguyen			X				Complete Final Engineering Design - 10/20	12/20	Final Engineering Design. On-call design firm finalizing plans and specifications.	This project includes design and construction of sewer improvements and repairs based on the Sewer Master Plan.
SSD	422	Annual Storm Drain Improvements	\$ 500,000	Romany Basilyous			X				Complete Final Engineering Design - 10/20	06/21	Final Engineering Design. On-call design firm finalizing plans and specifications.	Storm drain improvements throughout the City. Locations will be as identified and prioritized per the Storm Drain Master Plan. Projects will address deficiencies, ponding, and repairs as well as where new storm drains are needed citywide. This project will also address operational deficiencies at the outfall structures at 18th Street and 19th Street. Improvements include for design and construction activities on an annual basis. Project will be bid out together with Project 417.
SSD	423	Annual Sewer Improvements	\$ 250,000	Andrew Nguyen		X					TBD	TBD	Preliminary Design. Pending staff availability.	This project includes design and construction of sewer improvements and repairs based on the Sewer Master Plan.
SSD	424	Annual Storm Drain Improvements	\$ 250,000	TBD		X					TBD	TBD	Preliminary Design. Pending staff availability.	Storm drain improvements throughout the City. Locations will be as identified and prioritized per the Storm Drain Master Plan. Projects will address deficiencies, ponding, and repairs as well as where new storm drains are needed citywide. This project will also address operational deficiencies at the outfall structures at various locations. Improvements include for design and construction activities on an annual basis.
PBG	601	Prospect Avenue Curb Ramps	\$ 63,710	Andrew Nguyen			X				Complete Final Engineering Design - 10/20	06/21	Final Engineering Design. Finalizing plans and specifications.	This project provides improvements and relocation of sidewalks, curb ramps and obstructions along Prospect Avenue in order to comply with the Americans with Disabilities Act (ADA) and meet the latest Federal Standards. Project to be bided out together with Project 698.
PBG	602	City Wide ADA Improvements (NEW)	\$ 50,000	TBD		X					TBD	TBD	Preliminary Design. Pending staff availability.	This project provides improvements city wide in order to comply with the Americans with Disabilities Act (ADA) and meet the latest Federal Standards along with the City's Transition Plan being developed.
PBG	608	Downtown Lighting Improvements	\$ 60,000	TBD		X					TBD	TBD	Preliminary Design. Pending staff availability.	This project will improve safety, security and ambiance in the downtown area through lighting improvements as determined by the Downtown Security Assessment Report.
PBG	609	Downtown Strategic Plan Implementation	\$ 468,161	Andrew Nguyen			X				Complete Final Engineering Design - 10/20	12/20	Final Engineering Design. Preparing plans and specifications for Pier Plaza catenary lights and light dimming units.	The purpose of this project is to mitigate safety concerns with lighting improvements for the City's downtown area. This project will install catenary lights and dimming units on Pier Plaza.
PBG	615	New Corporate Yard Facilities	\$ 1,313,498	Doug Krauss Lucho Rodriguez		X					Complete Preliminary Design - 12/20	12/21	Preliminary Design. Environmental consultant preparing studies to respond to County's comments.	This project is for the design and construction of a new city yard. Construction will be done in two phases. Phase 1 to include one metal prefabricated building to house a new mechanic, paint/sign shop and contracted services. New wash down station area. Phase 2 to include demolition of existing buildings. Construction of new administration building. General yard improvements (fencing, landscaping, drainage).
PBG	629	Municipal Pier Structural Assessment and Repairs	\$ 413,075	Lucho Rodriguez			X				Complete Final Engineering Design - 10/20	12/21	Final Engineering Design. Submitting plans for Coastal commission approval.	Repairs of the municipal pier structural elements including the piles, pile caps, deck and the lifeguard storage room.
PBG	660	Municipal Pier Electrical Repairs	\$ 535,184	TBD			X				Complete Final Engineering Design - TBD	TBD	Final Engineering Design. Design Company closed offices permanently. Need to find solution to complete plans.	The pier electrical repairs will involve the replacement of existing conduit, junction boxes, connections and wiring so that the lights can be functional. The project will also eliminate the service box towards the end of the pier and create a new service connection point for the foghorn at the end of the pier. This project will also include the replacement of the bollard lighting at the pier with new LED lighting fixtures.
PBG	669	City Park Restrooms and Renovation	\$ 1,545,620	Lucho Rodriguez				X			Complete Project Approvals/Bidding - 9/20	06/21	Project Approvals/Bidding. Plans received from designer . Advertising for construction bids in September.	This project consists of construction of new ADA compliant restrooms at Forts Lots-of-Fun, Seaview Parkette, South Park, and Clark Field. This project also plans to renovate existing restrooms at South Park and Clark Field.

Categories:  
SH = Street/Highway  
SSD = Sewer/Storm Drain  
PI = Parks  
PBG = Public Building and Ground

Project Category	CIP No.	Project Name	Project Budget	Project Manager	Study/Conceptual Planning	Preliminary Design	Final Engineering Design	Project Approvals/Bidding	Construction	Closeout	Tentative Date to Next Milestone/ Update	Estimated Project Completion Date	Current Project Status	Project Description
PBG	672	Council Chamber Audiovisual Improvements	\$ 310,638	Romany Basilyous						X	Closeout	Closeout	Closeout. Construcion completed.	Project will replace audio visual equipment in the Council Chambers including additional enhancements such as Video Wall Solution (110" seamless sidewall display) and 55" lobby overflow display.
PBG	682	Parking Lot D Improvements	\$ 663,655	Doug Krauss			X				Complete Final Engineering Design - 10/20	03/22	Final Engineering Design. Construction pending California Coastal Conservancy Board approval of grant in October 2020.	The project will install a rapid electric vehicle charging station, expand bicycle parking and capture and treat storm water run-off from road and parking surfaces.
PBG	684	Emergency Operations Center (EOC) Renovations	\$ 192,880	TBD		X					TBD	TBD	Preliminary Design. Pending staff availability.	This project will add restrooms to the EOC and renovate the adjacent room for future EOC uses. The EOC is located within a building designated as a historical building, which will require a Certificate of Appropriateness to complete the repairs. This project will be completed in two phases. Phase 1 includes restroom construction including flooring, lighting, wall and ceiling repairs, painting, new plumbing, and installing fixtures. Phase 2 includes complete room renovation including new flooring, ceiling, lighting, furnishings, and relocation of Emergency System IT equipment, including a new switch, 2 UPC batteries, and firewall to support the EOC. Security Improvements to include new key fob locking systems.
PBG	689	Clark Building Renovations	\$ 420,072	Lucho Rodriguez		X					Complete Preliminary Design - 12/20	12/21	Preliminary Design. On-call consultant preparing conceptual design. Gathering community input.	The project proposes: 1. Design, Operational Review 2. Kitchen Remodel - including new commercial appliances, sinks, countertops, lighting, tile, flooring, doors and ADA upgrades. 3. Restrooms Remodel - including new flooring, fixtures, stalls, sinks, toilets, lighting, and ADA upgrades. Electrical, plumbing, sewer line upgrades. 4. Install new Heating, ventilation, and air conditioning. 5. Acoustic panels and new lighting throughout ballroom area. 6. ADA upgrades to entrance building entrance points.
PBG	692	14th Street Beach Restroom Rehabilitation	\$ 1,000,000	TBD	X						TBD	TBD	Study/Conceptual Planning.	This project proposes to construct a new restroom facility which includes replacement of the entire building; restrooms; appurtenant plumbing; ADA improvements for compliance. This project will also include the replacement of the existing sewer lift station components which includes 2 submersible pumps; motor control panel; associated plumbing; addition of telemetry for condition/outage notifications.
PBG	695	Parking Lot A Improvements	\$ 632,260	TBD		X					TBD	TBD	Preliminary Design. Secure design services to prepare plans and specifications.	This project will consist of upgrading Parking Lot A to meet ADA standards, with improvements including: • New layout to maximize parking capacity and improve circulation. • Consideration of the layout of parking spaces on 11th Street and explore incorporating 11th Street parking spaces into the Lot A pay station system. • New surfacing and lighting. • New trash enclosures adjacent to commercial buildings and removal of the trash enclosure and joint compactor. • Low impact development elements including permeable pavers and landscaping. Coastal Commission permits will be required.
PBG	696	Police Station Improvements	\$ 33,000	TBD		X					TBD	TBD	Preliminary Design. Pending staff availability.	The Police Station is in need of improvements including increased security measures and improvements to report writing room and evidence and property room. The restrooms in the basement of the Police Station are in need of improvements.
PBG	698	ADA improvements	\$ 120,000	Andrew Nguyen			X				Complete Final Engineering Design - 10/20	06/21	Final Engineering Design. Finalizing plans and specifications.	The project proposes: Improvements and relocation of sidewalks, curb ramps and obstructions along Prospect Avenue in order to follow the Americans with Disabilities Act (ADA) and meet the latest Federal Standards. Project to be bided out together with Project 601.



Project Category	CIP No.	Project Name	Project Budget	Project Manager	Study/Conceptual Planning	Preliminary Design	Final Engineering Design	Project Approvals/Bidding	Construction	Closeout	Tentative Date to Next Milestone/ Update	Estimated Project Completion Date	Current Project Status	Project Description
SH	101	Hermosa Avenue Greenwich Village Street Realignment (STUDY)	\$10,000	TBD		X					TBD	TBD	Preliminary Design. Secure design services as part of Study 103 Sea Level Rise Risk Assessment Grant.	This study will evaluate potential improvements at the intersections of: • Hermosa Avenue and Greenwich Village; and • Manhattan Avenue and Greenwich Village/27th Street The study will evaluate opportunities improve the flow and visibility for pedestrian, bikes, and vehicles at the two intersections. This study is part of Study 103 Sea Level Rise Risk Assessment Grant recipient for preliminary design.
PBG	103	Sea Level Rise Risk Assessment (NEW) (STUDY)	\$279,058	TBD		X					TBD	TBD	Preliminary Design. Pending staff availability.	This study will assess the risk of sea level rise in three areas along Hermosa Avenue, 35th Street, Greenwich Village, and 4th Street to Herondo Avenue. It incorporates three other projects. Project 164 Hermosa Avenue Green Street, Project 188 Strand Bikeway and Walkway Improvements at 35th Street, and Study 101 Hermosa Avenue Greenwich Village Street Realignment.
PI	538	Citywide Park Master Plan (STUDY)	\$215,475	Leeanne Singleton	X						TBD	TBD	Study/Conceptual Planning.	The City is seeking to prepare a Parks Master Plan that achieves the following goals: • Engages the community and local recreational organizations in a dialogue about parks and open space resources in Hermosa Beach; • Identifies the current demand/utilization and the future/evolving parks and recreational facility needs for the Hermosa Beach community; • Leverages the vision and goals of the recently adopted General Plan and the Community Decision-Making Tool; • Identifies an appropriate balance between organized and informal recreational activities at the City's parks and open spaces; • Serves as a dynamic useful planning and implementation document that enjoys broad community and political support; • Provides a comprehensive strategy to maintain, rehabilitate and improve the City's network of parks, facilities, and open space assets, including current unfunded park and recreational opportunities; • Evaluates the effective use of the City's financial and physical resources and opportunities to fund implementation of the recommendations in the Master Plan.
PI	544	Greenbelt Accessible Path Assessment (STUDY)	\$10,000	TBD	X						TBD	TBD	On Hold. Secure design services to prepare a conceptual design/feasibility of a path on the Green Belt.	Determine the feasibility of installing an ADA surface path on the Greenbelt to provide a firm, natural looking and permeable path that increases accessibility for the disabled and boosts accessibility for all.
PBG	668	Library Community Needs Assessment (STUDY)	\$42,522	Kelly Orta	X						TBD	TBD	On Hold. On hold until funding opportunities become available for a new or renovated library facility.	Phase II consists of preparation of conceptual designs and estimates for: • Keeping the city's library at its current location, to include: Renovation and expansion of existing building or adding a second floor to the existing building (before preparation of renovation schemes for the existing building, the structural condition must be assessed to make sure that the building is not beyond its useful life); Construction of a two (2) story library building at the existing location; or • Construction of a new library at a new site • Relocation of "Friends of the Library" from Bard Street to a more appropriate location. Funding is reimbursed to the City through the Library's Excess Operating Funds through agreement with the LA County Library. Other funding options will be explored.
PBG	693	Community Theater Needs Assessment (STUDY)	\$79,295	Kelly Orta			X				Complete Final Engineering Design - 10/20	12/20	Final Engineering Design. Consultant preparing final assessment reports.	This needs assessment will include an analysis and conceptual cost estimates of two scenarios: a. A major renovation of the Community Theatre to transform it into a regional performing arts center; and b. A conservative renovation to upgrade the Community Theatre, taking into consideration its current users and maintaining the community focus of the facility. Market trends for similar and/or other theaters will also be included.
PBG	694	Parking Structure (Lot C) Structural Assessment (STUDY)	\$40,000	Andrew Nguyen	X						Complete Final Engineering Design - 11/20	12/20	Study/Conceptual Planning. On-call consultant preparing assessment of parking strucure.	Prepare a structural assessment report for the parking structure, to analyze cracks in walls and decks.

Categories:  
SH = Street/Highway  
SSD = Sewer/Storm Drain  
PI = Parks  
PBG = Public Building and Ground



## Staff Report

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### Staff Report

REPORT 20-0615

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**Honorable Mayor and Members of the Hermosa Beach City Council  
Regular Meeting of September 22, 2020**

**ACTION SHEET OF THE PLANNING COMMISSION  
MEETING OF SEPTEMBER 15, 2020**  
(Community Development Director Ken Robertson)

**Recommended Action:**

Staff recommends that the City Council receive and file the action sheet of the Planning Commission meeting of September 15, 2020.

**Attachments:**

Action Sheet of the September 15, 2020 Planning Commission meeting

**Approved:** Ken Robertson, Community Development Director

**Noted:** Suja Lowenthal, City Manager



# City of Hermosa Beach

City Hall  
1315 Valley Drive  
Hermosa Beach, CA  
90254

## Action Minutes - Draft

### Planning Commission

*Chair*  
**Rob Saemann**

*Vice Chair*  
**Marie Rice**

*Commissioners*  
**David Pedersen**  
**Stephen Izant**  
**Peter Hoffman**

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**Tuesday, September 15, 2020**

**6:00 PM**

**Council Chambers (Virtually)**

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\*\*\*\*\*  
THIS MEETING IS HELD PURSUANT TO EXECUTIVE ORDER N-29-20 ISSUED BY GOVERNOR GAVIN NEWSOM ON MARCH 17, 2020. ANY OR ALL PLANNING COMMISSION MEMBERS MAY ATTEND AND PARTICIPATE BY TELECONFERENCE/VIRTUAL MEETING. MEMBERS OF THE PUBLIC MAY PARTICIPATE BY TELECONFERENCE.  
\*\*\*\*\*

**1. Call to Order**

**2. Pledge of Allegiance**

**3. Roll Call**

**Present:** 4 - Chair Rob Saemann, Vice Chair Marie Rice, Commissioner David Pedersen, and Commissioner Stephen Izant

**Absent:** 1 - Commissioner Peter Hoffman

**All Planning Commissioners attended remotely, noting the absence of Commissioner Hoffman.**

**Also Present Remotely:** Ken Robertson, Community Development Director  
Patrick Donegan, Assistant City Attorney  
Melanie Emas, Assistant Planner

**4. Oral / Written Communications**

**a. [REPORT](#)      Written Communications**  
**[20-0602](#)**

**Attachments:** [1. Email from Jonathan Wicks](#)  
[2. Email from Pam Tatreau](#)

**ACTION:** Motion by Vice Chair Rice and seconded by Commissioner Izant to receive and file written communications. The motion carried by the following vote:

**Aye:** 4 - Chair Saemann, Vice Chair Rice, Commissioner Pedersen, and Commissioner Izant

**Absent:** 1 - Commissioner Hoffman

## **Section I**

### **CONSENT CALENDAR**

5. [REPORT](#) Approval of the August 18, 2020 Planning Commission Action Minutes  
[20-0603](#)

**Attachments:** [August 18, 2020 Planning Commission action minutes](#)

**ACTION:** Motion by Vice Chair Rice and seconded by Commissioner Izant to approve the August 18, 2020 action minutes. The motion carried by the following vote:

**Aye:** 4 - Chair Saemann, Vice Chair Rice, Commissioner Pedersen, and Commissioner Izant

**Absent:** 1 - Commissioner Hoffman

6. **Resolution(s) for Consideration - None**

## **Section II**

### **PUBLIC HEARING**

7. [REPORT](#) Information Only: Public Hearing Notices and Project Zoning Maps  
[20-0604](#)

**Attachments:** [1. Public Notices](#)  
[2. Project Zoning Maps](#)

8. [REPORT](#) TEXT 20-02 - Consideration of a Text Amendment to amend HBMC  
[20-0599](#) Chapter 17.44 Off-street parking to allow the use of mechanical vehicle lifts as a method to provide required parking, adopt proposed definition of "mechanical vehicle lift," and determination that the project is categorically exempt from the California Environmental Quality Act (CEQA).

**Attachments:** [1. May 19 2020 Planning Commission Agenda](#)  
[2. August 18 2020 Planning Commission Agenda](#)  
[3. Draft Resolution](#)  
[4. Proposed Text Amendment](#)

**ACTION:** Motion by Commissioner Izant and seconded by Commissioner Pedersen to move this item to the end of the Public Hearing section.

**ACTION:** At 7:05 PM, motion by Commissioner Izant and seconded by Commissioner Pedersen to continue this item to the October 20, 2020 Planning Commission meeting due to lack of quorum.

**Both motions carried by the following vote:**

**Aye:** 4 - Chair Saemann, Vice Chair Rice, Commissioner Pedersen, and Commissioner Izant

**Absent:** 1 - Commissioner Hoffman

9. [REPORT](#)  
[20-0598](#) CON 20-2, PDP 20-5, VTPM #82983- Conditional Use Permit, Precise Development Plan and Vesting Tentative Parcel Map No. 82983 for a two-unit detached condominium project at 622 1st Place and determine the project is categorically exempt from the California Environmental Quality Act (CEQA).

**Attachments:** [1. Proposed Resolution](#)  
[2. Applicant Submittal \(Architectural plans, Landscape plans, Tentative parcel map\)](#)  
[3. Radius Map](#)  
[4. Poster Verification](#)

**Attending remotely to speak:** Stacy Straus.

**ACTION:** Motion by Vice Chair Rice and seconded by Commissioner Izant to adopt the resolution, as presented, approving the Conditional Use Permit, Precise Development Plan and Vesting Tentative Parcel Map No. 82983 for a two-unit detached condominium project at 622 1st Place, subject to conditions, and determine the project is categorically exempt from the California Environmental Quality Act (CEQA). The motion carried by the following vote:

**Aye:** 4 - Chair Saemann, Vice Chair Rice, Commissioner Pedersen, and Commissioner Izant

**Absent:** 1 - Commissioner Hoffman

This final action is subject to potential review by the City Council pursuant to Chapter 2.52 of the Municipal Code\*, or may be appealed to the City Council by any party if filed by October 5, 2020.

10. [REPORT](#)  
[20-0597](#) CUP 20-06 -- Conditional Use Permit amendment to allow on-sale beer and wine, floor plan alterations, and to modify conditions of approval to change operating hours from between 7:00 AM and 10:00 PM daily and 7:00 AM and Midnight on Holidays to between 7:00 AM and 11:00 PM daily at an existing restaurant limited to on-sale beer and wine, at 844 Hermosa Avenue "The Stanton" (previously "Hot's Kitchen"), and determination that the project is categorically exempt from the California Environmental Quality Act (CEQA).

- Attachments:**
- [1. Draft Resolution for CUP 20-06](#)
  - [2. Planning Commission Resolution 96-13](#)
  - [3. Planning Commission Resolution 07-15 \(Revoked CUP\)](#)
  - [4. Planning Commission Resolution 08-26 \(Replaced by CC 10-6723\)](#)
  - [5. City Council Resolution 10-6723 \(Current CUP\)](#)
  - [6. Approved Floor Plan for The Stanton HB \(Director Determinations of Minor Modifications through tenant improvements\)](#)
  - [7. Summary of Proposed Modifications to Conditions of Approval](#)
  - [8. Poster Verification and Radius Map](#)
  - [9. Applicant Submittals \(Business Narrative, Sample Menu, Floor Plan, Photos\)](#)
  - [10. Citywide Beer and Wine/General Alcohol Matrix \(updated 05/20/20\)](#)
  - [11. City Council Ordinance No. 12-6789 \(No Intensification Policy\)](#)
  - [12. City Council Ordinance No. 12-6816 \(Policy to Set Limit of Late-Night Establishments to 36 Citywide\)](#)

**Attending remotely to speak:** Sheryl Brady.

**ACTION:** Motion by Commissioner Pedersen and seconded by Chair Saemann to adopt the resolution, with the modification shown below, amending the Conditional Use Permit amendment to allow on-sale beer and wine, floor plan alterations, and to modify conditions of approval to change operating hours from between 7:00 AM and 10:00 PM daily 7:00 AM and Midnight on Holidays to between 7:00 AM and 11:00 PM daily at an existing restaurant limited to on-sale beer and wine, at 844 Hermosa Avenue "The Stanton" (previously "Hot's Kitchen"), and determination that the project is categorically exempt from the California Environmental Quality Act (CEQA).

**Modification to Section 5, Condition of Approval #21:**

This Conditional Use Permit Resolution shall supersede and replace City Council Resolution 10-6723 and Planning Commission Resolution 96-13 which is hereby rescinded and of no further force and effect, except that the applicable requirements of the Precise Development Plan, as part of Planning Commission Resolution 96-13, remain effective.

**The motion carried by the following vote:**

**Aye:** 4 - Chair Saemann, Vice Chair Rice, Commissioner Pedersen, and Commissioner Izant

**Absent:** 1 - Commissioner Hoffman

This final action is subject to potential review by the City Council pursuant to Chapter 2.52 of the Municipal Code\*, or may be appealed to the City Council by any party if filed by October 5, 2020.

### **Section III**

#### **11. Staff Items**

- a. Verbal report on City Council actions
- b. Verbal status report on major Planning projects
- c. [REPORT 20-0605](#)      October 20, 2020 Planning Commission Tentative Future Agenda Items

**Attachments:**    [Planning Commission October 20, 2020 Tentative Future Agenda](#)

**ACTION:** Motion by Commissioner Pedersen and seconded by Commissioner Izant to receive and file the October 20, 2020 tentative future agenda, noting the addition of continued agenda item #8. The motion carried by the following vote:

**Aye:** 4 - Chair Saemann, Vice Chair Rice, Commissioner Pedersen, and Commissioner Izant

**Absent:** 1 - Commissioner Hoffman

## 12. Commissioner Items

## 13. Adjournment

**ACTION:** Motion by Commissioner Pedersen and seconded by Chair Saemann to adjourn. The motion carried by the following vote.

**Aye:** 4 - Chair Saemann, Vice Chair Rice, Commissioner Pedersen, and Commissioner Izant

**Absent:** 1 - Commissioner Hoffman

The meeting was adjourned at 7:15 PM.

\*Chapter 2.52, Section 2.52.040 of the Municipal Code provides for Council review and reconsideration of any decision of the Planning Commission by two affirmative votes at the next regularly scheduled City Council meeting. In the event the Council initiates a review, the review will be placed on a future agenda of City Council within a reasonable time period, and the Commission's decision is stayed pending Council's review and final decision.



# City of Hermosa Beach

City Hall  
1315 Valley Drive  
Hermosa Beach, CA 90254

## Staff Report

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### Staff Report

REPORT 20-0616

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**Honorable Mayor and Members of the Hermosa Beach City Council  
Regular Meeting of September 22, 2020**

### **PLANNING COMMISSION TENTATIVE FUTURE AGENDA ITEMS**

(Community Development Director Ken Robertson)

#### **Recommended Action:**

Staff recommends that the City Council receive and file the October 20, 2020 Planning Commission tentative future agenda items.

#### **Attachments:**

Planning Commission October 20, 2020 Tentative Future Agenda

**Respectfully submitted by:** Ken Robertson, Community Development Director

**Approved:** Suja Lowenthal, City Manager



## Tentative Future Agenda

### PLANNING COMMISSION City of Hermosa Beach

**October 20, 2020**

**Regular Meeting**

**6:00 P.M.**

Project Title	Public Notice	Meeting Date
⇒ Consideration of Text Amendment for Vehicle Lifts	10/8/20	10/20/20
⇒ 1461 Monterey Boulevard – Condominium Amendment for a two unit condominium	10/8/20	10/20/20
⇒ 2200 Pacific Coast Highway – New Parking Plan for use of shared parking with Hope Chapel to accommodate existing and future medical office uses	10/8/20	10/20/20
⇒ 24 3 <sup>rd</sup> Street – Precise Development Plan for a duplex with a junior accessory dwelling unit	10/8/20	10/20/20
⇒ Consideration and recommendation to City Council for Limited Live Entertainment Permits 2-year Pilot Program set to expire November 2020	n/a	10/20/20

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Upcoming and Pending Projects
⇒ Trans Pacific Fiber Optic Cable – Environmental Impact Report Certification and Project Entitlements – alternative sites at 6 <sup>th</sup> Street or 10 <sup>th</sup> Street
⇒ Discussion of historic resource eligibility and evaluation for new projects
⇒ 911 1 <sup>st</sup> Street – Zone and General Plan Amendment, Precise Development Plan and Planned Unit Development for multiple unit condominium project
⇒ City Yard – Precise Development Plan, Conditional Use Permit, and Environmental Review



## Staff Report

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### Staff Report

REPORT 20-0623

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**Honorable Mayor and Members of the Hermosa Beach City Council  
Regular Meeting of September 22, 2020**

**RECOMMENDATION TO REJECT CLAIM**  
(Human Resources Manager Vanessa Godinez)

**Recommended Action:**

Staff recommends that the City Council reject the following claim and refer it to the City's Liability Claims Administrator.

Claimant: Shaan Harris

Date of Loss: May 5, 2020

Date Filed: May 19, 2020

Allegation: The claimant was involved in a single vehicle traffic collision and his vehicle was impounded and towed away. Claimant is alleging his personal belongings were stolen from his vehicle (golf clubs and sunglasses). He is seeking a total of \$1,107.24 for replacement costs of his personal belongings and towing fees.

**Attachments:**

1. Claim Report for Shaan Harris

**Respectfully Submitted:** Vanessa Godinez, Human Resources Manager

**Legal Review:** Mike Jenkins, City Attorney

**Approved:** Suja Lowenthal, City Manager

# CLAIMS LETTER ADDENDUM

Shaan Harris  
655 8<sup>th</sup> Place  
Hermosa Beach, Ca 90254

May 6, 2020

**City of Hermosa Beach – City Clerk**  
1315 Valley Drive, 2nd Floor  
Hermosa Beach, CA 90254



Dear City Clerk,

This letter is an addendum to my attached claim with the City of Hermosa Beach pertaining to a loss I sustained in your city on Tuesday, May 5, 2020, after contact with your city police department and an unlawful arrest and towing of my vehicle.

On that date, I was involved in an unfortunate traffic collision and when the officers responded they chose to unlawfully arrest me. They later released me after taking me to the station and determining they had insufficient grounds for any criminal action, as outlined in the attached release document (**Exhibit A**) they provided.

As a result of the unlawful arrest, they towed my vehicle and did not afford me the opportunity to have it towed myself at no expense. The unlawful towing of the vehicle resulted in me incurring towing fees of \$409.75 (**Exhibit B**). I called the police department numerous times on that same day in an effort to talk to the Watch Commander, file a complaint and request a Stypmann Hearing, but each time the desk personnel would not transfer me to the Watch Commander and repeatedly told me he was unavailable, out of the office or gone for the day. When I called again and asked for their name and employee number or the Watch Sergeant, they did not provide it and indicated that they would have someone call me back. No one ever called. By doing so they dissuaded me from filing my complaint and did not provide the Stypmann Hearing, both as required by law.

To make matters worse, when they documented the towing of my vehicle, the officer failed to list my personal property, inside the car, on the Notice of Stored Vehicle form (**Exhibit C**) and when I picked up my vehicle from your contracted tow company, Bruffy's Tow, a number of items were missing from the vehicle resulting in additional loss of golf clubs (\$547.49) and sunglasses (\$150.00).

In the interests of both parties, and to settle this matter in an equitable way, I am requesting complete reimbursement for my loss caused by the reckless and unprofessional actions of your city employees and the city police department. I am willing to settle my claim for a total amount of \$1,107.24 to dismiss this matter.

If there is no response to this letter, all legal rights and remedies shall be explored, including, but not limited to, legal proceedings in a small claims court necessary to recover the loss.

I hope to resolve this matter as soon as possible.

Sincerely,

Shaan Harris

**EXHIBIT A**

**Certificate of  
Release**

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# Hermosa Beach Police Department



540 Pier Avenue  
Hermosa Beach, CA 90254

## CERTIFICATE OF RELEASE

Subject's Name: SHAAN DUANE HARRIS

Date of Birth: 11-20-1984

HBPD Case#: 20-708

Booking Number: N/A

Arrest Date/Time: 5-5-2020 / 1256

Release Date/Time: 5-5-2020 / 1406

Original Charges: 23152(A) VC

(Indicate FELONY or MISDEMEANOR)

As required by the provisions of Penal Code section 851.6, I hereby certify that the above named person, taken into custody by the HERMOSA BEACH POLICE DEPARTMENT on the above listed date/time, was deemed a detention only and not an arrest. The HERMOSA BEACH POLICE DEPARTMENT released the subject on the above date/time pursuant to section 849(b)(1), 849(b)(2), or 849(b)(3) PC.

### Penal Code Section 849:

- (a) When an arrest is made without a warrant by a peace officer or private person, the person arrested, if not otherwise released, shall, without unnecessary delay, be taken before the nearest or most accessible magistrate in the county in which the offense is triable, and a complaint stating the charge against the arrested person shall be laid before such magistrate.
- (b) Any peace officer may release from custody, instead of taking such person before a magistrate, any person arrested without a warrant whenever:
- (1) He/She is satisfied that there are insufficient grounds for making a criminal complaint against the person arrested.
- (2) The person arrested was arrested for intoxication only, and no further proceedings are desirable.
- (3) The person was arrested only for being under the influence of a controlled substance or drug and such person is delivered to a facility of hospital for treatment and no further proceedings are desirable.
- (c) Any records of arrest of a person released pursuant to paragraph (1) and (3) of subdivision (b) shall include a record of release. Thereafter, such arrest shall not be deemed an arrest, but a detention only.

I ACKNOWLEDGE THAT I HAVE READ THE FOREGOING AND THAT I HAVE BEEN GIVEN A COPY OF THIS NOTICE.

Signature of Subject & Date

Tremban #95  
(Signature of Releasing Official/ID#)

TRANBARGER #95  
(Print Name of Releasing Official/ID#)

5-5-2020 / 1404  
(Date/Time)

[Signature] #177  
(Signature of Authorizing Supervisor/ID#)

G. Polesina #177  
(Print Name of Authorizing Supervisor/ID#)

5-5-20 / 1404  
(Date/Time)

# EXHIBIT B

## Tow Invoice

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05/06/2020 11:25:34

**BRUFFY'S TOW (OPG14)**  
**11101 HINDRY AVENUE**  
**LOS ANGELES , CA 90045-6223**  
**(310) 395-0084**

**2020002406****CA 145512****THIS IS NOT A PAID RECEIPT****Date In 05/05/2020**

Year, Make, Model	License No.	State	Id #	Color	Location	Clear Date	Driver
99 TOYT SOLARA	8HQM967	CA	1482	WHI	HRACK		JP
Tow From 8TH ST / ARDMORE AVE						137.00	
Tow Out						0.00	
Storage \$42.50	Per Day	05/05/2020	To	05/06/2020		42.50	
City Of Los Angeles 10% Parking Tax						4.25	
City Of Los Angeles Vehicle Release Fee						226.00	
Extra Charges						0.00	
Legal Owner Certified Mail Processing						0.00	
Lien Processing Fee						0.00	
Upon request, you are entitled to receive a copy of the Towing Fees and Access Notice.						<b>Total</b> 409.75	

This invoice reflects current charges only. Fees will increase on a daily basis Also, lien fees will be applied after seventy-two (72) Hours



05/06/2020 11:25:34

**BRUFFY'S TOW (OPG14)**  
**11101 HINDRY AVENUE**  
**LOS ANGELES , CA 90045-6223**  
**(310) 395-0084**

**2020002406****CA 145512****THIS IS NOT A PAID RECEIPT****Date In 05/05/2020**

Year, Make, Model	License No.	State	Id #	Color	Location	Clear Date	Driver
99 TOYT SOLARA	8HQM967	CA	1482	WHI	HRACK		JP
Tow From 8TH ST / ARDMORE AVE						137.00	
Tow Out						0.00	
Storage \$42.50	Per Day	05/05/2020	To	05/06/2020		42.50	
City Of Los Angeles 10% Parking Tax						4.25	
City Of Los Angeles Vehicle Release Fee						226.00	
Extra Charges						0.00	
Legal Owner Certified Mail Processing						0.00	
Lien Processing Fee						0.00	
Upon request, you are entitled to receive a copy of the Towing Fees and Access Notice.						<b>Total</b> 409.75	

This invoice reflects current charges only. Fees will increase on a daily basis Also, lien fees will be applied after seventy-two (72) Hours

BRUFFYS TOW  
11101 HINDRY AVE  
LOS ANGELES, CA 90045  
(310)395-0084

BRUFFY'S TOW (OPG14)  
OFFICIAL POLICE GARAGE UNIT 14  
11101 HINDRY AVENUE  
LOS ANGELES, CA 90045-6223  
(310) 395-0084  
CA 145512

R1

14-2020002406

LOG # 2020002406

Storage Authority:

22651.H

**SALE**

VID: 2450 Store: 4053 Term: 0914

REF#: 00000003

Batch #: 099 RRN: 012718604492

15/06/20 11:30:09

Invoice #: 1406

Trans ID: 580127666099123

APPR CODE: 050257

/ISA

\*\*\*\*\*3868

Chip

\*\*/\*\*

del	Color	Plate	State	VIN	LOT
RA	WHI	8HQM967	CA	2T1CF22P4XC201482	HRACK

Towing (hourly): 1 Tow @ 137.00 137.00

Labor / Extra Charges: 0.00

Storage: 1 Day(s) @ 42.50 42.50

City Of Los Angeles 10% Parking Tax: 4.25

City Of Los Angeles Vehicle Release Fee: 226.00

Lien Sale Processing Fee: 0.00

Legal Owner Notification: 0.00

Tow Out / Second Tow: 0.00

Total: 409.75

Visa 050257 409.75

0.00

0.00

0.00

Total Payment Received: 409.75

Remaining Balance: 0.00

Billing Customer:

Explanation of 1 + hour of service:

AMOUNT \$409.75

APPROVED

/ISA DEBIT

VID: A0000000031010

VR: 80 80 00 80 00

St: 68 00

THANK YOU

CUSTOMER COPY

Phone No: ( ) -

Dispatch Time: 12:32

Arrival Time: 12:42

Completion Time: 13:32

Date In: 05/05/2020

Date Paid: 05/06/2020 11:30:28

Released By Employee: 14-0041 Jasmine A

Property Bag #:

Operator:

Address:

City: State: Zip:

Phone No:

\* Upon request you are entitled to a copy of the Towing Fees and Access Notice. \*

I, the undersigned, do hereby certify that I am legally authorized and entitled to take possession of the vehicle described above and all personal property therein and I have received said property if the receipt above denotes the booking of property by the Official Police Garage. I acknowledge receiving pricing and/or invoice with all applicable charges prior to paying.

Customer Signature X

If any paragraph, sentence, clause or word in this document for any reason shall be adjudged invalid, such judgment shall not effect, impair or invalidate the remainder of the document.

If you wish to comment on the level of service you received, please call Commission Investigation Division at :

(323) 680-4TOW (869)



**EXHIBIT C**

**Notice of  
Stored Vehicle**

---

**HERMOSA BEACH POLICE DEPT.**  
**540 PIER AVENUE**  
**HERMOSA BEACH, CA 90254**

**NOTICE OF STORED VEHICLE (22852 VC)**

NOTE: CHP 180 IS FURNISHED TO ALL PEACE OFFICERS BY THE CALIFORNIA HIGHWAY PATROL

REPORTING DEPARTMENT <b>HERMOSA BEACH SVS</b>		LOCATION CODE <b>1929</b>	DATE / TIME OF REPORT <b>5/5/20 1300</b>	NOTICE OF STORED VEHICLE DELIVERED PERSONALLY <input type="checkbox"/>		FILE NO. <b>22852-0708</b>							
LOCATION TOWED / STOLEN FROM <b>800 VALLEY DRIVE</b>			ODOMETER READING <b>N/A</b>	VIN CLEAR IN SVS? <input type="checkbox"/> YES <input type="checkbox"/> NO	DATE / TIME DISPATCH NOTIFIED <b>5/5/20 1300</b>		LOG NO.						
YEAR <b>99</b>	MAKE <b>TOY</b>	MODEL <b>SOLARA</b>	BODY TYPE <b>2DR</b>	COLOR <b>WHT</b>	LICENSE NO. <b>8HQM967</b>	<input type="checkbox"/> ONE <input checked="" type="checkbox"/> TWO	MONTH / YEAR <b>5/20</b>						
VEHICLE IDENTIFICATION NO. <b>21T12F22PAXC2014BZ</b>				ENGINE NO.	VALUATION BY <input type="checkbox"/> OFFICER <input type="checkbox"/> OWNER		STATE <b>CA</b>						
REGISTERED OWNER <b>HARRIS, SHAWN DAVID</b>				LEGAL OWNER <b>PINEMA</b>									
ADDRESS <b>655 8TH PLACE</b>				CITY / STATE / ZIP <b>HERMOSA BEACH CA 90254</b>									
<input type="checkbox"/> STORED <input checked="" type="checkbox"/> IMPOUNDED <input type="checkbox"/> RELEASED <input type="checkbox"/> RECOVERED - VEHICLE / COMPONENT				THIS IS A COPY OF A RECORD FROM THE RECORDS BUREAU FILE.									
TOWING / STORAGE CONCERN (NAME, ADDRESS, PHONE) <b>BRUFFY'S TOW 11101 HINDRY AVE L.A., CA.</b>				STORAGE AUTHORITY / REASON <b>22651 (H)</b>									
TOWED TO / STORED AT <b>SAME</b>			AIRBAG? <input type="checkbox"/> YES <input type="checkbox"/> NO <input type="checkbox"/> 1 <input type="checkbox"/> 2	DRIVEABLE? <input type="checkbox"/> YES <input type="checkbox"/> NO <input type="checkbox"/> JUNK <input checked="" type="checkbox"/> UNK		VIN SWITCHED? <input type="checkbox"/> YES <input checked="" type="checkbox"/> NO							
CONDITION	YES	NO	ITEMS	YES	NO	ITEMS	YES	NO	ITEMS	YES	NO	TIRES / WHEELS	CONDITION
WRECKED	<input checked="" type="checkbox"/>		SEAT (FRONT)	<input checked="" type="checkbox"/>		REGISTRATION	<input checked="" type="checkbox"/>		CAMPER	<input checked="" type="checkbox"/>		LEFT FRONT	<input checked="" type="checkbox"/>
BURNED HULK per 431(c) VC			SEAT (REAR)	<input checked="" type="checkbox"/>		ALT. / GENERATOR	<input checked="" type="checkbox"/>		VESSEL AS LOAD	<input checked="" type="checkbox"/>		RIGHT FRONT	<input checked="" type="checkbox"/>
VANDALIZED			RADIO	<input checked="" type="checkbox"/>		BATTERY	<input checked="" type="checkbox"/>		FIREARMS	<input checked="" type="checkbox"/>		LEFT REAR	<input checked="" type="checkbox"/>
ENG. / TRANS. STRIP			TAPE DECK	<input checked="" type="checkbox"/>		DIFFERENTIAL	<input checked="" type="checkbox"/>		OTHER	<input checked="" type="checkbox"/>		RIGHT REAR	<input checked="" type="checkbox"/>
MISC. PARTS STRIP			TAPES	<input checked="" type="checkbox"/>		TRANSMISSION	<input checked="" type="checkbox"/>			<input checked="" type="checkbox"/>		SPARE	<input checked="" type="checkbox"/>
BODY METAL STRIP			OTHER RADIO	<input checked="" type="checkbox"/>		AUTOMATIC	<input checked="" type="checkbox"/>			<input checked="" type="checkbox"/>		HUB CAPS	<input checked="" type="checkbox"/>
SURGICAL STRIP per 431(b) VC			IGNITION KEY	<input checked="" type="checkbox"/>		MANUAL	<input checked="" type="checkbox"/>			<input checked="" type="checkbox"/>		SPECIAL WHEELS	<input checked="" type="checkbox"/>
RELEASE VEHICLE TO: <input checked="" type="checkbox"/> R/O OR AGENT <input type="checkbox"/> AGENCY HOLD <input type="checkbox"/> 22850.3 VC			GARAGE PRINCIPAL / AGENT STORING VEHICLE (SIGNATURE) <b>[Signature]</b>					DATE / TIME <b>5-5-20</b>					
NAME OF PERSON / AGENCY AUTHORIZING RELEASE <b>PINEMA</b>			I.D. NO. <b>94</b>		DATE <b>5/5/20</b>		CERTIFICATION: I, THE UNDERSIGNED, DO HEREBY CERTIFY THAT I AM LEGALLY AUTHORIZED AND ENTITLED TO TAKE POSSESSION OF THE ABOVE DESCRIBED VEHICLE.						
SIGNATURE OF PERSON AUTHORIZING RELEASE <b>[Signature]</b>			SIGNATURE OF PERSON TAKING POSSESSION <b>[Signature]</b>										

**SEE REVERSE FOR INFORMATION**

STATE OF CALIFORNIA  
DEPARTMENT OF CALIFORNIA HIGHWAY PATROL  
**VEHICLE REPORT**  
CHP 180 (Rev. 12-06) OPI 062

NOTE: CHP 180 IS FURNISHED TO ALL PEACE OFFICERS BY THE CALIFORNIA HIGHWAY PATROL

REPORTING DEPARTMENT <b>HBD COMM SVS</b>	LOCATION CODE <b>1929</b>	DATE / TIME OF REPORT <b>5/5/20 1300</b>	NOTICE OF STORED VEHICLE DELIVERED PERSONALLY <input type="checkbox"/>	FILE NO. <b>DR# 20-0708</b>
LOCATION TOWED / STOLEN FROM <b>ECO VALLEY DRIVE</b>	ODOMETER READING <b>N/A</b>	VIN CLEAR IN SVS? <input type="checkbox"/> YES <input type="checkbox"/> NO LIC. CLEAR IN SVS? <input type="checkbox"/> YES <input type="checkbox"/> NO	DATE / TIME DISPATCH NOTIFIED <b>5/5/20 1300</b>	LOG NO.
YEAR <b>99</b>	MAKE <b>TOY</b>	MODEL <b>SOLARA</b>	BODY TYPE <b>2DR</b>	COLOR <b>WHT</b>
LICENSE NO. <b>8HQW 967</b>		ONE <input type="checkbox"/> TWO <input checked="" type="checkbox"/>		MONTH / YEAR <b>5/20</b>
STATE <b>CA</b>		ENGINE NO.		
VEHICLE IDENTIFICATION NO. <b>2T1LF2ZP4XC20148Z</b>		VALUATION BY <input type="checkbox"/> OFFICER <input type="checkbox"/> OWNER <input type="checkbox"/> 0-300 <input type="checkbox"/> 301-4000 <input type="checkbox"/> 4001 + <input type="checkbox"/> \$		
REGISTERED OWNER <b>HARRIS, SHAWN DUANE</b> <b>655 8TH PLACE</b> <b>HERMOSA BEACH CA 90254</b>		LEGAL OWNER <input type="checkbox"/> SAME AS R/O		

☐ STORED ☒ IMPOUNDED ☐ RELEASED ☐ RECOVERED - VEHICLE / COMPONENT

TOWING / STORAGE CONCERN (NAME, ADDRESS, PHONE)  
**BRUFFY'S TOW 11101 HINDRY AVE L.A, CA.**

STORAGE AUTHORITY / REASON  
**22651 (H)**

TOWED TO / STORED AT  
**SAME**

CONDITION	YES	NO	ITEMS	YES	NO	ITEMS	YES	NO	ITEMS	YES	NO	TIRES / WHEELS	CONDITION
WRECKED	<input checked="" type="checkbox"/>	<input type="checkbox"/>	SEAT (FRONT)	<input type="checkbox"/>	<input type="checkbox"/>	REGISTRATION	<input type="checkbox"/>	<input type="checkbox"/>	CAMPER	<input type="checkbox"/>	<input type="checkbox"/>	LEFT FRONT	<b>FLAT</b> <b>2/2</b> <b>2/2</b> <b>NO</b> <b>NO</b>
BURNED HULK per 431(c) VC	<input type="checkbox"/>	<input type="checkbox"/>	SEAT (REAR)	<input type="checkbox"/>	<input type="checkbox"/>	ALT. / GENERATOR	<input type="checkbox"/>	<input type="checkbox"/>	VESSEL AS LOAD	<input type="checkbox"/>	<input type="checkbox"/>	RIGHT FRONT	
VANDALIZED	<input type="checkbox"/>	<input type="checkbox"/>	RADIO	<input type="checkbox"/>	<input type="checkbox"/>	BATTERY	<input type="checkbox"/>	<input type="checkbox"/>	FIREARMS	<input type="checkbox"/>	<input type="checkbox"/>	LEFT REAR	
ENG. / TRANS. STRIP	<input type="checkbox"/>	<input type="checkbox"/>	TAPE DECK	<input type="checkbox"/>	<input type="checkbox"/>	DIFFERENTIAL	<input type="checkbox"/>	<input type="checkbox"/>	OTHER	<input type="checkbox"/>	<input type="checkbox"/>	RIGHT REAR	
MISC. PARTS STRIP	<input type="checkbox"/>	<input type="checkbox"/>	TAPES	<input type="checkbox"/>	<input type="checkbox"/>	TRANSMISSION	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>	SPARE	
BODY METAL STRIP	<input type="checkbox"/>	<input type="checkbox"/>	OTHER RADIO	<input type="checkbox"/>	<input type="checkbox"/>	AUTOMATIC	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>	HUB CAPS	
SURGICAL STRIP per 431(b) VC	<input type="checkbox"/>	<input type="checkbox"/>	IGNITION KEY	<input type="checkbox"/>	<input type="checkbox"/>	MANUAL	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>	SPECIAL WHEELS	

RELEASE VEHICLE TO: ☒ R/O OR AGENT ☐ AGENCY HOLD ☐ 22850.3 VC

NAME OF PERSON / AGENCY AUTHORIZING RELEASE  
**PINEDA**

I.D. NO.  
**94**

DATE  
**5/5/20**

SIGNATURE OF PERSON AUTHORIZING RELEASE  
**[Signature]**

CERTIFICATION: I, THE UNDERSIGNED, DO HEREBY CERTIFY THAT I AM LEGALLY AUTHORIZED AND ENTITLED TO TAKE POSSESSION OF THE ABOVE DESCRIBED VEHICLE.

SIGNATURE OF PERSON TAKING POSSESSION  
**[Signature]**

☐ STOLEN VEHICLE / COMPONENT ☐ EMBEZZLED VEHICLE ☐ PLATE(S) REPORT

DATE / TIME OF OCCURRENCE

DATE / TIME REPORTED

NAME OF REPORTING PARTY (R/P)

DRIVER LICENSE NO. / STATE

LAST DRIVER OF VEHICLE

DATE / TIME

ADDRESS OF R/P

TELEPHONE OF R/P

SIGNATURE OF PERSON MAKING REPORT

I CERTIFY OR DECLARE UNDER PENALTY OF PERJURY UNDER THE LAWS OF THE STATE OF CALIFORNIA THAT THE FOREGOING IS TRUE AND CORRECT.

REMARKS  
(LIST PROPERTY, TOOLS, VEHICLE DAMAGE, ARRESTS)

DRIVER'S NAME  
**SHAWN D. HARRIS**

ARRESTED / SECTION?  
☒ YES ☐ NO **22651(H)**

REPORTED BY

CARGO / TRAILER  
☐ YES ☒ NO

VALUE \$

BILL OF LADING ATTACHED

HEAVY FRONT END DAMAGE, FLAT TIRES

BEST OF VIEW IN FAIR COND. MULTIPLE DENTS / DINGS / SCRATCHES / RPT. CRIPS 360.

MISC PERSONAL ITEMS / NO VISIBLE VALUABLES PASS. TOOL BOXES, GOLF CLUBS

FRONT LEFT SIDE RIGHT SIDE REAR TOP

SIGNATURE OF OFFICER TAKING REPORT  
**[Signature]**

I.D. NO.  
**43**

SUPERVISOR

REQUIRED NOTICES SENT TO REGISTERED AND LEGAL OWNERS PER 22852 VC?

YES ☐ NO ☐

DATE NOTIFIED



HERMOSA BEACH POLICE DEPARTMENT  
TRAFFIC COLLISION REPORT – Property Damage Only

Original to Officer; copy(ies) to involved party(ies)

SPECIAL CONDITIONS	HIT & RUN NO	CITY HERMOSA BEACH	JUDICIAL DISTRICT SOUTHWEST	NUMBER 20-0708
	COUNTY LOS ANGELES	REPORTING DISTRICT Southwest	BEAT 1	REPORTING OFFICER Smith

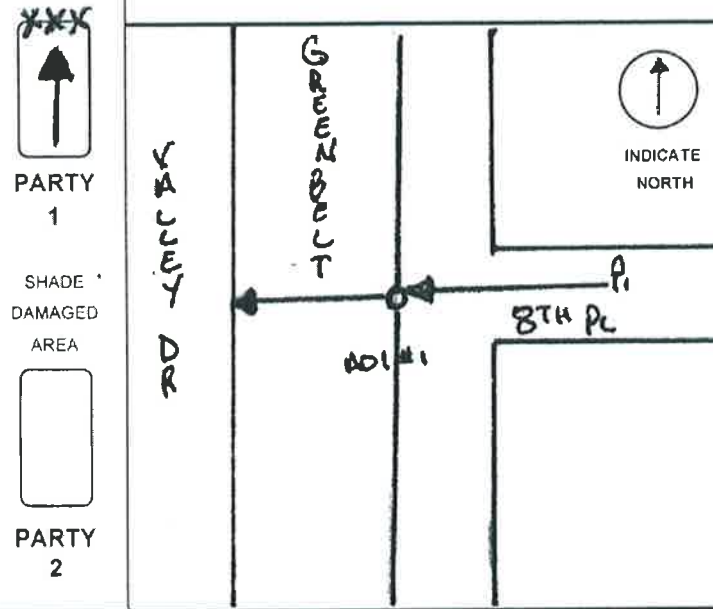
COLLISION OCCURRED ON 8th Pl	MO. 5	DAY 5	YEAR 20	TIME(2400) 1230	NCIC 1929	OFFICER I.D. 158
---------------------------------	----------	----------	------------	--------------------	--------------	---------------------

<input checked="" type="checkbox"/> AT INTERSECTION WITH <input type="checkbox"/> Or feet S of Ardmore Ave	DAY OF WEEK Tuesday	TOW AWAY <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	STATE HWY RELATED <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
---	------------------------	---	--

<b>PARTY 1</b>	DRIVER'S LICENSE NUMBER D3266411	STATE CA	CLASS C	AIRBAG M	SAFETY EQUIPMENT G
DRIVER <input checked="" type="checkbox"/>	NAME (FIRST, MIDDLE, LAST) Shaan Duane Harris		TELEPHONE NUMBER 661-476-9917		
PED <input type="checkbox"/>	STREET ADDRESS (City) (State) (Zip Code) 655 8th Pl Hermosa Beach Ca 90254				
PK VEH <input type="checkbox"/>	SEX M	RACE W	BIRTHDATE 11-20-84	INSURANCE COMP. Progressive POLICY # 913923453	
BICYCLE <input type="checkbox"/>	DIRECTION W	ON STREET OR HIGHWAY 8th Pl		SPEED LIMIT 25	
OTHER <input type="checkbox"/>	VEH. YEAR 1999	MAKE/MODEL/COLOR Toy/Solara/wht		LICENSE NUMBER 8HQM967	STATE Ca TYPE 01

SHADE DAMAGED AREA XXX	Report taken <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
	Exchange of information <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

<b>PARTY 2</b>	DRIVER'S LICENSE NUMBER Peopert Damage	STATE	CLASS	AIRBAG	SAFETY EQUIPMENT
DRIVER <input type="checkbox"/>	NAME (FIRST, MIDDLE, LAST)		TELEPHONE NUMBER		
PED <input type="checkbox"/>	STREET ADDRESS (City) (State) (Zip Code) 1315 Valley Dr Hermosa Beach Ca 90254				
PK VEH <input type="checkbox"/>	SEX	RACE	BIRTHDATE	INSURANCE COMP. POLICY #	
BICYCLE <input type="checkbox"/>	DIRECTION	ON STREET OR HIGHWAY		SPEED LIMIT	
OTHER <input checked="" type="checkbox"/>	VEH. YEAR	MAKE/MODEL/COLOR		LICENSE NUMBER	STATE TYPE



WIT <input checked="" type="checkbox"/>	R/O <input type="checkbox"/>	AGE 25	SEX M	NAME Manuel Martinez	ADDRESS 1003 W Walnut St Santa Ana Ca 92703	PHONE NUMBER 323-534-8841	PARTY NO 1
<input type="checkbox"/>	<input type="checkbox"/>	AGE	SEX	NAME	ADDRESS	PHONE NUMBER	PARTY NO
<input type="checkbox"/>	<input type="checkbox"/>	AGE	SEX	NAME	ADDRESS	PHONE NUMBER	PARTY NO
<input type="checkbox"/>	<input type="checkbox"/>	AGE	SEX	NAME	ADDRESS	PHONE NUMBER	PARTY NO
Prop. <input checked="" type="checkbox"/>	NAME City of Hermosa Beach				ADDRESS 1315 Valley Dr Hermosa Beach Ca 90254	DAMAGED PROPERTY Plants and Tree	

PRIMARY COLLISION FACTOR LIST # OF PARTY AT FAULT		ROADWAY SURFACE		SPECIAL INFORMATION		MOVEMENT PRECEDING COLLISION	
# 1	VC SECTION VIOLATED: A 22350 VC			1	2	1	2
		A DRY		<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
				<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
#	OTHER IMPROPER DRIVING* B	ROADWAY CONDITION(S)					
		H NO UNUSUAL CONDITIONS		<input type="checkbox"/>	<input type="checkbox"/>		
<input type="checkbox"/>	C OTHER THAN DRIVER*			<input type="checkbox"/>	<input type="checkbox"/>		
<input type="checkbox"/>	D-UNKNOWN*	TRAFFIC CONTROL DEVICES					
<input type="checkbox"/>	E	D NO CONTROLS PRESENT/FACTOR*		1	2	1	2
		TYPE OF COLLISION		<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
		C REAR END				<input type="checkbox"/>	<input checked="" type="checkbox"/>
		MOTOR VEH. INVOLVED WITH				<input type="checkbox"/>	<input checked="" type="checkbox"/>
		C OTHER MOTOR VEHICLE				<input type="checkbox"/>	<input checked="" type="checkbox"/>
				<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
		PEDESTRIAN'S ACTIONS		<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
		A NO PEDESTRIAN INVOLVED		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

HERMOSA BEACH POLICE DEPARTMENT

This copy is for the exclusive use of:

City of HB

ORIGINAL

**PROPERTY DAMAGE ONLY NARRATIVE**

DATE OF COLLISION 5-5-20 MO DAY YR	TIME(2400) 1230	NCIC NUMBER 1929	OFFICER ID 158	NUMBER 20-0708	PAGE 2 OF 2
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**Notification:**

On 5-5-20 at approximately 1230 hours, I (Ofc. Smith 1598) responded to the area of The 800 block of the Greenbelt regarding a traffic collision. Upon arrival I contacted the solo party involved and noted that there were no injuries.

**Statements:**

Party 1 (Harris, Shaan Duane) During contact with Harris he related the following: He was traveling W/B 8th Pl toward Ardmore Ave where he was planning to make a left turn onto S/B Ardmore Ave. Harris stated, "I tried to stop and the breaks didn't work". Harris drove through the intersection of 8th Pl and Ardmore Ave and subsequently ended up on the Greenbelt where he collided into several plants and a tree.

Witness / Passenger 1 (Martinez, Manuel) During contact with Martinez he related the following: He was in the passenger seat of the vehicle as his friend Harris was driving. He advised that they had just left Harris's house on 8th Pl and was W/B toward Ardmore Ave. Martinez stated, "I saw Shaan pumping on the breaks and the car wasn't stopping". Martinez was not injured during this traffic collision.

**Area Of Impact:**

The AOI was established by party's statements. Measurements are approximate and were obtained via Pace. There was only one AOI determined as it is unknown the actual whereabouts of the plants and the tree that were hit. AOI 1 establishes where P1 left the roadway and entered the Greenbelt.

AOI: 9' N of SCL 8th Pl  
0' E of WCL Ardmore Ave

**COPY****HERMOSA BEACH POLICE DEPARTMENT**

This copy is for the exclusive use of:

CITY OF HB**Cause:**

P1 is at fault in the collision for the violation of 22350 VC – Unsafe speed for prevailing conditions. It should also be noted that P1 advised of defective vehicle equipment. I was unable to determine whether the breaks were working at the time of this collision.

**Skid marks:**

None

**ORIGINAL**

PREPARER'S NAME Smith	I.D. NUMBER 158	MO DAY YEAR 5-5-20	REVIEWER'S NAME <i>[Signature]</i> #177	MO DAY YEAR 5 5 20
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## Staff Report

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### Staff Report

REPORT 20-0613

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**Honorable Mayor and Members of the Hermosa Beach City Council  
Regular Meeting of August 22, 2020**

**RETROACTIVELY APPROVE FIRST AMENDMENT TO LEASE  
AGREEMENT BETWEEN THE CITY OF HERMOSA BEACH  
AND STAR EDUCATION TO PROVIDE CHILDCARE SERVICES  
FOR CHILDREN ENROLLED IN THE HERMOSA BEACH  
CITY SCHOOL DISTRICT**

(Community Resources Manager Kelly Orta)

### **Recommended Action:**

Staff recommends that the City Council:

1. Retroactively approve a first amendment to lease agreement with STAR Education to provide enhanced childcare services for children enrolled in the Hermosa Beach City School District participating in virtual instruction; and
2. Add estimated lease revenue of \$4,664.40 to the 2020-21 Budget.

### **Executive Summary:**

In July 2015, the City entered into a lease agreement with STAR Education, a non-profit organization based out of Los Angeles, to utilize classroom 7 and the courtyard of the Community Center to provide daycare services and enrichment programming for children attending kindergarten in the Hermosa Beach City School District (HBCSD). A new three-year lease agreement was approved by the Council at its July 23 meeting to continue STAR's program and use of City facilities commencing with the start of the new school year. Following the announcement that schools would be held virtually when it resumes in the fall, City staff, HBCSD and STAR representatives worked collectively to accommodate an enhanced program that would provide a safe space for children to participate in virtual learning and recreational activities. Staff recommends the approval of the proposed first amendment to the lease agreement which would provide the use of additional classroom and outdoor spaces at the Community Center that would follow COVID-19 precautionary measures and state childcare licensing requirements.

### **Background:**

On July 23, 2020, the City entered into a lease agreement with STAR Education (STAR) to utilize classroom 7 and the courtyard of the Community Center to provide daycare services and enrichment

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## Staff Report

REPORT 20-0613

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programming for children attending kindergarten in the Hermosa Beach City School District (HBCSD). The agreement, included as **Attachment 1**, continues STAR's afterschool program, which has been in place since 2015.

The STAR program has not been in session since the closure of schools and city facilities, including the Community Center, in March 2020 due to COVID-19 precautionary measures. Following the announcement that HBCSD would hold instruction online beginning in the fall, STAR and HBCSD representatives along with City staff worked together to develop opportunities for STAR to expand its kinder program and provide daycare services for all school-aged children enrolled in the HBCSD. This program would provide dedicated time and resources for online learning as well as outdoor, recreational activities in small 10 to 12-person cohort groups. This enhanced program would require the use of additional classroom and outdoor space in the Community Center, which is currently available for this use.

### **Discussion:**

STAR is a non-profit organization based out of Los Angeles that provides recreational and enrichment programming for school-aged children in a variety of programs and settings. STAR's team developed the Hermosa Beach kinder program collectively with staff and HBCSD representatives and created a state licensed childcare program that met the needs of the community when the HBCSD transitioned from full-day to half-day kindergarten classes due to impacted classroom space. The partnership between the City and STAR has been positive since its inception in 2015 and its program has been able to take place amongst other activities in the Community Center without concern or conflict.

### **Program Expansion**

The current lease agreement allows STAR's use of classroom 7 and the outdoor courtyard while school is in session for HBCSD students. Following the announcement that HBCSD would be holding only virtual instruction when it began on September 3, staff worked collectively with STAR and HBCSD representatives to develop an expanded and enhanced program that would provide daycare services for the many families that would benefit from having a safe space for their children to complete online learning lessons; assigned homework; and physically active, recreational activities. To meet the anticipated need, the following classroom spaces, in addition to its use of classroom 7, have been made available to STAR for its expanded program:

- Room 4;
- Room 5;
- Room 9;
- Room 10;
- Community Theater Green Room; and

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## Staff Report

REPORT 20-0613

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- 2<sup>nd</sup> Story Theatre

These classrooms would be necessary to provide the required physical distancing requirements in response to COVID-19, which decreases the capacity in each space. The required outdoor space, necessary for state childcare licensing, would be on the north lawn of the Community Center. A fence and water-filled barricades, provided by STAR, will provide a safe space for program participants during outdoor program time. This expanded program, classrooms, and outdoor space would be in place while HBCSD is holding online or hybrid instruction only; STAR would resume its original program in classroom 7 and the courtyard only once HBCSD resumes in person instruction.

### Lease Payment

In addition to the \$1,593.03 monthly payment for use of classroom 7, the first amendment outlines the per classroom cost of the additional spaces that may be utilized by STAR for its program expansion. These costs are included in Table 1 below.

**Table 1: Per Classroom Costs**

Room	Rate
4	\$1,166.10
5	\$1,166.10
9	\$511.29
10	\$1,175.07
2 <sup>nd</sup> Story Theatre	\$1,200.49
Community Theatre Green Room	\$1,140.69

These costs are consistent with recommended rates following a market analysis completed for the development of the municipal lease policy. Due to the urgency to implement this program to be effective at helping families at the start of the school year, it began on Thursday, September 3. Since then, STAR has been utilizing only two classroom spaces, rooms 4 and 7, to support its current program enrollment. Staff will continue to work with STAR to determine which spaces are most needed for further program expansion into the additional rooms outlined in the first amendment. STAR will be charged the monthly rental fees accordingly.

### General Plan Consistency:

This report and associated recommendation have been evaluated for their consistency with the City's General Plan. Relevant policies are listed below:



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## Staff Report

REPORT 20-0613

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### *Parks & Open Space Element*

#### **Goal 2. Abundant parks, open space, and recreational facilities to serve the community.**

Policies:

- **2.1 Diverse programs and facilities.** Offer diverse recreational programs and facilities to meet the needs of all residents.
- **2.5 Shared use agreements.** Work with adjacent jurisdictions, the school district, and private facilities to offer recreational opportunities or activities not available at City of Hermosa Beach facilities.

#### **Goal 3. Community parks and facilities encourage social activity and interaction.**

Policies:

- **3.6 Availability of City facilities.** Consider the demand and availability of City facilities for general community use in the long-term lease and/or rental of City facilities.

#### **Fiscal Impact:**

At minimum, the City would collect an additional \$4,664.40 in rental fees for STAR's use of classroom 4, calculated through the end of December 2020. The additional estimated lease revenue of \$4,664.40 would be added to the 2020-21 Budget. STAR's use of additional classroom spaces consistent with its program registration will be charged and collected accordingly.

#### **Attachments:**

1. Lease Agreement with STAR Education
2. First Amendment to Lease Agreement with STAR Education

**Respectfully Submitted by:** Kelly Orta, Community Resources Manager

**Noted for Fiscal Impact:** Viki Copeland, Finance Director

**Legal Review:** Mike Jenkins, City Attorney

**Approved:** Suja Lowenthal, City Manager

## HERMOSA BEACH COMMUNITY CENTER LEASE AGREEMENT

This Lease Agreement ("Lease" or "Agreement") is made and entered into on this \_\_\_\_ day of July, 2020, by and between the City of Hermosa Beach, a California Municipal Corporation (City) and STAR Education (Lessee).

### RECITALS

- A. The City is the owner of a recreational/civic service facility generally referred to as the Hermosa Beach Community Center (referred to herein as the "facility").
- B. The facility is subject to certain agreements and deed restrictions entered into on the 28th day of February, 1978, between the City and the Hermosa Beach City School District and is further subject to certain provisions imposed by the Department of Housing and Urban Development as set forth in a document entitled Agreement for Sale and Purchase of Real Property and dated the 28th day of February 1978. These documents are on file in the office of the City Clerk of the City and are public documents and by reference are incorporated into this lease and are referred to herein respectively as the HUD and SCHOOL DISTRICT AGREEMENTS.
- C. Lessee previously utilized a portion of the facility through a lease agreement that expires July 31, 2020.
- D. Lessee desires to continue its use of a portion of the facility and the City is willing to lease a portion of the facility to Lessee on the terms and conditions set out herein, which terms are consistent with both the HUD and SCHOOL DISTRICT AGREEMENTS.

**NOW THEREFORE**, in consideration of the foregoing and of the promises and obligations set forth herein, the parties agree as follows:

1. **Term.** The term of this lease shall be for either (i) a period of three (3) years commencing on the 1st day of August 2020 and ending on the 31st day of July 2023, or (ii) until the Hermosa Beach City School District determines the STAR program is no longer needed, whichever is sooner. At lessee's request, this lease may be extended for one additional term of one year in the exclusive discretion of the City. Any such request shall be made in writing in advance of the expiration of the then current term.
2. **Description of Premises.** The Lessee is leasing from the City that portion of the facility (the "premises") described as follows:
  - a. Exclusive use of room 7 and the courtyard when the program is in session; and
  - b. Use of the 2<sup>nd</sup> Story Theatre, as needed. Use of this space requires pre-approval and coordination with City at least 24 hours in advance.
3. **Rent.** Lessee agrees to pay to the City \$1,593.03 monthly, payable on the first day of each month.
4. **Condition pertaining to the Premises.** Lessee shall adhere to the following additional conditions pertaining to the premises:
  - a. Lessee shall not mark, drill or deface any walls, ceilings, floors, wood or iron work without Lessor's written consent.
  - b. All remodel work shall receive prior approval of the Lessor.

- c. There are exposed sewer and water lines in the ceiling. These lines carry liquids that could damage material stored in the room if the lines are disturbed or ruptured. In addition, a pipe that may be wrapped with an asbestos material crosses the ceiling area and is not to be disturbed in any manner. \_\_\_\_\_  
(Initial)
  - d. The City will maintain the premises to the standards of childcare licensing requirements.
- 5. **Use.** Lessee shall use the premises exclusively for the following use:
  - a. Lessee will provide recreational and enrichment programming for school-age children enrolled in the Hermosa Beach City School District.
  - b. Program time may be held from 7:00am – 6:00pm.
- 6. **Transportation.** Lessee is not responsible for transporting children to or from the Community Center and View School. The City will provide this transportation service with a qualified bus transportation provider.
- 7. **Insurance Liability.** Lessee shall obtain and maintain at all times during the term of this agreement, Comprehensive General and Automobile Liability insurance protecting Lessee in amounts not less than \$2,000,000 for personal injury to any one person, \$2,000,000 for injuries arising out of any one occurrence, and \$2,000,000 for property damage or a combined single limit of \$2,000,000. Such insurance shall name City of Hermosa Beach and their officers, employees, elected officials and members of Boards of Commissions as additional insured parties. Coverage shall be in accordance with the sample certificates and endorsements attached hereto and **must include** the coverage and provisions indicated.

Lessee shall file and maintain the required certificates(s) of insurance with the other party to this agreement at all times during the term of this agreement. The certificate(s) is to be filed prior to the commencement of the work or event and should state clearly:

- a. The additional insured requested;
- b. Thirty-day prior notice of change or cancellation to the City of Hermosa Beach;
- c. Insurance is primary to that of the Additional Insured;
- d. Coverage included; and
- e. Cross-liability clause.

**Worker's Compensation Insurance.** Lessee shall obtain and maintain at all times during the term of this agreement, Worker's compensation and Employers Liability insurance and furnish the City (or Agency) with a certificate showing proof of such coverage. Such insurance shall not be canceled or materially changed without a thirty (30) day prior written notice to: City Manager, City of Hermosa Beach.

**Insurance Companies.** Insurance companies must be rated (B:XIII) or better in Best's Insurance Rating Guide.

- 8. **Condition of the Premises Upon Termination of the Lease.** Lessee agrees to keep and maintain the premises in good condition and repair and to return to the City the premises upon termination of this lease in the same condition as when Lessee took possession of the premises excepting any repairs or alterations which were approved by the City, reasonable wear and tear excepted, and does promise to pay the City upon demand the reasonable sums to repair the premises in the event of a violation of this provision.

9. **Construction.** Lessee is prohibited from making any alterations performing any construction whatsoever on the premises without the expressed written approval of the City. Any such approval shall include provisions to protect the City from potential liens of labor and material persons.
10. **Destruction, Partial Destruction or Necessity to Repair because of Conditions Caused by Other than Lessee.** The City has no duty or obligation to reconstruct the premises in the event of destruction or partial destruction of the premises. The City at its option may reconstruct or repair the premises, whereupon this lease shall remain in full force and effect except that no rent will be owing to the City during said period of reconstruction or repair if such reconstruction or repair interferes with the tenancy created herein to the extent that the premises cannot be used for the purposes intended. In the event the City at its sole discretion determines not to reconstruct or repair the premises then either party at its option may cause this lease to be terminated and neither party shall have any liability each to each other.
11. **Hold Harmless.** Lessee shall hold harmless and indemnify the City, its officers, agents and employees from every claim or demand which may be made by reason of any injury and/or death to persons and/or injury to property caused by any direct or indirect act or any omission of the Lessee, its officers, agents and employees arising out of the Lessee's use of said premises. The Lessee, at its own cost, expense and risk shall defend any and all action, suits or other proceedings that may be brought or instituted against the City on any such claim or demand, and pay or satisfy any judgment that may be rendered against the Lessor on any such action, suit, or legal proceedings as a result hereof.
12. **Rules, Regulations and Ordinances.** The Lessee agrees to comply strictly with all applicable laws and any uniform Community Center rules and regulations adopted by the City Council.
13. **Taxes and Charges.** Lessee agrees to pay when due any and all taxes, assessments or charges levied by any governmental agency on or to the lease-hold premises.
14. **Default.** Should Lessee fail to pay any monies due pursuant to this lease within three days after written notice from the City or to perform any other obligation required pursuant to the terms of this lease within thirty days after notice from the City, City may immediately cause this lease to be terminated and thereafter take any action and pursue all remedies available under the laws then existent in the State of California.
15. **Notice.** Any notice required to be made or given pursuant to the provisions of this lease may be either personally served upon the party or deposited in the United States mail, postage prepaid.

**Lessor:** CITY OF HERMOSA BEACH  
1315 VALLEY DRIVE  
HERMOSA BEACH, CA. 90254

**Lessee:** STAR Education  
10117 Jefferson Blvd.  
Culver City, CA 90232

Any notices so given pursuant to the provisions of this paragraph will be deemed served twenty-four hours after the deposit thereof in the United States mail.

16. **Attorney's Fees.** The parties agree that in the event any action is instituted concerning any of the provisions of this lease agreement, the prevailing party may in the discretion of the court be granted as an additional item of damages its attorney's fees.
17. **Assignment and Subletting.** Lessee may not sublease all or any portion of the premises without the written consent of the City, which consent may be granted or denied at the exclusive and total discretion of the City.
18. **Successors.** Subject to prior provisions, this lease is binding upon the heirs, assigns and successors of interest of the parties.
19. **Termination.** Notwithstanding any other provision of this lease both parties reserve the right to terminate the lease at any time and without cause upon giving 30 days written notice to other party.

**In Witness Whereof,** the parties have executed this Hermosa Beach Community Center Lease Agreement at Hermosa Beach on the day first herein above set forth.

CITY OF HERMOSA BEACH a  
Municipal Corporation, Lessor

DocuSigned by:

Mary Campbell (Mayor)  
Mayor, Mary Campbell

ATTEST:

DocuSigned by:

Eduardo Sarmiento  
5650DF8859E344B...

CITY CLERK

APPROVED AS TO FORM:

DocuSigned by:

Michael Jenkins  
C2CA6A52599A404...

CITY ATTORNEY

DATE:

8/29/2020

LESSEE:

[Signature]  
Executive Director

## **FIRST AMENDMENT TO HERMOSA BEACH COMMUNITY CENTER LEASE AGREEMENT**

This First Amendment to the Hermosa Beach Community Center Lease Agreement (“First Amendment”) is entered into by and between the City of Hermosa Beach, a municipal corporation (“City”) and STAR Education (“Lessee”) as of September \_\_\_\_, 2020.

### **RECITALS**

- A. City and Lessee are parties to that Hermosa Beach Community Center Lease Agreement dated July 28, 2020 (the “Agreement”).
- B. The parties desire to amend the Agreement to provide STAR Education access to additional classroom and outdoor space at the Community Center to support a temporary program expansion in response to COVID-19 precautionary measures.

**NOW, THEREFORE**, in consideration of the foregoing, the Agreement is amended as follows:

1. Section 2 of the Agreement entitled “Description of Premises” is amended to read as follows:

“The Lessee is leasing from the City that portion of the facility (the “premises”) described as follows:

- a. Exclusive use of room 7 and the courtyard when the program is in session;
- b. Use of the 2<sup>nd</sup> Story Theatre, as needed. Use of this space requires pre-approval and coordination with City as least 24 hours in advance; and
- c. During the time the Hermosa Beach City School District (“HBCSD”) holds instruction virtually or in a hybrid model, Lessee may have exclusive use of rooms 4, 5, 9, 10, Community Theatre Green Room, 2nd Story Theatre, and the north lawn. When the HBCSD resumes in person instruction, Lessee will be limited to only those premises listed in Section II paragraphs (a) and (b).”

2. Section 3 of the Agreement entitled “Rent” is amended to read as follows:

“Lessee agrees to pay to the City \$1,593.03 monthly, payable on the first day of each month, during the time HBCSD is in session and Lessee uses those premises listed in Section II paragraphs (a) and (b).

Lessee agrees to pay monthly to the City for each room listed in Section II paragraph (c) that Lessee actually uses for any part of a month, the following rent for each room as follows:”

Room	Non-profit Rate
<b>4</b>	\$1,166.10
<b>5</b>	\$1,166.10
<b>9</b>	\$511.29
<b>10</b>	\$1,175.07
<b>2<sup>nd</sup> Story Theatre</b>	\$1,200.49
<b>Community Theatre Green Room</b>	\$1,140.69

3. Section 9 of the Agreement entitled “Construction” is amended by adding thereto the following additional paragraphs:

Notwithstanding the foregoing, and without the need for further approval, Lessee is authorized at its sole cost and expense to erect temporary fencing on the north lawn subject to the following requirements:

- a. Lessee’s contractor/vendor will erect the fencing per City specifications and at the location shown in Exhibit A to this First Amendment, attached hereto and incorporated herein by reference.
- b. Lessee shall install water-filled barricades to the City’s satisfaction as shown in Exhibit A.
- c. STAR’s agreement with its contractor/vendor will require the vendor to maintain insurance per City’s specifications (naming City and its officers and employees as additional insureds);
- d. STAR’s agreement with the contractor/vendor will require the contractor/vendor to indemnify the City and its officers and employees from all liability associated with its erection of the fence;
- e. STAR will maintain the fence in good condition during the time period it is in place; and
- f. At the time HBCSD restarts to in-person instruction, STAR will remove the fencing and restore City’s property to its condition prior to erection of the fencing within fourteen (14) days. STAR assumes responsibility for all damage to City property caused by construction or maintenance of the fence on the north lawn and shall reimburse City for correction of any such damage. Upon failure of STAR to so reimburse City, the cost incurred by City in correcting

the damage shall be a debt of STAR to the City, and recoverable by City in any manner provided by law.

- g. City's right of entry. STAR acknowledges the City's absolute right to enter upon the north lawn for purposes of inspection, replacement, repair, or maintenance.
- h. Compliance with Codes. STAR and its contractor/vendor shall perform all work and conduct all activities in full compliance with all applicable codes, ordinances and laws, and obtain all necessary permits.
- i. Maintenance of north lawn. During the term of this Agreement, STAR shall at its sole expense maintain the north lawn area in good condition and appearance, in accordance with all ordinances, and shall not allow a nuisance condition to exist thereon.

4. Section IV (d) of the Agreement is amended as follows:

- d. STAR will maintain the premises to the standards of children licensing requirements including specific COVID-19 related precautionary measures outlined in the, "COVID-19 Update Guidance: Child Care Programs and Providers" document issued by the California Department of Social Services and Department of Education on July 17, 2020 attached hereto as Exhibit B to this First Amendment and incorporated herein by reference.

Except as above modified, in all other respects the Agreement is hereby reaffirmed in full force and effect.

STAR EDUCATION

\_\_\_\_\_  
KATYA BOZZI

CITY OF HERMOSA BEACH

By \_\_\_\_\_  
CITY MANAGER

ATTEST:

\_\_\_\_\_  
CITY CLERK






## EXHIBIT A



---	Chain-link fence
—	Water-filled barricades

EXHIBIT B




# COVID-19 UPDATE GUIDANCE: Child Care Programs and Providers

July 17, 2020

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[covid19.ca.gov](https://covid19.ca.gov)



## OVERVIEW

As stay-at-home orders are lifted for multiple industries to promote California's economic recovery, the need for child care and other supports for working families will increase. Every child care program must have a plan in place to minimize the spread of COVID-19 and to ensure the safety of children, providers, and families. As programs begin to reopen and other programs transition from emergency child care for essential workers to enhanced regular operations, all providers must apply new and updated policies and requirements and must update their emergency preparedness plan.

Social distancing with young children is a challenging effort. However, the recommendations set forth aim to keep children and providers safe and healthy, while ensuring children are in a nurturing and responsive environment. Parents may also be concerned about the safety of returning children back to care. It is important to maintain frequent communication with families about the policies and practices implemented in programs to keep everyone safe. This ongoing communication will aid in supporting young children with this new transition and social and physical distancing practice.

The state recognizes this health crisis is a fluid situation and is coordinating joint efforts with state and local agencies to provide support, as well as current information and guidance that is responsive to questions and suggestions from providers, families, and stakeholders. Child care providers should continue to monitor updated guidelines and information posted at <https://covid19.ca.gov>.

These guidelines and considerations are based on the best available public health data at this time, and the practical realities of managing a child care program; as new data and practices emerge, the guidance will be updated.

The state has provided funding and materials to support child care programs to access cleaning supplies and essential protective gear, such as masks. Please contact your [local child care resource and referral agency](#) to learn more about what resources are currently available.

*The California Department of Social Services (CDSS) worked in collaboration with the California Department of Education (CDE) to develop this guidance.*

## Essential Protective Equipment and Supplies

Items	Child Care Workforce	Children
<a href="#">Face Coverings*</a>	YES	<p>Never place face coverings on babies or children under 2 because of danger of suffocation</p> <p>Children aged 2 years and older should wear face coverings, especially when indoors or when a six-foot physical distance from others cannot be maintained.</p>
Gloves	YES, for tasks such as serving food, handling trash, or using cleaning and disinfectant products	NO
<p><b>Hand Sanitizer</b> Should contain at least 60% ethyl alcohol (preferred) or at least 70% isopropyl alcohol (a neurotoxin and eye irritant).</p> <p><b>WARNING</b> Do not use any products that contain <a href="#">methanol</a></p>	<p><b>YES, OPTIONAL</b> Note that frequent handwashing is more effective than the use of hand sanitizers</p>	<p>May be used under adult supervision only and must be kept out of children's reach. Call Poison Control if consumed: <b>800-222-1222</b></p> <p>Note that frequent handwashing is more effective than use of hand sanitizers. Sanitizer must be rubbed into children's hands until completely dry.</p> <p>Hand sanitizer is not recommended for children under 24 months.</p>
Disinfectant Cleaning Products	<p><b>YES</b> Provide training and required protective equipment per manufacturer's recommendations. Must be kept out of children's reach.</p>	NO

\*Masks or face shields may also be worn. Face coverings are strongly encouraged for young children between two years old and second grade, if they can be worn properly. A face shield is an acceptable alternative for children in this cohort. Note that local guidance may apply. Please consult recommendations from the local or county health department.

The Healthy Schools Act requires that anyone using disinfectants at child care centers complete annual California Department of Pesticide Regulation-approved training. Online training can be found by going to <https://apps.cdpr.ca.gov/schoolipm/>. This does not apply to family child care homes.



## Planning

- Have plans in place to protect and support staff, children, and their family members who are at higher risk for severe illness.
- Establish plans for sharing information and guidelines with parents and caregivers in their preferred language.
- Train all staff and communicate with families on the following:
  - o Enhanced sanitation practices
  - o Physical distancing guidelines
  - o [Proper use, removal, and washing of face coverings](#)
  - o Personal hygiene
  - o Screening practices
  - o COVID-19 specific exclusion criteria.
- Implement the necessary processes and protocols when a workplace has an outbreak, in accordance with CDPH guidelines.
  - o Investigate the COVID-19 illness and determine if any work-related factors could have contributed to risk of infection. Update protocols as needed to prevent further cases.
  - o Update protocols as needed to prevent further cases. See the CDPH guidelines, Responding to COVID-19 in the Workplace, which are incorporated into this guidance and contain detailed recommendations for establishing a plan to identify cases, communicate with employees and other exposed persons, and conducting and assisting with contact tracing.



## Cleaning

- Introduce fresh outdoor air as much as possible, for example by opening windows. When cleaning, air out the space before children arrive; plan to do thorough cleaning when children are not present. If using air conditioning, use the setting that brings in fresh air. Replace and check air filters and filtration systems to ensure optimal air quality.
- Implement procedures to frequently [clean and disinfect](#) all high-touch surfaces, such as sink knobs, toilet handles, tables, door handles. (Some programs have one designated staff responsible for routinely cleaning, sanitizing, and disinfecting the site.)
- Designate a container for toys that need to be cleaned, sanitized, or disinfected before being introduced back into the classroom environment.
- Have multiple toys and manipulatives accessible that are easy to clean and disinfect throughout the day or provide individually labeled bins with toys and belongings for each child. Toys that may be put in a child's mouth should be cleaned and sanitized. Ensure toys that are difficult to clean (e.g. soft toys) are either removed from the classroom or carefully monitored for use by individual children only.
- When choosing cleaning products, use those approved for use against COVID-19 on the [Environmental Protection Agency \(EPA\)-approved list "N"](#) and follow product instructions.
  - o To reduce the risk of [asthma related to disinfecting](#), programs should aim to select disinfectant products on the N list with asthma-safer ingredients (hydrogen peroxide, citric acid or lactic acid) as recommended by the US EPA Design for Environment program.
  - o Avoid products that mix these ingredients with peroxyacetic (paracetic) acid, sodium hypochlorite (bleach) or quaternary ammonium compounds, which can cause asthma.
  - o Use disinfectants labeled to be effective against emerging viral pathogens, following label directions for appropriate dilution rates and contact times. Provide employees training on [the chemical hazards](#), manufacturer's directions, proper ventilation, on Cal/OSHA requirements for safe use and as required by the Healthy Schools Act training (for child care centers only).
  - o Workers using cleaners or disinfectants must wear gloves, eye protection, and other protective equipment as required by the product instructions.



- o All products must be kept out of children's reach.



## Hygiene

- Implement and enforce strict [handwashing guidelines](#) for all staff and children. Wash hands for 20 seconds with soap, rubbing thoroughly after application, and use paper towels (or single use cloth towels) to dry hands thoroughly. It may be helpful to sing a 20-second song while children wash.
- Use bathroom time as an opportunity to reinforce healthy habits and monitor proper handwashing.
- Teach children to avoid [contact with one's eyes, nose and mouth](#), and use tissue to wipe their nose and to [cough/sneeze](#) inside their elbow. Model and practice handwashing before and after eating, after coughing or sneezing, after playing outside, and after using the restroom.
- Discontinue brushing teeth during class.
- All personal items should be labeled and kept in a separate bag to ensure personal items are separate from others. Personal toys and blankets should either be sent home with the family each day or washed daily by the provider.
- Use bedding (sheets, pillows, blankets, sleeping bags) that can be washed. Keep each child's bedding separate, and consider storing in individually labeled bins, cubbies, or bags. Cots and mats should be labeled for each child. Bedding that touches a child's skin should be cleaned weekly or before use by another child.



## Arrival Procedures

If a parent/caregiver is entering the classroom, ask them to wash their own hands and assist in washing the hands of their children before dropping off, prior to coming for pick up, and as soon as they get home.

- Ask parents/caregivers to meet at the facility entryway for pick-up and drop-off of children whenever possible and to be as brief as possible.
- If parents/caregiver must enter, ask them to enter and exit the room one person at a time to allow for social and physical distancing. Consider asking them to wear face coverings.
- Ask parents/caregivers to bring their own pens when signing children in and out. When that is not possible, collect pens immediately after a single use, deposit them in the cleaning area, and provide a sanitized pen.

- Install hand sanitizers, out of the reach of children, near all entry doors and other high traffic areas.
- Take steps to reduce contact between children and adults, including other children's parents during pick-up/drop-off, classroom visits, volunteers.
- If possible, the same parent/caregiver should drop off and pick up the child every day, avoid designating those at high risk.
- Consider staggering arrival and drop off times.
- Consider designating a staff member from each class to escort in or out of facility (if parent/caregiver are comfortable with this option) and signing their child in and out for arrival.



## Health Screening

- Providers must implement screening procedures for all staff and children before they enter the facility. Ask all individuals about [COVID-19](#) symptoms within the last 24 hours and whether anyone in their home has had COVID-19 symptoms or a positive test. Exclude anyone who has an affirmative response on any of these points.
- Document/track incidents of possible exposure and notify local health officials, staff, and families immediately of any possible case of COVID-19 while maintaining confidentiality as required by the Americans with Disabilities Act (ADA).
- Conduct visual wellness checks of all children upon arrival and ask health questions when concerned.
- Take children's temperature each morning with a no-touch thermometer. If a thermometer requiring a touch-method (under the tongue or arm, forehead, etc.) is the only type available, it should only be used when a fever is suspected. Thermometers must be properly cleaned and disinfected after each use.
- Monitor staff and children throughout the day for signs of illness; send home children with a fever of 100.4 degrees or higher, cough, or other COVID-19 symptoms after isolating from the general room population and notify parents.
- Child care programs must exclude any child, parent, caregiver, or staff showing symptoms of COVID-19. Staff should discuss with parent/caregiver and refer to the child's health history form and/or emergency card to identify if the child has a history of allergies, which would not be a reason to exclude.



- Establish procedures for safely transporting anyone sick home or to a healthcare facility, as appropriate.
- Advise sick staff members and children not to return until they met CDC criteria to discontinue home isolation.



## Coronavirus Symptoms

- Fever
- Cough
- Shortness of breath or difficulty breathing
- Chills
- Repeated shaking with chills
- Fatigue
- Muscle pain
- Headache
- Sore throat
- Congestion or runny nose
- Nausea or vomiting
- Diarrhea
- New loss of taste or smell



## Group Size and Staffing

- Children should remain in groups as small as possible. Should these guidelines differ from local health ordinances, follow the stricter guidance.
- It is important to keep the same children and teacher or staff with each group and include children from the same family in the same group, to the greatest extent possible.



## Classroom Space / Physical Distancing

- Arrange developmentally appropriate activities for smaller group activities and rearrange furniture and play spaces to maintain 6 feet of separation, when possible.
- For napping, place cots, cribs, and mats 6 feet apart, with heads in opposite directions.
- Use opportunities to reduce time spend indoors by bringing children outside, weather permitting while maintaining physical distancing.
- Offer more opportunities for individual play.
- Plan activities that do not require close physical contact between multiple children.
- Stagger indoor and outdoor play and adjust schedules to reduce the number of children in the same area.
- Ensure all outdoor play equipment is cleaned and disinfected between use by different groups of children.
- Develop spacing instructions in both indoor and outdoor spaces that are developmentally appropriate and easy for children to understand.



## Meal Times

- Utilize more tables to spread children out or use name cards to ensure adequate spacing of children.
- Practice proper handwashing before and after eating. Use paper goods and disposable plastic utensils when possible, following CDC and CDPH COVID-19 food handling guidelines.

- Do not allow children or staff to share or touch each other's food.
- Immediately clean and disinfect trays and tables after meals. Avoid family- or cafeteria-style meals, ask staff to handle utensils, and keep food covered to avoid contamination.
- Ensure meals are provided in individual portions and are delivered by staff wearing gloves.
- Implement outdoor meal times if space and weather allow.



## Resources

- California Department of Social Services, Community Care Licensing, Child Care Page: <https://www.cdss.ca.gov/inforesources/child-care-licensing>
- California Division of Occupational Safety and Health (Cal/OSHA): <https://www.dir.ca.gov/dosh/Coronavirus/COVID-19-Infection-Prevention-in-Childcare-Programs-Guidance.pdf>
- California Coronavirus (COVID-19) Resources: <https://covid19.ca.gov/>
- California Department of Pesticide Regulation Health Schools Act information: <https://apps.cdpr.ca.gov/schoolipm/>
- Centers for Disease Control and Prevention (CDC): <https://www.cdc.gov/coronavirus/2019-ncov/community/schools-childcare/guidance-for-childcare.html>

covid19.ca.gov





## Staff Report

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### Staff Report

REPORT 20-0631

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Honorable Mayor and Members of the Hermosa Beach City Council  
Regular Meeting of September 22, 2020

**CONFIRM CITY MANAGER/DIRECTOR OF EMERGENCY  
SERVICES ORDER NO. 2020-12 IMPLEMENTING EMERGENCY  
MEASURES TO TEMPORARILY DEFER PAYMENT OF CITY  
BUSINESS TAXES DURING THE COVID-19 PANDEMIC**

(City Attorney Michael Jenkins)

#### **Recommended Action:**

Staff recommends that the City Council confirm City Manager/Director of Emergency Services Executive Order No. 2020-12 (**Attachment 1**) temporarily suspending City of Hermosa Beach Municipal Code sections 5.04.190, 5.04.200 and 5.04.240 to defer payment of City business taxes and waive interest and penalties for any business that ceased all business operations between March 16 and 31, 2020 and has been entirely closed and remains closed as of the date of the Order due to the COVID-19 pandemic.

#### **Executive Summary:**

As a result of state and county stay-at-home orders enacted to curb the spread of COVID-19, some local businesses have completely ceased all business operations since March when these orders were first issued. These businesses have suffered a significant loss of revenue and many may not be able to fully recover. Staff recommends City Council confirm City Manager/Director of Emergency Services Executive Order No. 2020-12, that is intended to mitigate the economic hardship these businesses have endured as a result of the pandemic by deferring the payment of City business taxes, and waiving all interest and penalties of businesses that meet the requirements of this Order.

#### **Background:**

On March 15, 2020, the City Council of the City of Hermosa Beach ("City") declared a state of local emergency in response to the global pandemic caused by a respiratory disease which has been named "COVID-19". At a special meeting on March 16, 2020, the City Council adopted Resolution No. 20-7230, approving and confirming the declaration of emergency.

On March 19, 2020, the Governor of the State of California, issued Executive Order N-33-20 an Order of the State Public Health Officer ordering all individuals living in California to stay home or at their place of residence except as needed to maintain continuity of operations of outlined federal

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## Staff Report

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critical infrastructure sectors.

Evidence in late April and early May demonstrated that state and local orders slowed the increase of community transfer of the disease by limiting interactions amongst people. As a result, on May 7, 2020, Governor Newsom, announced a four-staged framework, titled “Resilience Roadmap” that is intended to guide the state’s gradual modification of its Safer at Home Order to reopen California. The state also issued industry specific guidance to help specified businesses reopen under new restrictions, which require businesses to, among other things, implement social distancing measures.

In line with the State’s health guidance, the Los Angeles County Public Health Officer issued a revised Order on May 13, 2020 entitled “Continuation of Safer at Home Order that begins to move the County of Los Angeles into Stage 2 of the County’s Roadmap to Recovery,” that authorized some limited retail and outdoor recreation venues to reopen subject to among other things, social distancing measures to prevent the further spread of COVID-19. The Order was updated again on May 26th, May 29th, June 11th and June 18th, 2020 to continue to allow the gradual reopening of additional sectors including bars, hair salons, personal care services, gyms and fitness facilities subject to social distancing measures. The May 29th Order for example, permitted restaurants and food facilities to remain open and offer limited dine-in seating. The Order also encouraged restaurants to expand outdoor seating where possible in compliance with local zoning codes to comply with social distancing requirements.

In the following weeks, the State and County have experienced a sharp increase in confirmed COVID -19 cases and hospitalizations, and the timing of these increases is in line with the reopening of “high risk” businesses where individuals may congregate with members who are not part of the same household and remove their face coverings to eat and drink. As a result, the County Health Officer issued a revised Order on July 1, 2020 to backtrack on the County’s gradual reopening to prohibit indoor dining and order the immediate closure of bars, wineries and winery tasting rooms.

On August 28, 2020, the State Health Officer issued a new order that sets forth an updated “blueprint” that is intended to guide the gradual reopening of businesses and activities in the state while reducing the increased community spread of the disease. The new framework is entitled, “California’s Plan for Reducing COVID-19 and Adjusting Permitted Sector Activities to Keep Californians Health and Safe”. Under this updated framework, every county in California is assigned to a tier based on how prevalent COVID-19 is in each county and the extent of community spread- Purple (Widespread), Red (Substantial), Orange (Moderate) and Yellow (Minimal). The color of each respective tier indicates what sectors may reopen. As of the date of this report, Los Angeles County is in the Purple Tier. The County Health Officer most recently amended its County-wide order on September 4, 2020 to incorporate the state’s new blueprint.

Although, recent public health data demonstrates the infection and hospitalization rates are down,

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## Staff Report

REPORT 20-0631

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COVID-19 continues to pose a significant threat to the public health and safety of City residents. There is still no vaccine proven to combat the disease and recent evidence demonstrates how rapidly the disease may spread through person-to-person contact and by those in close proximity. As of the date of writing this report, there are 255,049 confirmed cases and 474 deaths in the County.

### Emergency Measures Adopted to Assist Local Businesses

The spread of COVID-19 is an unprecedented event, and the State and County's understanding of how the disease spreads continues to evolve. As a result of state and local stay at home orders enacted to curb the spread of the disease, a significant number of local businesses were forced to close. The rapid, immediate and unexpected loss of revenue from this unexpected closure is devastating to local businesses.

The City has adopted several measures intended to assist in the economic recovery of local businesses:

- May 26, 2020: Executive Order No. 2020-05 temporarily suspended City of Hermosa Beach Municipal Code Sections 17.26.050 (B), (C) and 17.44.030 regarding off-street parking requirements for commercial and business uses to implement a temporary permit for outdoor dining/seating and outdoor retail display.
- June 29, 2020: Executive Order No. 2020-08 permitted bars, wineries, breweries wine tasting rooms, and food facilities to reopen subject to the County's industry-specific re-opening protocols.
- July 17, 2020: Executive Order No. 2020-09 temporarily suspended Hermosa Beach Municipal Code sections 17.26.050(B), 17.44.030 and 17.38.550 to temporarily permit gyms, fitness facilities, hair salons and barbershops to operate outdoors.
- July 28, 2020: Urgency Ordinance No 20-1415U temporarily suspended Hermosa Beach Municipal Code Sections 17.26.050(B), 17.44.030, 17.38.550(B) and 17.08.020(D)(14) regarding uses permitted within commercial zones, off-street parking requirements for commercial and business uses within commercial zones, and home occupation permits to allow specified businesses to operate outdoors and to allow home occupations to continue to operate and pursue their livelihoods without maintaining a physical office location as required under the Zoning Code.
- August 25, 2020: Executive Order No. 2020-11 implemented temporary lane closures on Hermosa Ave. to facilitate outdoor recreation and to allow for any commercial purpose that would require a temporary permit for outdoor dining/seating and outdoor retail display.

The City of Hermosa Beach desires to continue to implement emergency measures to assist in the economic recovery of local businesses and provide much needed financial relief to City businesses as they reopen.

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## Staff Report

REPORT 20-0631

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### **Analysis**

The public health community's response to COVID-19 has required residents to remain at home as much as possible. This has resulted in a slow-down of the local economy. Although, such orders have been gradually modified to permit the reopening of specified businesses subject to new modifications, not all businesses have been permitted to do so, or have the ability to adapt their operations to the new modifications. As a result, some local businesses have completely ceased all business operations since March when the State and County stay-at-home orders were first issued. These businesses have suffered a significant loss of revenue and many may not be able to fully recover.

City Manager/Director of Emergency Services Executive Order No. 2020-12 is necessary to mitigate the economic hardship these businesses have endured as a result of the pandemic. Deferring the payment of City business taxes and waiving all interest and penalties would provide much needed financial relief to local businesses that meet the requirements of this Order.

Executive Order No. 2020-12 temporarily suspends City of Hermosa Beach Municipal Code sections 5.04.190, 5.04.200 and 5.04.240 to defer payment of City business taxes and waive interest and penalties for any business that ceased all business operations between March 16 and 31, 2020 and has been entirely closed and remains closed as of the date of the Order due to the COVID-19 pandemic.

Pursuant to Hermosa Beach Municipal Code section 2.56.060(A) the City Manager/Director of Emergency Services may issue rules and regulations reasonably related to the protection of life and property as affected by such emergency provides however that such rules or regulations must be confirmed at the earliest practical time by the City council.

### **Fiscal Impact:**

The City of Hermosa Beach initially incurs all costs related to the City's response to the COVID-19 Pandemic, but will submit requests for cost recovery to the California Office of Emergency Services (CalOES), either directly, or through the Los Angeles County Office of Emergency Management, (LACoOEM), the local reporting agent.

### **Attachments:**

1. City Manager\Director of Emergency Services Executive Order No. 2020-12.

**Respectfully Submitted by:** Michael Jenkins, City Attorney

**Legal Review:** Michael Jenkins, City Attorney

**Approved:** Suja Lowenthal, City Manager

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## **Staff Report**

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**CITY OF HERMOSA BEACH  
DIRECTOR OF EMERGENCY SERVICES**

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**EXECUTIVE ORDER NO. 2020-12**

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**EMERGENCY EXECUTIVE ORDER OF THE CITY  
MANAGER/DIRECTOR OF EMERGENCY SERVICES OF  
THE CITY OF HERMOSA BEACH, CALIFORNIA,  
IMPLEMENTING EMERGENCY MEASURES TO  
TEMPORARILY DEFER PAYMENT OF CITY BUSINESS  
TAXES DURING THE COVID-19 PANDEMIC**

**SECTION 1. RECITALS**

- A. All of the recitals in Hermosa Beach Director of Emergency Services Executive Order Nos. 2020-01, 2020-02, 2020-03, 2020-04, 2020-05, 2020-06, 2020-07, 2020-08, 2020-09, 2020-10 and 2020-11 remain in effect and incorporated herein by reference.
- B. On March 15, 2020, City of Hermosa Beach (“City”) Mayor Mary Campbell, declared a local emergency to ensure an effective City response to a respiratory disease which has been named “COVID-19”. At a special meeting on March 16, 2020, the City Council adopted Resolution No. 20-7230, approving and ratifying the declaration of emergency.
- C. As a result of state and local stay at home orders, a significant number of local businesses were forced to close. The rapid, immediate and unexpected loss of revenue from this unexpected closure is devastating to local businesses. By deferring payment of City business taxes, this Order will provide much needed financial relief to City businesses and assist in their economic recovery as they reopen.
- D. This Order is necessary to temporarily suspend City of Hermosa Beach Municipal Code sections 5.04.190, 5.04.200 and 5.04.240 regarding City business taxes, to defer payment of City business taxes and waive any accrued penalties and interest for those business that have been adversely impacted by the COVID-19 Pandemic.
- E. This Order is adopted pursuant to the City’s police powers and powers afforded to the City in time of national, state, county and local emergency during an unprecedented health pandemic, such powers being afforded by the State Constitution, State law, and the Section 2.56.060 of the Hermosa Beach Municipal Code to protect the peace, health, and safety of the public, and to protect life and property as affected by the emergency.

1 **SECTION 2.**

2 The provisions of Hermosa Beach Municipal Code Sections 5.04.190, 5.04.200 and  
3 5.04.240 regarding City business taxes are hereby temporarily suspended to the extent they  
4 conflict with this Order, to allow for implementation of the following:

- 5 A. The business tax due and payable on and after March 31, 2020 shall be deferred and  
6 interest and penalties waived for any business that ceased all business operations between  
7 March 16 and 31, 2020, has been entirely closed and remains closed as of the date of this  
8 Order due to the COVID-19 pandemic.
- 9 B. Business taxes deferred pursuant to paragraph A above are deferred until the business  
10 resumes operation, at which time the tax due will be prorated until the business' next tax  
11 payment anniversary date.
- 12 C. In order to be eligible for the deferral provided for in paragraph A above, the business  
13 owner must sign a statement under penalty of perjury that provides dates of closure  
14 supported by documentation of the closure satisfactory to the City. If the foregoing  
15 statement is found to be untrue, the past due business tax, including penalties and interest,  
16 shall become payable immediately.
- 17 D. A business that is eligible for the deferral provided for in paragraph A and that paid a  
18 business tax on or after March 31, 2020 is entitled to and may apply to the City for a  
19 refund of the tax.

20 **SECTION 3. Severability**

21 If any section, subsection, sentence, clause, phrase or word of this Order is found to be  
22 unconstitutional or otherwise invalid by any court of competent jurisdiction, such decision  
23 shall not affect the remaining provisions of this Order.

24 **SECTION 4.**

25 Effective Date and Termination. This Order shall become effective immediately and shall  
26 continue until the earlier to occur of: (1) the conclusion of the local emergency; (2) its  
27 termination is ordered by the City Manager/Director of Emergency Services; or (3) it is duly  
28 terminated by the City Council. The Order may also be superseded by a duly enacted  
ordinance or order of the City Council expressly superseding this Order.

**ORDERED** by the City Manager/Director of Emergency Service this 16th day of September 2020.

**ATTEST:**

Jan Hl

Suja Lowenthal, City Manager and  
Director of Emergency Services  
City of Hermosa Beach

Ehl Sef

Eduardo Sarmiento, City Clerk



## Staff Report

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### Staff Report

REPORT 20-0612

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Honorable Mayor and Members of the Hermosa Beach City Council  
Regular Meeting of September 22, 2020

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF  
HERMOSA BEACH APPROVING THE ISSUANCE AND  
SALE OF REFUNDING LEASE REVENUE BONDS BY THE  
HERMOSA BEACH PUBLIC FINANCING AUTHORITY TO  
REFUND OUTSTANDING 2015 LEASE REVENUE BONDS  
AND APPROVE RELATED DOCUMENTS AND ACTIONS**

(Finance Director Viki Copeland)

#### **Recommended Action:**

Staff recommends that the City Council approve the resolution entitled "Resolution of the City Council of the City of Hermosa Beach Approving the Issuance and Sale of Refunding Lease Revenue Bonds by the Hermosa Beach Public Financing Authority to Refund Outstanding 2015 Lease Revenue Bonds and Approving Related Documents and Actions."

#### **Executive Summary:**

The resolution (**Attachment 1**) authorizes staff to execute documents required to issue lease revenue bonds sufficient to fund the remaining \$9.89 million outstanding 2015 Lease Revenue Bonds.

Mark Northcross, Financial Advisor, Northcross Hill Ash (NHA Advisors), Charles (Chick) Adams, Bond Counsel, Jones Hall and Scott Ferguson, Bond Counsel, Jones Hall will be in attendance to answer any questions.

#### **Background:**

In 2015, the City issued \$11.6 million in lease revenue bonds to fund a portion of its \$17.5 million settlement with the MacPherson Oil Company. The bonds have a final maturity of 2035 and carry an average interest rate of 3.16%. The bonds are secured by a pledge of the City's General Fund revenues. Since the transaction is legally a lease, the City needed to encumber certain assets as the subject of the lease. These leased assets comprise the City Hall complex, including the fire station and the police station. The 2015 lease revenue bonds are callable without premium on November 1, 2020. There are currently \$9.89 million of those bonds outstanding.

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## Staff Report

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### **Analysis:**

The City's financial advisors, NHA Advisors, believe that the 2015 bonds can be refinanced now at an interest rate of approximately 2.0%, with a financing term matching the original financing term through 2035. The average interest rate on the outstanding 2015 bonds is 3.16%%. The cash flow savings are projected to be \$60,000 per year, with a total of \$965,000 in cash flow savings through 2035. A commonly used measure for the benefit of a refinancing of municipal bonds is called the "present value savings." This figure is a present value, using a discount rate equal to the interest rate on the bonds. In the case of the City's 2015 bonds, the present value savings are projected to be over \$870,000, a figure equal to almost 9% of the outstanding amount of the 2015 bonds. A refinancing of municipal bonds with a potential present value savings in excess of 5% of par value of the refunded bonds is considered to be a very strong refinancing.

Total costs of issuance for the lease revenues are estimated at \$227,000. Of this total, the cost of financial advisor, bond counsel, credit rating, appraisal and other financing costs are estimated at \$170,000. The remainder of these costs are for the bond underwriter's discount for selling the lease revenue bonds.

**Legal documents**-the resolution specifically authorizes execution of the following documents:

**Lease agreement.** Under this agreement, the City agrees to make semi-annual lease payments to the Hermosa Beach Public Financing Authority. The lease agreement requires the City to provide both casualty, liability, and rental interruption insurance with regard to the City Hall and Fire Station. The lease agreement also includes provisions that would enable the City to encumber the City Hall complex with an additional lien in the future should it decide to finance a remodeling of the City Hall complex.

**Site Lease.** Under this agreement, the City leases the City Hall complex to the Authority in return for receiving the proceeds of the lease revenue bonds issued by the Authority.

**Indenture of Trust.** The indenture is a contract between the City and a trustee bank, Bank of New York Mellon Trust Company, under which Bank of New York would provide standard bond trustee services for the lease revenue bonds.

**Escrow Agreement.** This document sets forth the terms and conditions under which the trustee bank for the proposed bond issue would hold the bond proceeds prior to prepaying the 2015 lease revenue bonds on November 1, 2015.

**Bond Purchase Agreement.** This document sets forth the terms under which the proposed underwriter for the transaction, Stifel Nicolaus & Company, would purchase the bonds from the City for resale to bond investors.

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## Staff Report

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**Official Statement.** This is a key document that discloses to potential purchasers of the lease revenue bonds the fundamental terms of the transaction, and the risk associated with ownership of the lease revenue bonds.

### **General Plan Consistency:**

PLAN Hermosa, the City's long range planning document, was adopted by the City Council in August 2017, and envisions future where "Hermosa Beach is the small town others aspire to be; a place where our beach culture, strong sense of community, and commitment to sustainability intersect." One of the guiding principles to achieve the vision is to make decisions and take actions that help contribute to the City's economic and fiscal stability.

A focus of the Governance chapter in the General Plan is to ensure that decision-making and leadership are conducted in ethical, transparent, and innovative manner that reflects community values. Goal 1 of the Governance chapter speaks to maintaining a high degree of transparency and integrity in the decision-making process.

### **Fiscal Impact:**

The cash flow savings are projected to be \$60,000 per year, with a total of \$965,000 in cash flow savings through 2035.

### **Attachments:**

1. Resolution 20-XXXX - City Council Issuance and Sale of Revenue Lease Bonds
2. Amended and Restated Lease Agreement
3. Amended and Restated Site Lease
4. Indenture of Trust
5. Escrow Agreement
6. Bond Purchase Agreement
7. Preliminary Official Statement

**Respectfully Submitted by:** Viki Copeland, Finance Director

**Noted for Fiscal Impact:** Viki Copeland, Finance Director

**Legal Review:** Mike Jenkins, City Attorney

**Approved:** Suja Lowenthal, City Manager

**CITY OF HERMOSA BEACH  
RESOLUTION NO. 20-XXXX**

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF HERMOSA  
BEACH APPROVING THE ISSUANCE AND SALE OF REFUNDING  
LEASE REVENUE BONDS BY THE HERMOSA BEACH PUBLIC  
FINANCING AUTHORITY TO REFUND OUTSTANDING 2015 LEASE  
REVENUE BONDS, AND APPROVING RELATED DOCUMENTS AND  
ACTIONS**

**Section 1. Recitals.**

In order to raise the funds required to make payments due under a Settlement Agreement and Release dated as of March 2, 2012, between MacPherson Oil Company, Windward Associates, E & B Natural Resources Management Corporation and the City of Hermosa Beach (the "City"), the Hermosa Beach Public Financing Authority (the "Authority") has previously issued its Hermosa Beach Public Financing Authority 2015 Lease Revenue Bonds in the aggregate principal amount of \$11,600,000 (the "2015 Bonds").

The 2015 Bonds are secured by a pledge of lease payments which are made by the City as rental for certain property consisting generally of the land and improvements which constitute the existing civic center of the City (the "Leased Property"), under a Lease Agreement dated as of August 1, 2015.

The 2015 Bonds are subject to redemption at the option of the Authority on November 1, 2020, at a redemption price equal to 100% of the principal amount thereof together with accrued interest thereon to the redemption date, without premium.

The City and the Authority have determined that it is in their best interests to refund the 2015 Bonds, and in order to provide funds for that purpose the City has requested the City to authorize the issuance and sale of its 2020 Refunding Lease Revenue Bonds in the aggregate principal amount of not to exceed \$10,000,000 (the "Refunding Bonds") under the provisions of Articles 10 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, commencing with Section 53570 of said Code (the "Refunding Bond Law").

The City Council has previously approved a Debt Issuance and Management Policy which complies with Government Code Section 8855, and the issuance of the Refunding Bonds will be in compliance with said policy.

The City Council wishes to authorize the issuance and sale of the Refunding Bonds by the Authority and to approve all related documents and proceedings to which it is a party.

**Section 2. Authorization of Bonds.** The City Council hereby authorizes the issuance of the Refunding Bonds by the Authority under the Refunding Bond Law, for the purpose of providing funds to refund the 2015 Bonds and thereby realize debt service savings to the City.

**Section 3. Approval of Related Financing Agreements.** The City Council hereby approves each of the following agreements relating to the issuance and sale of the Refunding Bonds, in substantially the respective forms on file with the City Clerk together with any changes therein or additions thereto deemed advisable by the City Manager, whose execution thereof shall be conclusive evidence of the approval of any such changes or additions. The City Manager is hereby authorized and directed for and in the name and on behalf of the City to execute, and the City Clerk is hereby authorized and directed to attest to, the final form of each such agreement:

- Amended and Restated Site Lease, between the City as lessor and the Authority as lessee of the Leased Property, under which the City and the Authority amend and restate the site lease relating to the 2015 Bonds for the purpose of incorporating the terms and provisions relating to the Refunding Bonds;
- Amended and Restated Lease Agreement, between the Authority as lessor and the City as lessee of the Leased Property, under which the City and the Authority amend and restate the lease agreement relating to the 2015 Bonds for the purpose of incorporating the terms and provisions relating to the Refunding Bonds, including for the purpose of reducing the schedule of lease payments for the Leased Property to reflect the debt service savings which are realized as a result of the issuance of the Refunding Bonds and the refunding of the 2015 Bonds; and
- Escrow Agreement, among the Authority, the City and U.S. Bank National Association, as escrow agent, providing the terms and provisions relating to the refunding and redemption of the 2015 Bonds.

**Section 4. Sale of Refunding Bonds; Approval of Bond Purchase Agreement.** The City Council hereby approves the sale of the Refunding Bonds by the Authority on a negotiated basis to Stifel, Nicolaus & Company, Incorporated (the "Underwriter"). The Refunding Bonds shall be sold to the Underwriter pursuant to a Bond Purchase Agreement among the Authority, the City and the Underwriter in substantially the form on file with the City Clerk together with any changes therein or additions thereto deemed advisable by the City Manager or the Finance Director (each, an "Authorized Officer"), and execution of the final form of the Bond Purchase Agreement by an Authorized Officer shall be conclusive evidence of the approval of any such changes or additions. The Finance Director is hereby authorized to approve an offer from the Underwriter to purchase the Refunding Bonds, provided that the amount of Underwriter's discount for the Bonds shall be not more than 0.80% of the par amount thereof and the true interest cost of the Refunding Bonds shall not exceed 2.25% per annum. An Authorized Officer is hereby authorized and directed to execute the final form of the Bond Purchase Agreement in the name and on behalf of the City.

**Section 5. Official Statement.** The City Council hereby approves and deems final within the meaning of Rule 15c2-12 of the Securities Exchange Act of 1934, the Preliminary Official Statement describing the Refunding Bonds in the form on file with the City Clerk. An Authorized Officer is individually authorized, at the request of the Underwriter, to execute an appropriate certificate affirming the City Council's determination that the Preliminary Official Statement has been deemed final within the



meaning of such Rule. Distribution of the Preliminary Official Statement by the Underwriter is hereby approved. An Authorized Officer is hereby authorized and directed to approve any changes in or additions to a final form of said Official Statement, and the execution thereof by an Authorized Officer shall be conclusive evidence of approval of any such changes and additions. The City Council hereby authorizes the distribution of the Final Official Statement by the purchaser of the Refunding Bonds. The Final Official Statement shall be executed in the name and on behalf of the City by an Authorized Officer.

**Section 6. Official Actions.** The Mayor, the City Manager, the Finance Director, the City Clerk and all other officers of the City are each authorized and directed in the name and on behalf of the City to make any and all leases, assignments, certificates, requisitions, agreements, notices, consents, instruments of conveyance, warrants and other documents, which they or any of them deem necessary or appropriate in order to consummate any of the transactions contemplated by the agreements and documents approved under this Resolution. Whenever in this Resolution any officer of the City is authorized to execute or countersign any document or take any action, such execution, countersigning or action may be taken on behalf of such officer by any person designated by such officer to act on his or her behalf in the case such officer is absent or unavailable.

**Section 7. Effective Date.** This Resolution shall take effect immediately upon its passage and adoption.

\* \* \* \* \*

**PASSED AND ADOPTED** by the City Council of the City of Hermosa Beach at a regular meeting held on September 22, 2020, by the following vote:

AYES:

NOES:

ABSENT:

Attest:

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Mayor

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City Clerk

RECORDING REQUESTED BY:  
Stewart Title Guaranty Company  
Commercial Services San Francisco

TO BE RECORDED MAIL TO:  
Jones Hall, A Professional Law Corporation  
475 Sansome Street, Suite 1700  
San Francisco, California 94111  
Attention: Charles F. Adams, Esq.

File No.

APN:

## **AMENDED AND RESTATED LEASE AGREEMENT**

This AMENDED AND RESTATED LEASE AGREEMENT (this "Lease Agreement"), dated for convenience as of October 1, 2020, is between the HERMOSA BEACH PUBLIC FINANCING AUTHORITY, a joint powers authority duly organized and existing under the laws of the State of California, as lessor (the "Authority"), and the CITY OF HERMOSA BEACH, a municipal corporation duly organized and existing under the laws of the State of California, as lessee (the "City").

### ***B A C K G R O U N D :***

1. The Authority has previously issued its Hermosa Beach Public Financing Authority 2015 Lease Revenue Bonds in the aggregate principal amount of \$11,600,000 (the "2015 Bonds") for the purpose of providing funds to enable the City to discharge its obligation to settle certain claims made against the City, pursuant to that certain Settlement Agreement and Release dated as of March 2, 2012 between MacPherson Oil Company, Woodward Associates, E & B Natural Resources Management Corporation and the City.

2. The 2015 Bonds are secured by a pledge of lease payments which are made by the City as rental for certain property consisting generally of the land and improvements which constitute the existing civic center of the City, as described more fully in Appendix A which is attached hereto and by this reference incorporated herein (the "Leased Property"), under a Lease Agreement dated as of August 1, 2015, which was recorded on August 13, 2015, as Document No. 2015-0994373 in the Office of the Los Angeles County Recorder (the "2015 Lease Agreement"), between the City and the Authority.

3. The 2015 Bonds are subject to redemption at the option of the Authority on November 1, 2020, at a redemption price equal to 100% of the principal amount thereof together with accrued interest thereon to the redemption date, without premium.

4. The City and the Authority have determined that it is in their best interests to refund the 2015 Bonds and in order to provide funds for that purpose the Authority has authorized the issuance of its 2020 Refunding Lease Revenue Bonds in the aggregate

principal amount of \$\_\_\_\_\_ (the "Bonds"), under an Indenture of Trust dated as of October 1, 2020 (the "Indenture"), between the Authority and U.S. Bank National Association, as trustee (the "Trustee").

5. The City and the Authority wish to amend and restate the 2015 Lease Agreement pursuant to this Lease Agreement for the purpose of providing for the payment of lease payments by the City (the "Lease Payments") which have been assigned by the Authority to the Trustee for the security of the Bonds under an Assignment Agreement dated as of October 1, 2020 (the "Assignment Agreement"), which has been recorded concurrently herewith, between the Authority as assignor and the Trustee as assignee.

6. The Authority has been organized for the purpose of providing financial assistance to the City and is authorized to enter into financing documents for that purpose.

#### **A G R E E M E N T :**

*In consideration of the above premises and of the mutual promises and covenants herein contained and for other valuable consideration, the parties hereto do hereby agree as follows:*

### **ARTICLE I**

#### **DEFINITIONS; RULES OF INTERPRETATION**

SECTION 1.1. *Definitions.* Unless the context clearly otherwise requires or unless otherwise defined herein, the capitalized terms in this Lease Agreement have the respective meanings given them in the Indenture.

#### *SECTION 1.2. Interpretation.*

(a) Unless the context otherwise indicates, words expressed in the singular includes the plural and vice versa and the use of the neuter, masculine, or feminine gender is for convenience only and includes the neuter, masculine or feminine gender, as appropriate.

(b) Headings of articles and sections herein and the table of contents hereof are solely for convenience of reference, do not constitute a part hereof and do not affect the meaning, construction or effect hereof.

(c) All references herein to "Articles," "Sections" and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Lease Agreement; the words "herein," "hereof," "hereby," "hereunder" and other words of similar import refer to this Lease Agreement as a whole and not to any particular Article, Section or subdivision hereof.

(d) Whenever the term "may" is used herein with respect to an action by one of the parties hereto, such action shall be discretionary and the party who "may" take such action shall be under no obligation to do so.

## ARTICLE II

### COVENANTS, REPRESENTATIONS AND WARRANTIES

SECTION 2.1. *Covenants, Representations and Warranties of the City.* The City makes the following covenants, representations and warranties to the Authority and the Trustee as of the date of the execution and delivery of this Lease Agreement:

- (a) Due Organization and Existence. The City is a municipal corporation duly organized and validly existing under the laws of the State of California, has full legal right, power and authority under the laws of the State of California to enter into the Site Lease, the Escrow Agreement and this Lease Agreement and to carry out and consummate all transactions contemplated hereby, and by proper action the City has duly authorized the execution and delivery of the Site Lease, the Escrow Agreement and this Lease Agreement.
- (b) Due Execution. The representatives of the City executing the Site Lease, the Escrow Agreement and this Lease Agreement have been fully authorized to execute the same under a resolution duly adopted by the City Council of the City.
- (c) Valid, Binding and Enforceable Obligations. The Site Lease, the Escrow Agreement and this Lease Agreement have been duly authorized, executed and delivered by the City and constitute the legal, valid and binding obligations of the City enforceable against the City in accordance with their respective terms.
- (d) No Conflicts. The execution and delivery of the Site Lease, the Escrow Agreement and this Lease Agreement, the consummation of the transactions therein and herein contemplated and the fulfillment of or compliance with the terms and conditions thereof and hereof, do not and will not conflict with or constitute a violation or breach of or default (with due notice or the passage of time or both) under any applicable law or administrative rule or regulation, or any applicable court or administrative decree or order, or any indenture, mortgage, deed of trust, lease, contract or other agreement or instrument to which the City is a party or by which it or its properties are otherwise subject or bound, or result in the creation or imposition of any prohibited lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of the City, which conflict, violation, breach, default, lien, charge or encumbrance would have consequences that would materially and adversely affect the consummation of the transactions contemplated by the Site Lease, the Escrow Agreement and this Lease Agreement or the financial condition, assets, properties or operations of the City.
- (e) Consents and Approvals. No consent or approval of any trustee or holder of any indebtedness of the City or of the voters of the City, and no consent, permission, authorization, order or license of, or filing or

registration with, any governmental authority is necessary in connection with the execution and delivery of the Site Lease, the Escrow Agreement and this Lease Agreement, or the consummation of any transaction therein and herein contemplated, except as have been obtained or made and as are in full force and effect.

- (f) No Litigation. There is no action, suit, proceeding, inquiry or investigation before or by any court or federal, state, municipal or other governmental authority pending or, to the knowledge of the City after reasonable investigation, threatened against or affecting the City or the assets, properties or operations of the City which, if determined adversely to the City or its interests, would have a material and adverse effect upon the consummation of the transactions contemplated by or the validity of the Site Lease, the Escrow Agreement and this Lease Agreement, or upon the financial condition, assets, properties or operations of the City, and the City is not in default with respect to any order or decree of any court or any order, regulation or demand of any federal, state, municipal or other governmental authority, which default might have consequences that would materially and adversely affect the consummation of the transactions contemplated by the Site Lease, the Escrow Agreement and this Lease Agreement or the financial conditions, assets, properties or operations of the City.

SECTION 2.2. *Covenants, Representations and Warranties of the Authority.* The Authority makes the following covenants, representations and warranties to the City and the Trustee as of the date of the execution and delivery of this Lease Agreement:

- (a) Due Organization and Existence. The Authority is a joint exercise of powers authority duly organized and existing under a joint powers agreement and the laws of the State of California; has power to enter into this Lease Agreement, the Site Lease, the Escrow Agreement, the Assignment Agreement and the Indenture; is possessed of full power to own and hold, improve and equip real and personal property, and to lease the same; and has duly authorized the execution and delivery of each of the aforesaid agreements and such agreements constitute the legal, valid and binding obligations of the Authority, enforceable against the Authority in accordance with their respective terms.
- (b) Due Execution. The representatives of the Authority executing this Lease Agreement, the Site Lease, the Escrow Agreement, the Assignment Agreement and the Indenture are fully authorized to execute the same pursuant to official action taken by the governing body of the Authority.
- (c) Valid, Binding and Enforceable Obligations. This Lease Agreement, the Site Lease, the Escrow Agreement, the Assignment Agreement and the Indenture have been duly authorized, executed and delivered by the Authority and constitute the legal, valid and binding

agreements of the Authority, enforceable against the Authority in accordance with their respective terms.

- (d) No Conflicts. The execution and delivery of this Lease Agreement, the Site Lease, the Escrow Agreement, the Assignment Agreement and the Indenture, the consummation of the transactions herein and therein contemplated and the fulfillment of or compliance with the terms and conditions hereof, do not and will not conflict with or constitute a violation or breach of or default (with due notice or the passage of time or both) under any applicable law or administrative rule or regulation, or any applicable court or administrative decree or order, or any indenture, mortgage, deed of trust, lease, contract or other agreement or instrument to which the Authority is a party or by which it or its properties are otherwise subject or bound, or result in the creation or imposition of any prohibited lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of the Authority, which conflict, violation, breach, default, lien, charge or encumbrance would have consequences that would materially and adversely affect the consummation of the transactions contemplated by this Lease Agreement, the Site Lease, the Escrow Agreement, the Assignment Agreement and the Indenture or the financial condition, assets, properties or operations of the Authority.
- (e) Consents and Approvals. No consent or approval of any trustee or holder of any indebtedness of the Authority, and no consent, permission, authorization, order or license of, or filing or registration with, any governmental authority is necessary in connection with the execution and delivery of this Lease Agreement, the Site Lease, the Escrow Agreement, the Assignment Agreement or the Indenture, or the consummation of any transaction herein or therein contemplated, except as have been obtained or made and as are in full force and effect.
- (f) No Litigation. There is no action, suit, proceeding, inquiry or investigation before or by any court or federal, state, municipal or other governmental authority pending or, to the knowledge of the Authority after reasonable investigation, threatened against or affecting the Authority or the assets, properties or operations of the Authority which, if determined adversely to the Authority or its interests, would have a material and adverse effect upon the consummation of the transactions contemplated by or the validity of this Lease Agreement, the Site Lease, the Escrow Agreement, the Assignment Agreement or the Indenture, or upon the financial condition, assets, properties or operations of the Authority, and the Authority is not in default with respect to any order or decree of any court or any order, regulation or demand of any federal, state, municipal or other governmental authority, which default might have consequences that would materially and adversely affect the consummation of the transactions contemplated by this Lease Agreement, the Site Lease, the Escrow Agreement, the Assignment

Agreement or the Indenture or the financial conditions, assets, properties or operations of the Authority.

### **ARTICLE III**

#### **LEASE TO THE CITY; ISSUANCE OF BONDS AND APPLICATION OF PROCEEDS; SUBSTITUTION AND RELEASE OF LEASED PROPERTY**

SECTION 3.1. *Lease of Leased Property.* This Lease Agreement constitutes an amendment and restatement in full of the 2015 Lease Agreement. From and after the Closing Date, the 2015 Lease Agreement, in the form heretofore executed and delivered by the City and the Authority, shall be of no further force and effect and shall be deemed to be restated in full hereby. The Authority continues to and does hereby lease the Leased Property to the City upon the terms and conditions set forth in this Lease Agreement, without interruption by virtue of the amendment and restatement of the 2015 Lease Agreement hereby.

SECTION 3.2. *Issuance of Bonds; Application of Proceeds.* In consideration for the agreement by the City to amend and restate the 2015 Site Lease as provided herein, the Authority hereby agrees to issue the Bonds under the Bond Law for the purpose of providing funds to refund the 2015 Bonds in full. The proceeds received by the Authority from the sale of the Bonds to the Original Purchaser shall be applied on the Closing Date in the amounts and for the purposes set forth in Section 3.02 of the Indenture.

SECTION 3.3. *Substitution of Property.* The City has the option at any time and from time to time to substitute other real property (the "Substitute Property") for the Leased Property or any portion thereof (the "Former Property"), upon satisfaction of all of the following requirements which are hereby declared to be conditions precedent to such substitution:

- (a) No Event of Default has occurred and is continuing.
- (b) The City has filed with the Authority and the Trustee, and caused to be recorded in the office of the Los Angeles County Recorder sufficient memorialization of, an amendment hereof and an amendment of the Site Lease which removes the Former Property from this Lease Agreement and the Site Lease and which adds the Substitute Property to this Lease and the Site Lease.
- (c) The City has obtained a CLTA policy of title insurance insuring the City's leasehold estate hereunder in the Substitute Property, subject only to Permitted Encumbrances, in an amount at least equal to the estimated value thereof.
- (d) The City has certified in writing to the Authority and the Trustee that the Substitute Property serves the municipal purposes of the City and constitutes property which the City is permitted to lease under the laws of the State of California, and has been determined to serve a governmental function of the City.

- (e) The Substitute Property does not cause the City to violate any of its covenants, representations and warranties made herein.
- (f) The City and the Authority have filed a written certificate with the Trustee stating that (a) based on the estimated value of the Substitute Property, the remaining Lease Payments constitute fair rental value for the use and occupancy of the Substitute Property, taking into consideration the factors set forth in Section 4.2(d), and (b) the useful life of the Substitute Property at least extends to November 1, 2045.
- (g) The City has mailed written notice of such substitution to each rating agency which then maintains a rating on the Bonds.

Upon the satisfaction of all such conditions precedent, the Term of this Lease Agreement and the term of the Site Lease will thereupon end as to the Former Property and commence as to the Substitute Property, and all references to the Former Property herein and therein will apply with full force and effect to the Substitute Property. The City shall not be entitled to any reduction, diminution, extension or other modification of the Lease Payments whatsoever as a result of any substitution of property under this Section. The Authority and the City shall execute, deliver and cause to be recorded all documents required to discharge the Site Lease, this Lease Agreement and the Assignment Agreement of record against the Former Property and to cause the Substitute Property to become subject to all of the terms and conditions of the Site Lease, this Lease Agreement and the Assignment Agreement.

SECTION 3.4. *Release of Property.* The City has the option at any time and from time to time to release any portion of the Leased Property from this Lease Agreement and the Site Lease (the "Released Property"), upon satisfaction of all of the following requirements which are hereby declared to be conditions precedent to such release:

- (a) No Event of Default has occurred and is continuing.
- (b) The City has filed with the Authority and the Trustee, and caused to be recorded in the office of the Los Angeles County Recorder sufficient memorialization of, an amendment hereof and an amendment of the Site Lease which removes the Released Property from this Lease Agreement and the Site Lease.
- (c) The City and the Authority have filed with the Trustee a written certificate stating that based on the estimated value of the property which remains subject to this Lease Agreement following such release, the remaining Lease Payments constitute fair rental value for the use and occupancy of such property, taking into consideration the factors set forth in Section 4.2(d).
- (d) The City has mailed written notice of such release to each rating agency which then maintains a rating on the Bonds.

Upon the satisfaction of all such conditions precedent, the Term of this Lease Agreement and the term of the Site Lease will thereupon end as to the Released Property.



The City shall not be entitled to any reduction, diminution, extension or other modification of the Lease Payments whatsoever as a result of such release. The Authority and the City shall execute, deliver and cause to be recorded all documents required to discharge the Site Lease, this Lease Agreement and the Assignment Agreement of record against the Released Property.

SECTION 3.5. *No Merger.* It is the express intention of the Authority and the City that this Lease Agreement and the obligations of the parties hereunder shall be and remain separate and distinct from the Site Lease and the obligations of the parties thereunder, and that during the term of the Site Lease and this Lease Agreement no merger of title or interest shall occur or be deemed to occur as a result of the respective positions of the Authority and the City thereunder and hereunder.

## **ARTICLE IV**

### **TERM OF THIS LEASE AGREEMENT; LEASE PAYMENTS**

SECTION 4.1. *Term.* The Term of this Lease Agreement shall commence on the Closing Date and end on the date on which the Indenture is discharged in accordance with Section 10.01 thereof, unless such term is extended as hereinafter provided. If on November 1, 2035, the Indenture shall not be discharged by its terms, or if the Lease Payments payable hereunder shall have been abated at any time and for any reason, then the Term of this Lease Agreement shall be extended until the Indenture shall be discharged by its terms, but not to exceed November 1, 2045.

#### *SECTION 4.2. Lease Payments.*

(a) Obligation to Pay. Subject to the provisions of Sections 6.2 and 6.3, the City agrees to pay to the Authority, its successors and assigns, the Lease Payments in the respective amounts specified in Appendix B attached to this Lease Agreement, to be due and payable in immediately available funds on the Interest Payment Dates immediately following each of the respective Lease Payment Dates specified in Appendix B, and to be deposited by the City with the Trustee on each of the Lease Payment Dates specified in Appendix B. Any amount held in the Bond Fund, the Interest Account and the Principal Account on any Lease Payment Date (other than amounts required for payment of past due principal or interest on any Bonds not presented for payment) will be credited towards the Lease Payment then required to be paid hereunder. The City shall not be required to deposit any Lease Payment with the Trustee on any Lease Payment Date if the amounts then held in the Bond Fund, the Interest Account and the Principal Account are at least equal to the Lease Payment then required to be deposited with the Trustee.

(b) Effect of Prepayment. If the City prepays all Lease Payments in full under Sections 9.2 or 9.3, the City's obligations under this Section will thereupon cease and terminate. If the City prepays the Lease Payments in part but not in whole under Sections 9.2 or 9.3, the principal and interest components of the remaining Lease Payments will be reduced to correspond to the payments of principal of and interest on the Bonds coming due and payable following the resulting redemption of the Bonds under the Indenture.

(c) Rate on Overdue Payments. If the City fails to make any of the payments required in this Section, the payment in default will continue as an obligation of the City until the amount in default has been fully paid, and the City agrees to pay the same with interest thereon, from the date of default to the date of payment at the highest rate of interest on any Outstanding Bond.

(d) Fair Rental Value. The aggregate amount of the Lease Payments and Additional Rental Payments coming due and payable during each Rental Period shall constitute the total rental for the Leased Property for such Rental Period, and shall be payable by the City in each Rental Period for and in consideration of the right of the use and occupancy of, and the continued quiet use and enjoyment of the Leased Property during such Rental Period. The parties hereto have agreed and determined that the total Lease Payments represent the fair rental value of the Leased Property. In making that determination, consideration has been given to the estimated value of the Leased Property, other obligations of the City and the Authority under this Lease Agreement, the uses and purposes which may be served by the Leased Property and the benefits therefrom which will accrue to the City and the general public.

(e) Assignment. The City understands and agrees that all Lease Payments have been assigned by the Authority to the Trustee in trust under the Assignment Agreement, for the benefit of the Owners of the Bonds, and the City hereby assents to such assignment. The Authority hereby directs the City, and the City hereby agrees, to pay all amounts due under this Section to the Trustee at its Office.

SECTION 4.3. *Source of Payments; Covenant to Budget and Appropriate.* The Lease Payments shall be payable from any source of available funds of the City, subject to the provisions of Sections 6.2 and 6.3. The City covenants to take all actions required to include the Lease Payments in each of its budgets during the Term of this Lease Agreement and to make the necessary appropriations for all Lease Payments and Additional Rental Payments. The foregoing covenant of the City contained constitutes a duty imposed by law and each and every public official of the City is required to take all actions required by law in the performance of the official duty of such officials to enable the City to carry out and perform the covenants and agreements in this Lease Agreement agreed to be carried out and performed by the City.

SECTION 4.4. *Additional Rental Payments.* In addition to the Lease Payments, the City shall pay when due the following amounts of Additional Rental Payments in consideration of the lease of the Leased Property by the City from the Authority hereunder:

- (a) all fees and expenses incurred by the Authority in connection with or by reason of its leasehold estate in the Leased Property, when due;
- (b) compensation to the Trustee for its services rendered under the Indenture and for all expenses, charges, costs, liabilities, legal fees and other disbursements incurred by the Trustee in and about the performance of its powers and duties under the Indenture;
- (c) all fees and expenses of such accountants, consultants, attorneys and other experts as may be engaged by the Authority or the Trustee to prepare audits, financial statements, reports, opinions or provide

such other services required under this Lease Agreement or the Indenture;

- (d) all amounts coming due and payable as Excess Investment Earnings in accordance with Section 7.6(e); and
- (e) all out-of-pocket expenses of the Authority in connection with the execution and delivery of this Lease Agreement or the Indenture, or in connection with the issuance of the Bonds, including but not limited to any and all expenses incurred in connection with the authorization, sale and delivery of the Bonds, or incurred by the Authority in connection with any litigation which may at any time be instituted involving this Lease Agreement, the Bonds, the Indenture or any of the other documents contemplated hereby or thereby, or otherwise incurred in connection with the administration of this Lease Agreement.

SECTION 4.5. *Quiet Enjoyment.* Throughout the Term of this Lease Agreement, the Authority shall provide the City with quiet use and enjoyment of the Leased Property and the City will peaceably and quietly have and hold and enjoy the Leased Property, without suit, trouble or hindrance from the Authority, except as expressly set forth in this Lease Agreement. The Authority will, at the request of the City and at the City's cost, join in any legal action in which the City asserts its right to such possession and enjoyment to the extent the Authority may lawfully do so. Notwithstanding the foregoing, the Authority has the right to inspect the Leased Property as provided in Section 7.2.

SECTION 4.6. *Title.* Upon the termination of this Lease Agreement (other than as a result of the occurrence of an Event of Default under Article VIII), all right, title and interest of the Authority in and to the Leased Property shall transfer to and vest in the City. The Authority shall take any and all steps and execute and record any and all documents reasonably required by the City to consummate any such transfer of title.

## **ARTICLE V**

### **MAINTENANCE; TAXES; INSURANCE; AND OTHER MATTERS**

SECTION 5.1. *Maintenance, Utilities, Taxes and Assessments.* Throughout the Term of this Lease Agreement, as part of the consideration for the rental of the Leased Property, all improvement, repair and maintenance of the Leased Property shall be the responsibility of the City, and the City shall pay for or otherwise arrange for the payment of all utility services supplied to the Leased Property, which may include, without limitation, janitor service, security, power, gas, telephone, light, heating, water and all other utility services, and will pay for or otherwise arrange for the payment of the cost of the repair and replacement of the Leased Property resulting from ordinary wear and tear or want of care on the part of the City or any assignee or sublessee thereof. In exchange for the Lease Payments herein provided, the Authority agrees to provide only the Leased Property. The City waives the benefits of subsections 1 and 2 of Section 1932, Section 1933(4) and Sections 1941 and 1942 of the California Civil Code, but such waiver does not limit any of the rights of the City under the terms of this Lease Agreement.

The City shall also pay or cause to be paid all taxes and assessments of any type or nature, if any, charged to the Authority or the City affecting the Leased Property or the respective interests or estates therein; provided that with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, the City shall pay only such installments as are required to be paid during the Term of this Lease Agreement as and when the same become due.

The City may, at its expense and in its name, in good faith contest any such taxes, assessments, utility and other charges and, in the event of any such contest, may permit the taxes, assessments or other charges so contested to remain unpaid during the period of such contest and any appeal therefrom unless the Authority notifies the City that, in its reasonable opinion, by nonpayment of any such items the interest of the Authority in the Leased Property will be materially endangered or the Leased Property or any part thereof will be subject to loss or forfeiture, in which event the City shall promptly pay such taxes, assessments or charges or provide the Authority with full security against any loss which may result from nonpayment, in form satisfactory to the Authority and the Trustee.

SECTION 5.2. *Modification of Leased Property.* The City has the right, at its own expense, to make additions, modifications and improvements to the Leased Property or any portion thereof. All additions, modifications and improvements to the Leased Property will thereafter comprise part of the Leased Property and become subject to the provisions of this Lease Agreement. Such additions, modifications and improvements may not in any way damage the Leased Property, or cause the Leased Property to be used for purposes other than those authorized under the provisions of state and federal law; and the Leased Property, upon completion of any additions, modifications and improvements made thereto under this Section, shall be of a value which is not substantially less than the value thereof immediately prior to the making of such additions, modifications and improvements. The City will not permit any mechanic's or other lien to be established or remain against the Leased Property for labor or materials furnished in connection with any remodeling, additions, modifications, improvements, repairs, renewals or replacements made by the City under this Section; except that if any such lien is established and the City first notifies or causes to be notified the Authority of the City's intention to do so, the City may in good faith contest any lien filed or established against the Leased Property, and in such event may permit the items so contested to remain undischarged and unsatisfied during the period of such contest and any appeal therefrom and shall provide the Authority with full security against any loss or forfeiture which might arise from the nonpayment of any such item, in form satisfactory to the Authority. The Authority will cooperate fully in any such contest, upon the request and at the expense of the City.

SECTION 5.3. *Liability Insurance.* The City shall maintain or cause to be maintained throughout the Term of this Lease Agreement, but only if and to the extent available from reputable insurers at reasonable cost in the opinion of the City, a standard commercial general liability insurance policy or policies in protection of the Authority, the City, and their respective members, officers, agents, employees and assigns. Said policy or policies shall provide for indemnification of said parties against direct or contingent loss or liability for damages for bodily and personal injury, death or property damage occasioned by reason of the operation of the Leased Property. Such policy or policies shall provide coverage in such liability limits and be subject to such deductibles as the City deems adequate and prudent. Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the City, and may be maintained in whole or

in part in the form of self-insurance by the City, subject to the provisions of Section 5.7, or in the form of the participation by the City in a joint powers agency or other program providing pooled insurance. The proceeds of such liability insurance shall be applied toward extinguishment or satisfaction of the liability with respect to which it has been paid.

SECTION 5.4. *Casualty Insurance.* The City shall procure and maintain, or cause to be procured and maintained, throughout the Term of this Lease Agreement, casualty insurance against loss or damage to all buildings situated on the Leased Property, in an amount at least equal to the lesser of (a) 100% of the replacement value of the insured buildings, or (b) 100% of the aggregate principal amount of the Outstanding Bonds. Such insurance shall, as nearly as practicable, cover loss or damage by explosion, windstorm, riot, aircraft, vehicle damage, smoke and such other hazards as are normally covered by such insurance; provided that earthquake insurance shall not be required under any circumstances. Such insurance may be subject to such deductibles as the City deems adequate and prudent. Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the City, and may be maintained in whole or in part in the form of the participation by the City in a joint powers agency or other program providing pooled insurance; provided that such insurance may not be maintained by the City in the form of self-insurance. The Net Proceeds of such insurance shall be applied as provided in Section 6.1.

SECTION 5.5. *Rental Interruption Insurance.* The City shall procure and maintain, or cause to be procured and maintained, throughout the Term of this Lease Agreement, rental interruption or use and occupancy insurance to cover loss, total or partial, of the use of any portion of the Leased Property constituting buildings or other improvements as a result of any of the hazards covered in the insurance required by Section 5.4, in an amount at least equal to the maximum such Lease Payments coming due and payable during any consecutive two Fiscal Years. Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the City, and may be maintained in whole or in part in the form of the participation by the City in a joint powers agency or other program providing pooled insurance; provided that such insurance may not be maintained by the City in the form of self-insurance. The proceeds of such insurance, if any, shall be paid to the Trustee and deposited in the Bond Fund, to be applied as a credit towards the payment of the Lease Payments allocable to the insured improvements as the same become due and payable.

SECTION 5.6. *Recordation Hereof; Title Insurance.* On or before the Closing Date the City shall, at its expense, (a) cause the Site Lease, the Assignment Agreement and this Lease Agreement, or a memorandum hereof or thereof in form and substance approved by Bond Counsel, to be recorded in the office of the Los Angeles County Recorder, and (b) obtain a CLTA title insurance policy insuring the City's leasehold estate hereunder in the Leased Property, subject only to Permitted Encumbrances, in an amount at least equal to the aggregate principal amount of the Bonds. All Net Proceeds received under any such title insurance policy shall be deposited with the Trustee and applied in accordance with the provisions of the Indenture.

SECTION 5.7. *Insurance Net Proceeds; Form of Policies.* Each policy of insurance maintained under Sections 5.4, 5.5 and 5.6 shall name the Trustee as loss payee so as to provide that all proceeds thereunder are payable to the Trustee. The City shall pay or cause to be paid when due the premiums for all insurance policies required by this Lease Agreement. All such policies shall provide that the Trustee is given 30 days' notice of

each expiration, any intended cancellation thereof or reduction of the coverage provided thereby. The City shall file with the Trustee, upon the written request of the Trustee, a certificate of the City stating that all policies of insurance required hereunder are then in full force and effect. The Trustee has no responsibility for the sufficiency, adequacy or amount of any insurance or self-insurance herein required and is fully protected in accepting payment on account of such insurance or any adjustment, compromise or settlement of any loss.

If any insurance maintained under Section 5.3 is provided in the form of self-insurance, the City shall file with the Trustee annually, within 90 days following the close of each Fiscal Year, a statement of the risk manager of the City or an independent insurance adviser engaged by the City identifying the extent of such self-insurance and stating the determination that the City maintains sufficient reserves with respect thereto. If any such insurance is provided in the form of self-insurance by the City, the City has no obligation to make any payment with respect to any insured event except from those reserves.

SECTION 5.8. *Installation of City's Personal Property.* The City may at any time and from time to time, in its sole discretion and at its own expense, install or permit to be installed other items of equipment or other personal property in or upon the Leased Property. All such items shall remain the sole property of the City, in which neither the Authority nor the Trustee has any interest, and may be modified or removed by the City at any time, provided that the City shall repair all damage to the Leased Property resulting from the installation, modification or removal of any such items. Nothing in this Lease Agreement prevents the City from purchasing or leasing items to be installed under this Section under a lease or conditional sale agreement, or subject to a vendor's lien or security agreement, as security for the unpaid portion of the purchase price thereof, so long as no such lien or security interest attaches to any part of the Leased Property.

SECTION 5.9. *Liens.* The City may not, directly or indirectly, create, incur, assume or suffer to exist any mortgage, pledge, lien, charge, encumbrance or claim on or with respect to the Leased Property, other than as herein contemplated and except for such encumbrances as the City certifies in writing to the Trustee do not materially and adversely affect the leasehold estate of the City in the Leased Property hereunder. If any such mortgage, pledge, lien, charge, encumbrance or claim does materially and adversely affect the leasehold estate of the City in the Leased Property hereunder, the City will promptly, at its own expense, take such action as may be necessary to duly discharge or remove any such mortgage, pledge, lien, charge, encumbrance or claim, for which it is responsible; provided that the City is not required to do so prior to the time when such mortgage, pledge, lien, charge, encumbrance or claim actually causes such material adverse effect. The City will reimburse the Authority for any expense incurred by it in order to discharge or remove any such mortgage, pledge, lien, charge, encumbrance or claim.

SECTION 5.10. *Advances.* If the City fails to perform any of its obligations under this Article, the Authority may take such action as it deems necessary to cure such failure, including the advancement of money, and the City shall repay all such advances as Additional Rental Payments hereunder, with interest at the rate set forth in Section 4.2(c).

## ARTICLE VI

### **DAMAGE, DESTRUCTION AND EMINENT DOMAIN; USE OF NET PROCEEDS**

SECTION 6.1. *Application of Net Proceeds.* The Trustee, as assignee of the Authority under the Assignment Agreement, shall have the right to receive all Net Proceeds. As provided in the Indenture, the Trustee shall deposit all Net Proceeds in the Insurance and Condemnation Fund to be applied as set forth in Section 5.05 of the Indenture.

SECTION 6.2. *Termination or Abatement Due to Eminent Domain.* If the Leased Property is taken permanently under the power of eminent domain or sold to a government threatening to exercise the power of eminent domain, the Term of this Lease Agreement thereupon ceases as of the day possession is taken. If less than all of the Leased Property is taken permanently, or if the Leased Property is taken temporarily, under the power of eminent domain, then:

- (a) this Lease Agreement shall continue in full force and effect with respect thereto and does not terminate by virtue of such taking, and the parties waive the benefit of any law to the contrary; and
- (b) the Lease Payments are subject to abatement in an amount determined by the City such that the resulting Lease Payments represent fair consideration for the use and occupancy of the remaining usable portions of the Leased Property.

SECTION 6.3. *Abatement Due to Damage or Destruction.* The Lease Payments are subject to abatement during any period in which by reason of damage or destruction (other than by eminent domain which is hereinbefore provided for) there is substantial interference with the use and occupancy by the City of the Leased Property or any portion thereof. The Lease Payments are subject to abatement in an amount determined by the City such that the resulting Lease Payments represent fair consideration for the use and occupancy of the remaining usable portions of the Leased Property not damaged or destroyed. Such abatement will continue for the period commencing with such damage or destruction and ending with the substantial completion of the work of repair or reconstruction. Notwithstanding the foregoing provisions of this Section, the Lease Payments may be paid with proceeds of rental interruption insurance during any period in which the Lease Payments would otherwise be subject to abatement, it being hereby declared that such proceeds constitute a special fund for the payment of the Lease Payments. In the event of any such damage or destruction, this Lease Agreement continues in full force and effect and the City waives any right to terminate this Lease Agreement by virtue of any such damage and destruction.

## ARTICLE VII

### OTHER COVENANTS OF THE CITY

SECTION 7.1. *Disclaimer of Warranties.* THE AUTHORITY MAKES NO AGREEMENT, WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE VALUE, DESIGN, CONDITION, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OR FITNESS FOR THE USE CONTEMPLATED BY THE CITY OF THE LEASED PROPERTY OR ANY PORTION THEREOF, OR ANY OTHER REPRESENTATION OR WARRANTY WITH RESPECT TO THE LEASED PROPERTY OR ANY PORTION THEREOF. THE CITY ACKNOWLEDGES THAT THE AUTHORITY IS NOT A MANUFACTURER OF ANY PORTION OF THE LEASED PROPERTY OR A DEALER THEREIN, THAT THE CITY LEASES THE LEASED PROPERTY AS-IS, IT BEING AGREED THAT ALL OF THE AFOREMENTIONED RISKS ARE TO BE BORNE BY THE CITY. The Authority has no liability for incidental, indirect, special or consequential damages, in connection with or arising out of this Lease Agreement for the existence, furnishing, functioning or use of the Leased Property by the City.

SECTION 7.2. *Access to the Leased Property.* The City agrees that the Authority and any Authorized Representative of the Authority, and the Authority's successors or assigns, have the right at all reasonable times to enter upon and to examine and inspect the Leased Property or any part thereof. The City further agrees that the Authority, any Authority Representative and the Authority's successors or assigns may have such rights of access to the Leased Property or any component thereof as reasonably necessary to cause the proper maintenance of the Leased Property if the City fails to perform its obligations hereunder; *provided, however*, that neither the Authority nor any of its assigns has any obligation to cause such proper maintenance.

SECTION 7.3. *Release and Indemnification Covenants.* The City agrees to indemnify the Authority, the Trustee and their respective officers, agents, successors and assigns, against all claims, losses and damages, including legal fees and expenses, arising out of any of the following:

- (a) the use, maintenance, condition or management of, or from any work or thing done on the Leased Property by the City,
- (b) any breach or default on the part of the City in the performance of any of its obligations under this Lease Agreement,
- (c) any negligence or willful misconduct of the City or of any of its agents, contractors, servants, employees or licensees with respect to the Leased Property,
- (d) any intentional misconduct or negligence of any sublessee of the City with respect to the Leased Property,
- (e) the acquisition, construction, improvement and equipping of the Leased Property, or the authorization of payment of the costs thereof, or



- (f) the acceptance and performance of the duties of the Trustee under the Indenture and under this Lease Agreement.

No indemnification is made under this Section or elsewhere in this Lease Agreement for willful misconduct or negligence under this Lease Agreement by the Authority, the Trustee or their respective officers, agents, employees, successors or assigns.

SECTION 7.4. *Assignment and Subleasing by the City.* The City may sublease the Leased Property, or any portion thereof, subject to all of the following conditions:

- (a) this Lease Agreement and the obligation of the City to make Lease Payments hereunder shall remain obligations of the City;
- (b) the City shall, within 30 days after the delivery thereof, furnish or cause to be furnished to the Authority and the Trustee a true and complete copy of such sublease;
- (c) no such sublease by the City may cause the Leased Property to be used for a purpose which is not authorized under the provisions of the laws of the State of California; and
- (d) the City shall furnish to the Authority and the Trustee a written opinion of Bond Counsel stating that such sublease does not cause the interest components of the Lease Payments to become included in gross income for purposes of federal income taxation or to become subject to personal income taxation by the State of California.

SECTION 7.5. *Amendment Hereof.* The Authority and the City may at any time amend or modify any of the provisions of this Lease Agreement, but only: (a) with the prior written consents of the Owners of a majority in aggregate principal amount of the Outstanding Bonds; or (b) without the consent of the Trustee or any of the Bond Owners, but only if such amendment or modification is for any one or more of the following purposes:

- (i) to add to the covenants and agreements of the City contained in this Lease Agreement, other covenants and agreements thereafter to be observed, or to limit or surrender any rights or power herein reserved to or conferred upon the City;
- (ii) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained herein, to conform to the original intention of the City and the Authority;
- (iii) to modify, amend or supplement this Lease Agreement in such manner as to assure that the interest on the Bonds remains excluded from gross income under the Tax Code;
- (iv) to amend the description of the Leased Property to reflect accurately the property originally intended to be included therein, or in

connection with any substitution or release of property under Sections 3.3 or 3.4;

- (v) to obligate the City to pay additional amounts of rental for the use and occupancy of the Leased Property, but only if (A) such additional rent payments are pledged or assigned for the payment of any bonds, notes or other obligations the proceeds of which are applied to finance or refinance the acquisition or construction of any real or personal property for which the City is authorized to expend funds subject to its control, (B) the City has filed with the Trustee a Written Certificate of the City stating that the estimated value of the Leased Property is, or following the completion of the acquisition and construction of any improvements to be financed from the proceeds of such bonds, notes or other obligations will be, at least equal to the aggregate original principal amount of the Bonds and all such other bonds, notes or other obligations, and (C) the City has filed with the Trustee written evidence that the amendments made under this clause (v) will not of themselves cause a reduction or withdrawal of any rating then assigned to the Bonds; or
- (vi) in any other respect whatsoever as the Authority and the City deem necessary or desirable, if in the opinion of Bond Counsel such modifications or amendments do not materially adversely affect the interests of the Owners of the Bonds.

No such modification or amendment shall (a) extend or have the effect of extending any Lease Payment Date or reducing any Lease Payment, without the express consent of the Owners of the affected Bonds, or (b) modify any of the rights or obligations of the Trustee without its written assent thereto.

#### SECTION 7.6. *Tax Covenants*

(a) Private Business Use Limitation. The City shall assure that the proceeds of the Bonds are not used in a manner which would cause the Bonds to satisfy the private business tests of Section 141(b) of the Tax Code or the private loan financing test of Section 141(c) of the Tax Code.

(b) Federal Guarantee Prohibition. The City shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause the Bonds to be “federally guaranteed” within the meaning of Section 149(b) of the Tax Code.

(c) No Arbitrage. The City shall not take, or permit or suffer to be taken by the Trustee or otherwise, any action with respect to the proceeds of the Bonds or of any other obligations which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the Closing Date, would have caused the Bonds to be “arbitrage bonds” within the meaning of Section 148(a) of the Tax Code.

(d) Maintenance of Tax Exemption. The City shall take all actions necessary to assure the exclusion of interest on the Bonds from the gross income of the Owners of the Bonds to the same extent as such interest is permitted to be excluded from gross income under the Tax Code as in effect on the Closing Date.

(e) Rebate of Excess Investment Earnings to United States. The City shall calculate or cause to be calculated the Excess Investment Earnings in all respects at the times and in the manner required under the Tax Code. The City shall pay the full amount of Excess Investment Earnings to the United States of America in such amounts, at such times and in such manner as may be required under the Tax Code. Such payments shall be made by the City from any source of legally available funds of the City, and shall constitute Additional Rental Payments hereunder.

The City shall keep or cause to be kept, and retain or cause to be retained for a period of six years following the retirement of the Bonds, records of the determinations made under this subsection (e). In order to provide for the administration of this subsection (e), the City may provide for the employment of independent attorneys, accountants and consultants compensated on such reasonable basis as the City may deem appropriate. The Trustee has no duty or obligation to monitor or enforce compliance by the City of any of the requirements under this subsection (e).

SECTION 7.7. *Continuing Disclosure.* The City shall comply with and carry out all of the provisions of the Continuing Disclosure Certificate executed by the City as of the Closing Date, as originally executed and as it may be amended from time to time in accordance with its terms. Notwithstanding any other provision of this Lease Agreement, failure of the City to comply with such Continuing Disclosure Certificate will not constitute an Event of Default, although any Participating Underwriter (as that term is defined in such Continuing Disclosure Certificate) or any Owner or beneficial owner of the Bonds may take such actions as may be necessary and appropriate to compel performance by the City of its obligations under this Section, including seeking mandate or specific performance by court order.

## **ARTICLE VIII**

### **EVENTS OF DEFAULT AND REMEDIES**

SECTION 8.1. *Events of Default Defined.* Any one or more of the following events constitute an Event of Default hereunder:

- (a) Failure by the City to pay any Lease Payment or other payment required to be paid hereunder at the time specified herein.
- (b) Failure by the City to observe and perform any covenant, condition or agreement on its part to be observed or performed, other than as referred to in the preceding subsection (a), for a period of 30 days after written notice specifying such failure and requesting that it be remedied has been given to the City by the Authority or the Trustee. If in the reasonable opinion of the City the failure stated in the notice can be corrected, but not within such 30-day period, the failure will not constitute an Event of Default if the City commences to cure the failure within such 30-day period and thereafter diligently and in good faith cures the failure in a reasonable period of time.

- (c) The filing by the City of a voluntary petition in bankruptcy, or failure by the City promptly to lift any execution, garnishment or attachment, or adjudication of the City as a bankrupt, or assignment by the City for the benefit of creditors, or the entry by the City into an agreement of composition with creditors, or the approval by a court of competent jurisdiction of a petition applicable to the City in any proceedings instituted under the provisions of the Federal Bankruptcy Code, as amended, or under any similar acts which may hereafter be enacted.

SECTION 8.2. *Remedies on Default.* Whenever any Event of Default has happened and is continuing, the Authority may exercise any and all remedies available under law or granted under this Lease Agreement. Notwithstanding anything herein or in the Indenture to the contrary, neither the Authority nor the Trustee may accelerate the Lease Payments or otherwise declare any Lease Payments not then in default to be immediately due and payable. Each covenant hereof to be kept and performed by the City is expressly made a condition and upon the breach thereof the Authority may exercise any and all rights granted hereunder; except that no termination of this Lease Agreement may be effected either by operation of law or acts of the parties hereto, except only in the manner herein expressly provided. Upon the occurrence and during the continuance of any Event of Default, the Authority may exercise each and every one of the following remedies, subject in all respects to the limitations set forth in Section 8.3.

- (a) Enforcement of Payments Without Termination. If the Authority does not elect to terminate this Lease Agreement in the manner hereinafter provided for in subparagraph (b) hereof, the City agrees to and shall remain liable for the payment of all Lease Payments and the performance of all conditions herein contained and shall reimburse the Authority for any deficiency arising out of the re-leasing of the Leased Property, or, if the Authority is unable to re-lease the Leased Property, then for the full amount of all Lease Payments to the end of the Term of this Lease Agreement, but said Lease Payments and/or deficiency shall be payable only at the same time and in the same manner as hereinabove provided for the payment of Lease Payments hereunder, notwithstanding such entry or re-entry by the Authority or any suit in unlawful detainer, or otherwise, brought by the Authority for the purpose of effecting such re-entry or obtaining possession of the Leased Property or the exercise of any other remedy by the Authority. The City hereby irrevocably appoints the Authority as the agent and attorney-in-fact of the City to enter upon and re-lease the Leased Property upon the occurrence and continuation of an Event of Default and to remove all personal property whatsoever situated upon the Leased Property, to place the Leased Property in storage or other suitable place in the County of Los Angeles for the account of and at the expense of the City, and the City hereby exempts and agrees to save harmless the Authority from any costs, loss or damage whatsoever arising or occasioned by any such entry upon and re-leasing of the Leased Property and the removal and storage of the Leased Property by the Authority or its duly authorized agents in accordance with the provisions herein contained. The City agrees that the terms of this Lease Agreement constitute full and sufficient notice of the right of the Authority to re-lease the Leased Property in

the event of such re-entry without effecting a surrender of this Lease Agreement, and further agrees that no acts of the Authority in effecting such re-leasing shall constitute a surrender or termination of this Lease Agreement irrespective of the term for which such re-leasing is made or the terms and conditions of such re-leasing, or otherwise, but that, on the contrary, in the event of such default by the City the right to terminate this Lease Agreement shall vest in the Authority to be effected in the sole and exclusive manner hereinafter provided for in subparagraph (b) hereof. The City agrees to surrender and quit possession of the Leased Property upon demand of the Authority for the purpose of enabling the Leased Property to be re-let under this paragraph, and the City further waives the right to any rental obtained by the Authority in excess of the Lease Payments and hereby conveys and releases such excess to the Authority as compensation to the Authority for its services in re-leasing the Leased Property.

- (b) Termination of Lease. If an Event of Default occurs and is continuing hereunder, the Authority at its option may terminate this Lease Agreement and re-lease all or any portion of the Leased Property. If the Authority terminates this Lease Agreement at its option and in the manner hereinafter provided on account of default by the City (and notwithstanding any re-entry upon the Leased Property by the Authority in any manner whatsoever or the re-leasing of the Leased Property), the City nevertheless agrees to pay to the Authority all costs, loss or damages howsoever arising or occurring payable at the same time and in the same manner as is herein provided in the case of payment of Lease Payments and Additional Rental Payments. Any surplus received by the Authority from such re-leasing shall be deposited in the Bond Fund. Neither notice to pay rent or to deliver up possession of the premises given under law nor any proceeding in unlawful detainer taken by the Authority shall of itself operate to terminate this Lease Agreement, and no termination of this Lease Agreement on account of default by the City shall be or become effective by operation of law, or otherwise, unless and until the Authority shall have given written notice to the City of the election on the part of the Authority to terminate this Lease Agreement. The City covenants and agrees that no surrender of the Leased Property, or of the remainder of the Term hereof or any termination of this Lease Agreement shall be valid in any manner or for any purpose whatsoever unless stated or accepted by the Authority by such written notice.
- (c) Proceedings at Law or In Equity. If an Event of Default occurs and continues hereunder, the Authority may take whatever action at law or in equity may appear necessary or desirable to collect the amounts then due and thereafter to become due hereunder or to enforce any other of its rights hereunder.

SECTION 8.3. *No Remedy Exclusive.* No remedy herein conferred upon or reserved to the Authority is intended to be exclusive and every such remedy is cumulative

and in addition to every other remedy given under this Lease Agreement or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon the occurrence of any Event of Default impairs any such right or power or operates as a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Authority to exercise any remedy reserved to it in this Article it is not necessary to give any notice, other than as expressly required in this Article or by law.

SECTION 8.4. *Agreement to Pay Attorneys' Fees and Expenses.* If the Authority or the City defaults under any of the provisions of this Lease Agreement and the non-defaulting party employs attorneys or incurs other expenses for the collection of moneys or the enforcement or performance or observance of any obligation or agreement on the part of the defaulting party herein contained, the defaulting party will on demand therefor pay to the non-defaulting party the reasonable fees of such attorneys and such other expenses so incurred by the non-defaulting party.

SECTION 8.5. *No Additional Waiver Implied by One Waiver.* If the Authority or the City breaches any agreement in this Lease Agreement and thereafter the other party waives the breach, such waiver is limited to the particular breach so waived and does not operate to waive any other breach hereunder.

SECTION 8.6. *Application of Proceeds.* All net proceeds received from the re-lease of the Leased Property under this Article, and all other amounts derived by the Authority or the Trustee as a result of the occurrence of an Event of Default, shall be paid to and applied by the Trustee in accordance with Section 7.03 of the Indenture.

SECTION 8.7. *Trustee and Bond Owners to Exercise Rights.* Such rights and remedies as are given to the Authority under this Article have been assigned by the Authority to the Trustee under the Assignment Agreement for the benefit of the Bond Owners. The Trustee and the Bond Owners shall exercise such rights and remedies in accordance with the Indenture.

## **ARTICLE IX**

### **PREPAYMENT OF LEASE PAYMENTS**

SECTION 9.1. *Security Deposit.* Notwithstanding any other provision of this Lease Agreement, the City may on any date secure the payment of the Lease Payments allocable to the Leased Property in whole or in part by depositing with the Trustee or an escrow agent an amount of cash which, together with other available amounts on deposit in the funds and accounts established under the Indenture, is either:

- (a) sufficient to pay such Lease Payments, including the principal and interest components thereof, in accordance with the Lease Payment schedule set forth in Appendix B, or
- (b) invested in whole or in part in non-callable Federal Securities in such amount as will, in the opinion of an independent certified public accountant, (which opinion must be addressed and delivered to the Trustee), together with interest to accrue thereon and together with

any cash which is so deposited, be fully sufficient to pay such Lease Payments when due under Section 4.2(a), as the City instructs at the time of said deposit.

If the City makes a security deposit under this Section with respect to all unpaid Lease Payments, and notwithstanding the provisions of Section 4.2, (a) the Term of this Lease Agreement will continue, (b) all obligations of the City under this Lease Agreement, and all security provided by this Lease Agreement for said Lease Payments, will thereupon cease and terminate, excepting only the obligation of the City to make, or cause to be made all of said Lease Payments from such security deposit, and (c) under Section 4.6, title to the Leased Property will vest in the City on the date of said deposit automatically and without further action by the City or the Authority. Said security deposit constitutes a special fund for the payment of Lease Payments in accordance with the provisions of this Lease Agreement.

SECTION 9.2. *Optional Prepayment.* The City has the option to prepay the principal components of the Lease Payments in whole, or in part in any integral multiple of \$5,000, from any source of legally available funds, on any date on or after November 1, 20\_\_, at a prepayment price equal to the aggregate principal components of the Lease Payments to be prepaid, together with the interest component of the Lease Payment required to be paid on such Interest Payment Date, and together with a prepayment premium equal to the premium (if any) required to be paid on the resulting redemption of Bonds under Section 4.01 of the Indenture. Such prepayment price shall be deposited by the Trustee in the Redemption Fund to be applied to the redemption of Bonds under Section 4.01 of the Indenture. The City shall give written notice to the Trustee of its intention to prepay the Lease Payments under this Section at least 45 days prior to the date fixed for such prepayment.

SECTION 9.3. *Mandatory Prepayment From Net Proceeds of Insurance or Eminent Domain.* The City shall prepay the principal components of the Lease Payments in whole or in part on any date, from and to the extent of any Net Proceeds of insurance award or eminent domain award with respect to the Leased Property which is required to be used for that purpose under Article VI and Sections 5.05 and 5.06 of the Indenture. Such Net Proceeds, to the extent remaining after payment of any delinquent Lease Payments, shall be deposited by the Trustee in the Redemption Fund to be applied to the corresponding redemption of Bonds under Section 4.03 of the Indenture.

SECTION 9.4. *Credit for Amounts on Deposit.* If the principal components of the Lease Payments are prepaid in full under Sections 9.2 or 9.3, such that the Indenture is discharged by its terms as a result of such prepayment, at the written election of the City filed with the Trustee any or all amounts then on deposit in the Bond Fund (and the accounts therein) and in the Insurance and Condemnation Fund, will be credited towards the amounts then required to be so prepaid.

## ARTICLE X

### MISCELLANEOUS

SECTION 10.1. *Notices.* Any notice, request, complaint, demand or other communication under this Lease Agreement shall be given by first class mail or personal delivery to the party entitled thereto at its address set forth below, or by facsimile transmission or other form of telecommunication, at its number set forth below. Notice shall be effective either (a) upon transmission by facsimile transmission or other form of telecommunication, (b) 48 hours after deposit in the United States of America first class mail, postage prepaid, or (c) in the case of personal delivery to any person, upon actual receipt. The Authority, the City or the Trustee may, by written notice to the other parties, from time to time modify the address or number to which communications are to be given hereunder.

<i>If to the City:</i>	City of Hermosa Beach 1315 Valley Drive Hermosa Beach, California 90254 Attention: City Manager
<i>If to the Authority:</i>	Hermosa Beach Public Financing Authority 1315 Valley Drive Hermosa Beach, California 90254 Attention: Executive Director
<i>If to the Trustee:</i>	U.S. Bank National Association 633 West Fifth Street, 24th Floor Los Angeles, California 90071 Attention: Corporate Trust Services

SECTION 10.2. *Binding Effect.* This Lease Agreement inures to the benefit of and binds the Authority, the City and their respective successors and assigns.

SECTION 10.3. *Severability.* If any provision of this Lease Agreement is held invalid or unenforceable by any court of competent jurisdiction, such holding will not invalidate or render unenforceable any other provision hereof.

SECTION 10.4. *Net-net-net Lease.* This Lease Agreement shall be deemed and construed to be a “net-net-net lease” and the City hereby agrees that the Lease Payments are an absolute net return to the Authority, free and clear of any expenses, charges or set-offs whatsoever.

SECTION 10.5. *Third Party Beneficiary.* The Trustee is hereby made a third party beneficiary hereunder with all rights of a third party beneficiary.

SECTION 10.6. *Further Assurances and Corrective Instruments.* The Authority and the City shall, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements hereto and such further instruments as may reasonably be required for correcting any inadequate or incorrect description of the Leased Property hereby leased or intended so to be or for carrying out the expressed intention of this Lease Agreement.



SECTION 10.7. *Execution in Counterparts.* This Lease Agreement may be executed in several counterparts, each of which is an original and all of which constitute but one and the same instrument.

SECTION 10.8. *Applicable Law.* This Lease Agreement shall be governed by and construed in accordance with the laws of the State of California.

SECTION 10.9. *Authority and City Representatives.* Whenever under the provisions of this Lease Agreement the approval of the Authority or the City is required, or the Authority or the City is required to take some action at the request of the other, such approval or such request shall be given for the Authority and for the City by an Authorized Representative thereof, and any party hereto may conclusively rely upon any such approval or request.

SECTION 10.10. *Captions.* The captions or headings in this Lease Agreement are for convenience only and in no way define, limit or describe the scope or intent of any provisions or Section of this Lease Agreement.

IN WITNESS WHEREOF, the Authority and the City have caused this Lease Agreement to be executed in their respective names by their duly authorized officers, all as of the date first above written.

**HERMOSA BEACH PUBLIC FINANCING  
AUTHORITY, as lessor**

By \_\_\_\_\_  
Executive Director

Attest:

\_\_\_\_\_  
Secretary

**CITY OF HERMOSA BEACH, as lessee**

By \_\_\_\_\_  
City Manager

Attest:

\_\_\_\_\_  
City Clerk

## **APPENDIX A**

### **DESCRIPTION OF THE LEASED PROPERTY**

The Leased Property consists of that certain real property which is situated in the County of Los Angeles, State of California, and is more particularly described as follows:

#### **PARCEL 1:**

LOTS 1, 2 AND 3 IN BLOCK 73, OF THE SECOND ADDITION TO HERMOSA BEACH, IN THE CITY OF HERMOSA BEACH, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 3, PAGES 11 AND 12 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

EXCEPT FROM SAID LOT 3 THAT PORTION THEREOF CONVEYED TO THE COUNTY OF LOS ANGELES, A BODY CORPORATE AND POLITIC, BY GRANT DEED RECORDED AUGUST 3, 1964 AS INSTRUMENT NO. 168, OFFICIAL RECORDS.

#### **PARCEL 2:**

LOTS 7, 8, 9, 10, 11 AND 12 IN BLOCK 73, OF THE SECOND ADDITION TO HERMOSA BEACH, IN THE CITY OF HERMOSA BEACH, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 3, PAGES 11 AND 12 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

EXCEPT THEREFROM THAT PORTION THEREOF CONVEYED TO THE COUNTY OF LOS ANGELES, A BODY CORPORATE AND POLITIC, BY GRANT DEED RECORDED AUGUST 3, 1964 AS INSTRUMENT NO. 168, OFFICIAL RECORDS.

#### **PARCEL 3:**

THAT PORTION OF LOT 2 IN BLOCK 74, OF THE SECOND ADDITION TO HERMOSA BEACH, IN THE CITY OF HERMOSA BEACH, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 3, PAGES 11 AND 12 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT IN THE SOUTHERLY LINE OF SAID LOT, DISTANT WESTERLY THEREON 69 FEET FROM THE SOUTHEASTERLY CORNER THEREOF; THENCE NORTHERLY PARALLEL TO THE EASTERLY LINE OF SAID LOT 2, A DISTANCE OF 300 FEET TO A POINT IN THE SOUTHERLY LINE OF 11TH PLACE, FORMERLY OF ELM STREET; THENCE WESTERLY ALONG SAID SOUTHERLY LINE OF SAID ELM STREET, 69 FEET; THENCE SOUTHERLY PARALLEL WITH THE EASTERLY LINE OF SAID LOT, 300 FEET TO THE SOUTHERLY LINE OF SAID LOT; THENCE EASTERLY ALONG SAID SOUTHERLY LINE 69 FEET TO THE POINT OF BEGINNING.

EXCEPT THE SOUTHERLY 150 FEET OF SAID LAND.

**PARCEL 4:**

LOT 1 OF TRACT NO. 780, IN THE CITY OF HERMOSA BEACH, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 16, PAGE 41 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

EXCEPT THE SOUTHERLY 150 FEET OF SAID LOT.

**PARCEL 5:**

THAT PORTION OF THE UNNAMED ALLEY, BEING A PART OF BLOCK 73 OF THE SECOND ADDITION TO HERMOSA BEACH, IN THE CITY OF HERMOSA BEACH, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 3, PAGES 11 AND 12 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, VACATED BY RESOLUTION NO. N.S. 2192 OF THE CITY COUNCIL OF THE CITY OF HERMOSA BEACH, A CERTIFIED COPY OF WHICH RECORDED OCTOBER 27, 1958, AS INSTRUMENT NO. 3982 IN BOOK D257, PAGE 352 OF OFFICIAL RECORDS, SAID PORTION BEING MORE PARTICULARLY DESCRIBED IN SAID RESOLUTION AS FOLLOWS:

BEGINNING AT THE SOUTHWEST CORNER OF LOT 1 IN SAID BLOCK 73; THENCE NORTH 77 DEGREES, 10 MINUTES EAST, 180 FEET TO THE SOUTHEAST CORNER OF LOT 6 IN SAID BLOCK 73; THENCE SOUTH 12 DEGREES 50 MINUTES EAST, 20 FEET TO THE NORTHEAST CORNER OF LOT 7 IN SAID BLOCK 73; THENCE SOUTH 77 DEGREES, 10 MINUTES WEST, 180 FEET TO THE NORTHWEST CORNER OF LOT 12; THENCE NORTH 12 DEGREES, 50 MINUTES WEST, 20 FEET TO THE POINT OF BEGINNING.

EXCEPT THEREFROM THAT PORTION THEREOF CONVEYED TO THE COUNTY OF LOS ANGELES, A BODY CORPORATE AND POLITIC, BY GRANT DEED RECORDED AUGUST 3, 1964 AS INSTRUMENT NO. 168, OFFICIAL RECORDS.

**PARCEL 6:**

THAT PORTION OF THE ELEVENTH PLACE, FORMERLY ELM ST., BEING A PART OF BLOCK 73 OF THE SECOND ADDITION TO HERMOSA BEACH, IN THE CITY OF HERMOSA BEACH, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 3, PAGES 11 AND 12 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, VACATED BY RESOLUTION NO. N.S. 2192 OF THE CITY COUNCIL OF THE CITY OF HERMOSA BEACH, A CERTIFIED COPY OF WHICH RECORDED OCTOBER 27, 1958, AS INSTRUMENT NO. 3982 IN BOOK D257, PAGE 352 OF OFFICIAL RECORDS, SAID PORTION BEING MORE PARTICULARLY DESCRIBED IN SAID RESOLUTION AS FOLLOWS:

BEGINNING AT THE SOUTHWEST CORNER OF LOT 12 IN SAID BLOCK 73; THENCE NORTH 77 DEGREES, 10 MINUTES EAST, 180 FEET TO THE SOUTHEAST CORNER OF LOT 7 IN SAID BLOCK 73; THENCE SOUTH 12 DEGREES, 50 MINUTES EAST, 30 FEET ON THE WEST PROPERTY LINE OF VALLEY DRIVE, SHOWN AS "WEST RAILROAD DRIVE" ON SAID MAP, TO AN INTERSECTION WITH THE CENTER LINE OF SAID ELEVENTH PLACE; THENCE SOUTH 77 DEGREES, 10 MINUTES WEST, 180 FEET TO AN INTERSECTION WITH THE EAST PROPERTY LINE OF BARD STREET;

THENCE NORTH 12 DEGREES, 50 MINUTES WEST, 30 FEET TO THE POINT OF BEGINNING.

**PARCEL 7:**

THAT PORTION OF ELEVENTH PLACE VACATED BY RESOLUTION NO. N.S. 2385 OF THE CITY COUNCIL OF THE CITY OF HERMOSA BEACH, A CERTIFIED COPY OF WHICH RECORDED OCTOBER 11, 1961 AS INSTRUMENT NO. 4079, IN BOOK D1384, PAGE 472, OF OFFICIAL RECORDS, SAID PORTION BEING MORE PARTICULARLY DESCRIBED THEREIN AS FOLLOWS:

THE SOUTHERLY ONE-HALF OF ELEVENTH PLACE, FORMERLY ELM ST., BEING A PART OF BLOCK 74 OF THE SECOND ADDITION TO HERMOSA BEACH, IN THE CITY OF HERMOSA BEACH, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 3, PAGES 11 AND 12 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, LYING BETWEEN THE NORTHERLY EXTENSION OF THE WESTERLY LINE OF VALLEY DRIVE, FORMERLY WEST RAILROAD DRIVE, AND THE SOUTHERLY EXTENSION OF THE EASTERLY LINE OF BARD STREET.

**PARCEL 8:**

THAT PORTION OF LOT 2 IN BLOCK 74 OF THE SECOND ADDITION OF HERMOSA BEACH, IN THE CITY OF HERMOSA BEACH, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 3, PAGES 11 AND 12 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, DESCRIBED AS FOLLOWS:

BEGINNING AT THE SOUTHEAST CORNER OF SAID LOT 2; THENCE SOUTHWESTERLY ALONG THE SOUTHEASTERLY LINE OF SAID LOT 2, 69 FEET; THENCE NORTHERLY PARALLEL TO THE EASTERLY LINE OF SAID LOT 2, A DISTANCE OF 300 FEET TO A POINT IN THE SOUTHERLY LINE OF ELM STREET; THENCE NORTHEAST ALONG SAID SOUTHERLY LINE TO THE EASTERLY LINE OF SAID LOT 2; THENCE SOUTHERLY ALONG SAID LAST MENTIONED EASTERLY LINE 300 FEET TO THE POINT OF BEGINNING.

EXCEPT FROM PARCELS 1 THROUGH 8 DESCRIBED HEREINABOVE THE INTEREST IN SAID LAND WHICH WAS CONVEYED BY CITY OF HERMOSA BEACH, A CALIFORNIA MUNICIPAL CORPORATION, TO MACPHERSON OIL COMPANY, A CALIFORNIA CORPORATION, BY DEED RECORDED APRIL 11, 2012 AS INSTRUMENT NO. 20120541608, OF OFFICIAL RECORDS, WHICH DEED DESCRIBES A ROYALTY OF 3-1/3% OF 100% OF ALL ROYALTY SUBSTANCES (AS DEFINED IN SAID DEED) WHICH MAY THEREAFTER AT ANY TIME BE PRODUCED FROM ANY BURDENED WELL (AS DEFINED AND DESCRIBED IN SAID DEED).

**APN: 4187-020-904; 4187-020-907**

## APPENDIX B

### SCHEDULE OF LEASE PAYMENTS

<u>Lease Payment Date*</u>	<u>Principal Component</u>	<u>Interest Component</u>	<u>Aggregate Lease Payment</u>
May 1, 2021			
November 1, 2021			
May 1, 2022			
November 1, 2022			
May 1, 2023			
November 1, 2023			
May 1, 2024			
November 1, 2024			
May 1, 2025			
November 1, 2025			
May 1, 2026			
November 1, 2026			
May 1, 2027			
November 1, 2027			
May 1, 2028			
November 1, 2028			
May 1, 2029			
November 1, 2029			
May 1, 2030			
November 1, 2030			
May 1, 2031			
November 1, 2031			
May 1, 2032			
November 1, 2032			
May 1, 2033			
November 1, 2033			
May 1, 2034			
November 1, 2034			
May 1, 2035			
November 1, 2035			

\* Lease Payment Dates are the 5<sup>th</sup> Business Day immediately preceding each date listed in the schedule

RECORDING REQUESTED BY:  
Stewart Title Guaranty Company  
Commercial Services San Francisco

TO BE RECORDED MAIL TO:  
Jones Hall, A Professional Law Corporation  
475 Sansome Street, Suite 1700  
San Francisco, California 94111  
Attention: Charles F. Adams, Esq.

File No.  
APN:

THIS TRANSACTION IS EXEMPT FROM CALIFORNIA DOCUMENTARY TRANSFER TAX UNDER SECTION 11922 OF THE CALIFORNIA REVENUE AND TAXATION CODE. THIS DOCUMENT IS EXEMPT FROM RECORDING FEES UNDER SECTION 27383 OF THE CALIFORNIA GOVERNMENT CODE.

## **AMENDED AND RESTATED SITE LEASE**

This AMENDED AND RESTATED SITE LEASE (this "Site Lease"), dated for convenience as of October 1, 2020, is between the CITY OF HERMOSA BEACH, a municipal corporation duly organized and existing under the laws of the State of California, as lessor (the "City"), and the HERMOSA BEACH PUBLIC FINANCING AUTHORITY, a joint powers authority duly organized and existing under the laws of the State of California, as lessee (the "Authority").

### ***BACKGROUND:***

1. The Authority has previously issued its Hermosa Beach Public Financing Authority 2015 Lease Revenue Bonds in the aggregate principal amount of \$11,600,000 (the "2015 Bonds") for the purpose of providing funds to enable the City to discharge its obligation to settle certain claims made against the City, pursuant to that certain Settlement Agreement and Release dated as of March 2, 2012 between MacPherson Oil Company, Woodward Associates, E & B Natural Resources Management Corporation and the City.

2. In order to secure the payment of the 2015 Bonds, the City has previously leased certain property, consisting generally of the land and improvements which constitute the existing civic center of the City, as described more fully in Appendix A which is attached hereto and by this reference incorporated herein (the "Leased Property"), to the Authority under a Site Lease dated as of August 1, 2015, which was recorded on August 13, 2015, as Document No. 2015-0994372 in the Office of the Los Angeles County Recorder (the "2015 Site Lease"); and the Authority has leased the Leased Property back to the City under a Lease Agreement dated as of August 1, 2015, which was recorded on

August 13, 2015, as Document No. 2015-0994373 in the Office of the Los Angeles County Recorder (the "2015 Lease Agreement").

3. The 2015 Bonds are subject to redemption at the option of the Authority on October 1, 2020, at a redemption price equal to 100% of the principal amount thereof together with accrued interest thereon to the redemption date, without premium.

4. The City and the Authority have determined that it is in their best interests to refund the 2015 Bonds and in order to provide funds for that purpose the Authority has authorized the issuance of its 2020 Refunding Lease Revenue Bonds in the aggregate principal amount of \$\_\_\_\_\_ (the "Bonds"), under an Indenture of Trust dated as of October 1, 2020 (the "Indenture"), between the Authority and U.S. Bank National Association, as trustee (the "Trustee").

5. The City and the Authority have amended and restated the 2015 Lease Agreement pursuant to an Amended and Restated Lease Agreement dated as of October 1, 2020, which has been recorded concurrently herewith (the "Lease Agreement"), for the purpose of providing for the payment of lease payments by the City (the "Lease Payments") which have been pledged for the security of the Bonds and which have been assigned by the Authority to the Trustee for the security of the Bonds under an Assignment Agreement dated as of October 1, 2020, which has been recorded concurrently herewith, between the Authority as assignor and the Trustee as assignee.

6. The Authority and the City have agreed to amend and restate the 2015 Site Lease as provided herein, for the purpose of incorporating provisions relating to the Bonds.

7. The Authority has been organized for the purpose of providing financial assistance to the City and is authorized to enter into financing documents for that purpose.

#### **A G R E E M E N T :**

*In consideration of the above premises and of the mutual promises and covenants herein contained and for other valuable consideration, the parties hereto do hereby agree as follows:*

SECTION 1. *Definitions.* Unless the context clearly otherwise requires or unless otherwise defined herein, the capitalized terms in this Site Lease have the respective meanings given them in the Indenture.

SECTION 2. *Restatement of 2015 Site Lease.* This Site Lease constitutes an amendment and restatement in full of the 2015 Site Lease. From and after the Closing Date the 2015 Site Lease, in the form heretofore executed and delivered by the City and the Authority, will be of no further force and effect and will be deemed to be restated in full hereby. The City continues to and does hereby lease the Leased Property to the Authority, upon the terms and conditions set forth in this Site Lease, without interruption by virtue of the amendment and restatement of the 2015 Site Lease hereby.

SECTION 3. *Term; Possession.* The term of this Site Lease shall commence on the Closing Date. This Site Lease shall end, and the right of the Authority hereunder to

possession of the Leased Property shall thereupon cease, on November 1, 2035 (unless the term of the Lease Agreement has been extended under the provisions thereof), or such earlier or later date on which the Lease Payments are paid in full or provisions made for such payment, but in any event not later than November 1, 2045.

SECTION 4. *Consideration.* In consideration for the agreement by the City to amend and restate the 2015 Site Lease as provided herein, the Authority hereby agrees to issue the Bonds and to apply the proceeds as set forth in Section 3.02 of the Indenture for the purpose of providing funds to refund the 2015 Bonds in full. No other amounts of rental shall be due and payable by the Authority for the use and occupancy of the Leased Property under this Site Lease.

SECTION 5. *Assignments and Subleases.* Unless the City shall be in default under the Lease Agreement, the Authority may not assign its rights under this Site Lease or sublet all or any portion of the Leased Property, except as provided in the Lease Agreement, without the prior written consent of the City.

SECTION 6. *Substitution or Release of Property.* If the City exercises its option under Section 3.3 of the Lease Agreement to substitute property for the Leased Property in whole or in part, such substitution shall also operate to substitute property for the Leased Property which is leased hereunder. If the City exercises its option under Section 3.4 of the Lease Agreement to release a portion of the Leased Property from the Lease Agreement, such substitution shall also operate to release such portion of the Leased Property hereunder. The description of the Leased Property which is leased hereunder shall conform at all times to the description of the Leased Property which is leased under the Lease Agreement.

SECTION 7. *Right of Entry.* The City reserves the right for any of its duly authorized representatives to enter upon the Leased Property, or any portion thereof, at any reasonable time to inspect the same or to make any repairs, improvements or changes necessary for the preservation thereof.

SECTION 8. *Termination.* The Authority agrees, upon the termination of this Site Lease, to quit and surrender the Leased Property in the same good order and condition as the Leased Property was in at the time of commencement of the term hereof, reasonable wear and tear excepted, and agrees that all buildings, improvements and structures then existing upon the Leased Property shall remain thereon and all right, title and interest of the Authority thereto shall vest thereupon in the City for no additional consideration.

SECTION 9. *Default.* In the event the Authority shall be in default in the performance of any obligation on its part to be performed under the terms of this Site Lease, which default continues for 30 days following notice and demand for correction thereof to the Authority, the City may exercise any and all remedies granted by law, except that no merger of this Site Lease and of the Lease Agreement shall be deemed to occur as a result thereof; *provided, however*, that so long as the Lease Agreement remains in effect, the Lease Payments payable by the City under the Lease Agreement shall continue to be paid to the Trustee.

SECTION 10. *Quiet Enjoyment.* The Authority at all times during the term of this Site Lease shall peaceably and quietly have, hold and enjoy all of the Leased Property,



subject to the provisions of the Lease Agreement and subject only to Permitted Encumbrances.

SECTION 11. *Waiver of Personal Liability.* All liabilities under this Site Lease on the part of the Authority are solely liabilities of the Authority, and the City hereby releases each and every member and officer of the Authority of and from any personal or individual liability under this Site Lease. No member or officer of the Authority or its governing board shall at any time or under any circumstances be individually or personally liable under this Site Lease for anything done or omitted to be done by the Authority hereunder.

SECTION 12. *Taxes.* The City covenants and agrees to pay any and all assessments of any kind or character and also all taxes, including possessory interest taxes, levied or assessed upon the Leased Property and any improvements thereon.

SECTION 13. *Eminent Domain.* In the event the whole or any part of the Leased Property or any improvements thereon shall be taken by eminent domain proceedings, the interest of the Authority shall be recognized and is hereby determined to be the amount of the then unpaid principal components of the Lease Payments payable under the Lease Agreement and the balance of the award, if any, shall be paid to the City.

SECTION 14. *Partial Invalidity.* If any one or more of the terms, provisions, covenants or conditions of this Site Lease shall to any extent be declared invalid, unenforceable, void or voidable for any reason whatsoever by a court of competent jurisdiction, the finding or order or decree of which becomes final, none of the remaining terms, provisions, covenants and conditions of this Site Lease shall be affected thereby, and each provision of this Site Lease shall be valid and enforceable to the fullest extent permitted by law.

SECTION 15. *Notices.* Any notice, request, complaint, demand or other communication under this Site Lease shall be given by first class mail or personal delivery to the party entitled thereto at its address set forth below, or by telecopy, telex or other form of telecommunication, at its number set forth below. Notice shall be effective either (a) upon transmission by telecopy, telex or other form of electronic or telecommunication, (b) 48 hours after deposit in the United States mail, postage prepaid, or (c) in the case of personal delivery to any person, upon actual receipt. The City and the Authority may, by written notice to the other parties, from time to time modify the address or number to which communications are to be given hereunder.

*If to the City:*

City of Hermosa Beach  
1315 Valley Drive  
Hermosa Beach, California 90254  
Attention: City Manager

*If to the Authority:*

Hermosa Beach Public Financing Authority  
1315 Valley Drive  
Hermosa Beach, California 90254  
Attention: Executive Director

*If to the Trustee:*

U.S. Bank National Association  
633 West Fifth Street, 24th Floor  
Los Angeles, California 90071  
Attention: Corporate Trust Services

SECTION 16. *Amendment of this Site Lease.* The Authority and the City may at any time amend or modify any of the provisions of this Site Lease, but only (a) with the prior written consent of the Owners of a majority in aggregate principal amount of the Outstanding Bonds; or (b) without the consent of any of the Bond Owners, but only if such amendment or modification is for any one or more of the following purposes:

- (i) to make cure any ambiguity, or to cure, correct or supplement any defective provision contained herein, or in any other respect whatsoever as the Authority and the City may deem necessary or desirable, provided that, in the opinion of Bond Counsel, such modifications or amendments do not materially adversely affect the interests of the Owners of the Bonds;
- (ii) to amend any provision hereof relating to the Tax Code, to any extent whatsoever but only if and to the extent such amendment will not adversely affect the exclusion from gross income of interest on the Bonds under the Tax Code, in the opinion of Bond Counsel;
- (iii) to conform to any amendment of the Indenture which is made thereto in accordance with applicable provisions of the Indenture; or
- (iv) to amend the description of the Leased Property to reflect accurately the property originally intended to be included therein, or in connection with any substitution or release of property under Section 6.

SECTION 17. *Governing Law.* This Site Lease shall be construed in accordance with and governed by the Constitution and laws of the State of California.

SECTION 18. *Third Party Beneficiary.* The Trustee is hereby made a third party beneficiary under this Site Lease with all rights of a third party beneficiary.

SECTION 19. *Binding Effect.* This Site Lease inures to the benefit of and is binding upon the Authority, the City and their respective successors and assigns, subject, however, to the limitations contained herein.

SECTION 20. *Section Headings.* All section headings contained herein are for convenience of reference only and are not intended to define or limit the scope of any provision of this Site Lease.

SECTION 21. *Execution in Counterparts.* This Site Lease may be executed in any number of counterparts, each of which shall be deemed to be an original but all together shall constitute but one and the same lease. It is also agreed that separate counterparts of this Site Lease may be separately executed by the Authority and the City, all with the same force and effect as though the same counterpart had been executed by both the Authority and the City.

IN WITNESS WHEREOF, the City and the Authority have caused this Site Lease to be executed by their respective officers thereunto duly authorized, all as of the day and year first above written.

**CITY OF HERMOSA BEACH, *as lessor***

By \_\_\_\_\_  
City Manager

Attest:

\_\_\_\_\_  
City Clerk

**HERMOSA BEACH PUBLIC FINANCING  
AUTHORITY, *as lessee***

By \_\_\_\_\_  
Executive Director

Attest:

\_\_\_\_\_  
Secretary

## **APPENDIX A**

### **DESCRIPTION OF THE LEASED PROPERTY**

The Leased Property consists of that certain real property which is situated in the County of Los Angeles, State of California, and is more particularly described as follows:

#### **PARCEL 1:**

LOTS 1, 2 AND 3 IN BLOCK 73, OF THE SECOND ADDITION TO HERMOSA BEACH, IN THE CITY OF HERMOSA BEACH, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 3, PAGES 11 AND 12 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

EXCEPT FROM SAID LOT 3 THAT PORTION THEREOF CONVEYED TO THE COUNTY OF LOS ANGELES, A BODY CORPORATE AND POLITIC, BY GRANT DEED RECORDED AUGUST 3, 1964 AS INSTRUMENT NO. 168, OFFICIAL RECORDS.

#### **PARCEL 2:**

LOTS 7, 8, 9, 10, 11 AND 12 IN BLOCK 73, OF THE SECOND ADDITION TO HERMOSA BEACH, IN THE CITY OF HERMOSA BEACH, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 3, PAGES 11 AND 12 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

EXCEPT THEREFROM THAT PORTION THEREOF CONVEYED TO THE COUNTY OF LOS ANGELES, A BODY CORPORATE AND POLITIC, BY GRANT DEED RECORDED AUGUST 3, 1964 AS INSTRUMENT NO. 168, OFFICIAL RECORDS.

#### **PARCEL 3:**

THAT PORTION OF LOT 2 IN BLOCK 74, OF THE SECOND ADDITION TO HERMOSA BEACH, IN THE CITY OF HERMOSA BEACH, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 3, PAGES 11 AND 12 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT IN THE SOUTHERLY LINE OF SAID LOT, DISTANT WESTERLY THEREON 69 FEET FROM THE SOUTHEASTERLY CORNER THEREOF; THENCE NORTHERLY PARALLEL TO THE EASTERLY LINE OF SAID LOT 2, A DISTANCE OF 300 FEET TO A POINT IN THE SOUTHERLY LINE OF 11TH PLACE, FORMERLY OF ELM STREET; THENCE WESTERLY ALONG SAID SOUTHERLY LINE OF SAID ELM STREET, 69 FEET; THENCE SOUTHERLY PARALLEL WITH THE EASTERLY LINE OF SAID LOT, 300 FEET TO THE SOUTHERLY LINE OF SAID LOT; THENCE EASTERLY ALONG SAID SOUTHERLY LINE 69 FEET TO THE POINT OF BEGINNING.

EXCEPT THE SOUTHERLY 150 FEET OF SAID LAND.

**PARCEL 4:**

LOT 1 OF TRACT NO. 780, IN THE CITY OF HERMOSA BEACH, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 16, PAGE 41 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

EXCEPT THE SOUTHERLY 150 FEET OF SAID LOT.

**PARCEL 5:**

THAT PORTION OF THE UNNAMED ALLEY, BEING A PART OF BLOCK 73 OF THE SECOND ADDITION TO HERMOSA BEACH, IN THE CITY OF HERMOSA BEACH, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 3, PAGES 11 AND 12 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, VACATED BY RESOLUTION NO. N.S. 2192 OF THE CITY COUNCIL OF THE CITY OF HERMOSA BEACH, A CERTIFIED COPY OF WHICH RECORDED OCTOBER 27, 1958, AS INSTRUMENT NO. 3982 IN BOOK D257, PAGE 352 OF OFFICIAL RECORDS, SAID PORTION BEING MORE PARTICULARLY DESCRIBED IN SAID RESOLUTION AS FOLLOWS:

BEGINNING AT THE SOUTHWEST CORNER OF LOT 1 IN SAID BLOCK 73; THENCE NORTH 77 DEGREES, 10 MINUTES EAST, 180 FEET TO THE SOUTHEAST CORNER OF LOT 6 IN SAID BLOCK 73; THENCE SOUTH 12 DEGREES 50 MINUTES EAST, 20 FEET TO THE NORTHEAST CORNER OF LOT 7 IN SAID BLOCK 73; THENCE SOUTH 77 DEGREES, 10 MINUTES WEST, 180 FEET TO THE NORTHWEST CORNER OF LOT 12; THENCE NORTH 12 DEGREES, 50 MINUTES WEST, 20 FEET TO THE POINT OF BEGINNING.

EXCEPT THEREFROM THAT PORTION THEREOF CONVEYED TO THE COUNTY OF LOS ANGELES, A BODY CORPORATE AND POLITIC, BY GRANT DEED RECORDED AUGUST 3, 1964 AS INSTRUMENT NO. 168, OFFICIAL RECORDS.

**PARCEL 6:**

THAT PORTION OF THE ELEVENTH PLACE, FORMERLY ELM ST., BEING A PART OF BLOCK 73 OF THE SECOND ADDITION TO HERMOSA BEACH, IN THE CITY OF HERMOSA BEACH, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 3, PAGES 11 AND 12 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, VACATED BY RESOLUTION NO. N.S. 2192 OF THE CITY COUNCIL OF THE CITY OF HERMOSA BEACH, A CERTIFIED COPY OF WHICH RECORDED OCTOBER 27, 1958, AS INSTRUMENT NO. 3982 IN BOOK D257, PAGE 352 OF OFFICIAL RECORDS, SAID PORTION BEING MORE PARTICULARLY DESCRIBED IN SAID RESOLUTION AS FOLLOWS:

BEGINNING AT THE SOUTHWEST CORNER OF LOT 12 IN SAID BLOCK 73; THENCE NORTH 77 DEGREES, 10 MINUTES EAST, 180 FEET TO THE SOUTHEAST CORNER OF LOT 7 IN SAID BLOCK 73; THENCE SOUTH 12 DEGREES, 50 MINUTES EAST, 30 FEET ON THE WEST PROPERTY LINE OF VALLEY DRIVE, SHOWN AS "WEST RAILROAD DRIVE" ON SAID MAP, TO AN INTERSECTION WITH THE CENTER LINE OF SAID ELEVENTH PLACE; THENCE SOUTH 77 DEGREES, 10 MINUTES WEST, 180 FEET TO AN INTERSECTION WITH THE EAST PROPERTY LINE OF BARD STREET;

THENCE NORTH 12 DEGREES, 50 MINUTES WEST, 30 FEET TO THE POINT OF BEGINNING.

**PARCEL 7:**

THAT PORTION OF ELEVENTH PLACE VACATED BY RESOLUTION NO. N.S. 2385 OF THE CITY COUNCIL OF THE CITY OF HERMOSA BEACH, A CERTIFIED COPY OF WHICH RECORDED OCTOBER 11, 1961 AS INSTRUMENT NO. 4079, IN BOOK D1384, PAGE 472, OF OFFICIAL RECORDS, SAID PORTION BEING MORE PARTICULARLY DESCRIBED THEREIN AS FOLLOWS:

THE SOUTHERLY ONE-HALF OF ELEVENTH PLACE, FORMERLY ELM ST., BEING A PART OF BLOCK 74 OF THE SECOND ADDITION TO HERMOSA BEACH, IN THE CITY OF HERMOSA BEACH, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 3, PAGES 11 AND 12 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, LYING BETWEEN THE NORTHERLY EXTENSION OF THE WESTERLY LINE OF VALLEY DRIVE, FORMERLY WEST RAILROAD DRIVE, AND THE SOUTHERLY EXTENSION OF THE EASTERLY LINE OF BARD STREET.

**PARCEL 8:**

THAT PORTION OF LOT 2 IN BLOCK 74 OF THE SECOND ADDITION OF HERMOSA BEACH, IN THE CITY OF HERMOSA BEACH, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 3, PAGES 11 AND 12 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, DESCRIBED AS FOLLOWS:

BEGINNING AT THE SOUTHEAST CORNER OF SAID LOT 2; THENCE SOUTHWESTERLY ALONG THE SOUTHEASTERLY LINE OF SAID LOT 2, 69 FEET; THENCE NORTHERLY PARALLEL TO THE EASTERLY LINE OF SAID LOT 2, A DISTANCE OF 300 FEET TO A POINT IN THE SOUTHERLY LINE OF ELM STREET; THENCE NORTHEAST ALONG SAID SOUTHERLY LINE TO THE EASTERLY LINE OF SAID LOT 2; THENCE SOUTHERLY ALONG SAID LAST MENTIONED EASTERLY LINE 300 FEET TO THE POINT OF BEGINNING.

EXCEPT FROM PARCELS 1 THROUGH 8 DESCRIBED HEREINABOVE THE INTEREST IN SAID LAND WHICH WAS CONVEYED BY CITY OF HERMOSA BEACH, A CALIFORNIA MUNICIPAL CORPORATION, TO MACPHERSON OIL COMPANY, A CALIFORNIA CORPORATION, BY DEED RECORDED APRIL 11, 2012 AS INSTRUMENT NO. 20120541608, OF OFFICIAL RECORDS, WHICH DEED DESCRIBES A ROYALTY OF 3-1/3% OF 100% OF ALL ROYALTY SUBSTANCES (AS DEFINED IN SAID DEED) WHICH MAY THEREAFTER AT ANY TIME BE PRODUCED FROM ANY BURDENED WELL (AS DEFINED AND DESCRIBED IN SAID DEED).

**APN: 4187-020-904; 4187-020-907**

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# INDENTURE OF TRUST

Dated as of October 1, 2020

between

**U.S. BANK NATIONAL ASSOCIATION,**  
*as Trustee*

and the

**HERMOSA BEACH PUBLIC FINANCING AUTHORITY**

*Authorizing the Issuance of*

**\$ \_\_\_\_\_**

**2020 Refunding Lease Revenue Bonds**

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## TABLE OF CONTENTS

[to be completed when the document is in final form]

APPENDIX A    DEFINITIONS  
APPENDIX B    FORM OF BOND



## INDENTURE OF TRUST

This INDENTURE OF TRUST (this "Indenture"), dated for convenience as of October 1, 2020, is between the HERMOSA BEACH PUBLIC FINANCING AUTHORITY, a joint powers authority duly organized and existing under the laws of the State of California (the "Authority"), and U.S. BANK NATIONAL ASSOCIATION, a national banking association organized and existing under the laws of the United States of America, with a corporate trust office in Los Angeles, California, being qualified to accept and administer the trusts hereby created (the "Trustee").

### *BACKGROUND:*

1. The Authority has previously issued its Hermosa Beach Public Financing Authority 2015 Lease Revenue Bonds in the aggregate principal amount of \$11,600,000 (the "2015 Bonds") for the purpose of providing funds to enable the City of Hermosa Beach (the "City") to discharge its obligation to settle certain claims made against the City, pursuant to that certain Settlement Agreement and Release dated as of March 2, 2012 between MacPherson Oil Company, Windward Associates, E & B Natural Resources Management Corporation and the City.

2. The 2015 Bonds are secured by a pledge of lease payments which are made by the City as rental for certain property consisting generally of the land and improvements which constitute the existing civic center of the City (the "Leased Property"), under a Lease Agreement dated as of August 1, 2015 (the "2015 Lease Agreement"), between the City and the Hermosa Beach Financing Authority.

3. The 2015 Bonds are subject to redemption at the option of the Authority on November 1, 2020, at a redemption price equal to 100% of the principal amount thereof together with accrued interest thereon to the redemption date, without premium.

4. The City and the Authority have determined that it is in their best interests to refund the 2015 Bonds and in order to provide funds for that purpose the Authority has authorized the issuance of its 2020 Refunding Lease Revenue Bonds in the aggregate principal amount of \$\_\_\_\_\_ (the "Bonds") under the provisions of Articles 10 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, commencing with Sections 53570 and 53580 of said Code (the "Bond Law").

5. In order to provide revenues which are sufficient to enable the Authority to pay debt service on the Bonds, the Authority and the City have amended and restated the 2015 Lease Agreement pursuant to an Amended and Restated Lease Agreement dated as of October 1, 2020, under which the City has agreed to pay semiannual lease payments (the "Lease Payments") as the rental for the Leased Property.

6. The Authority has assigned the Lease Payments to the Trustee for the security of the Bonds under an Assignment Agreement dated as of October 1, 2020, between the Authority as assignor and the Trustee as assignee.

7. In order to provide for the authentication and delivery of the Bonds, to establish and declare the terms and conditions upon which the Bonds are to be issued and to secure the payment of the principal thereof and interest thereon, the Authority has authorized the execution and delivery of this Indenture.

8. The Authority has found and determined, and hereby affirms, that all acts and proceedings required by law necessary to make the Bonds, when executed by the Authority, authenticated and delivered by the Trustee and duly issued, the valid, binding and legal special obligations of the Authority, and to constitute this Indenture a valid and binding agreement for the uses and purposes herein set forth in accordance with its terms, have been done and taken, and the execution and delivery of this Indenture have been in all respects duly authorized.

## **A G R E E M E N T :**

In order to secure the payment of the principal of and the interest on all the Outstanding Bonds under this Indenture according to their tenor, and to secure the performance and observance of all the covenants and conditions therein and herein set forth, and to declare the terms and conditions upon and subject to which the Bonds are to be issued and received, and in consideration of the premises and of the mutual covenants herein contained and of the purchase and acceptance of the Bonds by the Owners thereof, and for other valuable considerations, the receipt of which is hereby acknowledged, the Authority and the Trustee do hereby covenant and agree with one another, for the benefit of the respective Owners from time to time of the Bonds, as follows:

## **ARTICLE I**

### **DEFINITIONS; RULES OF CONSTRUCTION**

SECTION 1.01. *Definitions.* Unless the context clearly otherwise requires or unless otherwise defined herein, the capitalized terms defined in Appendix A attached to this Indenture have the respective meanings specified in Appendix A when used in this Indenture.

SECTION 1.02. *Authorization.* Each of the parties hereby represents and warrants that it has full legal authority and is duly empowered to enter into this Indenture, and has taken all actions necessary to authorize the execution hereof by the officers and persons signing it.

SECTION 1.03. *Interpretation.*

(a) Unless the context otherwise indicates, words expressed in the singular shall include the plural and vice versa and the use of the neuter, masculine, or feminine gender is for convenience only and shall be deemed to include the neuter, masculine or feminine gender, as appropriate.

(b) Headings of articles and sections herein and the table of contents hereof are solely for convenience of reference, do not constitute a part hereof and shall not affect the meaning, construction or effect hereof.

(c) All references herein to “Articles,” “Sections” and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Indenture; the words “herein,” “hereof,” “hereby,” “hereunder” and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or subdivision hereof.

(d) Whenever the term “may” is used herein with respect to an action by one of the parties hereto, such action shall be discretionary and the party who “may” take such action shall be under no obligation to do so.

## ARTICLE II

### THE BONDS

SECTION 2.01. *Authorization of Bonds.* The Authority has reviewed all proceedings heretofore taken and, as a result of such review, hereby finds and determines that all things, conditions and acts required by law to exist, happen or be performed precedent to and in connection with the issuance of the Bonds do exist, have happened and have been performed in due time, form and manner as required by law, and the Authority is now duly empowered, under each and every requirement of law, to issue the Bonds in the manner and form provided in this Indenture.

The Authority hereby authorizes the issuance of Bonds under the Bond Law for the purpose of providing funds to refund the 2015 Bonds. The Bonds shall be designated the “2020 Refunding Lease Revenue Bonds” and shall be issued in the aggregate principal amount of \$\_\_\_\_\_. The Bonds are authorized and issued under and subject to the terms of this Indenture and the Bond Law.

#### SECTION 2.02. *Terms of the Bonds.*

(a) Payment Provisions. The Bonds shall be issued in fully registered form without coupons in denominations of \$5,000 or any integral multiple thereof, so long as no Bond has more than one maturity date. The Bonds shall mature on November 1 in each of the years and in the amounts, and bear interest (calculated on the basis of a 360-day year of twelve 30-day months) at the rates, as follows:

<u>Maturity Date</u> <u>(November 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Maturity Date</u> <u>(November 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>
2021			2029		
2022			2030		
2023			2031		
2024			2032		
2025			2033		
2026			2034		
2027			2035		
2028					

Interest on the Bonds is payable from the Interest Payment Date next preceding the date of authentication thereof unless:

- (a) a Bond is authenticated on or before an Interest Payment Date and after the close of business on the preceding Record Date, in which event it will bear interest from such Interest Payment Date,
- (b) a Bond is authenticated on or before the first Record Date, in which event interest thereon will be payable from the Closing Date, or
- (c) interest on any Bond is in default as of the date of authentication thereof, in which event interest thereon will be payable from the date to which interest has been paid in full, payable on each Interest Payment Date.

Interest is payable on each Interest Payment Date to the persons in whose names the ownership of the Bonds is registered on the Registration Books at the close of business on the immediately preceding Record Date, except as provided below. Interest on any Bond which is not punctually paid or duly provided for on any Interest Payment Date is payable to the person in whose name the ownership of such Bond is registered on the Registration Books at the close of business on a special record date for the payment of such defaulted interest to be fixed by the Trustee, notice of which is given to such Owner by first-class mail not less than 10 days prior to such special record date.

The Trustee will pay interest on the Bonds by check of the Trustee mailed by first class mail, postage prepaid, on each Interest Payment Date to the Owners of the Bonds at their respective addresses shown on the Registration Books as of the close of business on the preceding Record Date. At the written request of the Owner of Bonds in an aggregate principal amount of at least \$1,000,000, which written request is on file with the Trustee as of any Record Date, the Trustee will pay interest on such Bonds on each succeeding Interest Payment Date by wire transfer in immediately available funds to such account of a financial institution within the United States of America as specified in such written request, which written request will remain in effect until rescinded in writing by the Owner. The Trustee will pay principal of the Bonds in lawful money of the United States of America by check of the Trustee upon presentation and surrender thereof at the Office of the Trustee. The provisions of this Section are subject in all respects to the provisions of Section 2.04 relating to the payment of the principal of and interest on the Bonds held in book-entry form.

#### SECTION 2.03. *Transfer and Exchange of Bonds.*

(a) Transfer. Any Bond may, in accordance with its terms, be transferred, upon the Registration Books, by the person in whose name it is registered, in person or by a duly authorized attorney of such person, upon surrender of such Bond to the Trustee at its Office for cancellation, accompanied by delivery of a written instrument of transfer in a form acceptable to the Trustee, duly executed. The Trustee shall collect any tax or other governmental charge on the transfer of any Bonds under this Section. Whenever any Bond or Bonds shall be surrendered for transfer, the Authority shall execute and the Trustee shall authenticate and deliver to the transferee a new Bond or Bonds of like series, interest rate, maturity and aggregate principal amount. The Authority shall pay the cost of any services rendered or expenses incurred by the Trustee in connection with any transfer of Bonds. Prior to any transfer of the Bonds outside the book-entry system (including, but not limited to, the initial transfer outside the book-entry system) the transferor shall provide or cause to be provided to the Trustee all information necessary to allow the Trustee to

comply with any applicable tax reporting obligations, including without limitation any cost basis report obligations under Section 6045 of the Tax Code. The Trustee shall conclusively rely on the information provided to it and shall have no responsibility to verify or ensure the accuracy of such information.

(b) Exchange. The Bonds may be exchanged at the Office of the Trustee for a like aggregate principal amount of Bonds of other authorized denominations and of the same series, interest rate and maturity. The Trustee shall collect any tax or other governmental charge on the exchange of any Bonds under this subsection (b). The Authority shall pay the cost of printing Bonds and any services rendered or expenses incurred by the Trustee in connection with any exchange of Bonds.

(c) Limitations. The Trustee may refuse to transfer or exchange, under the provisions of this Section, any Bonds selected by the Trustee for redemption under Article IV, or any Bonds during the period established by the Trustee for the selection of Bonds for redemption.

#### SECTION 2.04. *Book-Entry System.*

(a) Original Delivery. The Bonds will be initially delivered in the form of a separate single fully registered bond (which may be typewritten) for each maturity of the Bonds. Upon initial delivery, the Trustee shall register the ownership of each Bond on the Registration Books in the name of the Nominee. Except as provided in subsection (c), the ownership of all of the Outstanding Bonds shall be registered in the name of the Nominee on the Registration Books.

With respect to Bonds the ownership of which shall be registered in the name of the Nominee, each of the Authority and the Trustee has no responsibility or obligation to any Depository System Participant or to any person on behalf of which the Nominee holds an interest in the Bonds. Without limiting the generality of the immediately preceding sentence, each of the Authority and the Trustee has no responsibility or obligation with respect to (i) the accuracy of the records of the Depository, the Nominee or any Depository System Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any Depository System Participant or any other person, other than a Bond Owner as shown in the Registration Books, of any notice with respect to the Bonds, including any notice of redemption, (iii) the selection by the Depository of the beneficial interests in the Bonds to be redeemed if the Authority elects to redeem the Bonds in part, (iv) the payment to any Depository System Participant or any other person, other than a Bond Owner as shown in the Registration Books, of any amount with respect to principal of or interest on the Bonds or (v) any consent given or other action taken by the Depository as Owner of the Bonds. The Authority and the Trustee may treat and consider the person in whose name each Bond is registered as the absolute owner of such Bond for the purpose of payment of principal of and interest on such Bond, for the purpose of giving notices of redemption and other matters with respect to such Bond, for the purpose of registering transfers of ownership of such Bond, and for all other purposes whatsoever. The Trustee shall pay the principal of and the interest on the Bonds only to the respective Owners or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge all obligations with respect to payment of principal of and interest on the Bonds to the extent of the sum or sums so paid. No person other than a Bond Owner shall receive a Bond evidencing the obligation of the Authority to make payments of principal and interest under this Indenture. Upon delivery by the

Depository to the Authority of written notice to the effect that the Depository has determined to substitute a new Nominee in its place, and subject to the provisions herein with respect to Record Dates, such new nominee shall become the Nominee hereunder for all purposes; and upon receipt of such a notice the Authority shall promptly deliver a copy of the same to the Trustee.

(b) Representation Letter. In order to qualify the Bonds for the Depository's book-entry system, the Authority shall execute and deliver to such Depository a letter representing such matters as shall be necessary to so qualify the Bonds. The execution and delivery of such letter shall not in any way limit the provisions of subsection (a) above or in any other way impose upon the Authority or the Trustee any obligation whatsoever with respect to persons having interests in the Bonds other than the Bond Owners. Upon the written acceptance by the Trustee, the Trustee shall agree to take all action reasonably necessary for all representations of the Trustee in such letter with respect to the Trustee to at all times be complied with. In addition to the execution and delivery of such letter, the Authority may take any other actions, not inconsistent with this Indenture, to qualify the Bonds for the Depository's book-entry program.

(c) Transfers Outside Book-Entry System. If either (i) the Depository determines not to continue to act as Depository for the Bonds, or (ii) the Authority determines to terminate the Depository as such, then the Authority shall thereupon discontinue the book-entry system with such Depository. In such event, the Depository shall cooperate with the Authority and the Trustee in the issuance of replacement Bonds by providing the Trustee with a list showing the interests of the Depository System Participants in the Bonds, and by surrendering the Bonds, registered in the name of the Nominee, to the Trustee on or before the date such replacement Bonds are to be issued. The Depository, by accepting delivery of the Bonds, agrees to be bound by the provisions of this subsection (c). If, prior to the termination of the Depository acting as such, the Authority fails to identify another Securities Depository to replace the Depository, then the Bonds shall no longer be required to be registered in the Registration Books in the name of the Nominee, but shall be registered in whatever name or names the Owners transferring or exchanging Bonds shall designate, in accordance with the provisions hereof.

If the Authority determines that it is in the best interests of the beneficial owners of the Bonds that they be able to obtain certificated Bonds, the Authority may notify the Depository System Participants of the availability of such certificated Bonds through the Depository. In such event, the Trustee will issue, transfer and exchange Bonds as required by the Depository and others in appropriate amounts; and whenever the Depository requests, the Trustee and the Authority shall cooperate with the Depository in taking appropriate action (i) to make available one or more separate certificates evidencing the Bonds to any Depository System Participant having Bonds credited to its account with the Depository, or (ii) to arrange for another Securities Depository to maintain custody of a single certificate evidencing such Bonds, all at the Authority's expense.

(d) Payments to the Nominee. Notwithstanding any other provision of this Indenture to the contrary, so long as any Bond is registered in the name of the Nominee, all payments with respect to principal of and interest on such Bond and all notices with respect to such Bond shall be made and given, respectively, as provided in the letter described in subsection (b) of this Section or as otherwise instructed by the Depository.

SECTION 2.05. *Registration Books.* The Trustee will keep or cause to be kept, at the Office of the Trustee, sufficient records for the registration and transfer of ownership of the Bonds, which shall upon reasonable notice as agreed to by the Trustee, be open to inspection during regular business hours by the Authority; 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 Bonds as hereinbefore provided.

SECTION 2.06. *Form and Execution of Bonds.* The Bonds, the form of Trustee's certificate of authentication, and the form of assignment to appear thereon, are set forth in Appendix B attached hereto and by this reference incorporated herein, with necessary or appropriate variations, omissions and insertions, as permitted or required by this Indenture.

The Chairperson of the Authority shall execute, and the Secretary of the Authority shall attest each Bond. Either or both of such signatures may be made manually or may be affixed by facsimile thereof. If any officer whose signature appears on any Bond ceases to be such officer before the Closing Date, such signature will nevertheless be as effective as if the officer had remained in office until the Closing Date. Any Bond may be signed and attested on behalf of the Authority by such persons as at the actual date of the execution of such Bond are the proper officers of the Authority, duly authorized to execute debt instruments on behalf of the Authority, although on the date of such Bond any such person was not an officer of the Authority.

Only those Bonds bearing a certificate of authentication in the form set forth in Appendix B, manually executed and dated by the Trustee, are valid or obligatory for any purpose or entitled to the benefits of this Indenture, and such certificate of the Trustee is conclusive evidence that such Bonds have been duly authenticated and delivered hereunder and are entitled to the benefits of this Indenture.

### **ARTICLE III**

#### **ISSUANCE OF BONDS; \ APPLICATION OF PROCEEDS**

SECTION 3.01. *Issuance of the Bonds.* Concurrently with the execution of this Indenture, the Authority shall execute and the Trustee shall authenticate and deliver the Bonds to the Original Purchaser, upon the Written Request of the Authority.

SECTION 3.02. *Application of Proceeds of Sale of Bonds.* On the Closing Date, the Authority shall direct the Original Purchaser to pay the purchase price of the Bonds by making the following transfers for the following purposes:

- (a) The Original Purchaser shall transfer the amount of \$\_\_\_\_\_ to the Trustee for deposit into the Costs of Issuance Fund.
- (b) The Original Purchaser shall transfer the amount of \$\_\_\_\_\_, constituting the remainder of such proceeds, to the Escrow Agent for application pursuant to the Escrow Agreement.

SECTION 3.03. *Establishment and Application of Costs of Issuance Fund.* The Trustee shall establish, maintain and hold in trust a separate fund designated as the "Costs of Issuance Fund" into which the Trustee shall deposit a portion of the proceeds of sale of the Bonds under Section 3.02(a). The Trustee shall disburse amounts in the Costs of Issuance Fund from time to time to pay the Costs of Issuance of the Bonds upon submission of Written Requisitions of the Authority stating the person to whom payment is to be made, the amount to be paid, the purpose for which the obligation was incurred and that such payment is a proper charge against the Costs of Issuance Fund. The Trustee may conclusively rely on such Written Requisitions and shall be fully protected in relying thereon. On January 1, 2021, or upon the earlier Written Request of the Authority, the Trustee shall transfer all amounts remaining in the Costs of Issuance Fund to the Interest Account and shall thereupon close the Costs of Issuance Fund.

SECTION 3.04. *Refunding of 2015 Bonds.* The Authority shall cause the proceeds of the Bonds to be applied to the payment and redemption of the 2015 Bonds in full in accordance with the provisions of the Escrow Agreement. From and after the Closing Date, the 2015 Bonds shall be fully discharged and satisfied and shall no longer be secured by a pledge of or lien on the Revenues, or any portion thereof.

SECTION 3.05. *Validity of Bonds.* The recital contained in the Bonds that the same are issued under the Constitution and laws of the State of California shall be conclusive evidence of their validity and of compliance with the provisions of law in their issuance.

## **ARTICLE IV**

### **REDEMPTION OF BONDS**

SECTION 4.01. *Optional Redemption.* The Bonds maturing on or before November 1, 20\_\_, are not subject to optional redemption prior to their respective stated maturity dates. The Bonds maturing on or after November 1, 20\_\_, are subject to redemption in whole, or in part at the Written Request of the Authority among maturities on such basis as the Authority may designate and by lot within a maturity, at the option of the Authority, on any date on or after November 1, 20\_\_, from any available source of funds, at a redemption price of the principal amount of the Bonds to be redeemed plus accrued interest to the date of redemption, without premium. The Authority shall give the Trustee written notice of its intention to redeem the Bonds under this Section, and the manner of selecting such Bonds for redemption from among the maturities thereof, at least 45 days prior to the proposed redemption date.

SECTION 4.02. *Mandatory Sinking Fund Redemption of Term Bonds.* The Term Bonds are subject to mandatory redemption in whole, or in part by lot, from sinking fund payments made under Section 5.02(b), at a redemption price equal to the principal amount thereof to be redeemed, without premium, plus accrued interest to the date of redemption, in the aggregate respective principal amounts and on November 1 in the years as set forth in the following table:



Payment Date  
(November 1)

Payment  
Amount

If some but not all of the Term Bonds have been redeemed under Sections 4.01 or 4.03, the total amount of all future sinking fund payments will be reduced by the aggregate principal amount of the Term Bonds so redeemed, to be allocated among such sinking fund payments on a pro rata basis as determined by the Authority, which shall notify the Trustee in writing of such determination.

SECTION 4.03. *Special Mandatory Redemption From Insurance or Condemnation Proceeds.* The Bonds are subject to redemption as a whole, or in part by lot on a pro rata basis among maturities, on any date, from any Net Proceeds required to be used for such purpose as provided in Section 5.06, at a redemption price equal to 100% of the principal amount thereof plus interest accrued thereon to the date fixed for redemption, without premium.

SECTION 4.04. *Selection of Bonds for Redemption.* Whenever provision is made in this Indenture for the redemption of less than all of the Bonds of a single maturity, the Trustee shall select the Bonds of that maturity to be redeemed by lot in any manner which the Trustee in its sole discretion deems appropriate. For purposes of such selection, the Trustee shall treat each Bond as consisting of separate \$5,000 portions and each such portion shall be subject to redemption as if such portion were a separate Bond.

SECTION 4.05. *Right to Rescind Notice of Optional Redemption.* The Authority has the right to rescind any notice of the optional redemption of Bonds under Section 4.01 by written notice to the Trustee on or prior to the date fixed for redemption. Any notice of optional redemption shall be cancelled and annulled if for any reason funds will not be or are not available on the date fixed for redemption for the payment in full of the Bonds then called for redemption, and such cancellation shall not constitute an Event of Default. The Authority and the Trustee shall have no liability to the Owners or any other party related to or arising from such rescission of redemption. The Trustee shall cause notice of such rescission to be given to the respective Owners of any Bonds designated for redemption, at their addresses appearing on the Registration Books, and to the Municipal Securities Rulemaking Board and the Securities Depositories.

SECTION 4.06. *Notice of Redemption.* The Trustee shall mail notice of redemption of the Bonds by first class mail, postage prepaid, not less than 20 nor more than 60 days before any redemption date, to the respective Owners of any Bonds designated for redemption at their addresses appearing on the Registration Books and to one or more Securities Depositories. In addition, the Trustee shall file a copy of each redemption notice electronically with the Information Services. Each notice of redemption shall state the date of the notice, the redemption date, the place or places of redemption, whether less than all of the Bonds (or all Bonds of a single maturity) are to be redeemed, the CUSIP numbers and (in the event that not all Bonds within a maturity are called for redemption) Bond numbers of the Bonds to be redeemed and the maturity or maturities of the Bonds to be

redeemed, and in the case of Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice shall also state that on the redemption date there will become due and payable on each of said Bonds the redemption price thereof, and that from and after such redemption date interest thereon shall cease to accrue, and shall require that such Bonds be then surrendered. Neither the failure to receive any notice nor any defect therein shall affect the sufficiency of the proceedings for such redemption or the cessation of accrual of interest from and after the redemption date. Notice of redemption of Bonds shall be given by the Trustee, at the expense of the Authority, for and on behalf of the Authority.

SECTION 4.07. *Partial Redemption of Bonds.* Upon surrender of any Bonds redeemed in part only, the Authority shall execute and the Trustee shall authenticate and deliver to the Owner thereof, at the expense of the Authority, a new Bond or Bonds of authorized denominations equal in aggregate principal amount to the unredeemed portion of the Bonds surrendered.

SECTION 4.08. *Effect of Redemption.* Notice of redemption having been duly given as aforesaid, and moneys for payment of the redemption price of, together with interest accrued to the date fixed for redemption on the Bonds (or portions thereof) so called for redemption being held by the Trustee, on the redemption date designated in such notice, the Bonds (or portions thereof) so called for redemption shall become due and payable, interest on the Bonds so called for redemption shall cease to accrue, said Bonds (or portions thereof) shall cease to be entitled to any benefit or security under this Indenture, and the Owners of said Bonds shall have no rights in respect thereof except to receive payment of the redemption price thereof.

All Bonds redeemed under the provisions of this Article shall be canceled by the Trustee upon surrender thereof and destroyed in accordance with the retention policy of the Trustee then in effect.

## **ARTICLE V**

### **REVENUES; FUNDS AND ACCOUNTS; PAYMENT OF PRINCIPAL AND INTEREST**

SECTION 5.01. *Security for the Bonds; Bond Fund.*

(a) Pledge of Revenues and Other Amounts. Subject only to the provisions of this Indenture permitting the application thereof for the purposes and on the terms and conditions set forth herein, all of the Revenues and all amounts (including proceeds of the sale of the Bonds) held in any fund or account established under this Indenture are hereby pledged to secure the payment of the principal of and interest on the Bonds in accordance with their terms and the provisions of this Indenture. Said pledge constitutes a lien on and security interest in the Revenues and such amounts and shall attach, be perfected and be valid and binding from and after the Closing Date, without the need for any physical delivery thereof or further act.

(b) Assignment to Trustee. Under the Assignment Agreement, the Authority has transferred to the Trustee all of the rights of the Authority in the Lease Agreement (other than the rights of the Authority under Sections 4.4, 5.10, 7.3 and 8.4 thereof). The Trustee

shall be entitled to collect and receive all of the Revenues, and any Revenues collected or received by the Authority shall be deemed to be held, and to have been collected or received, by the Authority as the agent of the Trustee and shall forthwith be paid by the Authority to the Trustee. The Trustee is also entitled to and shall, subject to the provisions of Article VIII, take all steps, actions and proceedings which the Trustee determines to be reasonably necessary in its judgment to enforce, either jointly with the Authority or separately, all of the rights of the Authority and all of the obligations of the City under the Lease Agreement.

(c) Deposit of Revenues in Bond Fund. All Revenues shall be promptly deposited by the Trustee upon receipt thereof in a special fund designated as the "Bond Fund" which the Trustee shall establish, maintain and hold in trust; except that all moneys received by the Trustee and required hereunder or under the Lease Agreement to be deposited in the Insurance and Condemnation Fund or the Redemption Fund shall be promptly deposited in such funds. All Revenues deposited with the Trustee shall be held, disbursed, allocated and applied by the Trustee only as provided in this Indenture. Any surplus remaining in the Bond Fund, after payment in full of (i) the principal of and interest on the Bonds, or provision therefore under Article X, and (ii) any applicable fees and expenses to the Trustee, shall be withdrawn by the Trustee and remitted to the City.

SECTION 5.02. *Allocation of Revenues.* On or before each Interest Payment Date, the Trustee shall transfer from the Bond Fund and deposit into the following respective accounts (each of which the Trustee shall establish and maintain within the Bond Fund), the following amounts in the following order of priority:

- (a) Deposit to Interest Account. The Trustee shall deposit in the Interest Account an amount required to cause the aggregate amount on deposit in the Interest Account to be at least equal to the amount of interest becoming due and payable on such Interest Payment Date on all Bonds then Outstanding.
- (b) Deposit to Principal Account. The Trustee shall deposit in the Principal Account an amount required to cause the aggregate amount on deposit in the Principal Account to equal the principal amount of the Bonds coming due and payable on such Interest Payment Date, including the principal amount of any Term Bonds which are subject to mandatory sinking fund redemption on such Interest Payment Date under Section 4.02.

SECTION 5.03. *Interest Account.* All amounts in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying interest on the Bonds as it comes due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity).

SECTION 5.04. *Principal Account.* All amounts in the Principal Account shall be used and withdrawn by the Trustee solely to pay the principal amount of the Bonds at their respective maturity dates, including the principal amount of any Term Bonds which are subject to mandatory sinking fund redemption under Section 4.02.

SECTION 5.05. *Redemption Fund.* Upon the receipt of any funds which are required to be applied to the redemption of Bonds under Sections 4.01 or 4.03, the Trustee

shall establish and maintain the Redemption Fund, into which the Trustee shall deposit such funds, in accordance with a Written Request of the Authority. Amounts on deposit in the Redemption Fund shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of the Bonds to be redeemed under Section 4.01 and under Section 4.03.

SECTION 5.06. *Insurance and Condemnation Fund.*

(a) Establishment of Fund. Upon the receipt of proceeds of insurance or eminent domain with respect to the Leased Property, the Trustee shall establish and maintain the Insurance and Condemnation Fund, to be held and applied as hereinafter set forth in this Section.

(b) Application of Insurance Proceeds. Any Net Proceeds of insurance against accident to or destruction of the Leased Property collected by the City or the Authority in the event of any such accident or destruction shall be paid to the Trustee under Section 6.3 of the Lease Agreement and deposited by the Trustee promptly upon receipt thereof in the Insurance and Condemnation Fund. If the City fails to determine and notify the Trustee in writing of its determination, within 45 days following the date of such deposit, to replace, repair, restore, modify or improve the Leased Property which has been damaged or destroyed, then such Net Proceeds shall be promptly transferred by the Trustee to the Redemption Fund and applied to the redemption of Bonds on the next available redemption date under Section 4.03. Notwithstanding the foregoing sentence, however, if the Leased Property is damaged or destroyed in full, the Net Proceeds of such insurance shall be used by the City to rebuild or replace the Leased Property if such proceeds are not sufficient to defease Outstanding Bonds.

All proceeds deposited in the Insurance and Condemnation Fund and not so applied to redeem the Outstanding Bonds shall be applied to the prompt replacement, repair, restoration, modification or improvement of the damaged or destroyed portions of the Leased Property by the City, upon receipt of a Written Request of the City which: (i) states with respect to each payment to be made (A) the requisition number, (B) the name and address of the person to whom payment is due, (C) the amount to be paid and (D) that each obligation mentioned therein has been properly incurred, is a proper charge against the Insurance and Condemnation Fund and has not been the basis of any previous withdrawal; and (ii) specifies in reasonable detail the nature of the obligation. Each such Written Request of the City shall be sufficient evidence to the Trustee of the facts stated therein and the Trustee shall have no duty to confirm the accuracy of such facts. Any balance of the proceeds remaining after such work has been completed as certified by the City under a Written Certificate to the Trustee shall be paid to the City. The Trustee shall be entitled to conclusively rely on any Written Request or Written Certificate received under this subsection (b) of this Section and in each case, shall be fully protected in relying thereon.

(c) Application of Eminent Domain Proceeds. If all or any part of the Leased Property is taken by eminent domain proceedings (or sold to a government threatening to exercise the power of eminent domain) the Authority shall deposit or cause to be deposited with the Trustee the Net Proceeds therefrom, which the Trustee shall deposit in the Insurance and Condemnation Fund, to be applied and disbursed by the Trustee as follows:

- (i) If the City has not given written notice to the Trustee, within 45 days following the date on which such Net Proceeds are deposited with the Trustee, of its determination that such Net Proceeds are needed for the replacement of the Leased Property or such portion thereof, the Trustee shall deposit such Net Proceeds in the Redemption Fund, to be applied to redeem Outstanding Bonds under Section 4.03.
- (ii) If the City has given written notice to the Trustee, within 45 days following the date on which such Net Proceeds are deposited with the Trustee, of its determination that such Net Proceeds are needed for replacement of the Leased Property or such portion thereof, the Trustee shall pay to the City, or to its order, from said proceeds such amounts as the City may expend for such replacement, upon the filing of Written Requisitions of the City as agent for the Authority.

In each case, the Trustee may conclusively rely upon any notice received under this subsection (c)(ii) of this Section and is protected in relying thereon.

(d) Reliance on Independent Advice. In making any such determination whether to repair, replace or rehabilitate the Leased Property under this Section, the City may obtain, but is not required to obtain, at its expense, the report of an independent engineer or other independent professional consultant. Any such determination by the City shall be final.

SECTION 5.07. *Investments.* All moneys in any of the funds or accounts established with the Trustee under this Indenture shall be invested by the Trustee solely in Permitted Investments. Such investments shall be directed by the Authority in a Written Request of the Authority filed with the Trustee at least two Business Days in advance of the making of such investments. In the absence of any such directions from the Authority, the Trustee shall hold such funds uninvested. Permitted Investments purchased as an investment of moneys in any fund shall be deemed to be part of such fund or account. To the extent Permitted Investments are registrable, such Permitted Investments shall be registered in the name of the Trustee.

All interest or gain derived from the investment of amounts in any of the funds or accounts established hereunder shall be deposited in the Bond Fund. For purposes of acquiring any investments hereunder, the Trustee may commingle funds held by it hereunder. The Trustee or any of its affiliates may act as principal or agent in the acquisition or disposition of any investment and may impose its customary charges therefor. The Trustee shall incur no liability for losses arising from any investments made under this Section.

The Trustee may make any investments hereunder through its own bond or investment department or trust investment department, or those of its parent or any affiliate. The Trustee or any of its affiliates may act as sponsor, advisor or manager in connection with any investments made by the Trustee hereunder. The Trustee is hereby authorized, in making or disposing of any investment permitted by this Section, to deal with itself (in its individual capacity) or with any one or more of its affiliates, whether it or such affiliate is acting as an agent of the Trustee or for any third person or is dealing as a principal for its own account.

The Authority acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Authority the right to receive brokerage confirmations of security transactions as they occur, the Authority will not receive such confirmations to the extent permitted by law. The Trustee will furnish the Authority a periodic cash transaction statements which include detail for all investment transactions made by the Trustee hereunder.

SECTION 5.08. *Valuation and Disposition of Investments.*

(a) Except as otherwise provided in subsection (b) of this Section, the Authority covenants that all investments of amounts deposited in any fund or account created by or under this Indenture, or otherwise containing gross proceeds of the Bonds (within the meaning of Section 148 of the Tax Code) shall be acquired, disposed of and valued at the Fair Market Value thereof as such term is defined in subsection (d) below. The Trustee shall have no duty in connection with the determination of Fair Market Value other than to follow the investment directions of the Authority in any Written Request of the Authority.

(b) Investments in funds or accounts (or portions thereof) that are subject to a yield restriction under applicable provisions of the Tax Code shall be valued at cost thereof, (consisting of present value thereof within the meaning of Section 148 of the Tax Code); provided that the Authority shall inform the Trustee which funds are subject to a yield restriction.

(c) Except for funds or accounts described in subsection (b), for the purpose of determining the amount in any fund or account established hereunder, the value of Permitted Investments credited to such fund shall be valued by the Trustee at least annually on or before October 15. The Trustee may sell or present for redemption, any Permitted Investment so purchased by the Trustee whenever it is necessary in order to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund to which such Permitted Investment is credited, and the Trustee shall not be liable or responsible for any loss resulting from any such Permitted Investment.

(d) For purposes of this Section, the term "Fair Market Value" means the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm's length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of Section 1273 of the Tax Code) and, otherwise, the term "Fair Market Value" means the acquisition price in a bona fide arm's length transaction (as referenced above) if (i) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Tax Code, (ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the Tax Code, or (iii) the investment is a United States Treasury Security -- State and Local Government Series which is acquired in accordance with applicable regulations of the United States Bureau of Public Debt.

(e) To the extent of any valuations made by the Trustee hereunder, the Trustee may utilize and rely upon computerized securities pricing services that may be available to it, including those available through its regular accounting system.

## ARTICLE VI

### COVENANTS OF THE AUTHORITY

SECTION 6.01. *Punctual Payment.* The Authority shall punctually pay or cause to be paid the principal of and interest on all the Bonds in strict conformity with the terms of the Bonds and of this Indenture, according to the true intent and meaning thereof, but only out of the Revenues and other amounts pledged for such payment as provided in this Indenture.

SECTION 6.02. *Extension of Payment of Bonds.* The Authority shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any claims for interest by the purchase of such Bonds or by any other arrangement, and in case the maturity of any of the Bonds or the time of payment of any such claims for interest shall be extended, such Bonds or claims for interest shall not be entitled, in case of any default hereunder, to the benefits of this Indenture, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest thereon which have not been so extended. Nothing in this Section limits the right of the Authority to issue Bonds for the purpose of refunding any Outstanding Bonds, and such issuance does not constitute an extension of maturity of the Bonds.

SECTION 6.03. *Against Encumbrances.* The Authority shall not create, or permit the creation of, any pledge, lien, charge or other encumbrance upon the Revenues and other assets pledged or assigned under this Indenture while any of the Bonds are Outstanding, except the pledge and assignment created by this Indenture. Subject to this limitation, the Authority 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.

SECTION 6.04. *Power to Issue Bonds and Make Pledge and Assignment.* The Authority is duly authorized under law to issue the Bonds and to enter into this Indenture and to pledge and assign the Revenues and other amounts purported to be pledged and assigned, respectively, under this Indenture and under the Assignment Agreement in the manner and to the extent provided in this Indenture and the Assignment Agreement. The Bonds and the provisions of this Indenture are and will be the legal, valid and binding special obligations of the Authority in accordance with their terms, and the Authority and the Trustee shall at all times, subject to the provisions of Article VIII and to the extent permitted by law, defend, preserve and protect said pledge and assignment of Revenues and other assets and all the rights of the Bond Owners under this Indenture against all claims and demands of all persons whomsoever.

SECTION 6.05. *Accounting Records.* The Trustee shall at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with corporate trust industry standards, in which complete and accurate entries shall be made of all transactions made by it relating to the proceeds of Bonds and all funds and accounts established under this Indenture. The Trustee shall make such books of record and account available for inspection by the Authority and the City, during business hours, upon reasonable notice, and under reasonable circumstances.

SECTION 6.06. *Limitation on Additional Obligations.* The Authority covenants that no additional bonds, notes or other indebtedness shall be issued or incurred which are payable out of the Revenues in whole or in part.

SECTION 6.07. *Tax Covenants.*

(a) Private Business Use Limitation. The Authority shall assure that the proceeds of the Bonds are not used in a manner which would cause the Bonds to satisfy the private business tests of Section 141(b) of the Tax Code or the private loan financing test of Section 141(c) of the Tax Code.

(b) Federal Guarantee Prohibition. The Authority may not take any action or permit or suffer any action to be taken if the result of the same would be to cause the Bonds to be “federally guaranteed” within the meaning of Section 149(b) of the Tax Code.

(c) No Arbitrage. The Authority may not take, or permit or suffer to be taken by the Trustee or otherwise, any action with respect to the proceeds of the Bonds or of any other obligations which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the Closing Date, would have caused the Bonds to be “arbitrage bonds” within the meaning of Section 148(a) of the Tax Code.

(d) Maintenance of Tax Exemption. The Authority shall take all actions necessary to assure the exclusion of interest on the Bonds from the gross income of the Owners of the Bonds to the same extent as such interest is permitted to be excluded from gross income under the Tax Code as in effect on the Closing Date.

(e) Rebate of Excess Investment Earnings to United States. The Authority shall calculate or cause to be calculated all amounts of excess investment earnings with respect to the Bonds which are required to be rebated to the United States of America under Section 148(f) of the Tax Code, at the times and in the manner required under the Tax Code. The Authority shall pay when due an amount equal to excess investment earnings to the United States of America in such amounts, at such times and in such manner as may be required under the Tax Code, such payments to be made from amounts paid by the City for that purpose under Section 4.4(d) of the Lease Agreement. The Authority shall keep or cause to be kept, and retain or cause to be retained for a period of six years following the retirement of the Bonds, records of the determinations made under this subsection (e).

SECTION 6.08. *Enforcement of Lease Agreement.* The Trustee shall promptly collect all amounts (to the extent any such amounts are available for collection) due from the City under the Lease Agreement. Subject to the provisions of Article VIII, the Trustee shall enforce, and take all steps, actions and proceedings which the Trustee determines to be reasonably necessary for the enforcement of all of its rights thereunder as assignee of the Authority and for the enforcement of all of the obligations of the City under the Lease Agreement.

SECTION 6.09. *Waiver of Laws.* The Authority shall not at any time insist upon or plead in any manner whatsoever, or claim or take the benefit or advantage of, any stay or extension law now or at any time hereafter in force that may affect the covenants and agreements contained in this Indenture or in the Bonds, and all benefit or advantage of



any such law or laws is hereby expressly waived by the Authority to the extent permitted by law.

SECTION 6.10. *Further Assurances.* The Authority 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 this Indenture and for the better assuring and confirming unto the Owners of the Bonds of the rights and benefits provided in this Indenture.

## **ARTICLE VII**

### **EVENTS OF DEFAULT AND REMEDIES**

SECTION 7.01. *Events of Default.* The following events constitute Events of Default hereunder:

- (a) Failure to pay any installment of the principal of any Bonds when due, whether at maturity as therein expressed, by proceedings for redemption, by acceleration, or otherwise.
- (b) Failure to pay any installment of interest on the Bonds when due.
- (c) Failure by the Authority to observe and perform any of the other covenants, agreements or conditions on its part contained in this Indenture or in the Bonds, if such failure has continued for a period of 30 days after written notice thereof, specifying such failure and requiring the same to be remedied, has been given to the Authority by the Trustee; provided, however, if in the reasonable opinion of the Authority the failure stated in the notice can be corrected, but not within such 30-day period, such failure shall not constitute an Event of Default if the Authority institutes corrective action within such 30-day period and thereafter diligently and in good faith cures the failure in a reasonable period of time.
- (d) The commencement by the Authority of a voluntary case under Title 11 of the United States Code or any substitute or successor statute.
- (e) The occurrence and continuation of an event of default under and as defined in the Lease Agreement.

SECTION 7.02. *Remedies Upon Event of Default.* If any Event of Default occurs, then, and in each and every such case during the continuance of such Event of Default, the Trustee may, and at the written direction of the Owners of a majority in aggregate principal amount of the Bonds at the time Outstanding shall, in each case, upon receipt of indemnification satisfactory to Trustee against the costs, expenses and liabilities to be incurred in connection with such action, upon notice in writing to the Authority, declare the principal of all of the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable, anything in this Indenture or in the Bonds contained to the contrary notwithstanding.

Any such declaration is subject to the condition that if, at any time after such declaration and before any judgment or decree for the payment of the moneys due shall have been obtained or entered, the Authority deposits with the Trustee a sum sufficient to pay all the principal of and installments of interest on the Bonds payment of which is overdue, with interest on such overdue principal at the rate borne by the respective Bonds to the extent permitted by law, and the reasonable fees, charges and expenses (including those of its legal counsel, including the allocated costs of internal attorneys) of the Trustee, and any and all other Events of Default known to the Trustee (other than in the payment of principal of and interest on the Bonds due and payable solely by reason of such declaration) have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate has been made therefor, then, and in every such case, the Owners of a majority in aggregate principal amount of the Bonds then Outstanding, by written notice to the Authority, the City and the Trustee, may, on behalf of the Owners of all of the Bonds, rescind and annul such declaration and its consequences and waive such Event of Default; but no such rescission and annulment shall extend to or shall affect any subsequent Event of Default, or shall impair or exhaust any right or power consequent thereon.

SECTION 7.03. *Application of Revenues and Other Funds After Default.* If an Event of Default occurs and is continuing, all Revenues and any other funds then held or thereafter received by the Trustee under any of the provisions of this Indenture shall be applied by the Trustee in the following order of priority:

- (a) To the payment of reasonable fees, charges and expenses of the Trustee (including reasonable fees and disbursements of its legal counsel including outside counsel and the allocated costs of internal attorneys) incurred in and about the performance of its powers and duties under this Indenture;
- (b) To the payment of the principal of and interest then due on the Bonds (upon presentation of the Bonds to be paid, and stamping or otherwise noting thereon of the payment if only partially paid, or surrender thereof if fully paid) in accordance with the provisions of this Indenture, as follows:

*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; and

*Second:* To the payment to the persons entitled thereto of the unpaid principal of any Bonds which shall have become due, whether at maturity or by acceleration or redemption, with interest on the overdue principal at the rate borne by the respective Bonds (to the extent permitted by law), and, if the amount available shall not be sufficient to pay in full all the Bonds, together with such interest, then to the payment thereof ratably, according to the

amounts of principal due on such date to the persons entitled thereto, without any discrimination or preference.

SECTION 7.04. *Trustee to Represent Bond Owners.* The Trustee is hereby irrevocably appointed (and the successive respective Owners of the 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 Bonds for the purpose of exercising and prosecuting on their behalf such rights and remedies as may be available to such Owners under the provisions of the Bonds, this Indenture and applicable provisions of any law. All rights of action under this Indenture or the Bonds or otherwise may be prosecuted and enforced by the Trustee without the possession of any of the Bonds or the production thereof in any proceeding relating thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in the name of the Trustee for the benefit and protection of all the Owners of such Bonds, subject to the provisions of this Indenture.

SECTION 7.05. *Limitation on Bond Owners' Right to Sue.* Notwithstanding any other provision hereof, no Owner of any Bonds has 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 this Indenture, the Lease Agreement or any other applicable law with respect to such Bonds, unless (a) such Owner has given to the Trustee written notice of the occurrence of an Event of Default; (b) the Owners of a majority in aggregate principal amount of the Bonds then Outstanding have requested the Trustee in writing to exercise the powers hereinbefore granted or to institute such suit, action or proceeding in its own name; (c) such Owner or Owners have tendered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; (d) the Trustee has failed to comply with such request for a period of 60 days after such written request has been received by, and said tender of indemnity has been made to, the Trustee; and (e) no direction inconsistent with such written request has been given to the Trustee during such 60-day period by the Owners of a majority in aggregate principal amount of the Bonds then Outstanding.

Such notification, request, tender of indemnity and refusal or omission are hereby declared, in every case, to be conditions precedent to the exercise by any Owner of Bonds of any remedy hereunder or under law; it being understood and intended that no one or more Owners of Bonds shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of this Indenture or the rights of any other Owners of Bonds, or to enforce any right under the Bonds, this Indenture, the Lease Agreement or other applicable law with respect to the Bonds, except in the manner herein provided, and that all proceedings at law or in equity to enforce any such right shall be instituted, had and maintained in the manner herein provided and for the benefit and protection of all Owners of the Outstanding Bonds, subject to the provisions of this Indenture.

SECTION 7.06. *Absolute Obligation of Authority.* Nothing herein or in the Bonds contained affects or impairs the obligation of the Authority, which is absolute and unconditional, to pay the principal of and interest on the Bonds to the respective Owners of the Bonds at their respective dates of maturity, or upon acceleration or call for redemption, as herein provided, but only out of the Revenues and other assets herein pledged therefor, or affect or impair the right of such Owners, which is also absolute and unconditional, to enforce such payment by virtue of the contract embodied in the Bonds.

SECTION 7.07. *Termination of Proceedings.* In case any proceedings taken by the Trustee or by any one or more Bond Owners on account of any Event of Default have been discontinued or abandoned for any reason or have been determined adversely to the Trustee or the Bond Owners, then in every such case the Authority, the Trustee and the Bond Owners, subject to any determination in such proceedings, shall be restored to their former positions and rights hereunder, severally and respectively, and all rights, remedies, powers and duties of the Authority, the Trustee and the Bond Owners shall continue as though no such proceedings had been taken.

SECTION 7.08. *Remedies Not Exclusive.* No remedy herein conferred upon or reserved to the Trustee, to the Owners of the Bonds is intended to be exclusive of any other remedy or remedies, and each and every such remedy, to the extent permitted by law, shall be cumulative and in addition to any other remedy given hereunder or now or hereafter existing at law or in equity or otherwise.

SECTION 7.09. *No Waiver of Default.* No delay or omission of the Trustee or any Owner of the Bonds to exercise any right or power arising upon the occurrence of any default or Event of Default shall impair any such right or power or shall be construed to be a waiver of any such default or Event of Default or an acquiescence therein; and every power and remedy given by this Indenture to the Trustee or to the Owners of the Bonds may be exercised from time to time and as often as may be deemed expedient by the Trustee or the Bond Owners.

SECTION 7.10. *Notice to Bond Owners of Default.* Immediately upon becoming aware of the occurrence of an Event of Default, but in no event later than five Business Days following becoming aware of such occurrence, the Trustee shall promptly give written notice thereof by first class mail, postage prepaid, to the Owner of each Outstanding Bond, unless such Event of Default has been cured before the giving of such notice; *provided, however* that except in the case of an Event of Default described in Sections 7.01(a) or 7.01(b), the Trustee may elect not to give such notice to the Bond Owners if and so long as the Trustee in good faith determines that it is in the best interests of the Bond Owners not to give such notice.

## **ARTICLE VIII**

### **THE TRUSTEE**

SECTION 8.01. *Appointment of Trustee.* U.S. Bank National Association is hereby appointed Trustee by the Authority for the purpose of receiving all moneys required to be deposited with the Trustee hereunder and to allocate, use and apply the same as provided in this Indenture. The Authority will maintain a Trustee which is qualified under the provisions of the foregoing provisions of this Article, so long as any Bonds are Outstanding.

SECTION 8.02. *Acceptance of Trusts; Removal and Resignation of Trustee.* The Trustee hereby accepts the express trusts imposed upon it by this Indenture, and agrees to perform said trusts, but only upon and subject to the following express terms and conditions:

- (a) The Trustee shall, prior to an Event of Default, and after the curing or waiver of all Events of Default which may have occurred, perform such duties and only such duties as are expressly and specifically set forth in this Indenture and no implied duties or covenants shall be read into this Indenture against the Trustee.
- (b) The Authority, with thirty days' prior notice, may remove the Trustee at any time, unless an Event of Default has occurred and is then continuing, and shall remove the Trustee (a) if at any time requested to do so by the Owners of a majority in aggregate principal amount of the Bonds then Outstanding (or their attorneys duly authorized in writing) or (b) if at any time the Trustee ceases to be eligible in accordance with Section 8.02, or becomes incapable of acting, or is adjudged a bankrupt or insolvent, or a receiver of the Trustee or its property is appointed, or any public officer takes control or charge of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation.
- (c) The Trustee may at any time resign by giving written notice of such resignation to the Authority and the City, and by giving the Bond Owners notice of such resignation by mail at the addresses shown on the Registration Books.
- (d) Any removal or resignation of the Trustee and appointment of a successor Trustee shall become effective upon acceptance of appointment by the successor Trustee. In the event of the removal or resignation of the Trustee under subsections (b) or (d), respectively, the Authority shall promptly appoint a successor Trustee.

If no successor Trustee has been appointed and accepted appointment within 45 days of giving notice of removal or notice of resignation as aforesaid, the resigning Trustee 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 this Indenture, shall signify its acceptance of such appointment by executing and delivering to the Authority, to its predecessor Trustee a written acceptance thereof, and after payment by the Authority of all unpaid fees and expenses of the predecessor Trustee, 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 herein; but, nevertheless at the Written Request of the Authority 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 the Leased

Property held by such predecessor Trustee under this Indenture and shall pay over, transfer, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions herein set forth. Upon request of the successor Trustee, the Authority 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 this subsection, the Authority shall promptly mail or cause the successor trustee to mail a notice of the succession of such Trustee to the trusts hereunder to each rating agency which is then rating the Bonds and to the Bond Owners at the addresses shown on the Registration Books. If the Authority fails to mail such notice within 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 Authority.

- (e) Any Trustee appointed under this Indenture shall be a corporation or association organized and doing business under the laws of any state or the United States of America or the District of Columbia, shall be authorized under such laws to exercise corporate trust powers, shall have (or, in the case of a corporation or association that is a member of a bank holding company system, the related bank holding company has) a combined capital and surplus of at least \$50,000,000, and shall be subject to supervision or examination by a federal or state agency, so long as any Bonds are Outstanding. If such corporation or association publishes a report of condition at least annually under law or to the requirements of any supervising or examining agency above referred to, then for the purpose of this subsection (e), the combined capital and surplus of such corporation or association shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If the Trustee at any time ceases to be eligible in accordance with the provisions of this subsection (e), the Trustee shall resign immediately in the manner and with the effect specified in this Section.

SECTION 8.03. *Merger or Consolidation.* Any bank, federal savings 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, federal savings association, or trust company resulting from any merger, conversion or consolidation to which it shall be a party or any bank, national banking association, federal savings 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, federal savings association, or trust company shall be eligible under subsection (e) of Section 8.02 shall be the successor to such Trustee, without the execution or filing of any paper or any further act, anything herein to the contrary notwithstanding.

SECTION 8.04. *Liability of Trustee.*

(a) The recitals of facts herein and in the Bonds contained shall be taken as statements of the Authority, and the Trustee shall not assume responsibility for the correctness of the same, or make any representations as to the validity or sufficiency of this Indenture, the Bonds or the Lease Agreement (including any right to receive moneys thereunder or the value of or title to the premises upon which the Leased Property is located), nor shall the Trustee incur any responsibility in respect thereof, other than as expressly stated herein in connection with the respective duties or obligations of Trustee herein or in the Bonds assigned to or imposed upon it. The Trustee shall, however, be responsible for its representations contained in its certificate of authentication on the Bonds. The Trustee shall not be liable in connection with the performance of its duties hereunder, except for its own negligence. The Trustee may become the Owner of Bonds with the same rights it would have if it were not Trustee, and, to the extent permitted by law, may act as depository for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Bond Owners, whether or not such committee shall represent the Owners of a majority in principal amount of the Bonds then Outstanding.

(b) The Trustee is not liable for any error of judgment made by a responsible officer, unless it is proved that the Trustee was grossly negligent in ascertaining the pertinent facts.

(c) The Trustee is not liable with respect to any action taken or omitted to be taken by it in accordance with the direction of the Owners of a majority in aggregate principal amount of the Bonds at the time Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under this Indenture or assigned to it under the Assignment Agreement.

(d) The Trustee is not liable for any action taken by it and believed by it to be authorized or within the discretion or rights or powers conferred upon it by this Indenture.

(e) The Trustee shall not be deemed to have knowledge of any Event of Default hereunder, or any other event which, with the passage of time, the giving of notice, or both, would constitute an Event of Default hereunder unless and until it shall have actual knowledge thereof, or a corporate trust officer shall have received written notice thereof at its Office from the City, the Authority or the Owners of at least 25% in aggregate principal amount of the Outstanding Bonds. Except as otherwise expressly provided herein, the Trustee shall not be bound to ascertain or inquire as to the performance or observance by the Authority or the City of any of the terms, conditions, covenants or agreements herein, under the Lease Agreement or the Bonds or of any of the documents executed in connection with the Bonds, or as to the existence of a default or an Event of Default or an event which would, with the giving of notice, the passage of time, or both, constitute an Event of Default. The Trustee is not responsible for the validity, effectiveness or priority of any collateral given to or held by it. Without limiting the generality of the foregoing, the Trustee shall not be required to ascertain or inquire as to the performance or observance by the City or the Authority of the terms, conditions, covenants or agreements set forth in the Lease Agreement, other than the covenants of the City to make Lease Payments to the Trustee when due and to file with the Trustee when due, such reports and certifications as the City is required to file with the Trustee thereunder.

(f) No provision of this Indenture requires the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers.

(g) The Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or through agents, receivers or attorneys and the Trustee shall not be responsible for any misconduct or negligence on the part of any agent, receiver or attorney appointed with due care by it hereunder.

(h) The Trustee has no obligation to exercise any of the rights or powers vested in it by this Indenture at the request or direction of the Bond Owners under this Indenture, unless such Owners have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities (including but not limited to fees and expenses of its attorneys) which might be incurred by it in compliance with such request or direction. No permissive power, right or remedy conferred upon the Trustee hereunder shall be construed to impose a duty to exercise such power, right or remedy.

(i) Whether or not therein expressly so provided, every provision of this Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee is subject to the provisions of Section 8.02(a), this Section and Section 8.05, and shall be applicable to the assignment of any rights under the Lease Agreement to the Trustee under the Assignment Agreement.

(j) The Trustee is not accountable to anyone for the subsequent use or application of any moneys which are released or withdrawn in accordance with the provisions hereof.

(k) The Trustee makes no representation or warranty, expressed or implied as to the title, value, design, compliance with specifications or legal requirements, quality, durability, operation, condition, merchantability or fitness for any particular purpose for the use contemplated by the Authority or the City of the Leased Property. In no event shall the Trustee be liable for incidental, indirect, special or consequential damages in connection with or arising from the Lease Agreement or this Indenture for the existence, furnishing or use of the Leased Property.

(l) The Trustee has no responsibility with respect to any information, statement, or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the Bonds.

(m) The Trustee is authorized and directed to execute the Assignment Agreement in its capacity as Trustee hereunder.

SECTION 8.05. *Right to Rely on Documents.* The Trustee shall be protected and shall incur no liability in acting or refraining from acting in reliance upon any notice, resolution, request, consent, order, certificate, report, opinion, bonds or other paper or document believed by them to be genuine and to have been signed or presented by the proper party or parties. The Trustee is under no duty to make any investigation or inquiry as to any statements contained or matter referred to in any paper or document but may accept and conclusively rely upon the same as conclusive evidence of the truth and accuracy of any such statement or matter and shall be fully protected in relying thereon.



The Trustee may consult with counsel, who may be counsel of or to the Authority, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith.

The Trustee may treat the Owners of the Bonds appearing in the Registration Books as the absolute owners of the 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 this Indenture the Trustee deems it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a Written Certificate, Written Request or Written Requisition of the Authority or the City, and such Written Certificate, Written Request or Written Requisition shall be full warrant to the Trustee for any action taken or suffered under the provisions of this Indenture in reliance upon such Written Certificate, Written Request or Written Requisition, and the Trustee shall be fully protected in relying thereon, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may deem reasonable.

SECTION 8.06. *Preservation and Inspection of Documents.* All documents received by the Trustee under the provisions of this Indenture shall be retained in its respective possession and in accordance with its retention policy then in effect and shall, upon reasonable notice to Trustee, be subject to the inspection of the Authority, the City and any Bond Owner, and their agents and representatives duly authorized in writing, during business hours and under reasonable conditions as agreed to by the Trustee.

SECTION 8.07. *Compensation and Indemnification.* The Authority shall pay to the Trustee from time to time, on demand, the compensation for all services rendered under this Indenture and also all reasonable expenses, advances (including any interest on advances), charges, legal (including outside counsel and the allocated costs of internal attorneys) and consulting fees and other disbursements, incurred in and about the performance of its powers and duties under this Indenture.

The Authority shall indemnify the Trustee, its officers, directors, employees and agents against any cost, loss, liability or expense whatsoever (including but not limited to fees and expenses of its attorneys) incurred without negligence or willful misconduct on its part, arising out of or in connection with the acceptance or administration of this trust and this Indenture, including costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers hereunder or under the Assignment Agreement or the Lease Agreement. As security for the performance of the obligations of the Authority under this Section and the obligation of the Authority to make Additional Rental Payments to the Trustee, the Trustee shall have a lien prior to the lien of the Bonds upon all property and funds held or collected by the Trustee as such. The rights of the Trustee and the obligations of the Authority under this Section shall survive the resignation or removal of the Trustee or the discharge of the Bonds and this Indenture and the Lease Agreement.

## ARTICLE IX

### MODIFICATION OR AMENDMENT HEREOF

#### SECTION 9.01. *Amendments Permitted.*

(a) Amendments With Bond Owner Consent. This Indenture and the rights and obligations of the Authority and of the Owners of the Bonds and of the Trustee may be modified or amended from time to time and at any time by Supplemental Indenture, which the Authority and the Trustee may enter into when the written consents of the Owners of a majority in aggregate principal amount of all Bonds then Outstanding are filed with the Trustee. No such modification or amendment may (i) extend the fixed maturity of any Bonds, or reduce the amount of principal thereof or extend the time of payment, or change the method of computing the rate of interest thereon, or extend the time of payment of interest thereon, without the consent of the Owner of each Bond so affected, or (ii) reduce the aforesaid percentage of Bonds the consent of the Owners of which is required to effect any such modification or amendment, or permit the creation of any lien on the Revenues and other assets pledged under this Indenture prior to or on a parity with the lien created by this Indenture except as permitted herein, or deprive the Owners of the Bonds of the lien created by this Indenture on such Revenues and other assets (except as expressly provided in this Indenture), without the consent of the Owners of all of the Bonds then Outstanding. It is not necessary for the consent of the Bond Owners to approve the particular form of any Supplemental Indenture, but it is sufficient if such consent approves the substance thereof.

(b) Amendments Without Owner Consent. This Indenture and the rights and obligations of the Authority, of the Trustee and the Owners of the Bonds may also be modified or amended from time to time and at any time by a Supplemental Indenture, which the Authority and the Trustee may enter into without the consent of any Bond Owners, if the Trustee has been furnished an opinion of counsel that the provisions of such Supplemental Indenture do not materially adversely affect the interests of the Bond Owners, including, without limitation, for any one or more of the following purposes:

- (i) to add to the covenants and agreements of the Authority in this Indenture contained, other covenants and agreements thereafter to be observed, to pledge or assign additional security for the Bonds (or any portion thereof), or to surrender any right or power herein reserved to or conferred upon the Authority;
- (ii) to cure any ambiguity, inconsistency or omission, or to cure or correct any defective provision, contained in this Indenture, or in regard to matters or questions arising under this Indenture, as the Authority deems necessary or desirable, provided that such modification or amendment does not materially adversely affect the interests of the Bond Owners, in the opinion of Bond Counsel filed with the Trustee;
- (iii) to modify, amend or supplement this Indenture in such manner as to permit the qualification hereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute;

- (iv) to modify, amend or supplement this Indenture in such manner as to assure that the interest on the Bonds remains excluded from gross income under the Tax Code;
- (v) to facilitate the issuance of additional obligations of the City under the Lease Agreement as provided in Section 7.5(b)(v) thereof; or
- (vi) to facilitate the substitution or release of property under Sections 3.3 or 3.4, respectively, of the Lease Agreement.

(c) Limitation. The Trustee is not obligated to enter into any Supplemental Indenture authorized by subsections (a) or (b) of this Section which materially adversely affects the Trustee's rights, duties or immunities hereunder or otherwise.

(d) Bond Counsel Opinion. Prior to the Trustee entering into any Supplemental Indenture hereunder, the Authority shall deliver to the Trustee an opinion of Bond Counsel stating, in substance, that such Supplemental Indenture has been adopted in compliance with the requirements of this Indenture and that the adoption of such Supplemental Indenture will not, in and of itself, adversely affect the exclusion from gross income for purposes of federal income taxes of interest on the Bonds.

(e) Notice of Amendments. The Authority shall deliver or cause to be delivered a draft of any Supplemental Indenture to each rating agency which then maintains a rating on the Bonds, at least 10 days prior to the effective date of such Supplemental Indenture under this Section.

SECTION 9.02. *Effect of Supplemental Indenture*. Upon the execution of any Supplemental Indenture under this Article, this Indenture shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under this Indenture of the Authority, the Trustee and all Owners of Bonds Outstanding shall thereafter be determined, exercised and enforced hereunder 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 this Indenture for any and all purposes.

SECTION 9.03. *Amendment of Particular Bonds*. The provisions of this Article do not prevent any Bond Owner from accepting any amendment as to the particular Bonds held by such Owner.

## **ARTICLE X**

### **DEFEASANCE**

SECTION 10.01. *Discharge of Indenture*. Any or all of the Outstanding Bonds may be paid by the Authority in any of the following ways, provided that the Authority also pays or causes to be paid any other sums payable hereunder by the Authority:

- (a) by paying or causing to be paid the principal of and interest on such Bonds, as and when the same become due and payable;

- (b) by depositing with the Trustee or an escrow agent, at or before maturity, money or securities in the necessary amount (as provided in Section 10.03) to pay or redeem such Bonds; or
- (c) by delivering all of such Bonds to the Trustee for cancellation.

If the Authority also pays or causes to be paid all other sums payable hereunder by the Authority, then and in that case, at the election of the Authority (evidenced by a Written Certificate of the Authority, filed with the Trustee, signifying the intention of the Authority to discharge all such indebtedness and this Indenture), and notwithstanding that any of such Bonds shall not have been surrendered for payment, this Indenture and the pledge of Revenues and other assets made under this Indenture with respect to such Bonds and all covenants, agreements and other obligations of the Authority under this Indenture with respect to such Bonds shall cease, terminate, become void and be completely discharged and satisfied, subject to Section 10.02. In such event, upon the Written Request of the Authority, the Trustee shall execute and deliver to the Authority 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 to the City all moneys or securities or other property held by it under this Indenture which are not required for the payment or redemption of any of such Bonds not theretofore surrendered for such payment or redemption. The Trustee is entitled to conclusively rely on any such Written Certificate or Written Request and, in each case, is fully protected in relying thereon.

SECTION 10.02. *Discharge of Liability on Bonds.* Upon the deposit with the Trustee or with an escrow agent, at or before maturity, of money or securities in the necessary amount (as provided in Section 10.03) to pay any Outstanding Bonds (upon the maturity of such Bonds), then all liability of the Authority in respect of such 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 or such escrow agent as aforesaid for their payment, subject, however, to the provisions of Section 10.04.

The Authority may at any time surrender to the Trustee, for cancellation by Trustee, any Bonds previously issued and delivered, which the Authority may have acquired in any manner whatsoever, and such Bonds, upon such surrender and cancellation, shall be deemed to be paid and retired.

SECTION 10.03. *Deposit of Money or Securities with Trustee.* Whenever in this Indenture it is provided or permitted that there be deposited with or held by the Trustee or an escrow agent money or securities in the necessary amount to pay any Bonds, the money or securities so to be deposited or held may include money or securities held by the Trustee in the funds and accounts established under this Indenture and shall be:

- (a) lawful money of the United States of America in an amount equal to the principal amount of such Bonds and all unpaid interest thereon to maturity; or
- (b) non-callable Federal Securities, the principal of and interest on which when due will, in the written opinion of an Independent Accountant

filed with the City, the Authority and the Trustee, provide money sufficient to pay the principal of and interest on the Bonds to be paid, as such principal and interest become due;

provided, in each case, that (i) the Trustee shall have been irrevocably instructed (by the terms of this Indenture or by Written Request of the Authority) to apply such money to the payment of such principal and interest with respect to such Bonds, and (ii) the Authority shall have delivered to the Trustee an opinion of Bond Counsel to the effect that such Bonds have been discharged in accordance with this Indenture (which opinion may rely upon and assume the accuracy of the Independent Accountant's opinion referred to above). The Trustee shall be entitled to conclusively rely on such Written Request or opinion and shall be fully protected, in each case, in relying thereon.

SECTION 10.04. *Unclaimed Funds.* Notwithstanding any provisions of this Indenture, any moneys held by the Trustee for the payment of the principal of, or interest on, any Bonds and remaining unclaimed for two years after the principal of all of the Bonds has become due and payable (whether at maturity or upon call for redemption or by acceleration as provided in this Indenture), if such moneys were so held at such date, or two years after the date of deposit of such moneys if deposited after said date when all of the Bonds became due and payable, shall be repaid to the Authority free from the trusts created by this 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 Authority as aforesaid, the Trustee shall (at the cost of the Authority) first mail to the Owners of Bonds which have not yet been paid, at the addresses shown on the Registration Books, a notice, in such form as may be deemed appropriate by the Trustee with respect to the Bonds so payable and not presented and with respect to the provisions relating to the repayment to the Authority of the moneys held for the payment thereof.

## **ARTICLE XI**

### **MISCELLANEOUS**

SECTION 11.01. *Liability of Authority Limited to Revenues.* Notwithstanding anything in this Indenture or in the Bonds contained, the Authority is not required to advance any moneys derived from any source other than the Revenues and other assets pledged under this Indenture for any of the purposes in this Indenture mentioned, whether for the payment of the principal of or interest on the Bonds or for any other purpose of this Indenture. Nevertheless, the Authority may, but is not required to, advance for any of the purposes hereof any funds of the Authority which may be made available to it for such purposes.

SECTION 11.02. *Limitation of Rights to Parties and Bond Owners.* Nothing in this Indenture or in the Bonds expressed or implied is intended or shall be construed to give to any person other than the Authority, the Trustee, the City and the Owners of the Bonds, any legal or equitable right, remedy or claim under or in respect of this Indenture or any covenant, condition or provision therein or herein contained; and all such covenants, conditions and provisions are and shall be held to be for the sole and exclusive benefit of the Authority, the Trustee, the City and the Owners of the Bonds.

SECTION 11.03. *Funds and Accounts.* Any fund or account required by this 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 industry standards to the extent practicable, and with due regard for the requirements of Section 6.05 and for the protection of the security of the Bonds and the rights of every Owner thereof. The Trustee may establish such funds and accounts as it deems necessary or appropriate to perform its obligations under this Indenture.

SECTION 11.04. *Waiver of Notice; Requirement of Mailed Notice.* Whenever in this 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 this Indenture any notice is required to be given by mail, such requirement may be satisfied by the deposit of such notice in the United States mail, postage prepaid, by first class mail.

SECTION 11.05. *Destruction of Bonds.* Whenever in this Indenture provision is made for the cancellation by the Trustee, and the delivery to the Authority, of any Bonds, the Trustee may, in lieu of such cancellation and delivery, destroy such Bonds as may be allowed by law, and at the written request of the Authority the Trustee shall deliver a certificate of such destruction to the Authority.

SECTION 11.06. *Severability of Invalid Provisions.* If any one or more of the provisions contained in this Indenture or in the Bonds shall for any reason be held to be invalid, illegal or unenforceable in any respect, then such provision or provisions shall be deemed severable from the remaining provisions contained in this Indenture and such invalidity, illegality or unenforceability shall not affect any other provision of this Indenture, and this Indenture shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein. The Authority hereby declares that it would have entered into this Indenture and each and every other Section, paragraph, sentence, clause or phrase hereof and authorized the issuance of the Bonds pursuant thereto irrespective of the fact that any one or more Sections, paragraphs, sentences, clauses or phrases of this Indenture may be held illegal, invalid or unenforceable.

SECTION 11.07. *Notices.* All notices or communications to be given under this Indenture shall be given by first class mail or personal delivery to the party entitled thereto at its address set forth below, or at such address as the party may provide to the other party in writing from time to time. Notice shall be effective either (a) upon transmission by facsimile transmission or other form of telecommunication, confirmed by telephone, (b) 48 hours after deposit in the United States mail, postage prepaid, or (c) in the case of personal delivery to any person, upon actual receipt. The Authority, the City or the Trustee may, by written notice to the other parties, from time to time modify the address or number to which communications are to be given hereunder.

*If to the City:* City of Hermosa Beach  
1315 Valley Drive  
Hermosa Beach, California 90254  
Attention: City Manager

*If to the Authority:* Hermosa Beach Public Financing Authority  
1315 Valley Drive  
Hermosa Beach, California 90254  
Attention: Executive Director

*If to the Trustee:* U.S. Bank National Association  
633 West Fifth Street, 24th Floor  
Los Angeles, California 90071  
Attention: Corporate Trust Services

SECTION 11.08. *Evidence of Rights of Bond Owners.* Any request, consent or other instrument required or permitted by this Indenture to be signed and executed by Bond Owners may be in any number of concurrent instruments of substantially similar tenor and shall be signed or executed by such Bond Owners in person or by an agent or agents duly appointed in writing. Proof of the execution of any such request, consent or other instrument or of a writing appointing any such agent, or of the holding by any person of Bonds transferable by delivery, shall be sufficient for any purpose of this Indenture and shall be conclusive in favor of the Trustee and the Authority if made in the manner provided in this Section.

The ownership of Bonds shall be proved by the Registration Books.

Any request, consent, or other instrument or writing of the Owner of any Bond shall bind every future Owner of the same Bond and the Owner of every Bond issued in exchange therefor or in lieu thereof, in respect of anything done or suffered to be done by the Trustee or the Authority in accordance therewith or reliance thereon.

SECTION 11.09. *Disqualified Bonds.* In determining whether the Owners of the requisite aggregate principal amount of Bonds have concurred in any demand, request, direction, consent or waiver under this Indenture, Bonds which are known by the Trustee to be owned or held by or for the account of the Authority or the City, or by any other obligor on the Bonds, or by any person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the Authority or the City or any other obligor on the Bonds, shall be disregarded and deemed not to be Outstanding for the purpose of any such determination. Bonds so owned which have been pledged in good faith may be regarded as Outstanding for the purposes of this Section if the pledgee shall establish to the satisfaction of the Trustee the pledgee's right to vote such Bonds and that the pledgee is not a person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the Authority or the City or any other obligor on the Bonds. In case of a dispute as to such right, the Trustee shall be entitled to rely upon the advice of counsel in any decision by Trustee and shall be fully protected in relying thereon.

Upon request, the Authority shall specify to the Trustee those Bonds disqualified under this Section.

SECTION 11.10. *Money Held for Particular Bonds.* The money held by the Trustee for the payment of the interest or principal due on any date with respect to particular Bonds (or portions of Bonds in the case of 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 Bonds entitled thereto, *subject, however,* to the provisions of Section 10.04 but without any liability for interest thereon.

SECTION 11.11. *Waiver of Personal Liability.* No member, officer, agent or employee of the Authority shall be individually or personally liable for the payment of the principal of or interest on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof; but nothing herein contained shall relieve any such member, officer, agent or employee from the performance of any official duty provided by law or by this Indenture.

SECTION 11.12. *Successor Is Deemed Included in All References to Predecessor.* Whenever in this Indenture either the Authority, the City 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 this Indenture contained by or on behalf of the Authority, the City or the Trustee shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

SECTION 11.13. *Execution in Several Counterparts.* This Indenture may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original; and all such counterparts, or as many of them as the Authority and the Trustee shall preserve undestroyed, shall together constitute but one and the same instrument.

SECTION 11.14. *Payment on Non-Business Day.* In the event any payment is required to be made hereunder on a day which is not a Business Day, such payment shall be made on the next succeeding Business Day and with the same effect as if made on such preceding non-Business Day.

SECTION 11.15. *Governing Law.* This Indenture shall be governed by and construed in accordance with the laws of the State of California.



**IN WITNESS WHEREOF**, the HERMOSA BEACH PUBLIC FINANCING AUTHORITY has caused this Indenture to be signed in its name by its Executive Director and attested to by its Secretary, and U.S. BANK NATIONAL ASSOCIATION, in token of its acceptance of the trusts created hereunder, has caused this Indenture to be signed in its corporate name by its officer thereunto duly authorized, all as of the day and year first above written.

**HERMOSA BEACH PUBLIC FINANCING  
AUTHORITY**

By \_\_\_\_\_  
Executive Director

Attest:

\_\_\_\_\_  
Secretary

**U.S. BANK NATIONAL ASSOCIATION,  
*as Trustee***

By \_\_\_\_\_  
Authorized Officer

## **APPENDIX A**

### **DEFINITIONS**

**“Assignment Agreement”** means the Assignment Agreement dated as of October 1, 2020, between the Authority as assignor and the Trustee as assignee, as originally executed or as thereafter amended.

**“Authority”** means the Hermosa Beach Public Financing Authority, a joint exercise of powers authority duly organized and existing under the laws of the State of California.

**“Authorized Representative”** means: (a) with respect to the Authority, its Executive Director, Treasurer, Finance Director, or any other person designated as an Authorized Representative of the Authority by a Written Certificate of the Authority signed by its Executive Director and filed with the City and the Trustee; and (b) with respect to the City, its Mayor, City Manager, Finance Director or any other person designated as an Authorized Representative of the City by a Written Certificate of the City signed by its Mayor, City Manager or Finance Director and filed with the Authority and the Trustee.

**“Bond Counsel”** means (a) Jones Hall, A Professional Law Corporation, or (b) any other attorney or firm of attorneys appointed by or acceptable to the Authority of nationally-recognized experience in the issuance of obligations the interest on which is excludable from gross income for federal income tax purposes under the Tax Code.

**“Bond Fund”** means the fund by that name established and held by the Trustee under Section 5.01.

**“Bond Law”** means Articles 10 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, commencing with Section 53570 of said Code.

**“Bond Year”** means each twelve-month period extending from November 2 in one calendar year to November 1 of the succeeding calendar year, both dates inclusive; except that the first Bond Year commences on the Closing Date and extends to and including November 1, 2021.

**“Bonds”** means the \$\_\_\_\_\_ aggregate principal amount of 2020 Refunding Lease Revenue Bonds authorized by and at any time Outstanding under this Indenture.

**“Business Day”** means a day (other than a Saturday or a Sunday) on which banks are not required or authorized to remain closed in the city in which the Office of the Trustee is located.

**“City”** means the City of Hermosa Beach, a municipal corporation organized and existing under the laws of the State of California.

**“Closing Date”** means October \_\_, 2020, being the date of delivery of the Bonds to the Original Purchaser.

**“Costs of Issuance”** means all items of expense directly or indirectly payable by or reimbursable to the City relating to the authorization, issuance, sale and delivery of the

Bonds and the refunding of the 2015 Bonds, including but not limited to: printing expenses; rating agency fees; filing and recording fees; initial fees, expenses and charges of the Trustee and their respective counsel, including the Trustee's first annual administrative fee; fees, charges and disbursements of attorneys, financial advisors, accounting firms, consultants and other professionals; fees and charges for title insurance; fees and charges for preparation, execution and safekeeping of the Bonds; and any other cost, charge or fee in connection with the original issuance of the Bonds and the refunding of the 2015 Bonds.

"Costs of Issuance Fund" means the fund by that name established and held by the Trustee under Section 3.03.

"Depository" means (a) initially, DTC, and (b) any other Securities Depositories acting as Depository under Section 2.04.

"Depository System Participant" means any participant in the Depository's book-entry system.

"DTC" means The Depository Trust Company, New York, New York, and its successors and assigns.

"Escrow Agent" means U.S. Bank National Association, its successors and assigns, as trustee for the 2015 Bonds and as escrow agent under the Escrow Agreement.

"Escrow Agreement" means the Escrow Agreement dated as of October 1, 2020, among the Authority, the City and the Escrow Agent, relating to the refunding and defeasance of the 2015 Bonds in full.

"Event of Default" means any of the events specified in Section 7.01.

"Excess Investment Earnings" means an amount required to be rebated to the United States of America under Section 148(f) of the Tax Code due to investment of gross proceeds of the Bonds at a yield in excess of the yield on the Bonds.

"Federal Securities" means: (a) any direct 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), for which the full faith and credit of the United States of America are pledged; (b) obligations of any agency, department or instrumentality of the United States of America, the timely payment of principal and interest on which are directly or indirectly secured or guaranteed by the full faith and credit of the United States of America.

"Fiscal Year" means any twelve-month period extending from July 1 in one calendar year to June 30 of the succeeding calendar year, both dates inclusive, or any other twelve-month period selected and designated by the Authority as its official fiscal year period.

"Indenture" means this Indenture of Trust, as originally executed or as it may from time to time be supplemented, modified or amended by any Supplemental Indenture under the provisions hereof.

“Independent Accountant” means any certified public accountant or firm of certified public accountants appointed and paid by the Authority or the City, and who, or each of whom (a) is in fact independent and not under domination of the Authority or the City; (b) does not have any substantial interest, direct or indirect, in the Authority or the City; and (c) is not connected with the Authority or the City as an officer or employee of the Authority or the City but who may be regularly retained to make annual or other audits of the books of or reports to the Authority or the City.

“Insurance and Condemnation Fund” means the fund by that name established and held by the Trustee under Section 5.06.

“Interest Account” means the account by that name established and held by the Trustee in the Bond Fund under Section 5.02.

“Interest Payment Date” means each May 1 and November 1, commencing May 1, 2021, so long as any Bonds remain unpaid.

“Lease Agreement” means the Amended and Restated Lease Agreement dated as of October 1, 2020, between the Authority as lessor and the City as lessee of the Leased Property, as amended from time to time in accordance with its terms.

“Lease Payment Date” means, with respect to any Interest Payment Date, the 5<sup>th</sup> Business Day immediately preceding such Interest Payment Date.

“Lease Payments” means the amounts payable by the City under Section 4.2(a) of the Lease Agreement, including any early payment thereof and including any amounts payable upon a delinquency in the payment thereof.

“Leased Property” means the real property described in Appendix A to the Lease Agreement, together with all improvements and facilities at any time situated thereon, consisting generally of the land and improvements which constitute the existing civic center of the City.

“Net Proceeds” means amounts derived from any policy of casualty insurance or title insurance with respect to the Leased Property, or the proceeds of any taking of the Leased Property or any portion thereof in eminent domain proceedings (including sale under threat of such proceedings), to the extent remaining after payment therefrom of all expenses incurred in the collection and administration thereof.

“Nominee” means (a) initially, Cede & Co. as nominee of DTC, and (b) any other nominee of the Depository designated under Section 2.04(a).

“Office” means such office or offices as the Trustee may designate in writing to the Authority from time to time as the corporate trust office for purposes of the Indenture.

“Original Purchaser” means Stifel, Nicolaus & Company, Incorporated, as original purchaser of the Bonds on the Closing Date.

“Outstanding”, when used as of any particular time with reference to Bonds, means all Bonds theretofore, or thereupon being, authenticated and delivered by the Trustee under this Indenture except: (a) Bonds theretofore canceled by the Trustee or surrendered

to the Trustee for cancellation; (b) Bonds with respect to which all liability of the Authority shall have been discharged in accordance with Section 10.02, including Bonds (or portions thereof) described in Section 11.09; and (c) Bonds for the transfer or exchange of or in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Trustee under this Indenture.

“Owner”, whenever used herein with respect to a Bond, means the person in whose name the ownership of such Bond is registered on the Registration Books.

“Permitted Encumbrances” means, as of any time: (a) liens for general ad valorem taxes and assessments, if any, not then delinquent, or which the City may permit to remain unpaid under Article V of the Lease Agreement; (b) the Site Lease, the Lease Agreement and the Assignment Agreement; (c) any right or claim of any mechanic, laborer, material man, supplier or vendor not filed or perfected in the manner prescribed by law; (d) the exceptions disclosed in the title insurance policy with respect to the Leased Property issued as of the Closing Date by Stewart Title Guaranty Company; and (e) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions which exist of record and which the City certifies in writing will not materially impair the use of the Leased Property for its intended purposes.

“Permitted Investments” means any of the following:

- (a) any direct 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), for which the full faith and credit of the United States of America are pledged.
- (b) obligations of any agency, department or instrumentality of the United States of America, the timely payment of principal and interest on which are directly or indirectly secured or guaranteed by the full faith and credit of the United States of America.
- (c) Any direct or indirect obligations of an agency or department of the United States of America whose obligations represent the full faith and credit of the United States of America, or which are rated A or better by S&P.
- (d) Bank deposit products and interest-bearing deposit accounts (including certificates of deposit) in federal or State chartered savings and loan associations or in federal or State of California banks (including the Trustee) which may include the Trustee and its affiliates, provided that: (i) the unsecured obligations of such commercial bank or savings and loan association are rated A or better by S&P; or (ii) such deposits are fully insured by the Federal Deposit Insurance Corporation or are collateralized by Permitted Investments described in clauses (a), (b) or (c) above.
- (e) Commercial paper rated, at the time of purchase, “A-1+” or better by S&P.

- (f) Federal funds or bankers acceptances with a maximum term of one year of any bank which an unsecured, uninsured and unguaranteed obligation rating of “A-1+” or better by S&P.
- (g) Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by S&P of at least AAAm-G, AAAm or AAm, which funds may include funds for which the Trustee, its affiliates, parent or subsidiaries receives and retains a fee for services provided to the fund, whether as a custodian, transfer agent, investment advisor or otherwise.

“Principal Account” means the account by that name established and held by the Trustee in the Bond Fund under Section 5.02.

“Record Date” means, with respect to any Interest Payment Date, the 15<sup>th</sup> calendar day of the month preceding such Interest Payment Date, whether or not such day is a Business Day.

“Redemption Fund” means the fund by that name established and held by the Trustee under Section 5.05.

“Registration Books” means the records maintained by the Trustee under Section 2.05 for the registration and transfer of ownership of the Bonds.

“Rental Period” means each period during the Term of the Lease Agreement commencing on and including November 2 in each year and extending to and including the next succeeding November 1, except that the first Rental Period begins on the Closing Date and ends on November 1, 2021.

“Revenues” means: (a) all amounts received by the Authority or the Trustee under or with respect to the Lease Agreement, including, without limiting the generality of the foregoing, all of the Lease Payments (including both timely and delinquent payments, any late charges, and whether paid from any source); and (b) all interest, profits or other income derived from the investment of amounts in any fund or account established under this Indenture.

“Securities Depositories” means DTC; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other securities depositories as the Authority designates in written notice filed with the Trustee.

“Site Lease” means the Amended and Restated Site Lease dated as of October 1, 2020, between the City as lessor and the Authority as lessee, as amended from time to time in accordance with its terms.

“S&P” means S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC, of New York, New York, its successors and assigns.

“Supplemental Indenture” means any indenture hereafter duly authorized and entered into between the Authority and the Trustee, supplementing, modifying or

amending this Indenture; but only if and to the extent that such Supplemental Indenture is specifically authorized hereunder.

"Tax Code" means the Internal Revenue Code of 1986 as in effect on the Closing Date or (except as otherwise referenced herein) as it may be amended to apply to obligations issued on the Closing Date, together with applicable proposed, temporary and final regulations promulgated, and applicable official public guidance published, under said Code.

"Term" means, with reference to the Lease Agreement, the time during which the Lease Agreement is in effect, as provided in Section 4.1 thereof.

"Term Bonds" means the Bonds maturing on November 1, 20\_\_.

"Trustee" means U.S. Bank National Association, a national banking association organized and existing under the laws of United States of America, or its successor or successors, as Trustee hereunder as provided in Article VIII.

"2015 Bonds" means the Hermosa Beach Public Financing Authority 2015 Lease Revenue Bonds issued by the Authority in the aggregate original principal amount of \$11,600,000.

"Written Certificate," "Written Request" and "Written Requisition" of the Authority or the City mean, respectively, a written certificate, request or requisition signed in the name of the Authority or the City by its Authorized Representative. Any such instrument and supporting opinions or representations, if any, may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument.

## APPENDIX B

### BOND FORM

NO. R-\_\_\_\_\_

\*\*\*\$\_\_\_\_\_\*\*\*

UNITED STATES OF AMERICA  
STATE OF CALIFORNIA

### HERMOSA BEACH PUBLIC FINANCING AUTHORITY

### 2020 REFUNDING LEASE REVENUE BOND

INTEREST RATE: \_\_\_\_\_% MATURITY DATE: \_\_\_\_\_ 1, \_\_\_\_\_ ORIGINAL ISSUE DATE: \_\_\_\_\_ 2020 CUSIP: \_\_\_\_\_

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: \*\*\*

\*\*\*

The Hermosa Beach Public Financing Authority, a public body corporate and politic duly organized and existing under the laws of the State of California (the "Authority"), for value received, hereby promises to pay to the Registered Owner specified above or registered assigns (the "Registered Owner"), on the Maturity Date specified above, the Principal Amount specified above, in lawful money of the United States of America, and to pay interest thereon in like lawful money from the Interest Payment Date (as hereinafter defined) next preceding the date of authentication of this Bond unless (i) this Bond is authenticated on or before an Interest Payment Date and after the close of business on the 15<sup>th</sup> day of the month preceding such interest payment date, in which event it shall bear interest from such Interest Payment Date, or (ii) this Bond is authenticated on or before April 15, 2021, in which event it shall bear interest from the Original Issue Date specified above, or (iii) interest on this Bond is in default as of the date of authentication hereof, in which event interest hereon shall be payable from the date to which interest has been paid in full. Interest on this Bond shall accrue at the Interest Rate per annum specified above, and shall be payable semiannually on May 1 and November 1 in each year, commencing May 1, 2021 (the "Interest Payment Dates"), calculated on the basis of a 360-day year composed of twelve 30-day months.

Principal hereof is payable upon presentation and surrender hereof at the corporate trust office of U.S. Bank National Association, in Los Angeles, California (the "Trust Office"), as trustee (the "Trustee"). Interest hereon is payable by check of the Trustee mailed to the Registered Owner hereof at the Registered Owner's address as it appears on the registration books of the Trustee as of the close of business on the fifteenth day of the month preceding each Interest Payment Date (a "Record Date"), or, upon



written request filed with the Trustee as of such Record Date by a registered owner of at least \$1,000,000 in aggregate principal amount of Bonds, by wire transfer in immediately available funds to an account in the United States designated by such registered owner in such written request.

This Bond is not a debt of the City of Hermosa Beach (the "City"), the County of Los Angeles, the State of California, or any of its political subdivisions, and neither the City, said County, said State, nor any of its political subdivisions, is liable hereon nor in any event shall this Bond be payable out of any funds or properties of the Authority other than the Revenues.

This Bond is one of a duly authorized issue of bonds of the Authority designated as the "Hermosa Beach Public Financing Authority 2020 Refunding Lease Revenue Bonds (the "Bonds")", in an aggregate principal amount of \$\_\_\_\_\_, all of like tenor and date (except for such variation, if any, as may be required to designate varying numbers, maturities, interest rates) and all issued under the provisions of Articles 10 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, commencing with Section 53570 of said Code, and under an Indenture of Trust dated as of October 1, 2020, between the Authority and the Trustee (the "Indenture") and a resolution of the Authority adopted on August \_\_, 2020, authorizing the issuance of the Bonds. Reference is hereby made to the Indenture (copies of which are on file at the office of the Authority) and all supplements thereto for a description of the terms on which the Bonds are issued, the provisions with regard to the nature and extent of the Revenues, and the rights thereunder of the owners of the Bonds and the rights, duties and immunities of the Trustee and the rights and obligations of the Authority thereunder, to all of the provisions of which the Registered Owner of this Bond, by acceptance hereof, assents and agrees.

The Bonds have been issued by the Authority to refinance certain outstanding obligations of the Authority. This Bond and the interest hereon are special obligations of the Authority, payable from the Revenues, and secured by a charge and lien on the Revenues as defined in the Indenture, consisting principally of lease payments made by the City under an Amended and Restated Lease Agreement dated as of October 1, 2020 (the "Lease Agreement"), between the Authority as lessor and the City as lessee. As and to the extent set forth in the Indenture, all of the Revenues are exclusively and irrevocably pledged in accordance with the terms hereof and the provisions of the Indenture, to the payment of the principal of and interest on the Bonds.

The rights and obligations of the Authority and the owners of the Bonds may be modified or amended at any time in the manner, to the extent and upon the terms provided in the Indenture, but no such modification or amendment shall extend the fixed maturity of any Bonds, or reduce the amount of principal thereof or extend the time of payment, or change the method of computing the rate of interest thereon, or extend the time of payment of interest thereon, without the consent of the owner of each Bond so affected.

The Bonds maturing on or before November 1, 20\_\_\_\_, are not subject to optional redemption prior to their respective stated maturity dates. The Bonds maturing on or after November 1, 20\_\_\_\_, are subject to redemption in whole, or in part at the written request of the Authority among maturities on such basis as the Authority may designate and by lot within a maturity, at the option of the Authority, on any date on or after November 1, 20\_\_\_\_, from any available source of funds, at a redemption price of the principal amount of the Bonds to be redeemed plus accrued interest to the date of redemption, without premium.

The Bonds maturing on November 1, 20\_\_, are subject to mandatory sinking fund redemption in whole or in part by lot, at a redemption price equal to the principal amount thereof to be redeemed, without premium, plus accrued interest to the date of redemption, in the aggregate respective principal amounts and on November 1 in the years as set forth in the following table:

<u>Payment Date</u> <u>(November 1)</u>	<u>Payment</u> <u>Amount</u>
--	---------------------------------

The Bonds are subject to redemption as a whole, or in part by lot, on any date, from the net proceeds or eminent domain or insurance award with respect to the property which is leased under the Lease Agreement and which are required to be used for such purpose under the Indenture, at a redemption price equal to 100% of the principal amount thereof plus interest accrued thereon to the date fixed for redemption, without premium.

As provided in the Indenture, notice of redemption will be mailed by the Trustee by first class mail not less than 20 nor more than 60 days prior to the redemption date to the respective owners of any Bonds designated for redemption at their addresses appearing on the registration books of the Trustee, but neither failure to receive such notice nor any defect in the notice so mailed shall affect the sufficiency of the proceedings for redemption or the cessation of accrual of interest thereon from and after the date fixed for redemption.

If this Bond is called for redemption and payment is duly provided therefor as specified in the Indenture, interest shall cease to accrue hereon from and after the date fixed for redemption.

This Bond is transferable by the Registered Owner hereof, in person or by his attorney duly authorized in writing, at the Trust Office, but only in the manner, subject to the limitations and upon payment of the charges provided in the Indenture, and upon surrender and cancellation of this Bond. Upon registration of such transfer, a new Bond or Bonds, of authorized denomination or denominations, for the same aggregate principal amount and of the same maturity will be issued to the transferee in exchange herefor. This Bond may be exchanged at the Trust Office for Bonds of the same tenor, aggregate principal amount, interest rate and maturity, of other authorized denominations.

The Authority and the Trustee may treat the Registered Owner hereof as the absolute owner hereof for all purposes, and the Authority and the Trustee shall not be affected by any notice to the contrary.

Unless this Bond is presented by an authorized representative of The Depository Trust Company to the Authority or the Trustee for registration of transfer, exchange or payment, and any Bond issued is registered in the name of Cede & Co. or such other name as requested by an authorized representative of The Depository Trust Company and any payment is made to Cede & Co., ANY TRANSFER, PLEDGE OR OTHER USE

HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL since the registered owner hereof, Cede & Co., has an interest herein.

It is hereby certified by the Authority that all of the things, conditions and acts required to exist, to have happened or to have been performed precedent to and in the issuance of this Bond do exist, have happened or have been performed in due and regular time, form and manner as required by the laws of the State of California and that the amount of this Bond, together with all other indebtedness of the Authority, does not exceed any limit prescribed by the laws of the State of California, and is not in excess of the amount of Bonds permitted to be issued under the Indenture.

This Bond shall not be entitled to any benefit under the Indenture or become valid or obligatory for any purpose until the certificate of authentication hereon endorsed shall have been manually signed by the Trustee.

IN WITNESS WHEREOF, the has caused this Bond to be executed in its name and on its behalf with the facsimile signature of its Chairperson and attested to by the facsimile signature of its Secretary, all as of the Original Issue Date specified above.

Attest:

By \_\_\_\_\_ Chairperson  
\_\_\_\_\_  
Secretary

### CERTIFICATE OF AUTHENTICATION

This is one of the Bonds described in the within-mentioned Indenture.

Dated:

**U.S. BANK NATIONAL ASSOCIATION,**  
*as Trustee*

By \_\_\_\_\_  
Authorized Signatory

## ASSIGNMENT

For value received the undersigned hereby sells, assigns and transfers unto \_\_\_\_\_ whose address and social security or other tax identifying number is \_\_\_\_\_, the within-mentioned Bond and hereby irrevocably \_\_\_\_\_ constitute(s) \_\_\_\_\_ and \_\_\_\_\_ appoint(s) \_\_\_\_\_ attorney, to transfer the same on the registration books of the Trustee with full power of substitution in the premises.

Dated: \_\_\_\_\_

Signature Guaranteed: \_\_\_\_\_

Note: Signature(s) shall be guaranteed by an eligible guarantor institution.

Note: The signature(s) on this Assignment shall correspond with the name(s) as written on the face of the within Bond in every particular without alteration or enlargement or any change whatsoever.

## **ESCROW AGREEMENT**

**Relating to  
\$11,600,000  
Hermosa Beach Public Financing Authority  
2015 Lease Revenue Bonds**

This ESCROW AGREEMENT (this "Agreement"), dated as of October 1, 2020, is between the HERMOSA BEACH PUBLIC FINANCING AUTHORITY, a joint powers authority duly organized and existing under the laws of the State of California (the "Authority"), the CITY OF HERMOSA BEACH, a municipal corporation duly organized and existing under the laws of the State of California (the "City"), and U.S. BANK NATIONAL ASSOCIATION, a national banking association organized and existing under the laws of the United States of America, acting as escrow agent (the "Escrow Agent") and as trustee for the 2015 Bonds described below.

### ***BACKGROUND:***

1. In order to refinance certain obligations of the City, the Authority has previously issued its Hermosa Beach Public Financing Authority 2015 Lease Revenue Bonds in the aggregate principal amount of \$11,600,000 (the "2015 Bonds") under an Indenture of Trust dated as of August 1, 2015 (the "2015 Bond Indenture"), between the City and U.S. Bank National Association, as trustee (the "2015 Bond Trustee").

2. The Authority has the right under the 2015 Bond Indenture, at its option, to redeem the 2015 Bonds on any date on or after November 1, 2020 (the "Redemption Date"), from any available source of funds, at a redemption price equal to the principal amount thereof to be redeemed together with accrued interest thereon to the redemption date, without premium.

3. In order to provide funds to pay and redeem the 2015 Bonds in full on the Redemption Date, the Authority has issued its Hermosa Beach Public Financing Authority 2020 Refunding Lease Revenue Bonds in the aggregate principal amount of \$\_\_\_\_\_ (the "2020 Bonds") under an Indenture of Trust dated as of October 1, 2020 (the "2020 Bond Indenture"), between the City and U.S. Bank National Association, as trustee (the "2020 Bond Trustee").

4. The Authority and the City wish to appoint the Escrow Agent for the purpose of establishing an irrevocable escrow fund to be funded, invested, held and administered as set forth herein for the purpose of providing for payment and redemption of the 2015 Bonds in full on the Redemption Date.

### ***AGREEMENT:***

In consideration of the premises and the material covenants contained herein, the City and the Escrow Agent hereby agree as follows:

**SECTION 1. *Appointment of Escrow Agent; Establishment of Escrow Fund.*** The Authority and the City hereby appoint the Escrow Agent to act as escrow agent for purpose

of administering the funds required for the refunding of the 2015 Bonds as provided herein. The Escrow Agent is hereby directed to establish an escrow fund (the "Escrow Fund") to be held by the Escrow Agent as an irrevocable escrow. If at any time the Escrow Agent receives actual knowledge that the cash in the Escrow Fund will not be sufficient to make any payment required by Section 4, the Escrow Agent shall notify the City of such fact and the City shall immediately cure such deficiency from any source of legally available funds. The Escrow Agent has no liability for any such insufficiency.

SECTION 2. *Deposit of Amounts in Escrow Fund.* On October \_\_, 2020 (the "Closing Date"), the Authority and the City shall cause to be transferred to the Escrow Agent for deposit into the Escrow Fund the amount of \$\_\_\_\_\_ in immediately available funds. Such amount shall be derived from the following sources:

- (a) from the proceeds of the 2020 Bonds in the amount of \$\_\_\_\_\_: and
- (b) from amounts held by the 2015 Bond Trustee in the Bond Fund which has been established under Section 5.01 of the 2015 Bond Indenture, in the amount of \$\_\_\_\_\_.

SECTION 3. *Investment of Amounts in Escrow Fund.* Amounts on deposit in the Escrow Fund shall be held in cash, uninvested.

SECTION 4. *Application of Amounts in Escrow Fund.* The Escrow Agent shall transfer amounts in the Escrow Fund to the 2015 Bond Trustee to pay and redeem all of the outstanding 2015 Bonds in accordance with the following schedule:

<u>Date</u>	<u>Interest Payment</u>	<u>Maturing Principal</u>	<u>Redeemed Principal</u>	<u>Total Payment</u>
November 1, 2020				

Following the payment and redemption of the 2015 Bonds in full on the Redemption Date, the Escrow Agent shall transfer any amounts remaining on deposit in the Escrow Fund to the 2020 Bond Trustee to be deposited into the Interest Account established under Section 5.02(a) of the 2020 Bond Indenture and applied to pay interest next coming due and payable on the 2020 Bonds.

SECTION 5. *Irrevocable Election.* The Authority hereby irrevocably elects to redeem the 2015 Bonds in full on the Redemption Date in accordance with Section 4.01 of the 2015 Bond Indenture. The 2015 Bond Trustee shall give notice of redemption of the 2015 Bonds in accordance with Section 4.03 of the 2015 Bond Indenture, at the expense of the Authority and the City.

SECTION 6. *Transfer of 2015 Bond Funds.* Any amounts held in the funds and accounts established under the 2015 Bond Indenture by the Escrow Agent, in its capacity as 2015 Bond Trustee, which are not required to be deposited into the Escrow Fund under Section 2, shall be withdrawn therefrom on or after the Closing Date and transferred to the 2020 Bond Trustee to be deposited into the Interest Account established under Section 5.02(a) of the 2020 Bond Indenture and applied to pay interest next coming due and payable on the 2020 Bonds.

SECTION 7. *Resignation of Escrow Agent.* The Escrow Agent may at any time resign by giving written notice of such resignation to the Authority and the City, and the Authority and the City shall promptly appoint a successor Escrow Agent by the resignation date. Resignation of the Escrow Agent will be effective only upon acceptance of appointment by a successor Escrow Agent. If the Authority and the City do not appoint a successor, the Escrow Agent may at the expense of the Authority and the City petition any court of competent jurisdiction for the appointment of a successor Escrow Agent, which court may thereupon, after such notice, if any, as it may deem proper and prescribe and as may be required by law, appoint a successor Escrow Agent. After receiving a notice of resignation of Escrow Agent, the Authority and the City may appoint a temporary Escrow Agent to replace the resigning Escrow Agent until the Authority and the City appoint a successor Escrow Agent. Any such temporary Escrow Agent so appointed by the Authority and the City, shall immediately and without further act be superseded by the successor Escrow Agent so appointed.

SECTION 8. *Compensation to Escrow Agent.* The City shall pay the Escrow Agent full compensation for its services under this Agreement, including out-of-pocket costs such as publication costs, legal fees and other costs and expenses relating hereto and, in addition, all fees, costs and expenses relating to (a) the purchase, substitution or withdrawal of any securities after the date hereof, and (b) the redemption of the 2015 Bonds. Under no circumstances shall amounts deposited in or credited to the Escrow Fund be deemed to be available for said purposes. The Escrow Agent has no lien upon or right of set off against the amounts at any time on deposit in the Escrow Fund.

The Authority and the City shall indemnify, defend and hold harmless the Escrow Agent and its officers, directors, employees, representatives and agents, from and against and reimburse the Escrow Agent for any and all claims, obligations, liabilities, losses, damages, actions, suits, judgments, reasonable costs and expenses (including reasonable attorneys' and agents' fees and expenses) of whatever kind or nature regardless of their merit, demanded, asserted or claimed against the Escrow Agent directly or indirectly relating to, or arising from, claims against the Escrow Agent by reason of its participation in the transactions contemplated hereby, except to the extent caused by the Escrow Agent's gross negligence or willful misconduct. The provisions of this Section shall survive the termination of this Agreement or the earlier resignation or removal of the Escrow Agent.

SECTION 9. *Immunities and Liability of Escrow Agent.* The Escrow Agent undertakes to perform only such duties as are expressly set forth in this Agreement and no implied duties, covenants or obligations shall be read into this Agreement against the Escrow Agent. The Escrow Agent shall not have any liability hereunder except to the extent of its gross negligence or willful misconduct. In no event shall the Escrow Agent be liable for any special, indirect or consequential damages. The Escrow Agent shall not be liable for any loss from any investment made by it in accordance with the terms of this Agreement. The Escrow Agent may consult with legal counsel of its own choice and the Escrow Agent shall not be liable for any action taken or not taken by it in good faith in reliance upon the opinion or advice of such counsel. The Escrow Agent shall not be liable for the recitals or representations contained in this Agreement and shall not be responsible for the validity of this Agreement, the sufficiency of the Escrow Fund or the amounts therein to pay the principal of and interest on the 2015 Bonds.

Whenever in the administration of this Agreement the Escrow Agent deems it necessary or desirable that a matter be proved or established prior to taking or not taking any action, such matter may be deemed to be conclusively proved and established by a certificate of an authorized representative of the Authority and the City and shall be full protection for any action taken or not taken by the Escrow Agent in good faith reliance thereon.

The Escrow Agent may conclusively rely as to the truth and accuracy of the statements and correctness of any opinions or calculations provided to it in connection with this Agreement and shall be protected in acting, or refraining from acting, upon any notice, instruction, request, certificate, document, opinion or other writing furnished to the Escrow Agent in connection with this Agreement and believed by the Escrow Agent to be signed by the proper party, and it need not investigate any fact or matter stated therein.

None of the provisions of this Agreement shall require the Escrow Agent to expend or risk its own funds or otherwise to incur any liability, financial or otherwise, in the performance of any of its duties hereunder. The Escrow Agent may execute any of the powers hereunder or perform any duties hereunder either directly or by or through agents, attorneys, custodians or nominees appointed with due care, and shall not be responsible for any willful misconduct or negligence on the part of any agent, attorney, custodian or nominee so appointed. The Escrow Agent shall not be liable to the parties hereto or deemed in breach or default hereunder if and to the extent its performance hereunder is prevented by reason of force majeure. The term "force majeure" means an occurrence that is beyond the control of the Escrow Agent and could not have been avoided by exercising due care. Force majeure shall include acts of God, terrorism, war, riots, strikes, fire, floods, earthquakes, epidemics or other similar occurrences.

The Escrow Agent may at any time resign by giving 30 days written notice of resignation to the Authority and the City. Upon receiving such notice of resignation, the Authority and the City shall promptly appoint a successor and, upon the acceptance by the successor of such appointment, release the resigning Escrow Agent from its obligations hereunder by written instrument, a copy of which instrument shall be delivered to each of the Authority and the City, the resigning Escrow Agent and the successor. If no successor shall have been so appointed and have accepted appointment within 30 days after the giving of such notice of resignation, the resigning Escrow Agent may petition any court of competent jurisdiction for the appointment of a successor.

Any bank, corporation or association into which the Escrow Agent may be merged or converted or with which it may be consolidated, or any bank, corporation or association resulting from any merger, conversion or consolidation to which the Escrow Agent shall be a party, or any bank, corporation or association succeeding to all or substantially all of the corporate trust business of the Escrow Agent shall be the successor of the Escrow Agent hereunder without the execution or filing of any paper with any party hereto or any further act on the part of any of the parties hereto except on the part of any of the parties hereto where an instrument of transfer or assignment is required by law to effect such succession, anything herein to the contrary notwithstanding.

The Escrow Agent agrees to accept and act upon instructions or directions pursuant to this Agreement sent by unsecured e-mail, facsimile transmission or other similar unsecured electronic methods, provided, however, that, the Escrow Agent shall have received an incumbency certificate listing persons designated to give such



instructions or directions and containing specimen signatures of such designated persons, which such incumbency certificate shall be amended and replaced whenever a person is to be added or deleted from the listing. If the Authority and the City elect's to give the Escrow Agent e-mail or facsimile instructions (or instructions by a similar electronic method) and the Escrow Agent in its discretion elects to act upon such instructions, the Escrow Agent's understanding of such instructions shall be deemed controlling. The Escrow Agent shall not be liable for any losses, costs or expenses arising directly or indirectly from the Escrow Agent's reliance upon and compliance with such instructions notwithstanding such instructions conflict or are inconsistent with a subsequent written instruction. The Authority and the City agree's to assume all risks arising out of the use of such electronic methods to submit instructions and directions to the Escrow Agent, including without limitation the risk of the Escrow Agent acting on unauthorized instructions, and the risk of interception and misuse by third parties.

The Authority and the City acknowledge that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Authority and the City the right to receive brokerage confirmations of security transactions as they occur, the Authority and the City specifically waive receipt of such confirmations to the extent permitted by law. The Escrow Agent will furnish the Authority and the City periodic transaction statements which include detail for all investment transactions made by the Escrow Agent hereunder; provided that the Escrow Agent is not obligated to provide an accounting for any fund or account that (a) has a balance of \$0.00 and (b) has not had any activity since the last reporting date.

SECTION 10. *Amendment.* This Agreement may be amended by the parties hereto, but only if there shall have been filed with the Authority and the City and the Escrow Agent a written opinion of Bond Counsel stating that such amendment will not materially adversely affect the interests of the owners of the 2015 Bonds.

SECTION 11. *Termination of Agreement.* Upon payment in full of the principal of and interest on the 2015 Bonds, and upon payment of all fees, expenses and charges of the Escrow Agent as described above, this Agreement shall terminate and the Escrow Agent shall be discharged from any further obligation or responsibility hereunder.

SECTION 12. *Execution in Counterparts.* This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SECTION 13. *Applicable Law.* This Agreement shall be governed by and construed in accordance with the laws of the State of California.

**HERMOPACIFSA BEACH PUBLIC  
FINANCING AUTHORITY**

By \_\_\_\_\_  
Executive Director

**CITY OF HERMOSA BEACH**

By \_\_\_\_\_  
City Manager

**U.S. BANK NATIONAL ASSOCIATION,**  
as Escrow Agent

By \_\_\_\_\_  
Authorized Officer

**HERMOSA BEACH PUBLIC FINANCING AUTHORITY  
2020 LEASE REVENUE REFUNDING BONDS**

**BOND PURCHASE AGREEMENT**

October \_\_, 2020

Hermosa Beach Public Financing Authority  
c/of City of Hermosa Beach  
1315 Valley Drive  
Hermosa Beach, California 90254  
Attention: Executive Director

City of Hermosa Beach  
1315 Valley Drive  
Hermosa Beach, California 90254  
Attention: City Manager

Ladies and Gentlemen:

The undersigned, Stifel, Nicolaus & Company, Incorporated (the “Underwriter”), acting not as a fiduciary or agent for you, but on behalf of itself, offers to enter into this Bond Purchase Agreement (which, together with Exhibit A and Exhibit B, is referred to as the “Purchase Agreement”) with the Hermosa Beach Public Financing Authority (the “Authority”) and the City of Hermosa Beach, California (the “City”), which, upon the acceptance of the Authority and the City, will be binding upon the Authority, the City and the Underwriter. This offer is made subject to acceptance by the Authority and by the City by the execution of this Purchase Agreement and delivery of the same to the Underwriter prior to 11:59 P.M., Pacific Standard Time, on the date hereof, and, if not so accepted, will be subject to withdrawal by the Underwriter upon notice delivered to the Authority and the City at any time prior to the acceptance hereof by the Authority and the City. Capitalized terms used herein and not otherwise defined shall have the meanings set forth in the Indenture of Trust, dated as of October 1, 2020 (the “Indenture”), by and between the Authority and U.S. Bank National Association, as trustee (the “Trustee”).

**Section 1. Purchase and Sale.** Upon the terms and conditions and upon the basis of the representations, warranties and agreements herein set forth, the Underwriter hereby agrees to purchase from the Authority, and the Authority hereby agrees to issue, sell and deliver to the Underwriter all (but not less than all) of the Hermosa Beach Public Financing Authority 2020 Lease Revenue Refunding Bonds in the aggregate principal amount of \$\_\_\_\_\_ (the “Bonds”). The Bonds will be dated as of their date of delivery. Interest on the Bonds shall be payable semiannually on May 1 and November 1 in each year, commencing May 1, 2021 and will mature, bear interest and be subject to redemption prior to maturity as set forth in Exhibit A hereto. The purchase price for the Bonds shall be equal to \$\_\_\_\_\_ (being the aggregate principal amount thereof plus a net original issue premium of \$\_\_\_\_\_, less an underwriter’s discount of \$\_\_\_\_\_).

**Section 2. The Bonds.** The Bonds shall be secured by a pledge of Revenues consisting primarily of Lease Payments (“Lease Payments”) to be paid by the City pursuant to the Amended and Restated Lease Agreement, dated as of October 1, 2020 (together, the “Lease”), by and between the City and the Authority. The Authority’s right to receive the Lease Payments due under the Lease

and to exercise remedies upon default under such Lease shall be assigned to the Trustee for the benefit of the owners of the Bonds pursuant to the Assignment Agreement, dated as of October 1, 2020 (the “Assignment Agreement”), by and between the Authority and the Trustee.

The Bonds shall be as described in, and shall be secured under and pursuant to the Indenture substantially in the form previously submitted to the Underwriter with only such changes therein as shall be mutually agreed upon by the Authority, the City and the Underwriter.

The proceeds of the Bonds shall be used to: (i) defease and redeem the Authority’s outstanding 2015 Lease Revenue Bonds (the “2015 Bonds”); and (ii) to pay the costs of issuance of the Bonds.

The Bonds, this Purchase Agreement, the Indenture, the Lease, the Amended and Restated Site Lease, dated as of October 1, 2020 (the “Site Lease”), by and between the Authority and the City, the Assignment Agreement, the Escrow Agreement dated as of October 1, 2020 (the “Escrow Agreement”), by and among the Authority, the City and U.S. Bank National Association, and a resolution adopted by the Board of Directors of the Authority on [September 22, 2020] (the “Authority Resolution”) authorizing the issuance of the Bonds and the execution and delivery of the Authority Documents (hereinafter defined) are collectively referred to herein as the “Authority Documents.”

This Purchase Agreement, the Continuing Disclosure Certificate, dated as of October \_\_, 2020 (the “Continuing Disclosure Certificate”), executed and delivered by the City, the Lease, the Site Lease, the Escrow Agreement and a resolution adopted by the City Council of the City on [September 22, 2020] (the “City Resolution”) authorizing the execution and delivery of the City Documents (hereinafter defined) are collectively referred to herein as the “City Documents.”

### **Section 3. Public Offering and Establishment of Issue Price.**

(a) The Underwriter agrees to make an initial public offering of all of the Bonds at the public offering prices (or yields) set forth on Exhibit A attached hereto and incorporated herein by reference. Subsequent to the initial public offering, the Underwriter reserves the right to change the public offering prices (or yields) as the Underwriter deems necessary in connection with the marketing of the Bonds, provided that the Underwriter shall not change the interest rates set forth on Exhibit A. The Bonds may be offered and sold to certain dealers at prices lower than such initial public offering prices. The City and the Authority acknowledge and agree that: (i) the purchase and sale of the Bonds pursuant to this Purchase Agreement is an arm’s-length commercial transaction between the City and the Authority, on one hand, and the Underwriter, on the other; (ii) in connection therewith and with the discussions, undertakings and procedures leading up to the consummation of such transaction, the Underwriter is and has been acting solely as principal and is not acting as a Municipal Advisor (as defined in Section 15B of the Securities Exchange Act of 1934, as amended); (iii) the Underwriter has not assumed an advisory or fiduciary responsibility in favor of the City or Authority with respect to the offering contemplated hereby or the discussions, undertakings and procedures leading thereto (irrespective of whether the Underwriter has provided other services or is currently providing other services to the City or Authority on other matters); (iv) the Underwriter has financial and other interests that differ from those of the City and the Authority; and (v) the City and Authority have consulted their own legal, financial and other advisors to the extent they have deemed appropriate.

(b) The Underwriter agrees to assist the Authority in establishing the issue price of the Bonds and shall execute and deliver to the Authority at Closing (as defined below) an “issue price” or similar certificate, together with the supporting pricing wires or equivalent communications, substantially in the form attached hereto as Exhibit B, with such modifications as may be appropriate or necessary, in the reasonable judgment of the Underwriter, the Authority and Bond Counsel (as defined below), to accurately reflect, as applicable, the sales price or prices or the initial offering price or prices to the public of the Bonds. All actions to be taken by the Authority under this section to establish the issue price of the Bonds may be taken on behalf of the Authority by the Authority’s municipal advisor, NHA Advisors, LLC (the “Municipal Advisor”) and any notice or report to be provided to the Authority may be provided to the Authority’s Municipal Advisor.

(c) The Authority will treat the first price at which 10% of each maturity of the Bonds (the “10% test”), identified under the column “10% Test Used” in Exhibit A, is sold to the public as the issue price of that maturity. At or promptly after the execution of this Purchase Contract, the Underwriter shall report to the Authority the price or prices at which it has sold to the public each maturity of Bonds. If at that time the 10% test has not been satisfied as to any maturity of the Bonds, the Underwriter agrees to promptly report to the Authority the prices at which it sells the unsold Bonds of that maturity to the public. That reporting obligation shall continue, whether or not the Closing Date (as defined below) has occurred, until either (i) the Underwriter has sold all Bonds of that maturity or (ii) the 10% test has been satisfied as to the Bonds of that maturity, provided that, the Underwriter’s reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the Authority or Bond Counsel. For purposes of this section, if Bonds mature on the same date but have different interest rates, each separate CUSIP number within that maturity will be treated as a separate maturity of the Bonds.

(d) The Underwriter confirms that:

(i) any selling group agreement and any third-party distribution agreement relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each dealer who is a member of the selling group and each broker-dealer that is a party to such third-party distribution agreement, as applicable:

(A)(i) to report the prices at which it sells to the public the unsold Bonds of each maturity allocated to it, whether or not the Closing Date has occurred, until either all Bonds of that maturity allocated to it have been sold or it is notified by the Underwriter that the 10% test has been satisfied as to the Bonds of that maturity, provided that, the reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the Underwriter, and (ii) to comply with the hold-the-offering-price rule, if applicable, if and for so long as directed by the Underwriter,

(B) to promptly notify the Underwriter of any sales of Bonds that, to its knowledge, are made to a purchaser who is a related party to an underwriter participating in the initial sale of the Bonds to the public (each such term being used as defined below), and

(C) to acknowledge that, unless otherwise advised by the dealer or broker-dealer, the Underwriter shall assume that each order submitted by the dealer or broker-dealer is a sale to the public.

(ii) any selling group agreement relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each dealer that is a party to a third-party distribution agreement to be employed in connection with the initial sale of the Bonds to the public to require each broker-dealer that is a party to such third-party distribution agreement to (A) report the prices at which it sells to the public the unsold Bonds of each maturity allocated to it, whether or not the Closing Date has occurred, until either all Bonds of that maturity allocated to it have been sold or it is notified by the Underwriter or the dealer that the 10% test has been satisfied as to the Bonds of that maturity, provided that, the reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the Underwriter or the dealer, and (B) comply with the hold-the-offering-price rule, if applicable, if and for so long as directed by the Underwriter or the dealer and as set forth in the related pricing wires.

(e) The Authority and the City acknowledge that, in making the representations set forth in this section, the Underwriter will rely on (i) in the event a selling group has been created in connection with the initial sale of the Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, as set forth in a selling group agreement and the related pricing wires, and (ii) in the event that a third-party distribution agreement was employed in connection with the initial sale of the Bonds to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, as set forth in the third-party distribution agreement and the related pricing wires. The Authority and the City further acknowledge that the Underwriter shall not be liable for the failure of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a third-party distribution agreement, to comply with its corresponding agreement to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds.

(f) The Underwriter acknowledges that sales of any Bonds to any person that is a related party to an underwriter participating in the initial sale of the Bonds to the public (each such term being used as defined below) shall not constitute sales to the public for purposes of this section. Further, for purposes of this section:

(i) “public” means any person other than an underwriter or a related party;

(ii) “underwriter” means (A) any person that agrees pursuant to a written contract with the Authority (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Bonds to the public); and

(iii) a purchaser of any of the Bonds is a “related party” to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (i) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct

ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other).

**Section 4. The Official Statement.** By its acceptance of this proposal, the Authority and the City ratify, confirm and approve of the use and distribution by the Underwriter prior to the date hereof of the preliminary official statement relating to the Bonds dated September \_\_, 2020 (including the cover page, all appendices and all information incorporated therein and any supplements or amendments thereto and as disseminated in its printed physical form or in electronic form in all respects materially consistent with such physical form, the “Preliminary Official Statement”) that authorized officers of the Authority and the City deemed “final” as of its date, for purposes of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended (“Rule 15c2-12”), except for certain information permitted to be omitted therefrom by Rule 15c2-12. The Authority and the City hereby agree to deliver or cause to be delivered to the Underwriter, within seven business days of the date hereof, copies of the final official statement, dated the date hereof, relating to the Bonds (including all information previously permitted to have been omitted by Rule 15c2-12), including the cover page, all appendices, all information incorporated therein and any amendments or supplements as have been approved by the Authority, the City and the Underwriter (the “Official Statement”) in such quantity as the Underwriter shall reasonably request to comply with Section (b)(4) of Rule 15c2-12 and the rules of the Municipal Securities Rulemaking Board (the “MSRB”).

The Underwriter hereby agrees that it will not request that payment be made by any purchaser of the Bonds prior to delivery by the Underwriter to the purchaser of a copy of the Official Statement. The Underwriter agrees: (i) to provide the Authority and the City with final pricing information on the Bonds on a timely basis; and (ii) to promptly file a copy of the Official Statement, including any supplements prepared by the Authority or the City with the MSRB at <http://emma.msrb.org>. The Authority and the City hereby approve of the use and distribution by the Underwriter of the Preliminary Official Statement in connection with the offer and sale of the Bonds. The Authority and the City will cooperate with the Underwriter in the filing by the Underwriter of the Official Statement with the MSRB.

**Section 5. Closing.** At 8:30 a.m., Pacific Standard Time, on October \_\_, 2020, or at such other time or date as the Authority and the Underwriter agree upon (the “Closing Date”), the Authority shall deliver or cause to be delivered to the Trustee, the Bonds, in definitive form, registered in the name of Cede & Co., as the nominee of The Depository Trust Company (“DTC”), so that the Bonds may be authenticated by the Trustee and credited to the account specified by the Underwriter under DTC’s FAST procedures. Concurrently with the delivery of the Bonds, the Authority and the City will deliver the documents hereinafter mentioned at the offices of Jones Hall, A Professional Law Corporation, San Francisco, California (“Bond Counsel”), or another place to be mutually agreed upon by the Authority, the City and the Underwriter. The Underwriter will accept such delivery and pay the purchase price of the Bonds as set forth in Section 1 hereof by wire transfer in immediately available funds. This payment for and delivery of the Bonds, together with the delivery of the aforementioned documents, is herein called the “Closing.”

The Bonds shall be registered in the name of Cede & Co., as nominee of DTC in denominations of five thousand dollars (\$5,000) or any integral multiple thereof. The Authority and the City acknowledge that the services of DTC will be used initially by the Underwriter in order to

permit the issuance of the Bonds in book-entry form, and agree to cooperate fully with the Underwriter in employing such services.

**Section 6. Representations, Warranties and Covenants of the Authority.** The Authority represents, warrants and covenants to the Underwriter and the City that:

(a) The Authority is a public body, duly organized and existing under the Constitution and laws of the State of California (the “State”), including Articles 1, 2 and 4 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (the “JPA Act”) and the Joint Exercise of Powers Agreement, dated as of July 14, 2015 (the “JPA Agreement”), between the City and the Parking Authority of the City of Hermosa Beach.

(b) The Authority has full legal right, power and authority to adopt or enter into, as the case may be, and to carry out and consummate the transactions on its part contemplated by the Authority Documents.

(c) By all necessary official action, the Authority has duly authorized and approved the Authority Documents, has duly authorized and approved the Preliminary Official Statement and the Official Statement, and has duly authorized and approved the execution and delivery of, and the performance by the Authority of the obligations on its part contained in, the Authority Documents and the consummation by it of all other transactions contemplated by the Authority Documents in connection with the issuance of the Bonds. As of the date hereof, such authorizations and approvals are in full force and effect and have not been amended, modified or rescinded. When executed and delivered, and assuming due execution and delivery by the other parties thereto, if applicable, the Authority Documents will constitute the legally valid and binding obligations of the Authority enforceable in accordance with their respective terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or affecting creditors’ rights generally, or by the exercise of judicial discretion and the limitations on legal remedies against joint powers authorities in the State. The Authority has complied, and will at the Closing be in compliance in all material respects, with the terms of the Authority Documents.

(d) The Authority is not in any material respect in breach of or default under any applicable constitutional provision, law or administrative regulation of any state or of the United States, or any agency or instrumentality of either, or any applicable judgment or decree, or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Authority is a party which breach or default has or may have a materially adverse effect on the ability of the Authority to perform its obligations under the Authority Documents, and no event has occurred and is continuing which with the passage of time or the giving of notice, or both, would constitute such a default or event of default under any such instrument; and the adoption, execution and delivery of the Authority Documents, if applicable, and compliance with the provisions on the Authority’s part contained therein, will not conflict in any material way with or constitute a material breach of or a material default under any constitutional provision, law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Authority is a party, nor will any such execution, delivery, adoption or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the property or assets of the Authority or under the terms of any such law, regulation or instrument, except as may be provided by the Authority Documents.



(e) All material authorizations, approvals, licenses, permits, consents and orders of any governmental authority, legislative body, board, agency or commission having jurisdiction of the matter which are required for the due authorization by, or which would constitute a condition precedent to or the absence of which would materially adversely affect the due performance by the Authority of its obligations in connection with the Authority Documents have been duly obtained or, when required for future performance, are expected to be obtained, other than such approvals, consents and orders as may be required under the Blue Sky or securities laws of any state in connection with the offering and sale of the Bonds; except as described in or contemplated by the Preliminary Official Statement and the Official Statement, all authorizations, approvals, licenses, permits, consents and orders of any governmental authority, board, agency or commission having jurisdiction of the matter which are required for the due authorization by, or which would constitute a condition precedent to or the absence of which would materially adversely affect the due performance by, the Authority of its obligations under the Authority Documents have been duly obtained.

(f) The Authority hereby agrees that it will notify the other parties hereto if, within the period from the date of this Purchase Agreement to and including the date twenty-five (25) days following the end of the underwriting period (as defined herein), the Authority discovers any pre-existing or subsequent fact or becomes aware of the occurrence of any event, in any such case, which might cause the Official Statement (as the same may have then been supplemented or amended) to contain any untrue statement of a material fact or to omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(g) As of the time of acceptance hereof and the Closing, except as disclosed in the Official Statement, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, governmental authority, public board or body, pending, with service of process upon the Authority having been accomplished, or threatened in writing to the Authority: (i) in any way questioning the corporate existence of the Authority or the titles of the officers of the Authority to their respective offices; (ii) affecting, contesting or seeking to prohibit, restrain or enjoin the issuance or delivery of any of the Bonds, or the payment or collection of Lease Payments with respect to the Lease or any amounts pledged or to be pledged to pay the principal of and interest on the Bonds, or in any way contesting or affecting the validity of the Bonds or the other Authority Documents or the consummation of the transactions contemplated thereby or hereby, or contesting the exclusion of the interest on the Bonds from taxation or contesting the powers of the Authority or its authority to issue the Bonds; (iii) which would be likely to result in any material adverse change relating to the business, operations or financial condition of the Authority; or (iv) contesting the completeness or accuracy of the Preliminary Official Statement or the Official Statement or any supplement or amendment thereto or asserting that the Preliminary Official Statement or the Official Statement contained any untrue statement of a material fact or omitted to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(h) To the Authority's knowledge, there is no basis for any action, suit, proceeding, inquiry or investigation of the nature described in clauses (i) through (iv) of paragraph 6(g).

(i) As of its date, the information in the Preliminary Official Statement set forth under the caption "INTRODUCTION—The Authority" did not, and as of the date hereof does not,

contain any untrue statement of a material fact, and as of its date did not, and as of the date hereof does not, omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(j) As of the date hereof, the information in the Official Statement set forth under the caption “INTRODUCTION—The Authority” does not, and at all times thereafter up to and including the Closing will not, contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(k) The Authority will refrain from taking any action, or permitting any action to be taken, with regard to which the Authority may exercise control, that results in the loss of the tax-exempt status of the interest on the Bonds.

(l) The Authority will refrain from taking any action, or permitting any action to be taken, to reduce the amount of the Lease Payments while the Bonds are Outstanding, and the Authority will collect the Lease Payments in accordance with the Lease.

(m) Any certificate signed by any officer of the Authority authorized to execute such certificate in connection with the execution, sale and delivery of the Bonds and delivered to the Underwriter shall be deemed a representation and warranty of the Authority to the Underwriter and the City as to the statements made therein but not of the person signing such certificate.

**Section 7. Representations, Warranties and Covenants of the City.** The City represents, warrants and covenants to the Underwriter and the Authority that:

(a) The City is a general law city duly organized and existing under and by virtue of the Constitution and laws of the State.

(b) The City has full legal right, power and authority to adopt or enter into, as the case may be, and to carry out and consummate the transactions on its part contemplated by the City Documents.

(c) By all necessary official action, the City has duly authorized and approved the City Documents, has duly authorized and approved the Preliminary Official Statement and the Official Statement, and has duly authorized and approved the execution and delivery of, and the performance by the City of the obligations on its part contained in, the City Documents and the consummation by it of all other transactions contemplated by the City Documents in connection with the issuance of the Bonds. As of the date hereof, such authorizations and approvals are in full force and effect and have not been amended, modified or rescinded. When executed and delivered, and assuming due execution and delivery by the other parties thereto, if applicable, the City Documents will constitute the legally valid and binding obligations of the City enforceable in accordance with their respective terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or affecting creditors' rights generally, or by the exercise of judicial discretion and the limitations on legal remedies against municipal corporations in the State. The City has complied, and will at the Closing be in compliance in all material respects, with the terms of the City Documents.

(d) The City is not in any material respect in breach of or default under any applicable constitutional provision, law or administrative regulation of any state or of the United States, or any agency or instrumentality of either, or any applicable judgment or decree, or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the City is a party which breach or default has or may have a materially adverse effect on the ability of the City to perform its obligations under the City Documents, and no event has occurred and is continuing which with the passage of time or the giving of notice, or both, would constitute such a default or event of default under any such instrument; and the adoption, execution and delivery of the City Documents, if applicable, and compliance with the provisions on the City's part contained therein, will not conflict in any material way with or constitute a material breach of or a material default under any constitutional provision, law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the City is a party nor will any such execution, delivery, adoption or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the property or assets of the City or under the terms of any such law, regulation or instrument, except as may be provided by the City Documents.

(e) All material authorizations, approvals, licenses, permits, consents and orders of any governmental authority, legislative body, board, agency or commission having jurisdiction of the matter which are required for the due authorization by, or which would constitute a condition precedent to or the absence of which would materially adversely affect the due performance by the City of its obligations in connection with the City Documents have been duly obtained or, when required for future performance, are expected to be obtained, other than such approvals, consents and orders as may be required under the Blue Sky or securities laws of any state in connection with the offering and sale of the Bonds; except as described in or contemplated by the Preliminary Official Statement, all authorizations, approvals, licenses, permits, consents and orders of any governmental authority, board, agency or commission having jurisdiction of the matter which are required for the due authorization by, or which would constitute a condition precedent to or the absence of which would materially adversely affect the due performance by, the City of its obligations under the City Documents have been duly obtained.

(f) As of its date, the Preliminary Official Statement did not, and as of the date hereof, does not, contain any untrue statement of a material fact, and as of its date did not, and as of the date hereof, does not, omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading (except that this representation does not include statements in the Preliminary Official Statement under the captions "INTRODUCTION—The Authority" and "UNDERWRITING" and information regarding DTC and its book-entry only system, as to which no view is expressed).

(g) As of the date hereof, the Official Statement does not, and at all times thereafter up to and including the Closing will not, contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading (except that this representation does not include statements in the Official Statement under the captions "INTRODUCTION—The Authority" and "UNDERWRITING" and information regarding DTC and its book-entry only system, as to which no view is expressed).

(h) The City will advise the Underwriter promptly of any proposal to amend or supplement the Official Statement. The City will advise the Underwriter promptly of the institution

of any proceedings known to it by any governmental authority prohibiting or otherwise affecting the use of the Official Statement in connection with the offering, sale or distribution of the Bonds.

(i) As of the time of acceptance hereof and the Closing, except as disclosed in the Official Statement, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, governmental authority, public board or body, pending, with service of process upon the City having been accomplished, or threatened in writing to the City: (i) in any way questioning the corporate existence of the City or the titles of the officers of the City to their respective offices; (ii) affecting, contesting or seeking to prohibit, restrain or enjoin the issuance or delivery of any of the Bonds, or the payment or collection of Lease Payments with respect to the Lease or of any amounts pledged or to be pledged to pay the principal of and interest on the Bonds, or in any way contesting or affecting the validity of the Bonds, or the City Documents or the consummation of the transactions contemplated thereby or hereby, or contesting the exclusion of the interest on the Bonds from taxation, or contesting the powers of the Authority to issue the Bonds; (iii) which would be likely to result in any material adverse change relating to the business, operations or financial condition of the City; and (iv) contesting the completeness or accuracy of the Preliminary Official Statement or the Official Statement or any supplement or amendment thereto or asserting that the Preliminary Official Statement or the Official Statement contained any untrue statement of a material fact or omitted to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(j) To the City's knowledge, there is no basis for any action, suit, proceeding, inquiry or investigation of the nature described in clauses (i) through (iv) of paragraph 7(i).

(k) Until the date which is twenty-five (25) days after the "end of the underwriting period" (as hereinafter defined), if any event shall occur of which the City is aware that would cause the Official Statement to contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements in the Official Statement, in light of the circumstances under which they were made, not misleading (except that this representation does not include information regarding DTC and its book entry only system, as to which no view is expressed), the City shall forthwith notify the Underwriter of any such event of which it has knowledge and shall cooperate fully in furnishing any information available to it for any supplement to the Official Statement necessary, in the Underwriter's reasonable opinion, so that the statements therein as so supplemented will not be misleading in light of the circumstances existing at such time and the City shall promptly furnish to the Underwriter a reasonable number of copies of such supplement. As used herein, the term "end of the underwriting period" means the later of such time as: (i) the Authority delivers the Bonds to the Underwriter; or (ii) the Underwriter does not retain, directly or as a member of an underwriting syndicate, an unsold balance of the Bonds for sale to the public. Unless the Underwriter gives notice to the contrary, the "end of the underwriting period" shall be deemed to be the Closing Date. Any notice delivered pursuant to this provision shall be written notice delivered to the Underwriter at or prior to the Closing Date of the Bonds and shall specify a date (other than the Closing Date) to be deemed the "end of the underwriting period."

(l) Except as disclosed in the Preliminary Official Statement and the Official Statement, the City has not within the last five years failed to comply in any material respect with any continuing disclosure undertakings with regard to Rule 15c2-12, to provide annual reports or notices of material events specified in such rule.

(m) The City will refrain from taking any action, or permitting any action to be taken, with regard to which the City may exercise control, that results in the loss of the tax-exempt status of the interest on the Bonds.

(n) The financial statements relating to the receipts, expenditures and cash balances of the City as of June 30, 2019 attached as Appendix B to the Official Statement fairly represent the receipts, expenditures and cash balances of the City. Except as disclosed in the Official Statement, there has not been any materially adverse change in the financial condition of the City or in its operations since June 30, 2019 and there has been no occurrence, circumstance or combination thereof which is reasonably expected to result in any such materially adverse change.

(o) To the extent required by law, the City will undertake, pursuant to the Continuing Disclosure Certificate and the other City Documents, to provide annual reports and notices of certain events, if material. A description of this undertaking is set forth in Appendix C to the Preliminary Official Statement and will also be set forth in the Official Statement.

(p) Except in connection with the issuance of refunding bonds pursuant to the terms of the Indenture or as permitted under the Lease due to damage, destruction, or substantial interference with the use and occupancy by the City of the Leased Property or any portion thereof, the City will refrain from taking any action, or permitting any action to be taken, to reduce the amount of the Lease Payments while the Bonds are Outstanding, and the City will pay the Lease Payments in accordance with the Lease.

(q) Any certificate signed by any officer of the City authorized to execute such certificate in connection with the execution, sale and delivery of the Bonds and delivered to the Underwriter shall be deemed a representation and warranty of the City to the Underwriter and the Authority as to the statements made therein but not of the person signing such certificate.

**Section 8. Conditions to the Obligations of the Underwriter.** The Underwriter has entered into this Purchase Agreement in reliance upon the representations and warranties of the Authority and the City contained herein. The obligations of the Underwriter to accept delivery of and pay for the Bonds on the Closing Date shall be subject, at the option of the Underwriter, to the accuracy in all material respects of the statements of the officers and other officials of the Authority and of the City, as well as authorized representatives of Bond Counsel and the Trustee made in any Bonds or other documents furnished pursuant to the provisions hereof; to the performance by the Authority and the City of their obligations to be performed hereunder at or prior to the Closing Date; and to the following additional conditions:

(a) The representations, warranties and covenants of the City and the Authority contained herein shall be true and correct at the date hereof and at the time of the Closing, as if made on the Closing Date.

(b) At the time of Closing, the City Documents and the Authority Documents shall be in full force and effect as valid and binding agreements between or among the various parties thereto, and the City Documents, the Authority Documents and the Official Statement shall not have been amended, modified or supplemented except as may have been agreed to in writing by the Underwriter.

(c) At the time of the Closing, no material default shall have occurred or be existing under the City Documents, Authority Documents, or any other agreement or document pursuant to which any of the City's financial obligations were executed and delivered, and the City shall not be in default in the payment of principal or interest with respect to any of its financial obligations, which default would materially adversely impact the ability of the City to pay the Lease Payments.

(d) In recognition of the desire of the Authority, the City and the Underwriter to effect a successful public offering of the Bonds, and in view of the potential adverse impact of any of the following events on such a public offering, this Purchase Agreement shall be subject to termination in the discretion of the Underwriter by notification, in writing, to the Authority and the City prior to delivery of and payment for the Bonds, if at any time prior to such time, regardless of whether any of the following statements of fact were in existence or known of on the date of this Purchase Agreement:

(i) any event shall occur which makes untrue any material statement or results in an omission to state a material fact necessary to make the statements in the Official Statement, in the light of the circumstances under which they were made, not misleading, which event, in the reasonable opinion of the Underwriter would materially or adversely affect the ability of the Underwriter to market the Bonds; or

(ii) the marketability of the Bonds or the market price thereof, in the opinion of the Underwriter, has been materially adversely affected by an amendment to the Constitution of the United States or by any legislation in or by the Congress of the United States or by the State, or the amendment of legislation pending as of the date of this Purchase Agreement in the Congress of the United States, or the recommendation to Congress or endorsement for passage (by press release, other form of notice or otherwise) of legislation by the President of the United States, the Treasury Department of the United States, the Internal Revenue Service or the Chairman or ranking minority member of the Committee on Finance of the United States Senate or the Committee on Ways and Means of the United States House of Representatives, or the proposal for consideration of legislation by either such Committee or by any member thereof, or the presentment of legislation for consideration as an option by either such Committee, or by the staff of the Joint Committee on Taxation of the Congress of the United States, or the favorable reporting for passage of legislation to either House of the Congress of the United States by a Committee of such House to which such legislation has been referred for consideration, or any decision of any federal or state court or any ruling or regulation (final, temporary or proposed) or official statement on behalf of the United States Treasury Department, the Internal Revenue Service or other federal or State authority affecting the federal or State tax status of the Authority or the City, or the interest on or with respect to bonds or notes (including the Bonds); or

(iii) any legislation, ordinance, rule or regulation shall be enacted by any governmental body, department or authority of the State, or a decision by any court of competent jurisdiction within the State shall be rendered which materially adversely affects the market price of the Bonds; or

(iv) an order, decree or injunction issued by any court of competent jurisdiction, or order, ruling, regulation (final, temporary or proposed), official statement or other form of notice or communication issued or made by or on behalf of the Securities and Exchange Commission, or any other governmental authority having jurisdiction of the subject matter, to the

effect that: (i) obligations of the general character of the Bonds, or the Bonds, including any or all underlying arrangements, are not exempt from registration under the Securities Act of 1933, as amended, or that the Indenture is not exempt from qualification under the Trust Indenture Act of 1939, as amended; or (ii) the issuance, offering or sale of obligations of the general character of the Bonds, or the issuance, offering or sale of the Bonds, including any or all underlying obligations, as contemplated hereby or by the Official Statement, is or would be in violation of the federal securities laws as amended and then in effect; or

(v) legislation shall be enacted by the Congress of the United States, or a decision by a court of the United States shall be rendered, to the effect that obligations of the general character of the Bonds, or the Bonds are not exempt from registration under or other requirements of the Securities Act of 1933, as amended and as then in effect, or the Securities Exchange Act of 1934, as amended and as then in effect, or that the Indenture is not exempt from qualification under or other requirements of the Trust Indenture Act of 1939, as amended and as then in effect; or

(vi) additional material restrictions not in force as of the date hereof shall have been imposed upon trading in securities generally by any domestic governmental authority or by any domestic national securities exchange, which are material to the marketability of the Bonds; or

(vii) a general banking moratorium shall have been declared by federal, State or New York authorities, or the general suspension of trading on any national securities exchange; or

(viii) in the reasonable judgment of the Underwriter, the market price or marketability of the Bonds, or the ability of the Underwriter to enforce contracts for the sale of the Bonds is materially adversely affected by (1) an outbreak or escalation of hostilities or the declaration by the United States of a national emergency or war or (2) any other calamity or crisis in the financial markets of the United States or elsewhere or the escalation of such calamity or crisis; or

(ix) any rating of the Bonds or the rating of any obligations of the City secured by or payable from the City's general fund shall have been downgraded or withdrawn by a national rating service, which, in the opinion of the Underwriter, materially adversely affects the market price of the Bonds; or

(x) the commencement of any action, suit or proceeding described in Section 6(g) or Section 7(i).

(e) at or prior to the Closing, the Underwriter shall receive the following documents, in each case to the reasonable satisfaction in form and substance of the Underwriter:

(i) The Authority Resolution relating to the Bonds and authorizing the execution and delivery of the Bonds and the Authority Documents and the Official Statement signed by an authorized official of the Authority;

(ii) The City Resolution relating to the Bonds and authorizing the execution and delivery of the City Documents and the delivery of the Bonds and the Official Statement signed by an authorized official of the City;

(iii) The City Documents and the Authority Documents duly executed and delivered by the respective parties thereto, with only such amendments, modifications or supplements as may have been agreed to in writing by the Underwriter;

(iv) The approving opinion of Bond Counsel dated the Closing Date and addressed to the Authority and the City, in substantially the form attached as Appendix E to the Official Statement, and a reliance letter thereon addressed to the Underwriter;

(v) A supplemental opinion of Bond Counsel dated the Closing Date and addressed to the Underwriter, to the effect that:

(A) the statements on the cover of the Official Statement and in the Official Statement under the captions “INTRODUCTION,” “THE 2020 BONDS,” “SECURITY FOR THE 2020 BONDS,” and “TAX MATTERS,” and in Appendix A—“SUMMARY OF PRINCIPAL LEGAL DOCUMENTS” and Appendix E—“FORM OF OPINION OF BOND COUNSEL,” excluding any material that may be treated as included under such captions and appendices by any cross-reference, insofar as such statements expressly summarize provisions of the City Documents, the Authority Documents and Bond Counsel’s final opinion concerning certain federal tax matters relating to the Bonds, are accurate in all material respects as of the Closing Date, provided that Bond Counsel need not express any opinion with respect to any financial or statistical data contained therein or with respect to the book-entry system in which the Bonds are initially delivered;

(B) The Purchase Agreement, the Escrow Agreement and the Continuing Disclosure Certificate have been duly authorized, executed and delivered by the City and the Authority, as applicable, and are the valid, legal and binding agreements of the City and the Authority, as applicable, enforceable in accordance with their respective terms, except that the rights and obligations under the Purchase Agreement, the Escrow Agreement and the Continuing Disclosure Certificate are subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws affecting creditors’ rights, to the application of equitable principles if equitable remedies are sought, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public agencies in the State, and provided that no opinion is expressed with respect to any indemnification or contribution provisions contained therein;

(C) The Bonds are not subject to the registration requirements of the Securities Act of 1933, as amended, and the Indenture is exempt from qualification under the Trust Indenture Act of 1939, as amended; and

(vi) The Official Statement, executed on behalf of the Authority and the City, and the Preliminary Official Statement;

(vii) Evidence that the rating on the Bonds is in effect as described in the Official Statement;

(viii) A certificate, dated the Closing Date, signed by a duly authorized officer of the Authority satisfactory in form and substance to the Underwriter to the effect that: (i) the representations, warranties and covenants of the Authority contained in this Purchase Agreement are true and correct in all material respects on and as of the Closing Date with the same effect as if made on the Closing Date by the Authority, and the Authority has complied with, in all



material respects, all of the terms and conditions of this Purchase Agreement required to be complied with by the Authority at or prior to the Closing Date; and (ii) no event affecting the Authority has occurred since the date of the Official Statement which should be disclosed in the Official Statement for the purposes for which it is to be used or which is necessary to disclose therein in order to make the statements and information therein not misleading in any material respect;

(ix) A certificate, dated the Closing Date, signed by a duly authorized officer of the City satisfactory in form and substance to the Underwriter to the effect that: (i) the representations, warranties and covenants of the City contained in this Purchase Agreement are true and correct in all material respects on and as of the Closing Date with the same effect as if made on the Closing Date by the City, and the City has complied with, in all material respects, all of the terms and conditions of the Purchase Agreement required to be complied with by the City at or prior to the Closing Date; and (ii) no event affecting the City has occurred since the date of the Official Statement which should be disclosed in the Official Statement for the purposes for which it is to be used or which is necessary to disclose therein in order to make the statements and information therein not misleading in any material respect;

(x) An opinion dated the Closing Date and addressed to the Underwriter, of Best Best & Krieger LLP, as counsel to the Authority, to the effect that:

(A) The Authority is a public body, organized and existing under the Constitution and laws of the State, including the JPA Act and the JPA Agreement;

(B) The Authority Resolution has been duly adopted by the Authority, is in full force and effect and has not been modified, amended, rescinded or repealed since its date of adoption;

(C) Except as otherwise disclosed in the Official Statement, there is no litigation, proceeding, action, suit, or investigation at law or in equity before or by any court, governmental authority or body, pending, with service of process upon the Authority having been accomplished, or threatened in writing against the Authority, challenging the creation, organization or existence of the Authority, or the validity of the Authority Documents or seeking to restrain or enjoin the issuance of the Bonds, the collection of Lease Payments with respect to the Lease or the repayment of the Bonds or in any way contesting or affecting the validity of the Authority Documents or contesting the authority of the Authority to enter into or perform its obligations under any of the Authority Documents;

(D) The execution and delivery of the Authority Documents and the issuance of the Bonds and compliance with the provisions thereof, do not and will not in any material respect conflict with or constitute on the part of the Authority a breach of or default under any agreement or other instrument to which the Authority is a party or by which it is bound or any existing law, regulation, court order or consent decree to which the Authority is subject, which breach or default has or may have a material adverse effect on the ability of the Authority to perform its obligations under the Authority Documents; and

(E) No authorization, approval, consent, or other order of the State or any other governmental body within the State is required for the valid authorization, execution and delivery of the Authority Documents or the Official Statement by the Authority or the consummation by the Authority of the transactions on its part contemplated therein, except such as

have been obtained and except such as may be required under state securities or Blue Sky laws in connection with the purchase and distribution of the Bonds by the Underwriter;

(xi) an opinion dated the Closing Date and addressed to the Underwriter, of Best Best & Krieger LLP, as City Attorney, to the effect that:

(A) The City is a general law city, duly organized and existing under and by virtue of the Constitution and laws of the State;

(B) The City Resolution has been duly adopted by the City Council, is in full force and effect and has not been modified, amended, rescinded or repealed since its date of adoption;

(C) Except as otherwise disclosed in the Official Statement, there is no litigation, proceeding, action, suit, or investigation at law or in equity before or by any court, governmental authority or body, pending, with service of process upon the City having been accomplished, or threatened in writing against the City, challenging the creation, organization or existence of the City, or the validity of the City Documents or seeking to restrain or enjoin the issuance of the Bonds, the payment of the Lease Payments or the repayment of the Bonds or in any way contesting or affecting the validity of the City Documents or contesting the authority of the City to enter into or perform its obligations under any of the City Documents, or which, in any manner, questions the right of the City to pay the Lease Payments under the Lease;

(D) The execution and delivery of the City Documents and compliance with the provisions thereof, do not and will not in any material respect conflict with or constitute on the part of the City a breach of or default under any agreement or other instrument to which the City is a party or by which it is bound or any existing law, regulation, court order or consent decree to which the City is subject, which breach or default has or may have a material adverse effect on the ability of the City to perform its obligations under the City Documents; and

(E) No authorization, approval, consent, or other order of the State or any other governmental body within the State is required for the valid authorization, execution and delivery of the City Documents or the consummation by the City of the transactions on its part contemplated therein, except such as have been obtained and except such as may be required under state securities or Blue Sky laws in connection with the purchase and distribution of the Bonds by the Underwriter;

(xii) An opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, in its capacity as Disclosure Counsel, dated the Closing Date and addressed to the Authority, the City and the Underwriter, to the effect that, based upon the information made available to them in the course of their participation in the preparation of the Preliminary Official Statement and the Official Statement and without passing on and without assuming any responsibility for the accuracy, completeness and fairness of the statements in the Preliminary Official Statement and the Official Statement, and having made no independent investigation or verification thereof, and stated as a matter of fact and not opinion that, during the course of its representation of the Authority and the City on this matter, no facts came to the attention of the attorneys in its firm rendering legal services in connection with the Preliminary Official Statement and the Official Statement which caused them to believe that the Preliminary Official Statement as of its date and as of the date hereof, or the Official Statement as of its date and as of the Closing Date (except any CUSIP numbers,

financial, accounting, statistical or economic, engineering or demographic data or forecasts, numbers, charts, tables, graphs, estimates, projections, assumptions or expressions of opinion, environmental litigation, environmental matters, information relating to The Depository Trust Company and its book-entry system, and the Appendices thereto, included or referred to therein, which shall be expressly excluded from the scope of this paragraph and as to which such firm will express no opinion or view) contained or contains any untrue statement of a material fact or omitted or omits to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(xiii) An opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, counsel to the Underwriter, in form and substance satisfactory to the Underwriter;

(xiv) An opinion of counsel to the Trustee, addressed to the Underwriter and dated the Closing Date, in form and substance satisfactory to the Underwriter and to Bond Counsel;

(xv) A certificate, dated the Closing Date, signed by a duly authorized official of the Trustee in form and substance satisfactory to the Underwriter;

(xvi) The preliminary and final Statement of Sale required to be delivered to the California Debt and Investment Advisory Commission pursuant to Section 53583 of the Government Code and Section 8855(g) of the Government Code;

(xvii) A copy of the executed Blanket Issuer Letter of Representations by the Authority relating to DTC's book-entry system;

(xviii) The tax and nonarbitrage certificate of the Authority and the City in form and substance to the reasonable satisfaction of Bond Counsel and the Underwriter;

(xix) A certificate, dated the date of the Preliminary Official Statement, of the City, as required under Rule 15c2-12;

(xx) A certificate, dated the date of the Preliminary Official Statement, of the Authority, as required under Rule 15c2-12;

(xxi) Certified copies of the JPA Agreement and all amendments thereto and related certificates issued by the Secretary of State of the State;

(xxii) A certified copy of the general resolution of the Trustee authorizing the execution and delivery of certain documents by certain officers of the Trustee, which resolution authorizes the execution and delivery of the Indenture and the authentication and delivery of the Bonds by the Trustee;

(xxiii) A copy of an ALTA or CLTA title insurance policy in an amount equal to the principal amount of the Bonds, insuring the City's leasehold interest in the Leased Property, subject only to permitted encumbrances or such other encumbrances approved in writing by the Underwriter;

(xxiv) Certificates, dated the Closing Date, regarding compliance with the insurance requirements of the Lease; and

(xxv) Such additional legal opinions, certificates, proceedings, instruments or other documents as Bond Counsel or the Underwriter may reasonably request.

**Section 9. Changes in Official Statement.** After the Closing, neither the Authority nor the City will adopt any amendment of or supplement to the Official Statement to which the Underwriter shall reasonably object in writing. Within 90 days after the Closing or within 25 days following the “end of the underwriting period,” whichever occurs first, if any event relating to or affecting the Bonds, the Trustee, the City or the Authority shall occur as a result of which it is necessary, in the opinion of the Underwriter, to amend or supplement the Official Statement in order to make the Official Statement not misleading in any material respect in the light of the circumstances existing at the time it is delivered to a purchaser, the Authority will forthwith prepare and furnish to the Underwriter an amendment or supplement that will amend or supplement the Official Statement so that it will not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances existing at the time the Official Statement is delivered to purchaser, not misleading. The City and the Authority shall cooperate with the Underwriter in the filing by the Underwriter of such amendment or supplement to the Official Statement with the MSRB.

**Section 10. Expenses.** The Authority or the City will pay or cause to be paid the approved expenses incident to the performance of its obligations hereunder and certain expenses relating to the sale of the Bonds, including, but not limited to (a) the cost of the preparation and printing or other reproduction of the Authority Documents and the City Documents (other than this Purchase Agreement); (b) the fees and disbursements of Bond Counsel, Disclosure Counsel, the Municipal Advisor and any other experts or other consultants retained by the Authority or the City; (c) the costs and fees of the credit rating agencies; (d) the cost of preparing and delivering the definitive Bonds; (e) the cost of providing immediately available funds on the Closing Date; (f) the cost of the printing or other reproduction of the Preliminary Official Statement and Official Statement and any amendment or supplement thereto, including a reasonable number of certified or conformed copies thereof; (g) the Underwriter’s out-of-pocket expenses (included in the expense component of the Underwriter’s discount) incurred by the Underwriter on behalf of the City’s employees which are incidental to implementing this Purchase Agreement; and (h) the fees for counsel to the Underwriter. The Underwriter will pay the expenses of the preparation of this Purchase Agreement, including CDIAAC fees, CUSIP Services Bureau charges, regulatory fees imposed on new securities issuers and any and all other expenses incurred by the Underwriter in connection with the public offering and distribution of the Bonds.

**Section 11. Notices.** Any notice or other communication to be given to the Underwriter under this Purchase Agreement may be given by delivering the same in writing to Stifel, Nicolaus & Company, Incorporated, One Montgomery Street, 35th Floor, San Francisco, CA 94104, Attention: Sara Oberlies Brown. All notices or communications hereunder by any party shall be given and served upon each other party. Any notice or communication to be given the Authority under this Purchase Agreement may be given by delivering the same in writing to the Hermosa Beach Public Financing Authority, c/o City of Hermosa Beach, 1315 Valley Drive, Hermosa Beach, California 90254, Attention: Executive Director. Any notice or communication to be given the City under this Purchase Agreement may be given by delivering the same in writing to the City of Hermosa Beach, 1315 Valley Drive, Hermosa Beach, California 90254, Attention: City Manager.

**Section 12. Parties in Interest.** This Purchase Agreement is made solely for the benefit of the Authority, the City and the Underwriter (including the successors or assigns thereof) and no

other person shall acquire or have any right hereunder or by virtue hereof. All representations, warranties and agreements of the Authority and the City in this Purchase Agreement shall remain operative and in full force and effect regardless of any investigation made by or on behalf of the Underwriter and shall survive the delivery of and payment for the Bonds.

**Section 13. Severability.** In case any one or more of the provisions contained herein shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision hereof.

**Section 14. Counterparts.** This Purchase Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

**Section 15. Governing Law.** This Purchase Agreement shall be governed by and construed in accordance with the laws of the State.

STIFEL, NICOLAUS & COMPANY,  
INCORPORATED

By: \_\_\_\_\_  
Title: Authorized Officer

Accepted as of the date first stated above:

CITY OF HERMOSA BEACH

By: \_\_\_\_\_  
Its: [City Manager]

Time of Execution: \_\_\_\_\_ a.m./p.m. Pacific Time

HERMOSA BEACH PUBLIC FINANCING AUTHORITY

By: \_\_\_\_\_  
Its: [Executive Director]

Time of Execution: \_\_\_\_\_ a.m./p.m. Pacific Time

**EXHIBIT A**

**HERMOSA BEACH PUBLIC FINANCING AUTHORITY  
2020 LEASE REVENUE REFUNDING BONDS**

**MATURITY SCHEDULE**

<i><b>Maturity Date (November 1)</b></i>	<i><b>Principal Amount</b></i>	<i><b>Interest Rate</b></i>	<i><b>Initial Offering Price</b></i>	<i><b>10% Test Used</b></i>	<i><b>Hold the Offering Price Rule Used</b></i>
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<sup>T</sup> Term Bonds.  
<sub>C</sub>

## EXHIBIT B

### HERMOSA BEACH PUBLIC FINANCING AUTHORITY 2020 LEASE REVENUE REFUNDING BONDS

#### FORM OF ISSUE PRICE CERTIFICATE

The undersigned, on behalf of Stifel, Nicolaus & Company, Incorporated (“Stifel”) hereby certifies as set forth below with respect to the sale and issuance of the above-captioned bonds (the “Bonds”).

1. ***Sale of the General Rule Maturities.*** As of the date of this certificate, for each Maturity of the General Rule Maturities, the first price at which at least 10% of such Maturity was sold to the Public is the respective price listed in Schedule A.

2. ***[Initial Offering Price of the Hold-the-Offering-Price Maturities.***

(a) Stifel offered the Hold-the-Offering-Price Maturities to the Public for purchase at the respective initial offering prices listed in Schedule A (the “Initial Offering Prices”) on or before the Sale Date. A copy of the pricing wire or equivalent communication for the Bonds is attached to this certificate as Schedule B.

(b) As set forth in the Bond Purchase Agreement, dated October \_\_, 2020, by and among Stifel, the Issuer and the City of Hermosa Beach, Stifel has agreed in writing that, (i) for each Maturity of the Hold-the-Offering-Price Maturities, it would neither offer nor sell any of the Bonds of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the “hold-the-offering-price rule”), and (ii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any retail distribution agreement shall contain the agreement of each broker-dealer who is a party to the retail distribution agreement, to comply with the hold-the-offering-price rule. Pursuant to such agreement, no Underwriter (as defined below) has offered or sold any Maturity of the Hold-the-Offering-Price Maturities at a price that is higher than the respective Initial Offering Price for that Maturity of the Bonds during the Holding Period.]

3. ***Defined Terms.***

(a) ***General Rule Maturities*** means those Maturities of the Bonds listed in Schedule A hereto as the “General Rule Maturities.”

(b) ***[Hold-the-Offering-Price Maturities*** means those Maturities of the Bonds listed in Schedule A hereto as the “Hold-the-Offering-Price Maturities.”

(c) ***Holding Period*** means, with respect to a Hold-the-Offering-Price Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date, or (ii) the date on which Stifel has sold at least 10% of such Hold-the-Offering-Price Maturity to the Public at prices that are no higher than the Initial Offering Price for such Hold-the-Offering-Price Maturity.]

(d) ***Issuer*** means the Hermosa Beach Public Financing Authority.



(e) *Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate maturities.

(f) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(g) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is October \_\_, 2020.

(h) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).]

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents Stifel’s interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and by Jones Hall, A Professional Law Corporation in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

STIFEL, NICOLAUS & COMPANY,  
INCORPORATED

By:\_\_\_\_\_

Name:\_\_\_\_\_

Dated: \_\_\_\_\_, 2020

**SCHEDULE A**  
**SALE PRICES OF THE GENERAL RULE MATURITIES [AND INITIAL OFFERING**  
**PRICES OF THE HOLD-THE-OFFERING-PRICE MATURITIES]**

*(Attached)*

**[SCHEDULE B  
PRICING WIRE OR EQUIVALENT COMMUNICATION**

*(Attached)*

**PRELIMINARY OFFICIAL STATEMENT DATED \_\_\_\_\_, 2020****NEW ISSUE - FULL BOOK-ENTRY****RATING: Standard & Poor's: "\_\_\_\_"**  
See "RATING"

*In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to certain qualifications described herein, under existing law, the interest on the 2020 Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax. In the further opinion of Bond Counsel, such interest is exempt from California personal income taxes. See "TAX MATTERS."*

\$ \_\_\_\_\_ \*

**HERMOSA BEACH PUBLIC FINANCING AUTHORITY**  
**2020 Refunding Lease Revenue Bonds**

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

**Authority for Issuance.** The bonds captioned above (the "2020 Bonds") are being issued by the Hermosa Beach Public Financing Authority (the "Authority") under a resolution adopted by the Board of Directors of the Authority on \_\_\_\_\_, 2020, and an Indenture of Trust dated as of October 1, 2020 (the "Indenture") by and between the Authority and U.S. Bank National Association, as trustee (the "Trustee"). See "THE 2020 BONDS – Authority for Issuance."

**Use of Proceeds.** The 2020 Bonds are being issued to (i) defease and refund certain outstanding bonds of the Authority captioned "\$11,600,000 Hermosa Beach Public Financing Authority 2015 Lease Revenue Bonds", and (ii) pay the costs of issuing the 2020 Bonds. See "FINANCING PLAN."

**Security for the 2020 Bonds.** Under the Indenture, the 2020 Bonds are payable from and secured by a first pledge of and lien on "Revenues" (as defined in this Official Statement) received by the Authority under the Amended and Restated Lease Agreement dated as of October 1, 2020 (the "Lease"), by and between the Authority, as lessor, and the City of Hermosa Beach (the "City"), as lessee, consisting primarily of payments (the "Lease Payments") made by the City under the Lease with respect to the lease of certain real property, as further described in this Official Statement. The 2020 Bonds are also secured by certain funds on deposit under the Indenture. See "SECURITY FOR THE 2020 BONDS."

**Bond Terms; Book-Entry Only.** The 2020 Bonds will bear interest at the rates shown on the inside cover page, payable semiannually on May 1 and November 1 of each year, commencing on May 1, 2021, and will be issued in fully registered form without coupons in the denomination of \$5,000 or any integral multiple of \$5,000. The 2020 Bonds will be issued in book-entry only form, initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Purchasers of the 2020 Bonds will not receive certificates representing their interests in the 2020 Bonds. Payments of the principal of, premium, if any, and interest on the 2020 Bonds will be made to DTC, which is obligated in turn to remit such principal, premium, if any, and interest to its DTC Participants for subsequent disbursement to the beneficial owners of the 2020 Bonds. See "THE 2020 BONDS – General Provisions."

**Redemption.** The 2020 Bonds are subject to optional redemption, mandatory sinking fund redemption and special mandatory redemption from insurance or condemnation proceeds prior to maturity. See "THE 2020 BONDS – Redemption."

NEITHER THE 2020 BONDS, NOR THE OBLIGATION OF THE AUTHORITY TO PAY PRINCIPAL OF OR INTEREST THEREON, NOR THE OBLIGATION OF THE CITY TO MAKE THE LEASE PAYMENTS, CONSTITUTE A DEBT OR A LIABILITY OF THE AUTHORITY, THE CITY, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL LIMITATION ON INDEBTEDNESS, OR A PLEDGE OF THE FULL FAITH AND CREDIT OF THE CITY. THE 2020 BONDS ARE SECURED SOLELY BY THE PLEDGE OF REVENUES AND CERTAIN FUNDS HELD UNDER THE INDENTURE. THE 2020 BONDS ARE NOT SECURED BY A PLEDGE OF THE TAXING POWER OF THE CITY.

**MATURITY SCHEDULE**  
**(see inside cover)**

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE OF 2020 BONDS. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION WITH RESPECT TO THE PURCHASE OF THE 2020 BONDS.

The 2020 Bonds are offered when, as and if issued and received by the Underwriter and subject to the approval as to their legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel. Certain legal matters will also be passed upon for the Authority and the City by Jones Hall, A Professional Law Corporation, as Disclosure Counsel. Certain legal matters will be passed upon for the City by the City Attorney, and for the Underwriter by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California. It is anticipated that the 2020 Bonds will be delivered in book-entry form through the facilities of DTC on or about \_\_\_\_, 2020.

**Stifel**

The date of this Official Statement is: \_\_\_\_\_, 2020

\* Preliminary; subject to change.

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

## MATURITY SCHEDULE\*

\$ \_\_\_\_\_ Serial Bonds  
(Base CUSIP†: \_\_\_\_\_)

<u>Maturity</u> (November 1)	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP†</u>
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\$ \_\_\_\_\_ - \_\_\_\_\_% Term Bonds due November 1, 20\_\_\_\_; Yield \_\_\_\_\_%; Price \_\_\_\_\_%;  
CUSIP† No. \_\_\_\_\_

† CUSIP Copyright CUSIP Global Services, and a registered trademark of American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, which is managed on behalf of American Bankers Association by S&P Capital IQ. None of the City, the Authority nor the Underwriter assumes any responsibility for the accuracy of these CUSIP data.

\* Preliminary; subject to change

**HERMOSA BEACH PUBLIC FINANCING AUTHORITY  
CITY OF HERMOSA BEACH  
LOS ANGELES COUNTY, CALIFORNIA**

**BOARD OF DIRECTORS  
OF THE AUTHORITY AND MEMBERS OF THE CITY COUNCIL**

Mary Campbell, *Chairperson and Mayor*  
Justin Massey, *Vice Chairperson and Mayor Pro Tempore*  
Michael Detoy, *Member and Council Member*  
Hany Fangary, *Member and Council Member*  
Stacey Armato, *Member and Council Member*

**CITY OFFICERS**

Suja Lowenthal, *City Manager*  
Viki Copeland, *Finance Director*  
Eduardo Sarmiento, *City Clerk*

**FINANCING SERVICES**

**BOND COUNSEL AND DISCLOSURE COUNSEL**

Jones Hall,  
A Professional Law Corporation  
San Francisco, California

**MUNICIPAL ADVISOR**

NHA Advisors, LLC  
San Rafael, California

**TRUSTEE**

U.S. Bank National Association  
Los Angeles, California

## GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

**Use of Official Statement.** This Official Statement is submitted in connection with the sale of the 2020 Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not to be construed as a contract with the purchasers of the 2020 Bonds.

**No Offering Except by This Official Statement.** No dealer, broker, salesperson or other person has been authorized by the Authority or the Underwriter to give any information or to make any representations other than those contained in this Official Statement and, if given or made, such other information or representation must not be relied upon as having been authorized by the Authority or the Underwriter.

**No Unlawful Offers or Solicitations.** This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor may there be any sale of the 2020 Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

**Estimates and Forecasts.** When used in this Official Statement and in any continuing disclosure by the City, in any press release and in any oral statement made with the approval of an authorized officer of the City, the words or phrases "will likely result," "are expected to," "will continue," "is anticipated," "estimate," "project," "forecast," "expect," "intend" and similar expressions identify "forward looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. 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. 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, give rise to any implication that there has been no change in the affairs of the City since the date hereof.

**Limited Scope of Information.** The City has obtained certain information set forth herein from sources which are believed to be reliable, but such information is neither guaranteed as to accuracy or completeness, nor to be construed as a representation of such by the City.

**Preparation of Official Statement.** The information set forth in this Official Statement has been furnished by the Authority and the City, and other sources which are believed to be reliable, but it is not guaranteed as to accuracy or completeness.

**Involvement of Underwriter.** The Underwriter has provided the following sentence for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

**Stabilization of Prices.** In connection with this offering, the Underwriter may overallocate or effect transactions which stabilize or maintain the market price of the 2020 Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriter may offer and sell the 2020 Bonds to certain dealers and others at prices lower than the public offering prices set forth on the cover page hereof and said public offering prices may be changed from time to time by the Underwriter.

**Document Summaries.** All summaries of the Indenture or other documents referred to in this Official Statement are made subject to the provisions of such documents and qualified in their entirety to reference to such documents, and do not purport to be complete statements of any or all of such provisions.

**No Securities Laws Registration.** The 2020 Bonds have not been registered under the Securities Act of 1933, as amended, in reliance upon exceptions therein for the issuance and sale of municipal securities. The 2020 Bonds have not been registered or qualified under the securities laws of any state.

**Effective Date.** This Official Statement speaks only as of its date, and the information and expressions of opinion contained in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the 2020 Bonds will, under any circumstances, give rise to any implication that there has been no change in the affairs of the City, the Authority, the other parties described in this Official Statement.

**Website.** The City maintains a website. However, the information presented on the website is not a part of this Official Statement and should not be relied upon in making an investment decision with respect to the 2020 Bonds.

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## OFFICIAL STATEMENT

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**HERMOSA BEACH PUBLIC FINANCING AUTHORITY**  
**2020 Refunding Lease Revenue Bonds**

### INTRODUCTION

*This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of the 2020 Bonds to potential investors is made only by means of the entire Official Statement.*

*Capitalized terms used but not defined in this Official Statement have the meanings set forth in the Indenture (as defined below). See “APPENDIX A – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS.”*

**Authority for Issuance.** The Hermosa Beach Public Financing Authority (the “**Authority**”) is issuing the bonds captioned above (the “**2020 Bonds**”) under the following:

- (a) Articles 10 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, commencing with Section 53570 (the “**Law**”),
- (b) resolutions adopted by the Board of Directors (the “**Board**”) of the Authority on \_\_\_\_\_, 2020 (the “**Authority Resolution**”), and by the City Council (the “**City Council**”) of the City of Hermosa Beach (the “**City**”) on \_\_\_\_\_, 2020 (the “**City Resolution**”), and
- (c) an Indenture of Trust (the “**Indenture**”) dated as of October 1, 2020, by and between the Authority and U.S. Bank National Association, as trustee (the “**Trustee**”).

**The Authority.** The Authority is a joint powers authority formed pursuant to a Joint Exercise of Powers Agreement dated as of July 14, 2015, between the City and the Parking Authority of the City of Hermosa Beach under Articles 1 through 4 (commencing with Section 6500) of Chapter 5 of Division 7 of Title 1 of the California Government Code, as amended, for the purpose, among others, of having the Authority provide financial assistance to the City by entering into, among other arrangements, lease/leasebacks with the City.

**The City.** The City is located in Los Angeles County approximately 22 miles southwest of the City of Los Angeles. The City is one of three beach cities in the surrounding area, including

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\* Preliminary; subject to change.

Manhattan Beach, Hermosa Beach, and Redondo Beach. The City, incorporated on January 14, 1907, had an estimated population of 19,614 as of January 1, 2020, and covers approximately 1.4 square miles. See “APPENDIX D - GENERAL INFORMATION ABOUT THE CITY OF HERMOSA BEACH AND LOS ANGELES COUNTY.”

**Form of Bonds; Book-Entry Only.** The 2020 Bonds will be issued in fully registered form, registered in the name of The Depository Trust Company, New York, New York (“**DTC**”), or its nominee, which will act as securities depository for the 2020 Bonds. Purchasers of the 2020 Bonds will not receive certificates representing the 2020 Bonds that are purchased. See “THE 2020 BONDS - Book-Entry Only System” and “APPENDIX F – DTC AND THE BOOK-ENTRY ONLY SYSTEM.”

**Purpose of the 2020 Bonds.** The 2020 Bonds are being issued to:

- refund and defease the bonds previously issued by the Authority captioned “\$11,600,000 Hermosa Beach Public Financing Authority 2015 Lease Revenue Bonds” (the “**2015 Bonds**”), and
- to pay the costs of issuing the 2020 Bonds.

See “FINANCING PLAN.”

**Security for the 2020 Bonds and Pledge of Revenues.** Under the Indenture, the 2020 Bonds are payable from and secured by a first pledge of and lien on “**Revenues**” (as defined in this Official Statement) received by the Authority under the Amended and Restated Lease Agreement dated as of October 1, 2020, between the Authority, as lessor, and the City, as lessee (the “**Lease**”), consisting primarily of payments (the “**Lease Payments**”) made by the City under the Lease. The 2020 Bonds are also secured by certain funds held under the Indenture. See “SECURITY FOR THE 2020 BONDS.”

The City and the Authority will enter into an Amended and Restated Site Lease dated as of October 1, 2020 (the “**Site Lease**”), under which the City will lease certain real property to the Authority, consisting of the City’s civic center (the “**Leased Property**”), as described in “THE LEASED PROPERTY,” in return for an upfront payment under the Site Lease. Concurrently, the City and the Authority will enter into the Lease, under which the Authority will lease the Leased Property back to the City in return for the annual Lease Payments. See “SECURITY FOR THE 2020 BONDS.”

**Redemption.** The 2020 Bonds are subject to optional redemption, mandatory sinking fund redemption and special mandatory redemption from insurance or condemnation proceeds prior to their stated maturity dates. See “THE 2020 BONDS – Redemption.”

**Abatement.** The Lease Payments are subject to complete or partial abatement in the event and to the extent that there is substantial interference with the City’s use and possession of the Leased Property or any portion thereof. If the Lease Payments are abated under the Lease, the 2020 Bond Owners would receive less than the full amount of principal of and interest on the 2020 Bonds. To the extent proceeds of rental interruption insurance are available, Lease Payments (or a portion thereof) may be made from those proceeds during periods of abatement. See “SECURITY FOR THE 2020 BONDS – Abatement” and “BOND OWNERS’ RISKS.”

***Risks of Investment.*** Debt service on the 2020 Bonds is payable only from Lease Payments and other amounts payable by the City to the Authority under the Lease. For a discussion of some of the risks associated with the purchase of the 2020 Bonds, see “BOND OWNERS’ RISKS.”

NEITHER THE 2020 BONDS, THE OBLIGATION OF THE AUTHORITY TO PAY PRINCIPAL OF OR INTEREST THEREON, NOR THE OBLIGATION OF THE CITY TO MAKE THE LEASE PAYMENTS, CONSTITUTE A DEBT OR A LIABILITY OF THE AUTHORITY, THE CITY, THE STATE OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL LIMITATION ON INDEBTEDNESS, OR A PLEDGE OF THE FULL FAITH AND CREDIT OF THE CITY. THE 2020 BONDS ARE SECURED SOLELY BY THE PLEDGE OF REVENUES AND CERTAIN FUNDS HELD UNDER THE INDENTURE. THE 2020 BONDS ARE NOT SECURED BY A PLEDGE OF THE TAXING POWER OF THE CITY.

## FINANCING PLAN

### Refunding Plan

The 2015 Bonds were issued on August 13, 2015, in the original principal amount of \$11,600,000, of which \$9,890,000 is currently outstanding. The net proceeds of the 2015 Bonds were used to make certain payments under an agreement entered into for the purpose of settling certain claims made against the City.

The 2020 Bonds are being issued to defease and pay or refund on a current basis all outstanding maturities of the 2015 Bonds, as identified in the following table.

### Identification of Refunded 2015 Bonds\*

Maturities to be Paid or Refunded (November 1)	CUSIP†	Principal Amount Redeemed	Redemption Date	Redemption Price (% of Par Amount Redeemed)
2020	427637 AE3	\$500,000	11/01/2020	100%
2021	427637 AF0	510,000	11/01/2020	100
2022	427637 AG8	520,000	11/01/2020	100
2023	427637 AH6	535,000	11/01/2020	100
2024	427637 AJ2	545,000	11/01/2020	100
2025	427637 AK9	560,000	11/01/2020	100
2026	427637 AL7	575,000	11/01/2020	100
2027	427637 AM5	595,000	11/01/2020	100
2028	427637 AN3	615,000	11/01/2020	100
2029	427637 AP8	635,000	11/01/2020	100
2030	427637 AQ6	655,000	11/01/2020	100
2031	427637 AR4	680,000	11/01/2020	100
2032	427637 AS2	705,000	11/01/2020	100
2033	427637 AT0	730,000	11/01/2020	100
2034	427637 AU7	750,000	11/01/2020	100
2035	427637 AV5	780,000	11/01/2020	100
		\$9,890,000		

\* Preliminary, subject to change.

† CUSIP Copyright CUSIP Global Services, and a registered trademark of American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, which is managed on behalf of American Bankers Association by S&P Capital IQ. None of the City, the Authority nor the Underwriter assumes any responsibility for the accuracy of these CUSIP data.

On the Closing Date, the Authority will cause the Trustee to transfer a portion of the proceeds of the 2020 Bonds to U.S. Bank National Association (the “**Escrow Agent**”), for deposit in an escrow fund (the “**Escrow Fund**”) to be established and held by the Escrow Agent under an Escrow Agreement (the “**Escrow Agreement**”) to be entered into on the Closing Date by the Authority, the City and the Escrow Agent. In addition, on or before the Closing Date, the City will transfer to the Escrow Agent funds equal to the debt service due on the 2015 Bonds on November 1, 2020, for deposit into the Escrow Fund. The total amount deposited in the Escrow Fund will be sufficient to pay and redeem the 2015 Bonds in full on November 1, 2020 (the “**Redemption Date**”).

The Escrow Agent will hold the amounts on deposit in the Escrow Fund in cash, uninvested. All amounts held in the Escrow Fund will be applied on the Redemption Date to pay and redeem the 2015 Bonds at a redemption price equal to 100% of their outstanding principal amount, together with accrued interest to the Redemption Date, without premium. As a result of the deposit of funds with the Escrow Agent, the 2015 Bonds will be legally defeased and will be payable solely from amounts held in the Escrow Fund.

*The amounts held by the Escrow Agent in the Escrow Fund are pledged solely to the payment and redemption of the 2015 Bonds, and will not be available for the payment of debt service on the 2020 Bonds.*

## **Estimated Sources and Uses of Funds**

The estimated sources and uses of funds relating to the 2020 Bonds are as follows:

### Sources:

Principal Amount of 2020 Bonds	\$
Plus (Less): Original Issue Premium (Discount)	
Plus: Funds with Respect to 2015 Bonds	
<b>TOTAL SOURCES</b>	<b>\$</b>

### Uses:

Deposit to Escrow Fund [1]	\$
Costs of Issuance [2]	
Underwriter's Discount	
<b>TOTAL USES</b>	<b>\$</b>

[1] Represents the amount to be transferred to the Escrow Agent for deposit in the Escrow Fund and used to defease the 2015 Bonds. See "—Refinancing Plan" above.

[2] Represents funds to be used to pay Costs of Issuance, which include legal fees, municipal advisor fees, printing costs, rating agency fees and other costs of issuing the 2020 Bonds.

## THE LEASED PROPERTY

### General

**Description and Locations.** Lease Payments will be made by the City under the Lease for the use and occupancy of the Leased Property, which consists generally of the City's city hall complex ("**City Hall**") located at 1315 Valley Drive, which contains approximately 25,700 square feet of usable space and consists of three buildings originally constructed in 1960 housing the city hall, police station and fire department. The City Hall complex is located on a site of approximately 2 acres.

The City contracted with the Los Angeles County Fire Department in 2017 to provide fire protection services to the community, in connection with which the City carried out a renovation of the existing fire station in the amount of \$1,816,360. This project included the removal of the second floor, installation of a new roof, and a redesign of the first floor to include five dormitories, two ADA accessible restrooms, an office, a remodeled kitchen, HVAC, and new lighting. Exterior changes include tinted and retrofitted windows and newly designed landscaping. Demolition began in mid-September 2019, followed by construction beginning on October 7, 2019, and completion in August 2020. The renovation changed the square footage of the fire station from 8,500 square feet to 4,500 square feet.

The insured value of the structures making up the City Hall complex is currently \$13,649,310.

### Changes to Leased Property

**Additions and Improvements.** Under the Lease, the City has the right, at its own expense, to make additions, modifications and improvements to the Leased Property or any portion thereof. All additions, modifications and improvements to the Leased Property will thereafter comprise part of the Leased Property and become subject to the provisions of the Lease. Such additions, modifications and improvements may not in any way damage the Leased Property, or cause the Leased Property to be used for purposes other than those authorized under the provisions of state and federal law; and the Leased Property, upon completion of any additions, modifications and improvements made thereto, must be of a value which is not substantially less than the value thereof immediately prior to the making of such additions, modifications and improvements.

The City will not permit any mechanic's or other lien to be established or remain against the Leased Property for labor or materials furnished in connection with any remodeling, additions, modifications, improvements, repairs, renewals or replacements made by the City under this provision of the Lease; except that if any such lien is established and the City first notifies or causes to be notified the Authority of the City's intention to do so, the City may in good faith contest any lien filed or established against the Leased Property, and in such event may permit the items so contested to remain undischarged and unsatisfied during the period of such contest and any appeal therefrom and shall provide the Authority with full security against any loss or forfeiture which might arise from the nonpayment of any such item, in form satisfactory to the Authority. The Authority will cooperate fully in any such contest, upon the request and at the expense of the City.

## Substitution

Under the Lease, the City has the option at any time and from time to time to substitute other real property (the “**Substitute Property**”) for the Leased Property or any portion thereof (the “**Former Property**”), upon satisfaction of all of the conditions set forth in the Lease, which include (among others) the following:

- The City must file with the Authority and the Trustee, and cause to be recorded in the office of the Los Angeles County Recorder sufficient memorialization of, an amendment of the Site Lease and the Lease that removes the legal description of the Former Property and adds the legal description of the Substitute Property.
- The City must obtain a CLTA policy of title insurance insuring the City's leasehold estate under the Lease in the Substitute Property, subject only to Permitted Encumbrances, in an amount at least equal to the estimated value thereof.
- The City must certify in writing to the Authority and the Trustee that the Substitute Property serves the municipal purposes of the City and constitutes property which the City is permitted to lease under the laws of the State of California, and has been determined to serve a governmental function of the City.
- The City and the Authority must file with the Trustee a written certificate stating that (a) based on the estimated value of the Substitute Property, the remaining Lease Payments constitute fair rental value for the use and occupancy of the Substitute Property, taking into consideration the factors set forth in the Lease, and (b) the useful life of the Substitute Property at least extends to November 1, 2045.

See “APPENDIX A – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS.”

Upon the satisfaction of all the conditions precedent contained in the Lease, the Term of the Lease will end as to the Former Property and commence as to the Substitute Property, and all references to the Former Property will apply with full force and effect to the Substitute Property. The City is not entitled to any reduction, diminution, extension or other modification of the Lease Payments whatsoever as a result of any substitution of property under this provision of the Lease.

## Release of Leased Property

Under the Lease, the City has the option at any time and from time to time to release any portion of the Leased Property from the Lease (the “**Released Property**”) provided that the City has satisfied all of the requirements under the Lease that are conditions precedent to such removal, which include (among others) the following:

- The City must file with the Authority and the Trustee, and cause to be recorded in the office of the Los Angeles County Recorder sufficient memorialization of, an amendment of the Site Lease and the Lease that removes the Released Property from the Site Lease and the Lease.
- The City and the Authority must file with the Trustee a written certificate stating that based on the estimated value of the property which remains subject to the Lease following such release, the remaining Lease Payments constitute fair rental value for the use and occupancy of such property, taking into consideration the factors set forth in the Lease.

See "APPENDIX A – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS."

Upon the satisfaction of all the conditions precedent set forth in the Lease, the term of the Lease and the Site Lease will end as to the Released Property. The City is not entitled to any reduction, diminution, extension or other modification of the Lease Payments whatsoever as a result of such release.



## THE 2020 BONDS

*This section provides summaries of the 2020 Bonds and certain provisions of the Indenture. See APPENDIX A for a more complete summary of the Indenture. Capitalized terms used but not defined in this section have the meanings given in APPENDIX A.*

### Authority for Issuance

The 2020 Bonds are being issued under the Law, the Authority Resolution (which was adopted by the Board of the Authority on \_\_\_\_\_, 2020), the City Resolution (which was adopted by the City Council on \_\_\_\_\_, 2020), and the Indenture. Under the Authority Resolution and the City Resolution, the 2020 Bonds may be issued in a principal amount not to exceed \$\_\_\_\_\_.

### General Provisions

**Bond Terms.** The 2020 Bonds will be dated their date of delivery and issued in fully registered form without coupons in denominations of \$5,000 or any integral multiple of \$5,000, so long as no 2020 Bond has more than one maturity date. The 2020 Bonds will mature in the amounts and on the dates, and bear interest (calculated on the basis of a 360-day year of twelve 30-day months) at the annual rates, set forth on the inside cover page of this Official Statement.

**Calculation of Interest.** Interest on the 2020 Bonds is payable from the Interest Payment Date next preceding the date of its authentication unless:

- (a) a 2020 Bond is authenticated on or before an Interest Payment Date and after the close of business on the preceding Record Date, in which event it will bear interest from such Interest Payment Date,
- (b) a 2020 Bond is authenticated on or before the first Record Date, in which event interest thereon will be payable from the Closing Date, or
- (c) interest on any 2020 Bond is in default as of the date of authentication thereof, in which event interest thereon will be payable from the date to which interest has been paid in full, payable on each Interest Payment Date.

**Record Date.** Under the Indenture, “Record Date” means, with respect to any Interest Payment Date, the 15<sup>th</sup> calendar day of the month preceding such Interest Payment Date, whether or not such day is a Business Day.

**Payments of Principal and Interest.** Interest on the 2020 Bonds will be payable on May 1 and November in each year, beginning May 1, 2021 (each an “Interest Payment Date”).

*While the 2020 Bonds are subject to the book-entry system, the principal, interest and any redemption premium with respect to the 2020 Bonds will be paid by the Trustee to DTC for subsequent disbursement to beneficial owners of the 2020 Bonds. See “– Book-Entry Only System” below.*

Interest is payable on each Interest Payment Date to the persons in whose names the ownership of the 2020 Bonds is registered on the Registration Books at the close of business on the immediately preceding Record Date, except as provided below. Interest on any 2020 Bond

which is not punctually paid or duly provided for on any Interest Payment Date is payable to the person in whose name the ownership of such 2020 Bond is registered on the Registration Books at the close of business on a special record date for the payment of such defaulted interest to be fixed by the Trustee, notice of which is given to such Owner by first-class mail not less than 10 days prior to such special record date.

The Trustee will pay interest on the 2020 Bonds by check of the Trustee mailed by first class mail, postage prepaid, on each Interest Payment Date to the Owners of the 2020 Bonds at their respective addresses shown on the Registration Books as of the close of business on the preceding Record Date. At the written request of the Owner of 2020 Bonds in an aggregate principal amount of at least \$1,000,000, which is on file with the Trustee as of any Record Date, the Trustee will pay interest on such 2020 Bonds on each succeeding Interest Payment Date by wire transfer in immediately available funds to such account of a financial institution within the United States of America as specified in such written request, which written request will remain in effect until rescinded in writing by the Owner.

The Trustee will pay principal of the 2020 Bonds in lawful money of the United States of America by check of the Trustee upon presentation and surrender thereof at the Office of the Trustee.

### **Transfer, Registration and Exchange**

*The following provisions regarding the exchange and transfer of the 2020 Bonds apply only during any period in which the 2020 Bonds are not subject to DTC's book-entry system. While the 2020 Bonds are subject to DTC's book-entry system, their exchange and transfer will be effected through DTC and the Participants and will be subject to the procedures, rules and requirements established by DTC. See "APPENDIX F – DTC AND THE BOOK-ENTRY ONLY SYSTEM."*

**Bond Register.** 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 2020 Bonds, which will upon reasonable notice as agreed to by the Trustee, be open to inspection during regular business hours by the Authority; and, upon presentation for such purpose, the Trustee will, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on such records, the ownership of the 2020 Bonds as provided in the Indenture.

**Transfer.** Any 2020 Bond may, in accordance with its terms, be transferred, upon the Registration Books, by the person in whose name it is registered, in person or by a duly authorized attorney of such person, upon surrender of such 2020 Bond to the Trustee at its Office for cancellation, accompanied by delivery of a written instrument of transfer in a form acceptable to the Trustee, duly executed. The Trustee will collect any tax or other governmental charge on the transfer of any 2020 Bonds under this provision of the Indenture.

Whenever any 2020 Bond is or 2020 Bonds are surrendered for transfer, the Authority will execute and the Trustee will authenticate and deliver to the transferee a new 2020 Bond or 2020 Bonds of like series, interest rate, maturity and aggregate principal amount. The Authority will pay the cost of printing 2020 Bonds and any services rendered or expenses incurred by the Trustee in connection with any transfer of 2020 Bonds.

Prior to any transfer of the 2020 Bonds outside the book-entry system (including, but not limited to, the initial transfer outside the book-entry system) the transferor will be required to

provide or cause to be provided to the Trustee all information necessary to allow the Trustee to comply with any applicable tax reporting obligations, including without limitation any cost basis report obligations under Section 6045 of the Internal Revenue Code of 1986, as amended. The Trustee will conclusively rely on the information provided to it and will have no responsibility to verify or ensure the accuracy of such information.

**Exchange.** The 2020 Bonds may be exchanged at the Office of the Trustee for a like aggregate principal amount of 2020 Bonds of other authorized denominations and of the same series, interest rate and maturity. The Trustee will collect any tax or other governmental charge on the exchange of any 2020 Bonds under this provision of the Indenture. The Authority will pay the cost of printing 2020 Bonds and any services rendered or expenses incurred by the Trustee in connection with any exchange of 2020 Bonds.

**Limitations.** The Trustee may refuse to transfer or exchange, under the provisions of the Indenture described above, any 2020 Bonds selected by the Trustee for redemption under the Indenture, or any 2020 Bonds during the period established by the Trustee for the selection of 2020 Bonds for redemption.

## Redemption

**Optional Redemption.** The 2020 Bonds maturing on or before November 1, 20\_\_, are not subject to optional redemption prior to their respective stated maturity dates.

The 2020 Bonds maturing on or after November 1, 20\_\_, are subject to redemption in whole, or in part at the Written Request of the Authority among maturities on such basis as the Authority may designate and by lot within a maturity, at the option of the Authority, on any date on or after November 1, 20\_\_, from any available source of funds, at a redemption price of the principal amount of the 2020 Bonds to be redeemed plus accrued interest to the date of redemption, without premium.

The Authority shall give the Trustee written notice of its intention to redeem the 2020 Bonds under this provision of the Indenture, and the manner of selecting such 2020 Bonds for redemption from among the maturities thereof, at least 45 days prior to the proposed redemption date.

**Mandatory Sinking Fund Redemption of Term Bonds.** The 2020 Bonds maturing on November 1, 20\_\_ (the “**20\_\_ Term Bonds**”) are subject to mandatory redemption in whole, or in part by lot, from sinking fund payments made under the Indenture, at a redemption price equal to the principal amount thereof to be redeemed, without premium, plus accrued interest to the date of redemption, in the aggregate respective principal amounts and on November 1 in the years as set forth in the following table:

20__ Term Bonds	
Payment Date (November 1)	Payment Amount

(maturity)

If some but not all of the 20\_\_ Term Bonds have been redeemed through optional or special mandatory redemption, the total amount of all future sinking fund payments will be reduced by the aggregate principal amount of the 20\_\_ Term Bonds so redeemed, to be allocated among such sinking fund payments on a pro rata basis as determined by the Authority, which will notify the Trustee in writing of such determination.

***Special Mandatory Redemption From Insurance or Condemnation Proceeds.*** The 2020 Bonds are subject to redemption as a whole, or in part by lot on a pro rata basis among maturities, on any date, from any Net Proceeds required to be used for such purpose as provided in the Indenture, at a redemption price equal to 100% of the principal amount thereof plus interest accrued thereon to the date fixed for redemption, without premium.

***Selection of Bonds for Redemption.*** Whenever provision is made in this Indenture for the redemption of less than all of the 2020 Bonds of a single maturity, the Trustee will select the 2020 Bonds of that maturity to be redeemed by lot in any manner which the Trustee in its sole discretion deems appropriate. For purposes of such selection, the Trustee will treat each 2020 Bond as consisting of separate \$5,000 portions and each such portion will be subject to redemption as if such portion were a separate 2020 Bond.

***Notice of Redemption.*** The Trustee will mail notice of redemption of the 2020 Bonds by first class mail, postage prepaid, not less than 20 nor more than 60 days before any redemption date, to the respective Owners of any 2020 Bonds designated for redemption at their addresses appearing on the Registration Books and to one or more Securities Depositories. In addition, the Trustee shall file a copy of each redemption notice electronically with the Information Services.

Neither the failure to receive any notice nor any defect therein shall affect the sufficiency of the proceedings for such redemption or the cessation of accrual of interest from and after the redemption date. Notice of redemption of 2020 Bonds shall be given by the Trustee, at the expense of the Authority, for and on behalf of the Authority.

*However, while the 2020 Bonds are subject to DTC's book-entry system, the Trustee will be required to give notice of redemption only to DTC as provided in the letter of representations executed by the Authority and received and accepted by DTC. DTC and the Participants will have sole responsibility for providing any such notice of redemption to the beneficial owners of the 2020 Bonds to be redeemed. Any failure of DTC to notify any Participant, or any failure of Participants to notify the Beneficial Owner of any Bonds to be redeemed, of a notice of redemption or its content or effect will not affect the validity of the notice of redemption, or alter the effect of redemption set forth in the Indenture.*

***Rescission of Redemption.*** The Authority has the right to rescind any notice of the optional redemption of 2020 Bonds under the Indenture by written notice to the Trustee on or prior to the date fixed for redemption. Any notice of optional redemption will be cancelled and annulled if for any reason funds will not be or are not available on the date fixed for redemption for the payment in full of the 2020 Bonds then called for redemption, and such cancellation will not constitute an Event of Default. The Authority and the Trustee will have no liability to the Owners or any other party related to or arising from such rescission of redemption. The Trustee shall cause notice of such rescission to be given to the respective Owners of any 2020 Bonds designated for redemption, at their addresses appearing on the Registration Books, and to the Municipal Securities Rulemaking Board and the Securities Depositories.

***Partial Redemption.*** Upon surrender of any 2020 Bonds redeemed in part only, the Authority will execute and the Trustee will authenticate and deliver to the Owner thereof, at the expense of the Authority, a new 2020 Bond or 2020 Bonds of authorized denominations equal in aggregate principal amount to the unredeemed portion of the 2020 Bonds surrendered.

***Effect of Redemption.*** Notice of redemption having been duly given as aforesaid, and moneys for payment of the redemption price of, together with interest accrued to the date fixed for redemption on the 2020 Bonds (or portions thereof) so called for redemption being held by the Trustee, on the redemption date designated in such notice, the 2020 Bonds (or portions thereof) so called for redemption will become due and payable, interest on the 2020 Bonds so called for redemption will cease to accrue, said 2020 Bonds (or portions thereof) will cease to be entitled to any benefit or security under the Indenture, and the Owners of said 2020 Bonds will have no rights in respect thereof except to receive payment of the redemption price thereof.

### **Book-Entry Only System**

The 2020 Bonds will be issued as fully registered bonds in book-entry only form, registered in the name of Cede & Co. as nominee of DTC, and will be available to ultimate purchasers in the denomination of \$5,000 or any integral multiple of \$5,000, under the book-entry system maintained by DTC. While the 2020 Bonds are subject to the book-entry system, the principal, interest and any redemption premium with respect to a 2020 Bond will be paid by the Trustee to DTC, which in turn is obligated to remit such payment to its DTC Participants for subsequent disbursement to Beneficial Owners of the 2020 Bonds. Purchasers of the 2020 Bonds will not receive certificates representing their interests therein, which will be held at DTC.

See “APPENDIX F – DTC AND THE BOOK-ENTRY ONLY SYSTEM” for further information regarding DTC and the book-entry system.

## DEBT SERVICE SCHEDULE

The table below shows annual debt service payments on the 2020 Bonds.

Year Ending November 1	Principal	Interest	Total Debt Service
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
Total:			

## SECURITY FOR THE 2020 BONDS

*The principal of and interest on the 2020 Bonds are not a debt of the Authority or the City, nor a legal or equitable pledge, charge, lien or encumbrance, upon any of their respective property, or upon any of their income, receipts, or revenues except the Revenues and other amounts pledged under the Indenture.*

*This section provides summaries of the security for the 2020 Bonds and certain provisions of the Indenture, the Lease and the Site Lease. See “APPENDIX A – Summary of Principal Legal Documents” for a more complete summary of the Indenture, the Lease and the Site Lease. Capitalized terms used but not defined in this section have the meanings given in APPENDIX A.*

### **Revenues; Pledge of Revenues**

***Pledge of Revenues and Other Amounts.*** Under the Indenture, subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth herein, all of the Revenues and all amounts (including proceeds of the sale of the 2020 Bonds) held in any fund or account established under the Indenture are pledged to secure the payment of the principal of and interest on the 2020 Bonds in accordance with their terms and the provisions of the Indenture. This pledge constitutes a lien on and security interest in the Revenues and such amounts and will attach, be perfected and be valid and binding from and after the Closing Date, without the need for any physical delivery thereof or further act.

***Definition of Revenues.*** “Revenues” are defined in the Indenture as follows:

(a) all amounts received by the Authority or the Trustee under or with respect to the Lease, including, without limiting the generality of the foregoing, all of the Lease Payments (including both timely and delinquent payments, any late charges, and whether paid from any source); and

(b) all interest, profits or other income derived from the investment of amounts in any fund or account established under the Indenture.

### **Assignment to Trustee**

Under the Assignment Agreement, the Authority will transfer to the Trustee all of the rights of the Authority in the Lease (other than the rights of the Authority under the provisions of the Lease regarding Additional Rental Payments, repayment of advances, indemnification, and the payment of attorneys’ fees). The Trustee will be entitled to collect and receive all of the Revenues, and any Revenues collected or received by the Authority will be deemed to be held, and to have been collected or received, by the Authority as the agent of the Trustee and will immediately be paid by the Authority to the Trustee. The Trustee is also entitled to and will, subject to the provisions of the Indenture regarding duties of the Trustee, take all steps, actions and proceedings which the Trustee determines to be reasonably necessary in its judgment to enforce, either jointly with the Authority or separately, all of the rights of the Authority and all of the obligations of the City under the Lease.

### **Allocation of Revenues by Trustee; Application of Funds**

***Deposit of Revenues in Bond Fund.*** Under the Indenture, all Revenues will be promptly deposited by the Trustee upon receipt thereof in a special fund designated as the “**Bond Fund**”

which the Trustee will establish, maintain and hold in trust; except that all moneys received by the Trustee and required under the Indenture or under the Lease Agreement to be deposited in the Insurance and Condemnation Fund or the Redemption fund will be promptly deposited in such funds.

All Revenues deposited with the Trustee will be held, disbursed, allocated and applied by the Trustee only as provided in the Indenture. Any surplus remaining in the Bond Fund, after payment in full of (i) the principal of and interest on the 2020 Bonds, or provision therefore under the Indenture, and (ii) any applicable fees and expenses to the Trustee, will be withdrawn by the Trustee and remitted to the City.

***Transfers from the Bond Fund.*** Under the Indenture, on or before each Interest Payment Date, the Trustee will transfer from the Bond Fund and deposit into the following respective accounts (each of which the Trustee will establish and maintain within the Bond Fund), the following amounts in the following order of priority:

(a) *Deposit to Interest Account.* The Trustee will deposit in the Interest Account an amount required to cause the aggregate amount on deposit in the Interest Account to be at least equal to the amount of interest becoming due and payable on such Interest Payment Date on all 2020 Bonds then Outstanding.

(b) *Deposit to Principal Account.* The Trustee will deposit in the Principal Account an amount required to cause the aggregate amount on deposit in the Principal Account to equal the principal amount of the 2020 Bonds coming due and payable on such Interest Payment Date, including the principal amount of any Term Bonds which are subject to mandatory sinking fund redemption on such Interest Payment Date.

***Application of Accounts.***

*Application of Interest Account.* All amounts in the Interest Account will be used and withdrawn by the Trustee solely for the purpose of paying interest on the 2020 Bonds as it comes due and payable (including accrued interest on any 2020 Bonds purchased or redeemed prior to maturity).

*Application of Principal Account.* All amounts in the Principal Account will be used and withdrawn by the Trustee solely to pay the principal amount of the 2020 Bonds at their respective maturity dates, including the principal amount of any Term Bonds which are subject to mandatory sinking fund redemption.

**Lease Payments**

***Requirement to Make Lease Payments.*** Under the Lease, subject to the provisions of the Lease concerning rental abatement and prepayment of Lease Payments, the City agrees to pay to the Authority, its successors and assigns, the Lease Payments in the respective amounts specified in the Lease, to be due and payable in immediately available funds on the Interest Payment Dates immediately following each of the respective Lease Payment Dates specified in the Lease, and to be deposited by the City with the Trustee on each of the Lease Payment Dates specified in the Lease (defined as the 5th Business Day immediately preceding each Interest Payment Date).



Any amount held in the Bond Fund, the Interest Account and the Principal Account on any Lease Payment Date (other than amounts required for payment of past due principal or interest on any 2020 Bonds not presented for payment) will be credited towards the Lease Payment then required to be paid under the Lease.

The City will not be required to deposit any Lease Payment with the Trustee on any Lease Payment Date if the amounts then held in the Bond Fund, the Interest Account and the Principal Account are at least equal to the Lease Payment then required to be deposited with the Trustee.

***Rate on Overdue Payments.*** If the City fails to make any of the payments of Lease Payments required in the Lease, the payment in default will continue as an obligation of the City until the amount in default has been fully paid, and the City agrees to pay the same with interest thereon, from the date of default to the date of payment at the highest rate of interest on any Outstanding 2020 Bond.

***Fair Rental Value.*** The aggregate amount of the Lease Payments and Additional Rental Payments coming due and payable during each Rental Period constitute the total rental for the Leased Property for such Rental Period, and are payable by the City in each Rental Period for and in consideration of the right of the use and occupancy of, and the continued quiet use and enjoyment of the Leased Property during each Rental Period.

The Authority and the City have agreed and determined that the total Lease Payments represent the fair rental value of the Leased Property. In making that determination, consideration has been given to the estimated value of the Leased Property, other obligations of the City and the Authority under the Lease, the uses and purposes which may be served by the Leased Property and the benefits therefrom which will accrue to the City and the general public.

### **Limited Obligation**

THE OBLIGATION OF THE CITY TO MAKE THE LEASE PAYMENTS DOES NOT CONSTITUTE A DEBT OF THE CITY, THE AUTHORITY OR THE STATE OR OF ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMIT OR RESTRICTION, AND DOES NOT CONSTITUTE AN OBLIGATION FOR WHICH THE CITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE CITY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION.

### **Source of Payments; Covenant to Budget and Appropriate Funds for Lease Payments**

The Lease Payments are payable from any source of available funds of the City, subject to the provisions of the Lease regarding abatement.

Under the Lease, the City covenants to take all actions required to include the Lease Payments in each of its budgets during the Term of the Lease and to make the necessary appropriations for all Lease Payments and Additional Rental Payments. This covenant of the City constitutes a duty imposed by law and each and every public official of the City is required to take all actions required by law in the performance of the official duty of such officials to enable the City to carry out and perform the covenants and agreements in the Lease agreed to be carried out and performed by the City.

## **Additional Rental Payments**

Under the Lease, in addition to the Lease Payments, the City is required to pay when due the following amounts of Additional Rental Payments in consideration of the lease of the Leased Property by the City from the Authority thereunder:

- (a) all fees and expenses incurred by the Authority in connection with or by reason of its leasehold estate in the Leased Property, when due;
- (b) compensation to the Trustee for its services rendered under the Indenture and for all expenses, charges, costs, liabilities, legal fees and other disbursements incurred by the Trustee in and about the performance of its powers and duties under the Indenture;
- (c) all fees and expenses of such accountants, consultants, attorneys and other experts as may be engaged by the Authority or the Trustee to prepare audits, financial statements, reports, opinions or provide such other services required under the Lease or the Indenture;
- (d) all amounts coming due and payable as Excess Investment Earnings in accordance with the Lease; and
- (e) all out-of-pocket expenses of the Authority in connection with the execution and delivery of the Lease or the Indenture, or in connection with the issuance of the 2020 Bonds, including but not limited to any and all expenses incurred in connection with the authorization, sale and delivery of the 2020 Bonds, or incurred by the Authority in connection with any litigation which may at any time be instituted involving the Lease, the 2020 Bonds, the Indenture or any of the other documents contemplated hereby or thereby, or otherwise incurred in connection with the administration of the Lease.

## **Abatement**

***Termination or Abatement Due to Eminent Domain.*** Under the Lease, if the Leased Property is taken permanently under the power of eminent domain or sold to a government threatening to exercise the power of eminent domain, the Term of the Lease thereupon ceases as of the day possession is taken. If less than all of the Leased Property is taken permanently, or if the Leased Property is taken temporarily, under the power of eminent domain, then:

- (a) the Lease will continue in full force and effect with respect thereto and does not terminate by virtue of such taking, and the parties waive the benefit of any law to the contrary; and
- (b) the Lease Payments are subject to abatement in an amount determined by the City such that the resulting Lease Payments represent fair consideration for the use and occupancy of the remaining usable portions of the Leased Property.

***Abatement Due to Damage or Destruction.*** Under the Lease, the Lease Payments are subject to abatement during any period in which by reason of damage or destruction (other than by eminent domain as described above) there is substantial interference with the use and occupancy by the City of the Leased Property or any portion thereof.

The Lease Payments are subject to abatement in an amount determined by the City such that the resulting Lease Payments represent fair consideration for the use and occupancy of the remaining usable portions of the Leased Property not damaged or destroyed. Such abatement will continue for the period commencing with such damage or destruction and ending with the substantial completion of the work of repair or reconstruction.

Notwithstanding the foregoing, the Lease Payments may be paid with proceeds of rental interruption insurance during any period in which the Lease Payments would otherwise be subject to abatement, it being hereby declared in the Lease that such proceeds constitute a special fund for the payment of the Lease Payments.

In the event of any such damage or destruction, the Lease continues in full force and effect and the City waives any right to terminate the Lease by virtue of any such damage and destruction.

## **Property Insurance**

***Liability and Property Damage Insurance.*** Under the Lease, the City is required to maintain or cause to be maintained throughout the Term of the Lease, but only if and to the extent available from reputable insurers at reasonable cost in the reasonable opinion of the City, a standard commercial general liability insurance policy or policies in protection of the Authority, the City, and their respective members, officers, agents, employees and assigns.

Such policy or policies must provide for indemnification of said parties against direct or contingent loss or liability for damages for bodily and personal injury, death or property damage occasioned by reason of the operation of the Leased Property. Such policy or policies must provide coverage in such liability limits and be subject to such deductibles as the City deems adequate and prudent.

Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the City, and may be maintained in whole or in part in the form of self-insurance by the City, subject to the provisions of the Lease regarding self-insurance, or in the form of the participation by the City in a joint powers agency or other program providing pooled insurance. The proceeds of such liability insurance must be applied toward extinguishment or satisfaction of the liability with respect to which paid.

***Casualty Insurance.*** Under the Lease, the City is required to procure and maintain, or cause to be procured and maintained, throughout the Term of the Lease, casualty insurance against loss or damage to all buildings situated on the Leased Property, in an amount at least equal to the lesser of (a) 100% of the replacement value of the insured buildings, or (b) 100% of the aggregate principal amount of the Outstanding 2020 Bonds.

Such insurance must, as nearly as practicable, cover loss or damage by explosion, windstorm, riot, aircraft, vehicle damage, smoke and such other hazards as are normally covered by such insurance; provided that earthquake insurance shall not be required under any circumstances. Such insurance may be subject to such deductibles as the City deems adequate and prudent.

Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the City, and may be maintained in whole or in part in the form of the participation by the City in a joint powers agency or other program providing pooled insurance;

provided that such insurance may not be maintained by the City in the form of self-insurance. The Net Proceeds of such insurance must be applied as provided in the Lease.

***Rental Interruption Insurance.*** Under the Lease, the City is required to procure and maintain, or cause to be procured and maintained, throughout the Term of the Lease, rental interruption or use and occupancy insurance to cover loss, total or partial, of the use of any portion of the Leased Property constituting buildings or other improvements as a result of any of the hazards covered in the casualty insurance requirements described above, in an amount at least equal to the maximum such Lease Payments coming due and payable during any consecutive two Fiscal Years.

Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the City, and may be maintained in whole or in part in the form of the participation by the City in a joint powers agency or other program providing pooled insurance; provided that such insurance may not be maintained by the City in the form of self-insurance. The Net Proceeds of such insurance, if any, must be paid to the Trustee and deposited in the Bond Fund, to be applied as a credit towards the payment of the Lease Payments allocable to the insured improvements as they become due and payable.

***Insurance Net Proceeds; Form of Policies.*** Each policy of casualty insurance, rental interruption insurance and title insurance maintained under the Lease must name the Trustee as loss payee so as to provide that all proceeds thereunder are payable to the Trustee. The City shall pay or cause to be paid when due the premiums for all insurance policies required by the Lease. All such policies shall provide that the Trustee is given 30 days' notice of each expiration, any intended cancellation thereof or reduction of the coverage provided thereby.

The City is required to file with the Trustee, upon the written request of the Trustee, a certificate of the City stating that all policies of insurance required under the Lease are then in full force and effect. The Trustee has no responsibility for the sufficiency, adequacy or amount of any insurance or self-insurance required under the Lease and is fully protected in accepting payment on account of such insurance or any adjustment, compromise or settlement of any loss.

If any liability and property damage insurance maintained under the Lease is provided in the form of self-insurance, the City must file with the Trustee annually, within 90 days following the close of each Fiscal Year, a statement of the risk manager of the City or an independent insurance adviser engaged by the City identifying the extent of such self-insurance and stating the determination that the City maintains sufficient reserves with respect thereto. If any such insurance is provided in the form of self-insurance by the City, the City has no obligation to make any payment with respect to any insured event except from those reserves.

#### **Amendment of Lease to Provide for Additional Rental**

Under the Lease, the City has the right to amend the Lease for the purpose of providing for the payment of additional amounts of rental for the use and occupancy of the Leased Property, but only if

- (a) such additional rent payments are pledged or assigned for the payment of any bonds, notes or other obligations the proceeds of which are applied to finance or refinance the acquisition or construction of any real or personal property for which the City is authorized to expend funds subject to its control,

(b) the City has filed with the Trustee a Written Certificate of the City stating that the estimated value of the Leased Property is, or following the completion of the acquisition and construction of any improvements to be financed from the proceeds of such bonds, notes or other obligations will be, at least equal to the aggregate original principal amount of the 2020 Bonds and all such other bonds, notes or other obligations, and

(c) the City has filed with the Trustee written evidence that the amendments made under this provision of the Lease will not of themselves cause a reduction or withdrawal of any rating then assigned to the 2020 Bonds.

## CITY FINANCIAL INFORMATION

### General

The City of Hermosa Beach is located in Los Angeles County approximately 22 miles southwest of the City of Los Angeles. The City is one of three beach cities in the surrounding area, including Manhattan Beach, Hermosa Beach, and Redondo Beach. The City, incorporated on January 14, 1907, had an estimated population of 19,614 as of January 1, 2020, and covers approximately 1.4 square miles. The City operates under a Council-Manager form of government. See “APPENDIX D - GENERAL INFORMATION ABOUT THE CITY OF HERMOSA BEACH AND LOS ANGELES COUNTY.”

### City Budgets

**Annual Budget Process.** Work begins on the budget process in February. Department heads prepare estimates of revenues and departmental expenditures for submission to the Finance Director. The City Manager and Finance Director meet with each department to review the estimates and discuss requests. From these meetings, the preliminary budget is developed. The Capital Improvement Budget and Five Year Capital Improvement Plan, which are part of the same document, follows the same process.

The City Manager is required to submit a preliminary budget to the City Council on or before May 15th of each year. One or two public workshops are held in May and June to review the budget and receive public input. One formal public hearing is held in June, prior to budget adoption. The City Council must adopt an annual budget, by resolution, on or before June 30 for the coming fiscal year (July 1 – June 30). If the budget is not adopted by that date, the preliminary budget, except for capital outlays, goes into effect until the budget is adopted.

The budget may be amended during the year, as necessary. A Midyear Budget Review is conducted in February, at which time adjustments to revenue estimates and appropriations are made. Expenditures may not exceed appropriations at the fund level. The City Manager may approve transfers of appropriation within funds; transfers of appropriations from one fund to another require City Council approval.

Budgets are adopted for all governmental and proprietary funds on a basis consistent with generally accepted accounting principles.

**Adopted Fiscal Year 2020-21 Budget.** The Fiscal Year 2020-21 Budget anticipates \$35.9 million in revenue, a 16% decrease over the 2019-20 Budget, assuming the impacts of COVID-19 through the end of December 2020.

The General Fund operating expenditure plan presented in the Fiscal Year 2020-21 Budget is \$39 million and represents a 6.1% decrease compared to the Fiscal Year 2019-20 Budget. Personnel costs are 1.7% lower than the Fiscal Year 2019-20 Budget due to the decision to freeze ten vacant positions.

**City's Budgeted and Estimated Actual Figures.** The table below sets forth (i) a comparison of the City's General Fund budget and revised budget to the estimated actual figures for Fiscal Year 2019-20 and (ii) the City's adopted General Fund budget for Fiscal Year 2020-21.

**TABLE 1**  
**CITY OF HERMOSA BEACH**  
**General Fund Budgeted and Estimated Actual Figures, Fiscal Year 2019-20, and**  
**General Fund Budget, Fiscal Year 2020-21**

	2019-20 Adjusted Budget	COVID-19 2019-20 Budget	Revised 2019-20 Estimated Actual Year-End [1]	COVID-19 2020-21 Adopted Budget
<b>Revenues</b>				
Taxes	\$30,280,486	\$28,243,077	\$28,900,238	\$28,244,926
Licenses and permits	1,213,724	734,016	727,008	905,881
Fines and forfeitures	2,365,086	2,084,412	2,160,244	1,033,230
Use of money and property	1,006,122	857,930	886,360	802,659
Intergovernmental	127,256	132,085	127,555	143,510
Charges for services	7,523,765	5,653,988	6,122,989	4,674,001
Other revenue	165,416	114,252	127,906	66,145
<b>Total Revenues</b>	<b>42,681,855</b>	<b>37,819,760</b>	<b>39,052,300</b>	<b>35,870,352</b>
<b>Expenditures</b>				
Personal Services	22,263,508	19,998,248	19,889,642	21,895,709
Contract Services Private	5,686,419	4,628,099	4,107,142	4,192,113
Contract Services/Capital Improvement Projects	398,559	398,559	8,793	175,704
Contract Services/Govt.	6,931,895	6,721,077	6,841,396	6,932,731
Material/Supplies/Other	5,831,188	5,614,948	5,298,306	5,777,335
Equipment/Furniture	81,431	76,809	55,648	34,816
Buildings/Improvements	363,672	363,672	363,672	--
<b>Total expenditures</b>	<b>41,556,672</b>	<b>37,801,412</b>	<b>36,564,598</b>	<b>39,008,408</b>
<b>Excess of revenues over expenditures</b>	<b>\$1,125,183</b>	<b>\$18,348</b>	<b>\$2,487,701</b>	<b>(\$3,138,056) [2]</b>
Other financing sources (uses):				
Transfers in	402,922	2,312,672	2,312,672	3,396,734
Transfers out	(2,318,562)	(2,318,562)	(2,318,565)	(1,776,701)
Total other financing sources (uses)	(1,915,640)	(5,890)	(5,893)	1,620,033
<b>Change in fund balance</b>	<b>(\$790,457)</b>	<b>\$12,458</b>	<b>\$2,481,808</b>	<b>(\$1,518,023)</b>

[1] Represents updated actual Fiscal Year 2019-20 figures as of \_\_\_\_\_, 2020.

Source: City of Hermosa Beach.

**Effects of COVID-19 on 2019-20 Estimated Actuals.** Major revenue assumptions used in the Covid-19 2019-20 year-end estimated actual results are as follows:

Taxes are estimated to decrease by \$2,037,409 or 6.7% due to the following accounts:

- Sales Tax decreases by \$354,545 or 11% based on a forecast by the City's consultant for each business type and each quarter.
- Transient occupancy tax decreases by \$1,136,639 or 32% based on assumed occupancy of 30% through June 30, 2020.

- Business License decreases by \$447,091 or 38% based on suspension of fees through June 30, 2020.
- Other Taxes decrease by \$79,134.

Licenses and Permits are estimated to decrease by \$479,708 or 39.5% due to the following accounts:

- Building Permits decreases by \$300,420 assume a 15% decrease from the original year-end estimate which did not assume COVID-19 impacts.
- Other Licenses and Permits decrease by \$179,288.

Fines and Forfeitures are estimated to decrease by \$280,674 or 11.9% due to the following accounts:

- Court Fines/Parking decreases by \$243,856 or 11% due to suspension of street sweeping fines and a reduction in issuance of other parking fines.
- Other Fines and Forfeitures decrease by \$36,818.

Use of Money and Property is estimated to decrease by \$148,192 or 14.7% due to the following accounts:

- Community Center Leases, Rentals, and Theatre decreases by \$89,513 or 29% assuming the cancellation of events through the end of Fiscal Year 2019–20.
- Plaza Promotions decreases by \$30,000 or 100% assuming the cancellation of events through the end of Fiscal Year 2019–20.
- Film Permits decrease by \$19,232 or 26% assuming the cancellation of filming through the end of Fiscal Year 2019–20.
- Intergovernmental/State revenues are estimated to increase by \$4,829 or 3.8%.

Service Charges are estimated to decrease by \$1,869,777 or 24.85% due to the following accounts:

- General Plan Maintenance Fees decrease by \$112,450 or 52% assuming a 15% reduction to the original year end estimate, which did not take into account COVID-19 impacts.
- Plan Check Fees decreases by \$61,200 assuming a 15% reduction to the original year end estimate, which did not take into account COVID-19 impacts.
- Encroachment Permits decrease by \$86,400 or 30% due to suspension of outdoor dining permits assumed through June 30, 2020.
- Parking Meters decrease by \$512,248 or 24% due to an 80% reduction April-June 2020.



- Lot A Revenue decreases by \$153,985 or 30% based on March revenue assumed for April-June 2020.
- Parking Structure Revenue decreases by \$198,687 or 30% due to closure in March 2020.
- Contract Recreation Classes decreases by \$185,110 or 39% assuming the cancellation of recreation classes through Fiscal Year 2019–20.
- Other Recreation Programs decrease by \$133,781 or 55% assuming the cancellation of recreation programs through the end of Fiscal Year 2019–20.
- Other Service Charges decrease by \$410,099.

Other Revenue is estimated to decrease by \$51,164 or 30.9%. Other Revenue vary from year to year due to refunds, reimbursements, contributions, and miscellaneous revenue.

***Subsequent Budget Adjustments and Summary of Revised Revenue Shortfall Estimates for Fiscal Years 2019-20 and 2020-21.***

The State's Executive Order N-33-20, which ordered all individuals in California to stay home or at their place of residence except as needed to maintain continuity of operations, was issued on March 19, 2020, which, coincidentally, is the same day that department estimates of revenue and appropriation requests for the Fiscal Year 2020–21 budget were due.

Recognizing the potential impact of COVID-19, departments were asked to submit new revenue estimates for Fiscal Years 2019-20 and 2020-21, using the assumption that the effects of COVID-19 would continue at the same level through December 31, 2020.

The revised revenue estimates, when combined with the initial department budget requests, suggest a revenue shortfall of \$2.3 million for Fiscal Year-end 2019–20 and \$6.2 million for Fiscal Year 2020–21. Departments were then asked to submit departmental appropriation reductions and identify any previously requested supplemental items that are essential. All capital improvement projects were reviewed and changes made to prioritize the use of restricted funds and reduce the use of discretionary funds. All 13 vacant personnel positions were reviewed, resulting in the freezing of 12 of those positions for Fiscal Year 2019–20 and 10 for Fiscal Year 2020–21. The balance of the deficit gaps for both years were closed with a combination of using general funds that were previously unspent and transferred for other uses and swapping restricted funds for general funds, as further described below.

***Budget Balancing Actions for Fiscal Year 2019-20.*** The estimated General Fund revenue shortfall for Fiscal Year 2019-20 is estimated to be \$2.3 million. Steps taken to balance the Fiscal Year 2019-20 budget include:

- Departments were asked to make reductions, resulting in the freezing of 12 vacant positions and reductions in part time personnel.
- The Fiscal Year 2019–20 Budget contained a reserve of \$200,000 for general capital improvements. Also in Fiscal Year 2019–20, excess funds in the General Fund of \$393,000 were transferred at midyear to the Capital Improvement Fund. Both amounts were used to reduce the deficit.

- Excess amounts in the Insurance Fund were used to reduce the shortfall, due to a reduction of \$500,000 in estimated worker's compensation claims and amounts in excess of the \$3 million goal in the Insurance Fund.

- A donation from the Chamber of Commerce for holiday decorations was recognized to reduce general fund expenditures for this purpose.

- An amount of \$100,000 will be carried forward to 2020–21 from Prospective Expenditures.

***Effects of COVID-19 on 2020-21 General Fund Budget.*** Major revenue assumptions resulting from COVID-19 on the Fiscal Year 2020-21 General Fund budget are as follows:

Taxes are estimated to decrease by \$2,035,560 due to the following accounts:

- Sales Tax is estimated at just over \$2.75 million, a 12.6% decline from the Fiscal Year 2019-20 budget, based on a forecast by the City's consultant for each business type and each quarter.

- Transient occupancy tax decreases by \$908,027 or 39% based on assumed occupancy of 30%.

- Other Taxes decrease by 5%.

Licenses and Permits are estimated to decrease by \$307,843 or 25.4% due to the following accounts:

- Building Permits decrease by \$251,500 estimating a 30% reduction of baseline permits.

- Other Licenses and Permits decreases by \$56,343.

Fines and Forfeitures are estimated to decrease by \$1,331,856 or 56.3% due to the following accounts:

- Court Fines/Parking decreases by \$1,248,086, or 55% due to suspension of street sweeping fines and reduction in other parking fines.

- Other Fines and Forfeitures decreases by \$83,770.

Use of Money and Property is estimated to decrease by \$203,463 or 20.2% due to the following accounts:

- Community Center Leases, Rentals, and Theatre decreases by \$143,220 assuming the cancellation of events through December 31st.

- Plaza Promotions decreases by \$47,460 assuming the cancellation of events through December 31st.

- Other Use of Money and Property decreases by \$12,803

Intergovernmental/State is estimated to increase by \$16,254 or 12.8%.

Service Charges are estimated to decrease by \$2,849,764 or 37.9% due to the following accounts:

- Plan Check Fees decreases by \$156,000 estimating 60% of baseline fees.
- Encroachment Permits decreases by \$288,000. It is unknown when restaurant encroachment payments will be made due to closures.
- Parking Meters decreases by \$875,970, or 42% due to an 80% reduction through December 2020.
- Lot A Revenue decreases by \$272,692, or 52% based on actual revenues received during the second half of Fiscal Year 2018-19.
- Parking Structure Revenue decreases by \$334,472, or 50% due to closure for six months.
- Contract Recreation Classes decreases by \$203,430 assuming the cancellation of recreation classes through December 31st.
- Other Recreation Programs decreases by \$91,190 assuming the cancellation of recreation programs through December 31st.
- Other Service Charges decreases by \$628,010.

Other Revenue is estimated to decrease by \$99,271 or 61% due to the following accounts:

- Planning EIR Admin Reimbursement decreases by \$42,592 due to minimal activity expected for 2020–21. Account was not reduced due to COVID-19 impacts.
- Contributions Non-Government decreases by \$23,309.
- Other Revenue decreases by \$33,370.

***Reconciliation of Revenue Shortfall Between Fiscal Year 2019-20 and Fiscal Year 2020-21.*** The table below summarizes the calculation of the revised the General Fund revenue shortfall of \$6.2 million for Fiscal Year 2020–21.

Estimated Revenue 2019-20 Budget	\$42,681,855
Less: Estimated Revenue 2020-21 Budget	<u>\$35,870,352</u>
Revenue Decrease	(\$6,811,503)
Transfers In 2019-20 Budget	\$402,922
Less: Estimated Transfers In 2020-21 Budget	<u>\$396,734</u>
Transfers In Decrease	(\$6,188)
Estimated Appropriations 2019-20 Midyear Budget	\$40,939,034
Less: Initial 2020-21 Appropriations	<u>\$41,326,719</u>
Appropriations Decrease	(\$387,685)

Transfer Out 2019-20 Budget	\$2,318,562
Less: Estimated Transfers Out 2020-21 Budget	<u>\$1,788,970</u>
Transfers In Decrease	\$529,592
CIP Carry Forward	\$367,439
Changes in Fund Balance	\$100,324
Estimated 2020-21 Revenue Shortfall	<u>(\$6,208,021)</u>

**Budget Balancing Actions for Fiscal Year 2020-21.** As shown in the table above, the estimated Fiscal Year 2020-21 General Fund revenue shortfall due to COVID-19 is estimated to be \$6.2 million. Steps taken to balance the Fiscal Year 2020-21 budget include:

- Departments were asked to make reductions, including in Capital Improvement Projects and then identify previously submitted supplemental requests that were essential.

- The payment due to the County for the Fire Facility Renovation, originally funded by the General Fund, will be funded from the Capital Facility Reserve in the Capital Improvement Fund.

- The largest budget balancing action is to transfer \$3,000,000 from the Sewer Fund to the General Fund, representing an excess amount in the Insurance Fund in 2014–15 as a result of the settlement of the oil litigation. Funds were set aside as a contingency for the oil settlement and were no longer needed. Since the City had not yet implemented the sewer service charge, funds were transferred to the Sewer Fund. The sewer service charge was implemented in the following year, 2015–16 to fund sewer operations and capital improvements. The \$3,000,000 may be transferred to the General Fund since the original source of funds was the Insurance Fund which is discretionary. Most funds in the Insurance Fund originate from the General Fund through charges to departments for insurance, equipment replacement and building maintenance.

- Excess funds achieved through the 2019–20 budget balancing process were carried forward.

- The required 16% contribution to the Contingency (Rainy Day Fund) was reduced because of the reductions in operating expenses.

The result of these actions is estimated to reduce the Fiscal Year 2020-21 revenue shortfall to \$0.

**COVID-related grants.** The City received an allocation of \$242,177 under the federal Coronavirus Aid, Relief, and Economic Security Act (the “**CARES Act**”), which will be paid in six payments. The City received CARES Act funding for 50% of its unemployment costs, equaling \$15,174 for April through June 2020. Funding of the remaining 50% is anticipated to be received through December 2020. In addition, the City has a claim pending for FEMA reimbursement of \$498,468 for purchases.

## City’s Financial Policies

**Strategic Plan.** The City Council updated the strategic plan in May 2016. The strategic plan sets a value-based 15-year vision for 2031 and establishes 5-year goals to be accomplished by 2021. One of the major goals is to provide first-class services as compared to other cities.

**Fund Balance Policies.** The City Council has adopted policies for specific fund balances or reserve funds:

*General Fund.* Any funds remaining unspent at year-end in the General Fund transfer equally to the Contingency Fund, Insurance Fund, Equipment Replacement Fund, Capital Improvement Fund and Capital Facility Reserve. Transfers may be redirected as the need arises.

*Contingencies.* The adopted goal is to maintain fund balance equal to 16% of the General Fund appropriations for economic uncertainties and unforeseen emergencies.

*Compensated Absences.* The adopted goal is to maintain fund balance equal to 25% funding for accrued liabilities for employee vacation, sick and compensatory time.

*Retirement Stabilization.* These funds are set aside for use during periods of unstable rates.

*Insurance Fund.* The adopted goal is to maintain \$3,000,000 in net assets for unanticipated claims and catastrophic losses. Claims liabilities are recorded at the 56% probability level.

*Equipment Replacement Fund.* The adopted goal is to maintain net assets equal to the accumulated amount calculated for all equipment, based on replacement cost and useful life of equipment.

## **Investment Policy**

Under Section 53600 et seq. of the California Government Code, the City is required to present an annual investment policy (the “**Investment Policy**”) for confirmation by the City Council. The City Council adopted its most recent Investment Policy on May 10, 2016. The Investment Policy is intended to provide guidelines for the prudent investment of City funds and to outline the policies for maximizing the efficiency of the City's cash management. A full copy of the current Investment Policy is attached as APPENDIX G.

## **Financial Statements**

**Accounting Policies.** The basic financial statements of the City are prepared in conformity with accounting principles generally accepted in the United States (“U.S. GAAP”) as applied to governmental agencies. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. City resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

See “APPENDIX B – AUDITED FINANCIAL STATEMENTS OF THE CITY FOR THE FISCAL YEAR ENDED JUNE 30, 2019” for a full presentation of the City’s accounting policies.

**Management’s Discussion and Analysis.** GASB Statement No. 34 requires the inclusion of management’s discussion and analysis as required supplementary information. See “APPENDIX B – AUDITED FINANCIAL STATEMENTS OF THE CITY FOR THE FISCAL YEAR ENDED JUNE 30, 2019” for a full presentation of management’s discussion and analysis for the most recent Fiscal Year.

**Audited Financial Statements.** The City’s most recent audited financial statements for the Fiscal Year ending June 30, 2019, are attached as “APPENDIX B – AUDITED FINANCIAL STATEMENTS OF THE CITY FOR THE FISCAL YEAR ENDED JUNE 30, 2019” to this Official Statement, which were prepared by the City and audited by Gruber and Associates, Newport Beach, California (the “**Auditor**”).

*The Financial Statements should be read in their entirety. The City has not requested nor did the City obtain permission from the Auditor to include the audited financial statements as an appendix to this Official Statement. Accordingly, the Auditor has not performed any post-audit review of the financial condition or operations of the City or the General Fund. In addition, the Auditor has not reviewed this Official Statement.*

## General Fund Financial Data

The following tables provide a five-year history of the City's Comparative Balance Sheet, and summarize General Fund revenues, expenditures, transfers, and ending fund balances for the City for Fiscal Years 2014-15 through 2018-19.

**TABLE 2**  
**CITY OF HERMOSA BEACH**  
**GENERAL FUND BALANCE SHEET**  
**Fiscal Years Ending June 30, 2015 through June 30, 2019 (Audited)**

	2015	2016	2017	2018	2019
<b>Assets</b>					
Cash and investments	\$11,968,594	\$10,197,111	\$11,755,786	\$9,359,020	\$11,068,234
Accounts receivable	1,273,394	2,260,919	2,429,024	2,956,537	3,236,406
Property taxes receivable, net	197,577	647,216	604,619	629,878	699,026
Interest receivable on investments	32,062	23,836	10,987	14,121	11,830
Other receivables	233,154	4,143	--	--	--
Other assets	203,665	205,790	408,437	1,005,560	549,870
Due from other funds	283,126	170,068	170,068	26,698	26,808
<b>Total assets</b>	<b>14,191,572</b>	<b>13,509,083</b>	<b>15,378,921</b>	<b>13,991,814</b>	<b>15,592,174</b>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts payable and accrued liabilities	1,351,931	1,488,567	1,592,420	1,254,784	1,543,701
Accrued wages and benefits payable	1,967,543	935,229	1,394,194	757,284	827,667
Refundable deposits	315,867	409,647	337,634	297,263	592,521
Unearned revenue	42,543	48,884	50,401	50,402	50,401
Due to other funds	--	--	--	--	--
Other liabilities	--	--	--	--	--
Compensated absences, due within one year	--	1,201,498	1,737,101	1,427,428	1,364,766
<b>Total liabilities</b>	<b>3,677,884</b>	<b>4,083,825</b>	<b>5,111,750</b>	<b>3,787,161</b>	<b>4,379,056</b>
<b>Deferred Inflows of Resources</b>					
Unavailable Revenues	--	647,216	604,619	629,878	699,026
<b>Total</b>	<b>--</b>	<b>647,216</b>	<b>604,619</b>	<b>629,878</b>	<b>699,026</b>
Fund balances:					
Nonspendable	19,444	21,261	66,700	478,479	40,110
Restricted	460,304	329,890	158,149	170,336	345,902
Committed	28,900	28,900	1,115,600	1,144,500	1,108,275
Assigned/Reserved [1]	10,005,040	8,397,991	8,322,103	7,781,460	9,019,805
Unassigned/Unreserved	--	--	--	--	--
<b>Total fund balances</b>	<b>10,513,688</b>	<b>8,778,042</b>	<b>9,662,552</b>	<b>9,574,775</b>	<b>10,514,092</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$14,191,572</b>	<b>\$13,509,083</b>	<b>\$15,378,921</b>	<b>\$13,991,814</b>	<b>\$15,592,174</b>

[1] Amounts are assigned or reserved in the General Fund for the following: Capital Projects, Contingencies, Compensated Absences, Fire Services, Prop A Fund Exchange proceeds to fund an Assistant Engineer position and the reappropriation of one-time purchases or services not completed during the Fiscal Year.

Source: City of Hermosa Beach, audited financial statements.

The General Fund is the general operating fund of the City and is used to account for all financial resources except those required to be accounted for in another fund.

**TABLE 3**  
**CITY OF HERMOSA BEACH**  
**GENERAL FUND REVENUES, EXPENDITURES AND FUND BALANCES**  
**Fiscal Years Ending June 30, 2015 through June 30, 2019 (Audited)**

	2015	2016	2017	2018	2019
<b>Revenues</b>					
Property taxes	\$13,739,649	\$14,655,395	\$15,753,082	\$17,072,844	\$18,110,645
Other taxes	9,948,170	10,284,023	10,737,793	10,319,281	10,225,084
Licenses and permits	916,073	1,111,366	967,956	787,563	850,059
Fines and forfeitures	2,600,786	2,244,697	2,070,599	1,921,215	2,361,403
Use of money and property	768,912	646,893	718,239	708,505	1,580,582
Intergovernmental	298,001	162,104	116,176	117,774	115,015
Charges for services	6,941,275	6,915,663	6,969,683	7,170,767	7,088,925
Miscellaneous	252,854	453,917	126,818	177,509	417,118
Interest earned on investments	152,544	239,793	--	66,019	473,737
<b>Total Revenues</b>	<b>35,618,264</b>	<b>36,713,851</b>	<b>37,460,346</b>	<b>38,341,477</b>	<b>41,222,568</b>
<b>Expenditures</b>					
Legislative and legal	1,170,229	1,621,138	1,448,509	1,302,500	1,499,065
General government	2,960,379	3,336,439	3,640,396	3,684,961	4,190,782
Public safety	18,009,359	20,950,756	21,287,623	21,338,362	21,946,780
Community development	1,529,958	1,662,880	1,832,234	1,945,096	2,019,366
Culture and recreation	1,217,620	1,261,563	1,282,637	1,383,630	1,523,233
Public works	4,166,087	5,199,400	4,869,805	5,087,725	5,442,726
Capital Outlay	1,010,144	119,130	565,588	544,259	439,417
<b>Total expenditures</b>	<b>30,063,776</b>	<b>34,151,306</b>	<b>34,926,792</b>	<b>35,286,533</b>	<b>37,061,369</b>
<b>Excess of revenues over expenditures</b>	<b>5,554,488</b>	<b>2,562,545</b>	<b>2,533,554</b>	<b>3,054,944</b>	<b>4,161,199</b>
<b>Other financing sources (uses):</b>					
Proceeds from sale of assets	--	--	--	--	--
Transfers in	351,104	362,884	353,853	351,298	533,887
Transfers out [1]	(3,496,906)	(4,661,075)	(2,002,897)	(3,564,028)	(3,755,769)
<b>Total other financing sources (uses)</b>	<b>(3,145,802)</b>	<b>(4,298,191)</b>	<b>(1,649,044)</b>	<b>(3,212,730)</b>	<b>(3,221,882)</b>
<b>Change in fund balance</b>	<b>2,408,686</b>	<b>(1,735,646)</b>	<b>884,510</b>	<b>(157,786)</b>	<b>939,317</b>
<b>Fund balances, July 1</b>	<b>8,105,002</b>	<b>10,513,688</b>	<b>8,778,042</b>	<b>9,732,561 [2]</b>	<b>9,574,775</b>
<b>Fund balances, June 30</b>	<b>\$10,513,688</b>	<b>\$8,778,042</b>	<b>\$9,662,552</b>	<b>\$9,574,775</b>	<b>\$10,514,092</b>

[1] The City makes annual transfers from the General Fund to the Lighting/Landscape Fund to cure the fund's deficit, to the 2015 Lease Revenue Bond Fund for principle and interest payments, and to the Sewer and/or Storm Drain Funds representing a portion of the Utility User Tax revenue. Additionally, in accordance with the City's Financial Policy, any unassigned/unreserved fund balance is transferred to the Contingency Reserve, Insurance Fund, Equipment Replacement Fund, Capital Improvement Fund, and/or Capital Facility Reserve at year-end.

[2] Reflects a restatement to correct sales tax revenue of \$70,009.

Source: City of Hermosa Beach.



## Taxes and Other Revenues

Taxes and other sources of revenue received by the City are listed in the table below. Certain general taxes currently imposed by the City are affected by Proposition 218. See “CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS – Articles XIIC and XIID of the State Constitution.”

The following table presents the tax revenues and franchise revenues of the City’s General Fund for the last four Fiscal Years and the next budget year:

**TABLE 4**  
**CITY OF HERMOSA BEACH**  
**General Fund Tax Revenues By Source**

	Audited 2014-15	Audited 2015-16	Audited 2016-17	Audited 2017-18	Audited 2018-19	Unaudited 2019-20	Budgeted 2020-21
Property Taxes	\$13,739,648	\$14,655,395	\$15,753,082	\$17,072,843	\$18,110,646	\$19,119,818	\$19,971,254
Sales & Use Tax	\$2,768,225	\$2,764,531	\$2,816,289	\$3,151,207	\$3,133,311	\$2,774,607	\$2,750,820
Transient	\$2,349,750	\$2,762,444	\$3,237,026	\$3,295,207	\$3,251,349	\$2,599,810	\$1,440,460
Occupancy Tax							
Business License	\$1,059,445	\$1,058,663	\$1,098,421	\$1,061,130	\$1,107,724	\$1,095,424	\$732,024
Tax							
Utility Users Tax	\$2,442,575	\$2,388,824	\$2,302,024	\$2,229,906	\$2,195,815	\$2,093,567	\$2,147,057
Other Taxes	\$1,328,176	\$1,309,559	\$1,284,033	\$1,281,831	\$1,236,887	\$1,030,522	\$1,203,311
Total Taxes	\$23,687,819	\$24,939,416	\$26,490,875	\$28,092,124	\$29,035,732	\$28,713,749	\$28,244,926

*Source: City of Hermosa Beach.*

## Property Taxes

**General.** Property taxes represent the largest source of tax revenue to the City. This section describes property tax levy and collection procedures and certain information regarding historical assessed values and major property tax payers in the City. See “CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS” and “RISK FACTORS – Property Taxes” for a description of risks associated with the levy and collection of property tax revenues.

Property taxes have historically been the primary revenue source affected by voter initiatives and legislative actions. With approval of Proposition 13 (“**Proposition 13**”), property tax revenues were reduced by two-thirds and thereafter limited to 2% annual increases or the consumer price index, whichever is less. See “CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS – Article XIII A of the State Constitution” for further description of Proposition 13.

**Levy and Collection.** Property taxes are levied for each Fiscal Year on taxable real and personal property as of the preceding January 1. For assessment and collection purposes, property is classified either as “**secured**” or “**unsecured**” and is listed accordingly on separate parts of the assessment roll. The “**secured roll**” is that part of the assessment roll containing State-assessed public utilities property and real property the taxes on which are a lien sufficient, in the opinion of the County Assessor, to secure payment of the taxes. Other property is assessed on the “**unsecured roll**.”

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of each Fiscal Year, and become delinquent on December 10 and April 10, respectively. A penalty of 10% attaches immediately to all delinquent payments. Property on the secured roll with respect to which taxes are delinquent become tax defaulted on or about June 30 of the Fiscal Year. Such property may thereafter be redeemed by payment of a penalty of 1% per month to the time of redemption, plus costs and a redemption fee. If taxes are unpaid for a period of five years or more, the property is deeded to the State and may be sold at public auction.

Property taxes on the unsecured roll are due as of the January 1 lien dates and become delinquent on August 31. A 10% penalty attaches to delinquent unsecured taxes. If unsecured taxes are unpaid at 5:00 p.m. on October 31, an additional penalty of 1% attaches to them on the first day of each month until paid. The County has four ways of collecting delinquent unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a judgment in the office of the County Clerk specifying certain facts in order to obtain a lien on certain property of the taxpayer; (3) filing a certificate of delinquency for record in the County Recorder's office in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee.

Beginning in 1978-79, Proposition 13 and its implementing legislation shifted the function of property tax allocation to the counties, except for levies to support prior voted debt, and prescribed how levies on county-wide property values are to be shared with local taxing entities within each county. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS – Article XIII A of the State Constitution" for further description of Proposition 13.

***Suspension of Penalties, Costs, and Interest on Overdue Property Taxes due to COVID-19.*** On May 6, 2020, the Governor issued Executive Order N-61-20, which suspended the imposition of penalties, costs, and interest on overdue property taxes through May 6, 2021, where the taxes owed were not delinquent prior to the March 4, 2020 declaration of a state of emergency and the taxpayer demonstrates to the tax collector that the taxpayer has suffered economic hardship due to the COVID-19 pandemic.

The County Treasurer and Tax Collector has announced that property owners affected by COVID-19 may have late penalties cancelled if they are unable to pay their property taxes by April 10, 2020, and that the office of the Treasurer and Tax Collection has begun accepting requests for penalty cancellation related to COVID-19.

The extent of the impact of Executive Order N-61-20 and the current practices of the County Treasurer and Tax Collector on the City's property tax collections, and the date Executive Order N-61-20 might be modified or rescinded, are currently unknown.

***Assessed Valuation.*** All property is assessed using full cash value as defined by Article XIII A of the State Constitution. State law provides exemptions from *ad valorem* property taxation for certain classes of property such as churches, colleges, non-profit hospitals, and charitable institutions. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS."

Future assessed valuation growth allowed under Article XIII A (new construction, certain changes of ownership, 2% inflation) will be allocated on the basis of "situs" among the jurisdictions that serve the tax rate area within which the growth occurs. Local agencies and schools will share

the growth of “base” revenues from the tax rate area. Each year’s growth allocation becomes part of each agency’s allocation in the following year.

**Assessed Valuation History.** The table below presents a 11-year history of the assessed value of property within the City.

**TABLE 5**  
**CITY OF HERMOSA BEACH**  
**Assessed Valuation**  
**Fiscal Years 2010-11 through 2020-21**

<b>Year</b>	<b>Local Secured</b>	<b>Utility</b>	<b>Unsecured</b>	<b>Total</b>
2010-11	\$4,825,080,309	\$399,025	\$36,744,190	\$4,862,223,524
2011-12	4,907,649,567	399,025	36,891,946	4,944,940,538
2012-13	5,052,809,783	399,025	39,980,774	5,093,189,582
2013-14	5,339,827,938	399,025	39,523,323	5,379,750,286
2014-15	5,666,591,496	399,025	44,055,095	5,711,045,616
2015-16	6,043,529,037	580,400	44,979,594	6,089,089,031
2016-17	6,552,847,820	580,400	40,355,701	6,593,783,921
2017-18	7,040,130,592	580,400	42,005,566	7,082,716,558
2018-19	7,495,085,701	580,400	44,748,545	7,540,414,646
2019-20	7,938,902,723	580,400	49,810,065	7,989,293,188
2020-21	8,409,543,922	580,400	49,674,321	8,459,798,643

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Source: California Municipal Statistics Inc.

**Major Property Taxpayers.** The following table shows the top 20 local secured property taxpayers for the current Fiscal Year.

**TABLE 6**  
**CITY OF HERMOSA BEACH**  
**Top Twenty Local Secured Taxpayers**  
**Fiscal Year 2020-21**

	<u>Property Owner</u>	<u>Primary Land Use</u>	<u>2020-21 Assessed Valuation</u>	<u>% of Total <sup>(1)</sup></u>
1.	Crico of Fountain Place LP	Apartments	\$85,851,523	1.02%
2.	EQR Gallery Apartments Limited	Apartments	76,757,753	0.91
3.	S and P Hermosa Parent LLC	Commercial	29,661,859	0.35
4.	1601 PCH LP	Shopping Center	26,943,911	0.32
5.	Bagnard Company LLC	Residence	18,841,637	0.22
6.	Hermosa Hotel Investments LLC	Hotel	18,531,982	0.22
7.	Blake Holdings II LLC	Residence	18,309,818	0.22
8.	1221 Hermosa Avenue LLC	Commercial	18,000,000	0.21
9.	South Bay III LLC	Residence	17,823,347	0.21
10.	REG8 Plaza Hermosa LLC	Shopping Center	16,843,390	0.20
11.	Johnny and Elizabeth Lopez, Trustees	Residence	16,589,256	0.20
12.	Sepulveda Design Center LLC	Commercial	16,383,423	0.19
13.	Skechers USA Inc.	Residence	16,320,000	0.19
14.	IWF Hotel Hermosa LP	Hotel	16,193,963	0.19
15.	William Stirton	Residence	16,018,773	0.19
16.	Shay Properties LLC	Residence	15,646,088	0.19
17.	2200 Associates LLC	Office Building	15,478,687	0.18
18.	Kathy Ishii	Residence	15,016,093	0.18
19.	Boris LLC	Residence	14,760,575	0.18
20.	George H. Schuler	Office Building	<u>14,231,259</u>	<u>0.17</u>
			<b>\$484,203,337</b>	<b>5.76%</b>

[1] 2020-21 Local Secured Assessed Valuation: \$8,409,453,922.  
Source: California Municipal Statistics, Inc.

## Sales and Use Taxes

Sales and use taxes represent the second largest source of tax revenue to the City. The sales tax is an excise tax imposed on retailers for the privilege of selling or leasing tangible personal property. The use tax is an excise tax imposed for the storage, use, or other consumption of tangible personal property purchased from any retailer.

The sales tax rate for Los Angeles County is currently 9.5% distributed as follows: 6.25% State; Proposition A Transportation 0.5%; Proposition C Transportation 0.5%; Measure R Transportation 0.5%; Measure H (Los Angeles County Homeless Programs) 0.25%; Measure M (Los Angeles County Traffic Improvement Plan) 0.5%; City of Hermosa Beach 1% (or city point of sale, generally). This means that the City receives 1% of each dollar, or \$1 for each \$100 in sales that are taxable.

Collection of the sales and use tax is administered by the California State Board of Equalization. Under its procedures, the State Board of Equalization projects receipts of the sales and use tax on a quarterly basis and remits an advance of the receipts of the sales and use tax to the City on a monthly basis. The amount of each monthly advance is based upon the State Board of Equalization's quarterly projection. During the last month of each quarter, the State

Board of Equalization adjusts the amount remitted to reflect the actual receipts of the sales and use tax for the previous quarter. The State Board of Equalization receives an administrative fee based on the cost of services provided by the Board to the City in administering the City's sales tax, which is deducted from revenue generated by the sales and use tax before it is distributed to the City.

**Sales Tax Rates.** Currently, taxable transactions in the City are subject to the following sales and use tax, of which the City's share is only a portion. The State collects and administers the tax, and makes distributions on taxes collected within the City, as follows:

**TABLE 7  
CITY OF HERMOSA BEACH  
Sales Tax Rates  
As of July 1, 2020**

State	7.250%
County Measure H Homeless	0.250
County Traffic Improvement Plan	0.500
County Transportation Commission	1.000
County Metro Transportation Authority	<u>0.500</u>
Total	9.500%

*Source: California State Board of Equalization.*

**Application of Sales Tax.** Sales and use taxes are complementary taxes; when one applies, the other does not. In general, the statewide sales tax applies to gross receipts of retailers from the sale of tangible personal property in the State. The use tax is imposed on the purchase, for storage, use or other consumption in the State of tangible personal property from any retailer. The use tax generally applies to purchases of personal property from a retailer outside the State where the use will occur within the State. The sales tax is imposed upon the same transactions and items as the statewide sales tax and the statewide use tax.

Certain transactions are exempt from the State sales tax, including sales of the following products:

- food products for home consumption;
- prescription medicine;
- newspapers and periodicals;
- edible livestock and their feed;
- seed and fertilizer used in raising food for human consumption; and
- gas, electricity and water when delivered to consumers through mains, lines and pipes.

This is not an exhaustive list of exempt transactions. A comprehensive list can be found in the State Board of Equalization's March 2018 Publication No. 61 entitled "Sales and Use Taxes: Exemptions and Exclusions," which can be found on the State Board of Equalization's website at <http://www.boe.ca.gov/>.

***Sales Tax Collection Procedures.*** Collection of the sales and use tax is administered by the State Board of Equalization. According to the State Board of Equalization, it distributes quarterly tax revenues to cities, counties and special districts using the following method:

Using the prior year's like quarterly tax allocation as a starting point, the Board first eliminates nonrecurring transactions such as fund transfers, audit payments and refunds, and then adjusts for growth, in order to establish the estimated base amount. The State Board of Equalization disburses 90% to each local jurisdiction in three monthly installments (advances) prior to the final computation of the quarter's actual receipts. Ten percent is withheld as a reserve against unexpected occurrences that can affect tax collections (such as earthquakes, fire or other natural disaster) or distributions of revenue such as unusually large refunds or negative fund transfers. The first and second advances each represent 30% of the 90% distribution, while the third advance represents 40%. One advance payment is made each month, and the quarterly reconciliation payment (clean-up) is distributed in conjunction with the first advance for the subsequent quarter. Statements showing total collections, administrative costs, prior advances and the current advance are provided with each quarterly clean-up payment.

Under the Sales and Use Tax Law, all sales and use taxes collected by the State Board of Equalization under a contract with any city, city and county, redevelopment agency, or county are required to be transmitted by the State Board of Equalization to such city, city and county, redevelopment agency, or county periodically as promptly as feasible. These transmittals are required to be made at least twice in each calendar quarter.

Under its procedures, the State Board of Equalization projects receipts of the sales and use tax on a quarterly basis and remits an advance of the receipts of the sales and use tax to the City on a monthly basis. The amount of each monthly advance is based upon the State Board of Equalization's quarterly projection. During the last month of each quarter, the State Board of Equalization adjusts the amount remitted to reflect the actual receipts of the sales and use tax for the previous quarter.

The State Board of Equalization receives an administrative fee based on the cost of services provided by the Board to the City in administering the City's sales tax, which is deducted from revenue generated by the sales and use tax before it is distributed to the City.

***History of Taxable Transactions.*** Total taxable sales during calendar year 2019 in the City were reported to be \$263,126,807, a 1.5% decrease over the total taxable sales of \$265,920,080 reported during calendar year 2018. Summaries of historic taxable sales within the City and the County during the past five years in which data is available can be found in APPENDIX D.

## **Other Taxes and Revenues**

***Motor Vehicle In-Lieu Tax.*** The State imposes the vehicle license fee (the "VLF"), which is the fee paid annually in lieu of personal property taxes on a vehicle, and distributed to cities and counties. The vehicle license fee is based on vehicle value (originally in the amount of 2% of the market value of the vehicle) and declines as the vehicle ages. Since 1998 the fee has been incrementally reduced from 2% of a vehicle's current estimated value, but any such reductions were "backfilled" to local governments by the State from other sources. However, under the 2004-05 State Budget, the VLF was permanently reduced to 0.65% of the estimated value, and backfill by the State to local governments was eliminated, and instead will be met by an increased

property tax apportionment to cities and counties. This amounted to approximately \$2.7 million in 2019 as a revenue neutral swap for the City.

**Franchises.** Several State statutes provide cities with the authority to impose fees on privately-owned utility companies and other businesses for the privilege of using city right-of-way. The City collects franchise fees from gas and electric utilities, cable television and garbage franchises.

**Transient Occupancy Tax.** The transient occupancy tax, sometimes referred to as a hotel tax, is imposed on occupants for the privilege of occupying rooms in hotels, motels, inns and other taxed properties. The City's current transient occupancy tax is 14%.

**Utility User Tax.** Revenue for the Utility User Tax is estimated to be consistent with the 2019–20 Budget. The change in revenue for the past five years has been -2, -3%, -4%, -2%, and 0%, respectively.

## **State Budget**

Although the City does not receive a significant portion of its annual revenues directly from the State, the State's financial condition and budget policies affect communities and local public agencies throughout the State. At various times, the State has experienced significant financial and budgetary stress.

Recent State budgets have been balanced and balanced budgets are projected for the foreseeable future, but there can be no certainty that budget-cutting strategies such as those used in prior years will not be used in the future should the State budget again experience stresses. To the extent that the State budget process results in reduced revenues to the City in the future, the City could be required to make adjustments to its budget.

## **Outstanding General Fund Debt**

Although the City has a number of outstanding assessment district bonds, which are payable solely from assessments levied within the respective assessment district, the City has no General Fund outstanding long term debt other than the 2015 Bonds, which are anticipated to be defeased and refunded in full with the proceeds of the 2020 Bonds. See "FINANCING PLAN" and APPENDIX B.

## **Direct and Overlapping Bonded Debt**

Set forth following is a direct and overlapping debt report (the "**Debt Report**") prepared by California Municipal Statistics, Inc. and effective September 1, 2020. The Debt Report is included for general information purposes only. The City has not reviewed the Debt Report for completeness or accuracy and makes no representation in connection therewith.

The Debt Report generally includes long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of the City in whole or in part. Such long-term obligations generally are not payable from revenues of the City (except as indicated) nor are they necessarily obligations secured by land within the City. In many cases, long-term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency.

The contents of the Debt Report are as follows: (1) the first column indicates the public agencies which have outstanding debt as of the date of the Debt Report and whose territory overlaps the City; (2) the second column shows the percentage of the assessed valuation of the overlapping public agency identified in column 1 which is represented by property located within the City; and (3) the third column is an apportionment of the dollar amount of each public agency's outstanding debt (which amount is not shown in the table) to property in the City, as determined by multiplying the total outstanding debt of each agency by the percentage of the City's assessed valuation represented in column 2.

**TABLE 9**  
**CITY OF HERMOSA BEACH**  
**Statement of Direct and Overlapping Debt**  
**As of September 1, 2020**

**2020-21 Assessed Valuation:** \$8,459,798,643

<b><u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u></b>	<b><u>% Applicable</u></b>	<b><u>Debt 9/1/20</u></b>
Metropolitan Water District	0.259%	\$ 83,476
El Camino Community College District	6.661	25,873,010
Hermosa Beach City School District	100.000	50,503,699
City of Hermosa Beach 1915 Act Bonds	100.000	494,928
<b>TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT</b>		<b>\$76,955,113</b>
<b><u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u></b>		
Los Angeles County General Fund Obligations	0.495%	\$11,402,338
Los Angeles County Superintendent of Schools Certificates of Participation	0.495	22,599
<b>City of Hermosa Beach Lease Revenue Bonds</b>	<b>100.000</b>	<b>9,890,000<sup>(1)</sup></b>
Los Angeles County Sanitation District South Bay Cities Authority	17.171	270,251
<b>TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT</b>		<b>\$21,585,188</b>
<b>GROSS COMBINED TOTAL DEBT</b>		<b>\$98,540,301<sup>(2)</sup></b>

**Ratios to 2020-21 Assessed Valuation:**

**Combined Direct Debt (\$9,890,000)..... 0.12%**  
 Total Direct Overlapping Tax and Assessment Debt .... 0.91%  
 Combined Total Debt ..... 1.16%

(1) Excludes lease revenue bonds to be sold.

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Source: California Municipal Statistics, Inc.



## Employee Relations

The City has 134 authorized regular positions for Fiscal Year 2020-21, of which 10 positions have been frozen and intended to remain unfilled. Sworn public safety personnel represent approximately 28% of City employees.

All regular full-time City employees are covered under negotiated agreements and are represented by the labor groups set forth below. Each contract has an expiration date of June 30, 2022.

Labor Group
Hermosa Beach Police Officers' Association
Teamsters Union, Local 911
Professional and Administrative Employee Group
Hermosa Beach Management Association
Hermosa Beach Professional Engineers Bargaining Group
Unrepresented Employees

## Risk Management and Self-Insurance

The City maintains an internal service fund to account for the City's general liability and workers' compensation claims, automobile, property, and unemployment insurance.

The City is self-insured up to \$250,000 for liability claims. Through a blend of self-insurance and reinsurance, the City has excess coverage up to \$40 million obtained through the Independent Cities Risk Management Authority ("**ICRMA**"), a joint powers authority consisting of medium-sized California municipalities.

The City purchases workers' compensation coverage through a self-insured program available through ICRMA. The City maintains a \$500,000 self-insured retention limit and participates in a self-insured risk sharing pool through the ICRMA, with excess coverage through Safety National Casualty Co., providing coverage up to the statutory limits.

ICRMA is a joint exercise of powers authority organized and operating pursuant to the California Government Code and provides programs of risk sharing, insurance and risk management services in connection with liability, property, and workers' compensation claims. The City's premiums to ICRMA were \$978,317 for fiscal year 2018-19.

The workers' compensation and general liability claims payable of \$5,590,808 reported at June 30, 2019 includes the liability for claims in which it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

Detailed financial information may be obtained from the ICRMA Program Administrator located at 18201 Von Karman, Suite 200, Irvine, CA 92612.

## Employee Retirement System

*This caption contains certain information relating to California Public Employees' Retirement System ("**PERS**"). The information is primarily derived from information produced by PERS, its independent accountants and actuaries. The City has not independently verified the*

information provided by PERS and makes no representations and expresses no opinion as to the accuracy of the information provided by PERS.

The comprehensive annual financial reports of PERS are available on its Internet website at [www.calpers.ca.gov](http://www.calpers.ca.gov). The PERS website also contains PERS' most recent actuarial valuation reports and other information concerning benefits and other matters. Such information is not incorporated by reference in this Official Statement. None of the Authority, City or Underwriter can guarantee the accuracy of such information. Actuarial assessments are "forward-looking" statements that reflect the judgment of the fiduciaries of the pension plans, and are based upon a variety of assumptions, one or more of which may not materialize or may be changed in the future. Actuarial assessments will change with the future experience of the pension plans.

**Plan Description.** The City's defined benefit pension plans (Miscellaneous Plan, Safety Fire Plan and the Safety Police Plan) provide retirement and disability benefits which include annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Miscellaneous Plan, Safety Fire Plan, and the Safety Police Plan are part of the Public Agency portion of the PERS, an agent multiple-employer defined benefit pension plan administered by PERS, which acts a common investment and administrative agent for participating public employers within the State of California. State statutes within the Public Employees' Retirement Law establish a menu of benefit provisions as well as other requirements. The City selects optional benefit provisions from the benefit menu by contract with PERS and adopts those benefits through local ordinance. Copies of PERS' annual financial report are available from their Executive Office, 400 P Street, Sacramento, California 95814.

The City contracted with Los Angeles County for Fire Services (the "Fire District") on December 31, 2017. The City will continue to be responsible for paying the retirement costs for fire employees related to the value of past service benefits, referred to as the unfunded actuarial liability.

**PERS Contributions and Funding Policy.** The City now has three tiers of retirement for Safety-Police, Safety-Fire and Miscellaneous employees. The third tier resulted from the Public Employees' Pension Reform Act (PEPRA) effective January 1, 2013. The retirement received by employees is dependent on their date of hire and previous employment with PERS' reciprocal agencies, as shown in the tables below.

#### **Safety-Police**

	Tier I	Tier II	PEPRA Tier III
Benefit Formula	3% at 50	2% at 50	2.7% at 57
Final Average Compensation:	12 months	12 months	36 months
Applies to Employees	Hired before July 1, 2011	Hired before Jan. 1, 2013	Hired after Jan. 1, 2013
Employee Contribution	9%	9%	12.25%

#### **Safety-Fire**

	Tier I	Tier II	PEPRA Tier III
Benefit Formula:	3% at 55	2% at 50	2.7% at 57
Final Average Compensation:	12 months	12 months	36 months
Applies to Employees:	Hired before July 1, 2011	Hired before Jan. 1, 2013	Hired after Jan. 1, 2013
Employee Contribution:	9%	9%	12.25%

### **Miscellaneous**

	Tier I	Tier II	PEPRA Tier III
Benefit Formula:	2% at 55	2% at 55 or 2% at 60	2% at 62
Final Average Compensation:	12 months	12 months	36 months
Applies to Employees:	Hired before July 1, 2011	Hired before Jan. 1, 2013	Hired after 1/1/13
Employee Contribution:	7%	7%	6.25%

The City is required to contribute at an actuarially determined rate of annual covered payroll for normal cost and an actuarially determined dollar amount to amortize the unfunded liability. The actuarially determined rates and contribution amounts for each plan for the fiscal years ending June 30, 2020, through June 30, 2022, are as follows:

### **Safety-Police-Tier I**

Fiscal Year 2019-20		Fiscal Year 2020-21		Fiscal Year 2021-22	
Employer Normal Cost Rate	Employer Payment of Unfunded Liability	Employer Normal Cost Rate	Employer Payment of Unfunded Liability	Employer Normal Cost Rate	Employer Payment of Unfunded Liability
23.654%	\$1,377,189	25.540%	\$1,572,592	25.59%	\$1,836,201

Source: PERS Actuarial Reports Dated August 2018, July 2019 and July 2020.

### **Safety-Police-Tier II**

Fiscal Year 2019-20		Fiscal Year 2020-21		Fiscal Year 2021-22	
Employer Normal Cost Rate	Employer Payment of Unfunded Liability	Employer Normal Cost Rate	Employer Payment of Unfunded Liability	Employer Normal Cost Rate	Employer Payment of Unfunded Liability
19.231%	\$2,129	20.887%	\$3,884	20.94%	\$6,204

Source: PERS Actuarial Reports Dated August 2018, July 2019 and July 2020.

### **Safety-Police-PEPRA**

Fiscal Year 2019-20		Fiscal Year 2020-21		Fiscal Year 2021-22	
Employer Normal Cost Rate	Employer Payment of Unfunded Liability	Employer Normal Cost Rate	Employer Payment of Unfunded Liability	Employer Normal Cost Rate	Employer Payment of Unfunded Liability
13.786%	\$2,326	13.884%	\$4,708	13.98%	\$7,720

Source: PERS Actuarial Reports Dated August 2018, July 2019 and July 2020.

### **Safety-Fire Tier I**

Fiscal Year 2019-20		Fiscal Year 2020-21		Fiscal Year 2021-22	
Employer Normal	Employer Payment of	Employer Normal	Employer Payment of	Employer Normal	Employer Payment of

<u>Cost Rate</u>	<u>Unfunded Liability</u>	<u>Cost Rate</u>	<u>Unfunded Liability</u>	<u>Cost Rate</u>	<u>Unfunded Liability</u>
21.748%	\$605,215	0.0%	\$842,527	0.0%	\$970,185

Source: PERS Actuarial Reports Dated August 2018, July 2019 and July 2020.

### **Safety-Fire Tier II**

<u>Fiscal Year 2019-20</u>		<u>Fiscal Year 2020-21</u>		<u>Fiscal Year 2021-22</u>	
Employer Normal Cost Rate	Employer Payment of Unfunded Liability	Employer Normal Cost Rate	Employer Payment of Unfunded Liability	Employer Normal Cost Rate	Employer Payment of Unfunded Liability
19.231%	0.0	0.0%	\$0.0	0.0%	\$0.0

Source: PERS Actuarial Reports Dated August 2018, July 2019 and July 2020.

### **Safety-Fire PEPRA**

<u>Fiscal Year 2019-20</u>		<u>Fiscal Year 2020-21</u>		<u>Fiscal Year 2021-22</u>	
Employer Normal Cost Rate	Employer Payment of Unfunded Liability	Employer Normal Cost Rate	Employer Payment of Unfunded Liability	Employer Normal Cost Rate	Employer Payment of Unfunded Liability
13.786%	\$3,291	0.0%	\$3,586	0.0%	\$3,752

Source: PERS Actuarial Reports Dated August 2018, July 2019 and July 2020.

### **Miscellaneous-Tier I**

<u>Fiscal Year 2019-20</u>		<u>Fiscal Year 2020-21</u>		<u>Fiscal Year 2021-22</u>	
Employer Normal Cost Rate	Employer Payment of Unfunded Liability	Employer Normal Cost Rate	Employer Payment of Unfunded Liability	Employer Normal Cost Rate	Employer Payment of Unfunded Liability
10.221%	\$1,317,500	11.031%	\$940,059	10.88%	\$1,116,032

Source: PERS Actuarial Reports Dated August 2018, July 2019 and July 2020.

### **Miscellaneous-Tier II**

<u>Fiscal Year 2019-20</u>		<u>Fiscal Year 2020-21</u>		<u>Fiscal Year 2021-22</u>	
Employer Normal Cost Rate	Employer Payment of Unfunded Liability	Employer Normal Cost Rate	Employer Payment of Unfunded Liability	Employer Normal Cost Rate	Employer Payment of Unfunded Liability
8.563%	\$5,232	9.281%	\$17,423	9.13%	\$18,861

Source: PERS Actuarial Reports Dated August 2018, July 2019 and July 2020.

### **Miscellaneous-PEPRA**

<b>Fiscal Year 2019-20</b>		<b>Fiscal Year 2020-21</b>		<b>Fiscal Year 2021-22</b>	
Employer Normal Cost Rate	Employer Payment of Unfunded Liability	Employer Normal Cost Rate	Employer Payment of Unfunded Liability	Employer Normal Cost Rate	Employer Payment of Unfunded Liability
6.985%	\$12,229	7.732%	\$14,209	7.59%	\$17,359

*Source: PERS Actuarial Reports Dated August 2018, July 2019 and July 2020.*

The City recognized pension expense in the following amounts for fiscal years ended June 30, 2017, 2018, and 2019:

<u>Fiscal Year Ended June 30,</u>	<u>Total City Contribution</u>
2017	\$1,501,426
2018	5,956,899
2019	7,728,075

*Source: Comprehensive Annual Financial Reports for Fiscal Years Ending June 30, 2017, 2018 and 2019.*

**Funded Status.** The following tables sets forth the schedule of funding for the City's pension plans for the fiscal years ended June 30, 2016, 2017, and 2018.

### **Safety-Police-Tier I**

Valuation Date (June 30)	Accrued Liability	Market Value of Assets	Unfunded Liability	Funded Ratio <sup>(1)</sup>	Annual Covered Payroll
2016	\$69,681,270	\$46,045,748	\$23,635,522	66.1%	\$2,714,523
2017	72,609,932	49,665,661	22,944,271	68.4	2,415,026
2018	77,467,175	52,834,880	24,632,295	68.2	2,435,923

(1) Based on the market value of assets.

*Source: CalPERS Actuarial Report Dated July 2019.*

### **Safety-Police-Tier II**

Valuation Date (June 30)	Accrued Liability	Market Value of Assets	Unfunded Liability	Funded Ratio <sup>(1)</sup>	Annual Covered Payroll
2016	\$443,997	\$397,644	\$46,353	89.6%	\$310,338
2017	599,122	553,879	45,243	92.4	343,598
2018	731,183	654,488	76,695	89.5	316,564

(1) Based on the market value of assets.  
Source: CalPERS Actuarial Report Dated July 2019.

### **Safety-Police-PEPRA**

Valuation Date (June 30)	Accrued Liability	Market Value of Assets	Unfunded Liability	Funded Ratio <sup>(1)</sup>	Annual Covered Payroll
2016	\$304,397	\$271,397	33,000	89.2%	\$562,745
2017	498,171	464,153	34,018	93.2	791,254
2018	903,532	825,760	77,772	91.4	1,021,241

(1) Based on the market value of assets.  
Source: CalPERS Actuarial Report Dated July 2019.

### **Safety-Fire-Tier I**

Valuation Date (June 30)	Accrued Liability	Market Value of Assets	Unfunded Liability	Funded Ratio <sup>(1)</sup>	Annual Covered Payroll
2016	\$34,499,456	\$24,657,399	\$9,842,057	71.5%	\$1,645,344
2017	37,252,699	27,719,590	9,533,109	74.4	1,632,823
2018	39,026,711	28,520,013	10,506,698	73.1	--

(1) Based on the market value of assets.  
Source: CalPERS Actuarial Report Dated July 2019.

### **Safety-Fire-Tier II**

Valuation Date (June 30)	Accrued Liability	Market Value of Assets	Unfunded Liability	Funded Ratio <sup>(1)</sup>	Annual Covered Payroll
2016	\$5,667	\$9,884	(\$4,217)	174.4%	--
2017	6,168	10,943	(4,775)	177.4	\$112,202
2018	33,355	35,982	(2,627)	107.9	--

(1) Based on the market value of assets.  
Source: CalPERS Actuarial Report Dated July 2019.

### **Safety-Fire-PEPRA**

Valuation Date (June 30)	Accrued Liability	Market Value of Assets	Unfunded Liability	Funded Ratio <sup>(1)</sup>	Annual Covered Payroll
2016	\$62,298	\$53,901	\$8,397	86.5%	\$109,987
2017	114,628	106,111	8,517	92.6	180,505
2018	121,418	105,413	16,005	86.8	--

(1) Based on the market value of assets.  
Source: CalPERS Actuarial Report Dated July 2019.

### **Miscellaneous-Tier I**

Valuation Date (June 30)	Accrued Liability	Market Value of Assets	Unfunded Liability	Funded Ratio <sup>(1)</sup>	Annual Covered Payroll
2016	\$48,052,141	\$34,244,391	\$13,807,750	71.3%	\$3,306,166
2017	49,840,639	36,390,200	13,450,439	73.0	3,130,078
2018	54,658,791	39,578,744	15,080,047	72.4	3,018,541

(1) Based on the market value of assets.  
Source: CalPERS Actuarial Report Dated July 2019.

### **Miscellaneous-Tier II**

Valuation Date (June 30)	Accrued Liability	Market Value of Assets	Unfunded Liability	Funded Ratio <sup>(1)</sup>	Annual Covered Payroll
2016	\$861,704	\$768,055	\$93,649	89.1%	\$1,289,100
2017	1,180,656	1,094,568	86,088	92.7	1,362,992
2018	1,580,141	1,428,210	151,931	90.4	1,009,239

(1) Based on the market value of assets.  
Source: CalPERS Actuarial Report Dated July 2019.

### **Miscellaneous-PEPRA**

Valuation Date (June 30)	Accrued Liability	Market Value of Assets	Unfunded Liability	Funded Ratio <sup>(1)</sup>	Annual Covered Payroll
2016	\$403,749	\$360,106	\$43,643	89.2%	\$1,945,603
2017	730,954	687,712	43,242	94.1	2,524,274
2018	1,320,351	1,208,811	111,540	91.6	3,048,562

(1) Based on the market value of assets.  
Source: CalPERS Actuarial Report Dated July 2019.

**Recent Actions Taken by PERS.** On February 18, 2014, the PERS Board (the “PERS Board”) approved new demographic actuarial assumptions based on a 2013 study of recent experience. The largest impact, applying to all benefit groups, is a new 20-year mortality projection reflecting longer life expectancies and that longevity will continue to increase. Because

retirement benefits will be paid out for more years, the cost of those benefits will increase as a result. The PERS Board also assumed earlier retirements for Police 3%@50, Fire 3%@55, and Miscellaneous 2.7%@55 and 3%@60, which will increase costs for those groups. As a result of these changes, rates increased beginning in fiscal year 2016-17 (based on the June 30, 2014 valuation) with full impact in fiscal year 2020-21.

On November 18, 2015, the PERS Board adopted a funding risk mitigation policy intended to incrementally lower its discount rate – its assumed rate of investment return – in years of good investment returns, help pay down the pension fund's unfunded liability, and provide greater predictability and less volatility in contribution rates for employers. The policy established a mechanism to reduce the discount rate by a minimum of 0.05 percentage points to a maximum of 0.25 percentage points in years when investment returns outperform the existing discount rate, currently 7.0%, by at least four percentage points. PERS staff modeling anticipates the policy will result in a lowering of the discount rate to 6.5% in about 21 years, improve funding levels gradually over time and cut risk in the pension system by lowering the volatility of investment returns.

In February 2017, the CalPERS Board revised the Funding Risk Mitigation Policy. The revisions include suspension of the policy until fiscal year 2020-21, and a decrease of the required first excess investment return threshold from 4% to 2%.

More information about the funding risk mitigation policy can be accessed through PERS' web site at the following website address:

<https://www.calpers.ca.gov/docs/funding-risk-mitigation-policy.pdf>

*The reference to this Internet website is provided for reference and convenience only. The information contained within the website may not be current, has not been reviewed by the City, and is not incorporated in this Official Statement by reference.*

On December 21, 2016, the PERS Board voted to lower its discount rate from 7.5% to 7.0% over three years according to the following schedule.

Valuation <u>Date</u>	Fiscal Year Required <u>Contribution</u>	Discount <u>Rate</u>
June 30, 2016	2018-19	7.375%
June 20, 2017	2019-20	7.250
June 30, 2018	2020-21	7.000

For public agencies like the City, the new discount rate began increasing contribution costs in fiscal year 2018-19. Lowering the discount rate means employers that contract with PERS to administer their pension plans will see increases in their normal costs and unfunded actuarial liabilities and that active members hired after January 1, 2013, under PEPPRA will see their contribution rates rise.

On February 13, 2018, the PERS Board voted to shorten the period over which PERS will amortize actuarial gains and losses from 30 years to 20 years for new pension liabilities, effective for the June 30, 2019, actuarial valuations. Amortization payments for all unfunded accrued liability bases will be computed to remain a level dollar amount throughout the amortization period, and certain five-year ramp-up and ramp-down periods will be eliminated. As a result of the shorter amortization period, the contributions required to be made by employers may increase beginning in fiscal year 2021-22.



On July 15, 2020, PERS reported a preliminary 4.7% net return on investments for the 12-month period ended June 30, 2020.

### **Other Post Employment Benefits**

*This section is derived from the most recent audited financial statements of the City. See APPENDIX B.*

**Plan Description.** On June 12, 2007, the City Council adopted a resolution authorizing participation in a post retirement health care plan trust (the "**Plan**") to be administered by Public Agency Retirement Services ("**PARS**") and Union Bank of California. In July 2007, the City signed an agreement with PARS to create and administer an irrevocable trust fund for the payment of other postemployment benefits for city employees. Funds in the amount of \$1,401,000 that were previously set aside were forwarded to Union Bank pursuant to the agreement to establish the trust during the year ended June 30, 2008. Contributions are made on a monthly basis.

The Plan provides medical insurance benefits to eligible retirees, which is a single-employer defined benefit plan. PARS issues a publicly available financial report that includes financial statements and required supplementary information for the Plan. That report may be obtained by contacting the City at 1315 Valley Drive, Hermosa Beach, CA 90254.

The Plan is comprised of employees and retirees from several bargaining units, including General and Supervisory; Professional and Administrative Employees Association; Hermosa Beach Management Association; Police Management Association; Police Officers Association and Firefighters Association. The range of monthly benefits to be paid by the City ranges from \$40 to \$556 per month based on years of service from 10 years to 20 years provided to the City. The monthly benefits paid by the City are subject to change with increases provided based on age at retirement and years of service.

**Post-Retirement Health Care Coverage for Fire Employees.** As mentioned above, the City has contracted with the Fire District to pay the retirement costs for fire employees related to the value of past service benefits. The current vesting period is 10 years of Fire District service. Service with the City does not count towards coverage, only time actually worked in Fire District service counts towards the vesting period. Hermosa Beach Fire Association ("**HBFA**") members who transfer to the Fire District and who take a service retirement before reaching 10 years of Fire District service are ineligible for the Fire District's retiree health benefit.

For those HBFA members who have 19 plus years of service with the City at the time of transfer to Fire District employment and who take a service retirement from the Fire District prior to vesting in the Fire District's retiree health plan, the City agrees to create a new Tier to the City's retiree health program as follow: the retired HBFA member will be eligible to receive from the City the \$ 350 per month benefit set forth in Article 42(D) of the MOU. This benefit is limited to the first four HBFA members who qualify for the benefit.

All of the Plan's employees became participants in accordance with negotiated Memorandum of Understanding ("**MOU**") as negotiated by each group or bargaining unit. In order to receive benefits, eligible employees must meet the minimum requirements defined in their MOU. Membership of the plan as of the 2018-19 fiscal year consisted of 67 retirees, 4 retirees not receiving benefits and 126 active plan members.

Based on an actuarial valuation as of July 1, 2018, the City's total OPEB liability as of June 30, 2019, was \$10,926,306.

For the fiscal year ended June 30, 2019, the City recognized an OPEB expense of \$266,916.

For more information regarding the City's OPEB, see Note 10 of the City's Comprehensive Annual Financial Report, which is attached as APPENDIX B to the Official Statement.

## **CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS**

*The constitutional and statutory provisions discussed in this section have the potential to affect the ability of the City to levy taxes and spend tax proceeds for operating and other purposes.*

### **Article XIII A of the State Constitution**

On June 6, 1978, California voters approved Proposition 13, which added Article XIII A to the State Constitution. Article XIII A, as amended, limits the amount of any *ad valorem* tax on real property to one percent of the full cash value thereof, except that additional *ad valorem* taxes may be levied to pay debt service (i) on indebtedness approved by the voters prior to July 1, 1978, (ii) on bonded indebtedness approved by a two-thirds vote on or after July 1, 1978, for the acquisition or improvement of real property or (iii) bonded indebtedness incurred by a school district, community college district or county office of education for the construction, reconstruction, rehabilitation or replacement of school facilities, including the furnishing and equipping of school facilities or the acquisition or lease of real property for school facilities, approved by 55 percent of the voters voting on the proposition. Article XIII A defines full cash value to mean “the county assessor’s valuation of real property as shown on the 1975-76 tax bill under “full cash value,” or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment.” This full cash value may be increased at a rate not to exceed two percent per year to account for inflation.

Article XIII A has subsequently been amended to permit reduction of the “full cash value” base in the event of declining property values caused by damage, destruction or other factors, to provide that there would be no increase in the “full cash value” base in the event of reconstruction of property damaged or destroyed in a disaster, and in other minor or technical ways.

### **Legislation Implementing Article XIII A**

Legislation has been enacted and amended a number of times since 1978 to implement Article XIII A. Under current law, local agencies are no longer permitted to levy directly any property tax (except to pay voter-approved indebtedness). The one percent property tax is automatically levied by the County and distributed according to a formula among taxing agencies. The formula apportions the tax roughly in proportion to the relative shares of taxes levied prior to 1989.

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the two percent annual adjustment are allocated among the various jurisdictions in the “taxing area” based upon their respective “situs.” Any such allocation made to a local agency continues as part of its allocation in future years.

All taxable property is shown at full market value on the tax rolls. Consequently, the tax rate is expressed as \$1 per \$100 of taxable value. All taxable property value included in this Official Statement is shown at 100 percent of market value (unless noted differently) and all tax rates reflect the \$1 per \$100 of taxable value.

## Article XIII B of the State Constitution

In addition to the limits Article XIII A imposes on property taxes that may be collected by local governments, certain other revenues of the State and most local governments are subject to an annual “appropriations limit” imposed by Article XIII B which effectively limits the amount of such revenues those entities are permitted to spend. Article XIII B, approved by the voters in June 1979, was modified substantially by Proposition 111 in 1990. The appropriations limit of each government entity applies to “proceeds of taxes,” which consist of tax revenues, State subventions and certain other funds, including proceeds from regulatory licenses, user charges or other fees to the extent that such proceeds exceed “the cost reasonably borne by such entity in providing the regulation, product or service.” “Proceeds of taxes” excludes tax refunds and some benefit payments such as unemployment insurance. No limit is imposed on the appropriation of funds which are not “proceeds of taxes,” such as reasonable user charges or fees, and certain other non-tax funds. Article XIII B also does not limit appropriation of local revenues to pay debt service on Bonds existing or authorized by January 1, 1979, or subsequently authorized by the voters, appropriations required to comply with mandates of courts or the federal government, appropriations for qualified capital outlay projects, and appropriation by the State of revenues derived from any increase in gasoline taxes and motor vehicle weight fees above January 1, 1990, levels. The appropriations limit may also be exceeded in case of emergency; however, the appropriations limit for the next three years following such emergency appropriation must be reduced to the extent by which it was exceeded, unless the emergency arises from civil disturbance or natural disaster declared by the Governor, and the expenditure is approved by two-thirds of the legislative body of the local government.

The State and each local government entity has its own appropriations limit. Each year, the limit is adjusted to allow for changes, if any, in the cost of living, the population of the jurisdiction, and any transfer to or from another government entity of financial responsibility for providing services. Proposition 111 requires that each agency’s actual appropriations be tested against its limit every two years.

If the aggregate “proceeds of taxes” for the preceding two-year period exceeds the aggregate limit, the excess must be returned to the agency’s taxpayers through tax rate or fee reductions over the following two years.

The City has never exceeded its appropriations limit.

## Articles XIII C and XIII D of the State Constitution

**General.** On November 5, 1996, the voters of the State approved Proposition 218, known as the “Right to Vote on Taxes Act.” Proposition 218 adds Articles XIII C and XIII D to the California Constitution and contains a number of interrelated provisions affecting the ability of the City to levy and collect both existing and future taxes, assessments, fees and charges.

On November 2, 2010, California voters approved Proposition 26, entitled the “Supermajority Vote to Pass New Taxes and Fees Act.” Section 1 of Proposition 26 declares that Proposition 26 is intended to limit the ability of the State Legislature and local government to circumvent existing restrictions on increasing taxes by defining the new or expanded taxes as “fees.” Proposition 26 amended Articles XIII A and XIII C of the State Constitution. The amendments to Article XIII A limit the ability of the State Legislature to impose higher taxes (as defined in Proposition 26) without a two-thirds vote of the Legislature. The amendments to Article

XIIIC define “taxes” that are subject to voter approval as “any levy, charge, or exaction of any kind imposed by a local government,” with certain exceptions.

**Taxes.** Article XIIIC requires that all new local taxes be submitted to the electorate before they become effective. Taxes for general governmental purposes of the City (“general taxes”) require a majority vote; taxes for specific purposes (“special taxes”), even if deposited in the City’s General Fund, require a two-thirds vote.

**Property-Related Fees and Charges.** Article XIID also adds several provisions making it generally more difficult for local agencies to levy and maintain property-related fees, charges, and assessments for municipal services and programs. These provisions include, among other things, (i) a prohibition against assessments which exceed the reasonable cost of the proportional special benefit conferred on a parcel, (ii) a requirement that assessments must confer a “special benefit,” as defined in Article XIID, over and above any general benefits conferred, (iii) a majority protest procedure for assessments which involves the mailing of notice and a ballot to the record owner of each affected parcel, a public hearing and the tabulation of ballots weighted according to the proportional financial obligation of the affected party, and (iv) a prohibition against fees and charges which are used for general governmental services, including police, fire or library services, where the service is available to the public at large in substantially the same manner as it is to property owners.

**Reduction or Repeal of Taxes, Assessments, Fees and Charges.** Article XIIIC also removes limitations on the initiative power in matters of reducing or repealing local taxes, assessments, fees or charges. No assurance can be given that the voters of the City will not, in the future, approve an initiative or initiatives which reduce or repeal local taxes, assessments, fees or charges currently comprising a substantial part of the City’s General Fund. If such repeal or reduction occurs, the City’s ability to pay debt service on the 2020 Bonds could be adversely affected.

**Burden of Proof.** Article XIIIC provides that local government “bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor’s burdens on, or benefits received from, the governmental activity.” Similarly, Article XIID provides that in “any legal action contesting the validity of a fee or charge, the burden shall be on the agency to demonstrate compliance” with Article XIID.

**Judicial Interpretation of Proposition 218.** The interpretation and application of Articles XIIIC and XIID will ultimately be determined by the courts, and it is not possible at this time to predict with certainty the outcome of such determination.

**Impact on City’s General Fund.** The City does not believe that any material source of General Fund revenue is subject to challenge under Proposition 218 or Proposition 26.

The approval requirements of Articles XIIIC and XIID reduce the flexibility of the City to raise revenues for the General Fund, and no assurance can be given that the City will be able to impose, extend or increase the taxes, fees, charges or taxes in the future that it may need to meet increased expenditure needs.

## **Proposition 1A; Proposition 22**

**Proposition 1A.** Proposition 1A, proposed by the Legislature in connection with the State's Fiscal Year 2004-05 Budget, approved by the voters in November 2004 and generally effective in Fiscal Year 2006-07, provided that the State may not reduce any local sales tax rate, limit existing local government authority to levy a sales tax rate or change the allocation of local sales tax revenues, subject to certain exceptions. Proposition 1A generally prohibited the State from shifting to schools or community colleges any share of property tax revenues allocated to local governments for any Fiscal Year, as set forth under the laws in effect as of November 3, 2004. Any change in the allocation of property tax revenues among local governments within a county had to be approved by two-thirds of both houses of the Legislature.

**Proposition 22.** Proposition 22, entitled "The Local Taxpayer, Public Safety and Transportation Protection Act," was approved by the voters of the State in November 2010. Proposition 22 eliminates or reduces the State's authority to (i) temporarily shift property taxes from cities, counties and special districts to schools, (ii) use vehicle license fee revenues to reimburse local governments for State-mandated costs (the State will have to use other revenues to reimburse local governments), (iii) redirect property tax increment from redevelopment agencies to any other local government, (iv) use State fuel tax revenues to pay debt service on State transportation bonds, or (v) borrow or change the distribution of State fuel tax revenues.

## **Current Constitutional Initiatives Relating to Changes in Property Taxation**

There are currently two initiative measures that will be presented to State voters at the November 3, 2020, election that, if passed, will result in certain changes to Article XIII A and other State laws governing property taxation.

- Proposition 15 is a proposed State constitutional amendment entitled the "Tax on Commercial and Industrial Properties for Education and Local Government Funding Initiative," commonly known as the "split roll" initiative. If approved by State voters by majority vote, it would amend the State Constitution to change to a "split roll" approach to determine property values for purposes of property taxation, whereby certain commercial and industrial real properties will be reassessed at fair market value every three years (with certain exceptions for small businesses and personal property), overriding the current 2% limitation on annual assessed value increases until a property changes ownership. The resulting increases in property tax revenues would be allocated among local public agencies.

- Proposition 19 is a proposed State constitutional amendment that would change the manner of assessment of property when it is transferred between parents and children. Under current law, reassessment is not triggered by such transfers, but Proposition 19 generally would result in a reassessment.

There can be no assurance that either initiative measure will be approved and enacted. If approved, the City cannot predict the impacts either initiative measure might have on assessed values or property tax revenues in the City, the level of commercial building activity within the City and the relationship of the assessed value between land use types (i.e. residential versus commercial) in the City, or any other impacts on the local economy or the City's financial condition.

### **Possible Future Initiatives**

Articles XIII A, XIII B, XIII C and XIII D and Propositions 62, 111, 218 and 1A were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time other initiative measures could be adopted, further affecting revenues of the City or the City's ability to expend revenues. The nature and impact of these measures cannot be anticipated by the City.

## **BOND OWNERS' RISKS**

*The following describes certain special considerations and risk factors affecting the payment of and security for the 2020 Bonds. The following discussion is not meant to be an exhaustive list of the risks associated with the purchase of any 2020 Bonds and does not necessarily reflect the relative importance of the various risks. Potential investors in the 2020 Bonds are advised to consider the following special factors along with all other information in this Official Statement in evaluating the 2020 Bonds. There can be no assurance that other considerations will not materialize in the future.*

### **Potential Impact of COVID-19**

There can be no assurances that the spread of COVID-19 will not materially impact the local, state and national economies and, accordingly, materially adversely impact the City's General Fund. The COVID-19 public health emergency is altering the behavior of businesses and people in a manner that will have negative impacts on transient occupancy taxes and sales tax revenue, in particular, upon which the City relies significantly. The City's Fiscal Year 2020-21 General Fund budget has been prepared assuming the impacts of COVID-19 will persist through the end of 2020. Not assurance can be given that normal activities will resume in 2021. See "CITY FINANCIAL INFORMATION." The ultimate impact of COVID-19 on the City's operations and finances is unknown.

### **No Pledge of Taxes**

**General.** The obligation of the City to pay the Lease Payments and Additional Rental Payments does not constitute an obligation of the City for which the City is obligated to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation. The obligation of the City to pay Lease Payments and Additional Rental Payments does not constitute a debt or indebtedness of the City, the City, the State of California or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction.

The City is currently liable on other obligations payable from general revenues, which are described above under "CITY FINANCIAL INFORMATION – Outstanding General Fund Debt and Other Obligations."

**Limitations on Taxes and Fees.** Certain taxes, assessments, fees and charges presently imposed by the City could be subject to the voter approval requirements of Article XIII C and Article XIII D of the State Constitution. Based upon the outcome of an election by the voters, such fees, charges, assessments and taxes might no longer be permitted to be imposed, or may be reduced or eliminated and new taxes, assessments fees and charges may not be approved. The City has assessed the potential impact on its financial condition of the provisions of Article XIII C and Article XIII D of the State Constitution respecting the imposition and increase of taxes, fees, charges and assessments and does not believe that an election by the voters to reduce or eliminate the imposition of certain existing fees, charges, assessments and taxes would substantially affect its financial condition. However, the City believes that if the initiative power was exercised so that all local taxes, assessments, fees and charges that may be subject to Article XIII C and Article XIII D of the State Constitution are eliminated or substantially reduced, the financial condition of the City, including its General Fund, could be materially adversely affected.

Although the City does not currently anticipate that the provisions of Article XIII C and Article XIII D of the State Constitution would adversely affect its ability to pay Lease Payments and



its other obligations payable from the General Fund, no assurance can be given regarding the ultimate interpretation or effect of Article XIIC and Article XIID of the State Constitution on the City's finances. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS."

### **Additional Obligations of the City**

Following the issuance of the 2020 Bonds and the concurrent defeasance of the 2015 Bonds, the City will have no long-term lease obligations payable from its General Fund. See "FINANCING PLAN." However, the City is permitted to enter into other obligations which constitute additional charges against its revenues, including General Fund revenues, without the consent of Owners of the 2020 Bonds. To the extent that additional obligations are incurred by the City, the funds available to pay Lease Payments may be decreased.

The Lease Payments and other payments due under the Lease (including payment of costs of repair and maintenance of the Leased Property, taxes and other governmental charges levied against the Leased Property) are payable from funds lawfully available to the City. If the amounts that the City is obligated to pay in a fiscal year exceed the City's revenues for such year, the City may choose to make some payments rather than making other payments, including Lease Payments and Additional Rental Payments, based on the perceived needs of the City. The same result could occur if, because of California Constitutional limits on expenditures, the City is not permitted to appropriate and spend all of its available revenues or is required to expend available revenues to preserve the public health, safety and welfare.

### **No Reserve Fund**

No reserve fund will be established and maintained with respect to the 2020 Bonds. As a result, in the event on non-appropriation or non-payment of the Lease Payments in full when due, no other source of funds will be available to make payments of debt service Bonds while remedial actions are taken with respect to such non-appropriation or non-payment.

### **Default**

Whenever any event of default referred to in the Lease happens and continues, the Authority is authorized under the terms of the Lease to exercise any and all remedies available under law or granted under the Lease. See "APPENDIX A – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS" for a detailed description of available remedies in the case of a default under the Lease.

If a default occurs, there is no remedy of acceleration of the total Lease Payments due over the term of the Lease. The Trustee is not empowered to sell the Leased Property and use the proceeds of such sale to prepay the 2020 Bonds or pay debt service on the 2020 Bonds.

The City will be liable only for Lease Payments on an annual basis and, in the event of a default, the Trustee would be required to seek a separate judgment each year for that year's defaulted Lease Payments. Any such suit for money damages would be subject to limitations on legal remedies against municipalities in the State, including a limitation on enforcement of judgments against funds of a fiscal year other than the fiscal year in which the Lease Payments were due and against funds needed to serve the public welfare and interest.

## **Abatement**

Under certain circumstances related to damage, destruction, condemnation or title defects which cause a substantial interference with the use and possession of the Leased Property, the City's obligation to make Lease Payments will be subject to full or partial abatement and could result in the Trustee having inadequate funds to pay the principal and interest on the 2020 Bonds as and when due. See "SECURITY FOR THE 2020 BONDS – Abatement" and "APPENDIX A – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS."

Although the City is required under the Lease to maintain property and liability insurance with respect to the Leased Property, the required insurance coverage is subject to certain conditions and restrictions. See "SECURITY FOR THE 2020 BONDS – Property Insurance."

In addition, the City is required to use the proceeds of rental interruption insurance maintained under the Lease to make debt service payments on the 2020 Bonds during any period of abatement. See "SECURITY FOR THE 2020 BONDS – Property Insurance." However, there is no assurance that the City will receive proceeds of rental interruption insurance in time to make debt service payments on the 2020 Bonds when due.

## **Property Taxes**

**Levy and Collection.** The City does not have any independent power to levy and collect property taxes. Any reduction in the tax rate or the implementation of any constitutional or legislative property tax decrease could reduce the City's property tax revenues, and accordingly, could have an adverse impact on the ability of the City to make Lease Payments. Likewise, delinquencies in the payment of property taxes could have an adverse effect on the City's ability to pay principal of and interest on the 2020 Bonds when due.

**Reduction in Inflationary Rate.** Article XIII A of the California Constitution provides that the full cash value base of real property used in determining assessed value may be adjusted from year to year to reflect the inflationary rate, not to exceed a 2% increase for any given year, or may be reduced to reflect a reduction in the consumer price index or comparable local data. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS." Such measure is computed on a calendar year basis. Because Article XIII A limits inflationary assessed value adjustments to the lesser of the actual inflationary rate or 2%, there have been years in which the assessed values were adjusted by actual inflationary rates, which were less than 2%. Since Article XIII A was approved, the annual adjustment for inflation has fallen below the 2% limitation a limited number of times.

The City is unable to predict if any adjustments to the full cash value base of real property within the City, whether an increase or a reduction, will be realized in the future.

**Appeals of Assessed Values.** There are two types of appeals of assessed values that could adversely impact property tax revenues:

*Proposition 8 Appeals.* Most of the appeals that might be filed in the City would be based on Section 51 of the Revenue and Taxation Code, which requires that for each lien date the value of real property must be the lesser of its base year value annually adjusted by the inflation factor pursuant to Article XIII A of the State Constitution or its full cash value, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property or other factors causing a decline in value.

Under California law, property owners may apply for a reduction of their property tax assessment by filing a written application, in form prescribed by the State Board of Equalization, with the appropriate county board of equalization or assessment appeals board. In most cases, the appeal is filed because the applicant believes that present market conditions (such as residential home prices) cause the property to be worth less than its current assessed value. These market-driven appeals are known as Proposition 8 appeals.

Any reduction in the assessment ultimately granted as a Proposition 8 appeal applies to the year for which application is made and during which the written application was filed. These reductions are often temporary and are adjusted back to their original values when market conditions improve. Once the property has regained its prior value, adjusted for inflation, it once again is subject to the annual inflationary factor growth rate allowed under Article XIII A.

**Base Year Appeals.** A second type of assessment appeal is called a base year appeal, where the property owners challenge the original (basis) value of their property. Appeals for reduction in the “base year” value of an assessment, if successful, reduce the assessment for the year in which the appeal is taken and prospectively thereafter. The base year is determined by the completion date of new construction or the date of change of ownership. Any base year appeal must be made within four years of the change of ownership or new construction date.

No assurance can be given that property tax appeals in the future will not significantly reduce the City’s property tax revenues.

### **Limitations on Remedies Available to Bond Owners**

The ability of the City to comply with its covenants under the Lease may be adversely affected by actions and events outside of the control of the City, and may be adversely affected by actions taken (or not taken) by voters, property owners, taxpayers or payers of assessments, fees and charges. See “CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS” above. Furthermore, any remedies available to the owners of the 2020 Bonds upon the occurrence of an event of default under the Lease or the Indenture are in many respects dependent upon judicial actions, which are often subject to discretion and delay and could prove both expensive and time consuming to obtain.

In addition to the limitations on Bondowner remedies contained in the Lease and the Indenture, the rights and obligations under the 2020 Bonds, the Lease and the Indenture may be subject to the following: the United States Bankruptcy Code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors’ rights generally, now or hereafter in effect; usual equity principles which may limit the specific enforcement under State law of certain remedies; the exercise by the United States of America of the powers delegated to it by the Federal Constitution; and the reasonable and necessary exercise, in certain exceptional situations, of the police power inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose. Bankruptcy proceedings, or the exercise of powers by the federal or state government, if initiated, could subject the Owners of the 2020 Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation or modification of their rights.

The opinion to be delivered by Bond Counsel, concurrently with the issuance of the 2020 Bonds, will include a qualification that the rights of the owners of the 2020 Bonds and the enforceability of the 2020 Bonds and the Indenture, the Lease and the Site Lease may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and may also be subject to the exercise of judicial discretion in accordance with principles of equity or otherwise in appropriate cases. See "APPENDIX E — FORM OF OPINION OF BOND COUNSEL."

### **Loss of Tax-Exemption**

As discussed under the caption "TAX MATTERS," interest on the 2020 Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date the 2020 Bonds were issued, as a result of future acts or omissions of the City or the City in violation of their respective covenants in the Lease and the Indenture. Should such an event of taxability occur, the 2020 Bonds are not subject to special redemption and will remain Outstanding until maturity or until redeemed under other provisions set forth in the Indenture.

### **Potential Impact of Climate Change**

City finances may be negatively impacted by future sea level rise or other negative impacts resulting from climate change. These other impacts may include intensity of severe storms, intensity of flooding, and adverse effects on the City's beachfront that are a tourism attraction for visitors to the City. The overall impact of climate change on the City is not definitive, but particular parcels in the City could experience changes to local and regional weather patterns; rising ocean levels; increased risk of flooding; coastal erosion; and water restrictions. Any of these factors may adversely impact property values of homes and businesses in the City and therefore property taxes collected by the City, as well as sales taxes and TOT collected by the City from visitors.

### **Certain Risks Associated with Sales Tax and Other Local Tax Revenues**

Sales tax revenues are based upon the gross receipts of retail sales of tangible goods and products by retailers with taxable transactions in the City, which could be impacted by a variety of factors.

For example, in times of economic recession, the gross receipts of retailers often decline, and such a decline would cause the sales tax revenues received by the City to also decline. There has been tremendous volatility in the markets in the United States and globally associated with the COVID-19 outbreak, resulting in significant declines and speculation of a national and global recession.

In addition, changes or amendments in the laws applicable to the City's receipt of sales tax revenues or other local taxes, whether implemented by State legislative action or voter initiative, could have an adverse effect on sales tax revenues received by the City. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS — Proposition 218 — Article XIIC and Article XIID."

For example, many categories of transactions are exempt from the statewide sales tax, and additional categories could be added in the future. Currently, most sales of food products for human consumption are exempt; this exemption, however, does not apply to liquor or to restaurant meals. The rate of sales tax levied on taxable transactions in the City or the fee

charged by the California Department of Tax and Fee Administration for administering the City's sales tax could also be changed.

### **Cyber Security**

The City, like many other public and private entities, relies on computer and other digital networks and systems to conduct its operations. As a recipient and provider of personal, private or other sensitive electronic information, the City is potentially subject to multiple cyber threats, including without limitation hacking, viruses, ransomware, malware and other attacks. No assurance can be given that the City's efforts to manage cyber threats and attacks will be successful in all cases, or that any such attack will not materially impact the operations or finances of the City. The City is also reliant on other entities and service providers in connection with the administration of the 2020 Bonds, including without limitation the County tax collector for the levy and collection of property taxes, and the Trustee. No assurance can be given that the City and these other entities will not be affected by cyber threats and attacks in a manner that may affect the Bond owners.

### **Secondary Market for Bonds**

There can be no guarantee that there will be a secondary market for the 2020 Bonds or, if a secondary market exists, that any 2020 Bonds can be sold for any particular price. Occasionally, because of general market conditions or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices in connection with a particular issue are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then-prevailing circumstances. Such prices could be substantially different from the original purchase price.

### **IRS Audit of Tax-Exempt Bond Issues**

The Internal Revenue Service (the "IRS") has a program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the 2020 Bonds will be selected for audit by the IRS. It is also possible that the market value of such 2020 Bonds might be affected as a result of such an audit of such 2020 Bonds (or by an audit of similar bonds or securities).

### **Impact of Legislative Proposals, Clarifications of the Tax Code and Court Decisions on Tax Exemption**

Future legislative proposals, if enacted into law, clarification of the Tax Code (defined herein) or court decisions may cause interest on the 2020 Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent 2020 Bond owners from realizing the full current benefit of the tax status of such interest.

## TAX MATTERS

**Federal Tax Status.** In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to the qualifications set forth below, under existing law, the interest on the 2020 Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax.

The opinions set forth in the preceding paragraph are subject to the condition that the Authority comply with all requirements of the Internal Revenue Code of 1986, as amended (the "**Tax Code**") that must be satisfied subsequent to the issuance of the 2020 Bonds in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes. The Authority has made certain representations and covenants in order to comply with each such requirement. Inaccuracy of those representations, or failure to comply with certain of those covenants, may cause the inclusion of such interest in gross income for federal income tax purposes, which may be retroactive to the date of issuance of the 2020 Bonds.

**Tax Treatment of Original Issue Discount and Premium.** If the initial offering price to the public at which a 2020 Bond is sold is less than the amount payable at maturity thereof, then such difference constitutes "original issue discount" for purposes of federal income taxes and State of California personal income taxes. If the initial offering price to the public at which a 2020 Bond is sold is greater than the amount payable at maturity thereof, then such difference constitutes "bond premium" for purposes of federal income taxes and State of California personal income taxes.

Under the Tax Code, original issue discount is treated as interest excluded from federal gross income and exempt from State of California personal income taxes to the extent properly allocable to each owner thereof subject to the limitations described in the first paragraph of this section. The original issue discount accrues over the term to maturity of the 2020 Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). The amount of original issue discount accruing during each period is added to the adjusted basis of such 2020 Bonds to determine taxable gain upon disposition (including sale, redemption, or payment on maturity) of such 2020 Bond. The Tax Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of the 2020 Bonds who purchase the 2020 Bonds after the initial offering of a substantial amount of such maturity. Owners of such 2020 Bonds should consult their own tax advisors with respect to the tax consequences of ownership of 2020 Bonds with original issue discount, including the treatment of purchasers who do not purchase in the original offering to the public at the first price at which a substantial amount of such 2020 Bonds is sold to the public.

Under the Tax Code, bond premium is amortized on an annual basis over the term of the 2020 Bond (said term being the shorter of the 2020 Bond's maturity date or its call date). The amount of bond premium amortized each year reduces the adjusted basis of the owner of the 2020 Bond for purposes of determining taxable gain or loss upon disposition. The amount of bond premium on a 2020 Bond is amortized each year over the term to maturity of the 2020 Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). Amortized 2020 Bond premium is not deductible for federal income tax purposes. Owners of premium 2020 Bonds, including purchasers who do not purchase in the original offering, should consult their own tax advisors with respect to State of California personal income tax and federal income tax consequences of owning such 2020 Bonds.

**California Tax Status.** In the further opinion of Bond Counsel, interest on the 2020 Bonds is exempt from California personal income taxes.

**Other Tax Considerations.** Current and future legislative proposals, if enacted into law, clarification of the Tax Code or court decisions may cause interest on the 2020 Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals, clarification of the Tax Code or court decisions may also affect the market price for, or marketability of, the 2020 Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, such legislation would apply to bonds issued prior to enactment.

The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of such opinion, and Bond Counsel has expressed no opinion with respect to any proposed legislation or as to the tax treatment of interest on the 2020 Bonds, or as to the consequences of owning or receiving interest on the 2020 Bonds, as of any future date. Prospective purchasers of the 2020 Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

Owners of the 2020 Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the 2020 Bonds may have federal or state tax consequences other than as described above. Other than as expressly described above, Bond Counsel expresses no opinion regarding other federal or state tax consequences arising with respect to the 2020 Bonds, the ownership, sale or disposition of the 2020 Bonds, or the amount, accrual or receipt of interest on the 2020 Bonds.

## **CERTAIN LEGAL MATTERS**

Jones Hall, A Professional Law Corporation, Bond Counsel, will render an opinion with respect to the validity of the 2020 Bonds, the form of which is set forth in "APPENDIX E — FORM OF OPINION OF BOND COUNSEL." Certain legal matters will also be passed upon for the City and the Authority by Jones Hall, as Disclosure Counsel. Certain legal matters will be passed upon for the City by the City Attorney, and for the Underwriter by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California.

## **LITIGATION**

To the best knowledge of the City, there is no action, suit, proceeding, inquiry or investigation before or by any court or federal, state, municipal or other governmental authority pending and notice of which has been served on and received by the City or, to the knowledge of the City, threatened against or affecting the City or the assets, properties or operations of the City which, if determined adversely to the City or its interests, would have a material and adverse effect upon the consummation of the transactions contemplated by or the validity of the Lease, the Site Lease or the Indenture, or upon the financial condition, assets, properties or operations of the City, and the City is not in default with respect to any order or decree of any court or any order, regulation or demand of any federal, state, municipal or other governmental authority,

which default might have consequences that would materially adversely affect the consummation of the transactions contemplated by the Lease, the Site Lease or the Indenture, or the financial conditions, assets, properties or operations of the City, including but not limited to the payment and performance of the City's obligations under the Lease.

## **RATING**

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("**S&P**"), has assigned its municipal bond rating of "\_\_\_\_\_" to the 2020 Bonds.

This rating reflects only the views of S&P, and an explanation of the significance of this rating, and any outlook assigned to or associated with this rating, should be obtained from S&P.

Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. The City has provided certain additional information and materials to the rating agency (some of which does not appear in this Official Statement).

There is no assurance that this rating will continue for any given period of time or that this rating will not be revised downward or withdrawn entirely by the rating agency, if in the judgment of the rating agency, circumstances so warrant. Any such downward revision or withdrawal of any rating on the 2020 Bonds may have an adverse effect on the market price or marketability of the 2020 Bonds.

## **CONTINUING DISCLOSURE**

The City (on behalf of the Authority and itself) will covenant for the benefit of owners of the 2020 Bonds to provide certain financial information and operating data relating to the City (the "**Annual Report**") by not later than nine months after the end of the City's fiscal year (presently June 30), commencing March 31, 2021, with the report for the fiscal year ending June 30, 2020, and to provide notices of the occurrence of certain listed events.

These covenants have been made in order to assist the Underwriter in complying with Securities Exchange Commission Rule 15c2-12(b)(5), as amended (the "**Rule**"). The specific nature of the information to be contained in the Annual Report or the notices of listed events is set forth in "APPENDIX C — FORM OF CONTINUING DISCLOSURE CERTIFICATE."

The City has entered into a number of prior continuing disclosure undertakings under the Rule in connection with the issuance of long-term obligations, and has provided annual financial information and event notices in accordance with those undertakings. Based on a review of the City's continuing disclosure filings for the prior five years, the City has determined that \_\_\_\_\_ . [SUMMARY OF PRIOR CONTINUING DISCLOSURE COMPLIANCE TO COME]

The City has taken steps intended to ensure compliance with its continuing disclosure undertakings going forward.



## **MUNICIPAL ADVISOR**

The City and the Authority have retained NHA Advisors, LLC of San Rafael, California, as municipal advisor (the "Municipal Advisor") in connection with the offering of the 2020 Bonds and the preparation of this Official Statement. The Municipal Advisor assisted in the preparation and review of this Official Statement. All financial and other information presented in this Official Statement has been provided by the City and the Authority from their records, except for information expressly attributed to other sources. The Municipal Advisor takes no responsibility for the accuracy or completeness of the data provided by the City, Authority or others and has not undertaken to make an independent verification or does not assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement. The fee of the Municipal Advisor is contingent upon the successful closing of the 2020 Bonds.

## **UNDERWRITING**

Stifel, Nicolaus & Company, Incorporated (the "Underwriter"), has entered into a Bond Purchase Agreement with the Authority under which it will purchase the 2020 Bonds at a purchase price of \$\_\_\_\_\_ (which is equal to the par amount of the 2020 Bonds, less an Underwriter's discount of \$\_\_\_\_\_, and plus (less) a net original issue premium (discount) of \$\_\_\_\_\_).

The Underwriter will be obligated to take and pay for all of the 2020 Bonds if any are taken. The Underwriter intends to offer the 2020 Bonds to the public at the offering prices set forth on the inside cover page of this Official Statement. After the initial public offering, the public offering price may be varied from time to time by the Underwriter.

## **PROFESSIONAL SERVICES**

In connection with the issuance of the 2020 Bonds, fees payable to the following professionals involved in the offering are contingent upon the issuance and delivery of the 2020 Bonds: Jones Hall, A Professional Law Corporation, as Bond Counsel and Disclosure Counsel; NHA Advisors, LLC, San Rafael, California, as municipal advisor to the Authority and the City; and U.S. Bank National Association, as Trustee.

## EXECUTION

The execution of this Official Statement and its delivery have been authorized by the Board of the Authority and the City Council of the City.

HERMOSA BEACH PUBLIC FINANCING  
AUTHORITY

By: \_\_\_\_\_  
Chair

CITY OF HERMOSA BEACH

By: \_\_\_\_\_  
City Manager

## **APPENDIX A**

### **SUMMARY OF PRINCIPAL LEGAL DOCUMENTS**

The following is a brief summary of the provisions of the Site Lease, Lease and the Indenture of Trust relating to the 2020 Bonds. Such summary is not intended to be definitive, and reference is made to the complete documents for the complete terms thereof.

**APPENDIX B**

**AUDITED FINANCIAL STATEMENTS  
FOR FISCAL YEAR ENDING JUNE 30, 2019**

## APPENDIX C

### FORM OF CONTINUING DISCLOSURE CERTIFICATE

#### CONTINUING DISCLOSURE CERTIFICATE

\$ \_\_\_\_\_  
**HERMOSA BEACH PUBLIC FINANCING AUTHORITY**  
**2020 Refunding Lease Revenue Bonds**

This Continuing Disclosure Certificate (this “Disclosure Certificate”) is executed and delivered by the City of Hermosa Beach (the “City”), on behalf of the Hermosa Beach Public Financing Authority (the “Authority”) and itself, in connection with the issuance by the Authority of the bonds captioned above (the “Bonds”). The Bonds are being issued under an Indenture of Trust dated as of October 1, 2020 (the “Indenture”), by and between the Authority and U.S. Bank National Association, as trustee (the “Trustee”). The City hereby covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the City on behalf of itself and the Authority for the benefit of the holders and beneficial owners of the Bonds and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

Section 2. Definitions. In addition to the definitions set forth above and 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*” means any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“*Annual Report Date*” means March 31 of each year.

“*Dissemination Agent*” means Willdan Financial Services, or any successor Dissemination Agent designated in writing by the City and which has filed with the City a written acceptance of such designation.

“*Listed Events*” means any of the events listed in Section 5(a) of this Disclosure Certificate.

“*MSRB*” means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

“*Official Statement*” means the final official statement dated \_\_\_\_\_, 2020, executed by the City and the Authority in connection with the issuance of the Bonds.

“*Participating Underwriter*” means Stifel, Nicolaus & Company, Incorporated, the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“*Rule*” means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

### Section 3. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing March 31, 2021, with the report for the 2019-20 Fiscal Year, provide to the MSRB, in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than 15 Business Days prior to the Annual Report Date, the City shall provide the Annual Report to the Dissemination Agent (if other than the City). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the City) has not received a copy of the Annual Report, the Dissemination Agent shall contact the City to determine if the City is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the City may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date. If the City's Fiscal Year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c). The City shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the City hereunder.

(b) If the City does not provide (or cause the Dissemination Agent to provide) an Annual Report by the Annual Report Date, the City shall provide (or cause the Dissemination Agent to provide) a notice to the MSRB, in an electronic format as prescribed by the MSRB.

(c) With respect to each Annual Report, the Dissemination Agent shall:

(i) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and

(ii) if the Dissemination Agent is other than the City, file a report with the City certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, and stating the date it was provided.

Section 4. Content of Annual Reports. The City's Annual Report shall contain or incorporate by reference the following:

(a) Audited Financial Statements of the City prepared in accordance with Generally Accepted Accounting Principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the City's audited financial statements are not available by the Annual Report Date, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) The following information with respect to the City for the Fiscal Year to which the Annual Report relates, which information may be provided by its inclusion in the audited financial statements of the City for the prior Fiscal Year described in subsection (a) above:

(i) The principal amount of Bonds outstanding, including principal amounts and years of maturity of Bonds, if any, called for redemption in advance of maturity;

(ii) A table in the form of Table 4 in the Official Statement, entitled General Fund Tax Revenues By Source, updated for the most recently completed Fiscal Year.

(iii) A table in the form of Table 5 in the Official Statement, entitled Assessed Valuation, updated for the then-current Fiscal Year.

(iv) A table in the form of Table 6 in the Official Statement, entitled Top Twenty Local Secured Taxpayers, updated for the then-current Fiscal Year.

(c) In addition to any of the information expressly required to be provided under this Disclosure Certificate, the City shall provide such further material information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

(d) 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 City or related public entities, which are available to the public on the MSRB's Internet web site or filed with the Securities and Exchange Commission. The City shall clearly identify each such other document so included by reference.

#### Section 5. Reporting of Listed Events.

(a) The City shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the Bonds:

- (1) Principal and interest payment delinquencies.
- (2) Non-payment related defaults, if material.
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties.
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties.
- (5) Substitution of credit or liquidity providers, or their failure to perform.
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds.
- (7) Modifications to rights of security holders, if material.
- (8) Bond calls, if material, and tender offers.
- (9) Defeasances.

- (10) Release, substitution, or sale of property securing repayment of the securities, if material.
- (11) Rating changes (without any obligation to provide any notices of changes in the outlook assigned to or associated with any rating).
- (12) Bankruptcy, insolvency, receivership or similar event of the City.
- (13) The consummation of a merger, consolidation, or acquisition involving the City, or the sale of all or substantially all of the assets of the City (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, if material.
- (14) Appointment of a successor or additional Trustee or the change of name of the Trustee, if material.
- (15) Incurrence of a financial obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the City, any of which affect security holders, if material.
- (16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the City, any of which reflect financial difficulties.

(b) Upon the occurrence of a Listed Event, the City shall, or shall cause the Dissemination Agent (if not the City) to, file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 Business Days after the occurrence of the Listed Event. Notwithstanding the foregoing, notice of Listed Events described in subsection (a)(8) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds under the Indenture.

(c) The City acknowledges that the events described in subparagraphs (a)(2), (a)(7), (a)(8) (if the event is a bond call), (a)(10), (a)(13), (a)(14), and (a)(15) of this Section 5 contain the qualifier "if material" and that subparagraph (a)(6) also contains the qualifier "material" with respect to certain notices, determinations or other events affecting the tax status of the Bonds. The City shall cause a notice to be filed as set forth in paragraph (b) above with respect to any such event only to the extent that it determines the event's occurrence is material for purposes of U.S. federal securities law. Upon occurrence of any of these Listed Events, the City will as soon as possible determine if such event would be material under applicable federal securities law. If such event is determined to be material, the City will cause a notice to be filed as set forth in paragraph (b) above.

(d) For purposes of this Disclosure Certificate, any event described in paragraph (a)(12) above is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States 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 City, 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 City.

(e) For purposes of Section 5(a)(15) and (16), “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 Municipal Securities Rulemaking Board consistent with the Rule.

Section 6. Identifying Information for Filings with the MSRB. All documents provided to the MSRB under the Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The City’s obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the City shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 8. Dissemination Agent. The City 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 Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent will be Willdan Financial Services. Any Dissemination Agent may resign by providing 30 days’ written notice to the City.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the City may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by holders of the Bonds in the manner provided in the Indenture for amendments to the Indenture with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Bonds.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first annual financial information filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the City to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative.

A notice of any amendment made pursuant to this Section 9 shall be filed in the same manner as for a Listed Event under Section 5(c).

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the City 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 Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the City chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the City shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. In the event of a failure of the City to comply with any provision of this Disclosure Certificate, the Participating Underwriter or any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Certificate in the event of any failure of the City to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent.

(a) The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the City agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall have no duty or obligation to review any information provided to it hereunder and shall not be deemed to be acting in any fiduciary capacity for the City, the Bond owners or any other party. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

(b) The Dissemination Agent shall be paid compensation by the City for its services provided hereunder in accordance with its schedule of fees as amended from time to time, and shall be reimbursed for all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder.

Section 13. Notices. Any notice or communications to be among any of the parties to this Disclosure Certificate may be given as follows:

To the Issuer: Hermosa Beach Public Financing Authority  
c/o City of Hermosa Beach  
1315 Valley Drive  
Hermosa Beach, California 90254-3885

To the Dissemination Agent Willdan Financial Services  
27368 Via Industria, Suite 200  
Temecula, California 92590

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

Section 14. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriter and holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Section 15. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which shall be regarded as an original, and all of which shall constitute one and the same instrument.

Date: \_\_\_\_\_, 2020

CITY OF HERMOSA BEACH

By: \_\_\_\_\_  
City Manager

AGREED AND ACCEPTED:  
Willdan Financial Services,  
as Dissemination Agent

By: \_\_\_\_\_  
Title: \_\_\_\_\_

## APPENDIX D

### GENERAL INFORMATION ABOUT THE CITY OF HERMOSA BEACH AND THE COUNTY OF LOS ANGELES

*The following information concerning the City of Hermosa Beach (the “City”) and the County of Los Angeles (the “County”) is included only for the purpose of supplying general information regarding the area in and around the City. The 2020 Bonds are not a debt of the City, the County, the State of California (the “State”) or any of its political subdivisions (other than the Authority), and none of the City, the County, the State or any of its political subdivisions (other than the Authority) is liable therefor.*

#### General

**City of Hermosa Beach.** The City encompasses 1.4 square miles located within the southwest portion of the County on the Santa Monica Bay. Neighboring cities include Manhattan Beach (adjacent to the north), the City of Redondo Beach (adjacent to the south and east), Los Angeles (about 16 miles), Long Beach (about 18 miles), Santa Monica (about 18 miles) and Anaheim (about 29 miles).

The climate in the City is mild, tempered by cool sea breezes and typified by short, mild winters and long, dry summers. Fog is a common occurrence during the early summer. Temperatures average 70 degrees Fahrenheit in the summer and 58 degrees Fahrenheit in the winter; the annual average is 62 degrees Fahrenheit.

The City is a general law city, incorporated in January 14, 1907. The City Council consists of five members who are elected at large. Council members serve four-year, staggered terms, with an election every two years. One member is chosen by fellow members to serve as Mayor for a period of nine months; one is chosen to serve as Mayor Pro tem. The City Manager and City Attorney are hired by the City Council and the City Manager is responsible for the day-to-day operations of the city.

**Los Angeles County.** Located along the southern coast of California, the County covers about 4,080 square miles. It measures approximately 75 miles from north to south and 70 miles from east to west. The County includes Santa Catalina and San Clemente Islands and is bordered by the Pacific Ocean and Ventura, San Bernardino and Orange Counties. Almost half of the County is mountainous and some 14 percent is a coastal plain known as the Los Angeles Basin. The low Santa Monica mountains and Hollywood Hills run east and west and form the northern boundary of the Basin and the southern boundary of the San Fernando Valley. The San Fernando Valley terminates at the base of the San Gabriel Mountains whose highest peak is over 10,000 feet. Beyond this mountain range the rest of the county is a semi dry plateau, the beginning of the vast Mojave Desert. According to the Los Angeles County Regional Planning Commission, the 86 incorporated cities in the county covered about 1,344 square miles or 27 percent of the total county. About 16 percent of the land in the county is devoted to residential use and over two thirds of the land is open space and vacant.

## Population

The table below shows population estimates for the cities in the County and the State for the last five years, as of January 1.

### **LOS ANGELES COUNTY AND THE STATE OF CALIFORNIA Population Estimates - Calendar Years 2016 through 2020**

<b><u>Area</u></b>	<b><u>2016</u></b>	<b><u>2017</u></b>	<b><u>2018</u></b>	<b><u>2019</u></b>	<b><u>2020</u></b>
City of Hermosa Beach	19,796	19,687	19,650	19,641	19,614
Los Angeles County	10,158,196	10,193,753	10,209,676	10,184,378	10,172,951
State of California	39,131,307	39,398,702	39,586,646	39,695,376	39,782,870

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*Source: State Department of Finance, Demographic Research.*

## Employment and Industry

The seasonally adjusted unemployment rate in the County decreased over the month to 19.4% in June 2020, from a revised 21.1% in May 2020, and was above the rate of 4.4% one year ago. Civilian employment decreased by 242,000 to 3,981,000 in June 2020, while unemployment decreased by 43,000 to 956,000. The civilian labor force increased by 200,000 over the month to 4,937,000 in June 2020. (All of the above figures are seasonally adjusted.) The unadjusted unemployment rate for the County was 19.5% in June 2020.

The California seasonally adjusted unemployment rate was 14.9% in June 2020, 16.4% in May 2020, and 4.0% a year ago in June 2019. The comparable estimates for the nation were 11.1% in June 2020, 13.3% in May 2020, and 3.7% a year ago.

The table below lists employment by industry group for the County for the past five years for which data is available.

### LOS ANGELES-LONG BEACH-GLENDALE MD (LOS ANGELES COUNTY) Annual Average Civilian Labor Force, Employment and Unemployment, Employment by Industry (March 2019 Benchmark)

	2015	2016	2017	2018	2019
Civilian Labor Force	4,980,300	5,030,500	5,084,000	5,095,500	5,121,600
Employment	4,650,700	4,765,900	4,841,900	4,860,300	4,894,300
Unemployment	329,600	264,600	242,200	235,200	227,300
Unemployment Rate	6.6%	5.3%	4.8%	4.6%	4.4%
<u>Wage and Salary Employment: <sup>(1)</sup></u>					
Agriculture	5,000	5,300	5,700	4,600	4,500
Mining and Logging	2,900	2,400	2,000	1,900	1,900
Construction	126,100	134,000	138,700	146,300	149,300
Manufacturing	368,200	360,800	349,000	341,200	339,200
Wholesale Trade	222,400	222,100	221,500	223,200	220,500
Retail Trade	422,200	424,600	426,100	424,800	417,300
Trans., Warehousing, Utilities	177,600	188,900	198,200	203,600	213,800
Information	207,600	229,400	214,900	216,400	217,300
Financial and Insurance	135,600	138,100	137,500	136,500	135,500
Real Estate, Rental & Leasing	80,000	81,700	84,100	86,700	88,400
Professional and Business Services	593,800	603,000	612,100	630,400	642,800
Educational and Health Services	745,900	772,700	800,600	821,300	843,600
Leisure and Hospitality	486,600	510,000	524,600	536,500	544,700
Other Services	151,000	153,300	155,700	158,800	158,400
Federal Government	47,400	47,700	48,000	47,300	47,400
State Government	87,400	89,900	92,500	91,700	92,500
Local Government	433,700	439,100	445,600	451,600	454,300
Total All Industries <sup>(2)</sup>	4,293,500	4,403,000	4,456,700	4,522,700	4,571,400

(1) Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

(2) May not add due to rounding.

Source: State of California Employment Development Department.

## Largest Employers

The table below lists the larger employers in the County. Major private employers in the Los Angeles area include those in aerospace, health care, entertainment, electronics, retail and manufacturing. Major public sector employers include public universities and schools, the State, and the County.

### LOS ANGELES COUNTY Major Employers August 2020

Employer Name	Location	Industry
AHMC Healthcare Inc	Alhambra	Health Care Management
All Nations Church	Sylmar	Churches
Cedar-Sinai Medical Ctr	West Hollywood	Hospitals
Infineon Technologies Americas	El Segundo	Semiconductor Devices (mfrs)
JET Propulsion Laboratory	Pasadena	Research Service
Kaiser Permanente Los Angeles	Los Angeles	Hospitals
La County Office of Education	Downey	Educational Service-Business
LAC & USC Medical Ctr	Los Angeles	Hospitals
Long Beach City Hall	Long Beach	Government Offices-City/Village & Twp
Longshore Dispatch	Wilmington	Nonclassified Establishments
Los Angeles County Sheriff	Monterey Park	Government Offices-County
Los Angeles Intl Airport-Lax	Los Angeles	Airports
Los Angeles Medical Ctr	Los Angeles	Pathologists
Los Angeles Police Dept	Los Angeles	Police Departments
National Institutes of Health	Pasadena	Physicians & Surgeons
Northrop Grumman	Whittier	Engineers
Security Industry Specialist	Culver City	Security Systems Consultants
Six Flags Magic Mountain	Valencia	Amusement & Theme Parks
Sony Pictures Entertainment	Culver City	Motion Picture Producers & Studios
Space Exploration Tech Corp	Hawthorne	Aerospace Industries (mfrs)
University of Ca Los Angeles	Los Angeles	Schools-Universities & Colleges Academic
University of Ca Los Angeles	Los Angeles	University-College Dept/Facility/Office
Vxi Global Solutions	Los Angeles	Call Centers
Walt Disney Co	Burbank	Water Parks
Water Garden Management	Santa Monica	Office Buildings & Parks

Source: State of California Employment Development Department, extracted from The America's Labor Market Information System (ALMIS) Employer Database, 2020 1st Edition.

## Effective Buying Income

“Effective Buying Income” is defined as personal income less personal tax and nontax payments, a number often referred to as “disposable” or “after-tax” income. Personal income is the aggregate of wages and salaries, other labor-related income (such as employer contributions to private pension funds), proprietor’s income, rental income (which includes imputed rental income of owner-occupants of non-farm dwellings), dividends paid by corporations, interest income from all sources, and transfer payments (such as pensions and welfare assistance). Deducted from this total are personal taxes (federal, state and local), nontax payments (fines, fees, penalties, etc.) and personal contributions to social insurance. According to U.S. government definitions, the resultant figure is commonly known as “disposable personal income.”

The following table summarizes the median household effective buying income for the City, the County, the State and the United States for the period 2016 through 2020.

### CITY OF HERMOSA BEACH AND LOS ANGELES COUNTY Effective Buying Income Median Household 2016 through 2020

Year	Area	Total Effective Buying Income (000's Omitted)	Median Household Effective Buying Income
2016	City of Hermosa Beach	\$1,139,195	\$83,307
	Los Angeles County	231,719,110	48,950
	California	981,231,666	53,589
	United States	7,757,960,399	46,738
2017	City of Hermosa Beach	\$1,260,253	\$89,382
	Los Angeles County	243,502,324	50,236
	California	1,036,142,723	55,681
	United States	8,132,748,136	48,043
2018	City of Hermosa Beach	\$1,371,732	\$97,812
	Los Angeles County	261,119,300	54,720
	California	1,113,648,181	59,646
	United States	8,640,770,229	50,735
2019	City of Hermosa Beach	\$1,485,081	\$101,497
	Los Angeles County	271,483,825	56,831
	California	1,183,264,399	62,637
	United States	9,017,967,563	52,841
2020	City of Hermosa Beach	\$1,455,277	\$101,028
	Los Angeles County	281,835,290	60,174
	California	1,243,564,816	65,870
	United States	9,487,165,436	55,303

Source: The Nielsen Company (US), Inc for years 2016 through 2018; Claritas, LLC for 2019 and 2020.



## Commercial Activity

Summaries of historic taxable sales within the City and the County during the past five years in which data is available are shown in the following tables.

Total taxable sales during calendar year 2019 in the City were reported to be \$263,126,807, a 1.5% decrease over the total taxable sales of \$265,920,080 reported during calendar year 2018.

**CITY OF HERMOSA BEACH**  
**Taxable Transactions**  
**Number of Permits and Valuation of Taxable Transactions**  
**(Dollars in Thousands)**

	<b>Retail Stores</b>		<b>Total All Outlets</b>	
	<b>Number of Permits</b>	<b>Taxable Transactions</b>	<b>Number of Permits</b>	<b>Taxable Transactions</b>
2015 <sup>(1)</sup>	718	\$216,242	1,041	\$241,455
2016	714	216,758	1,059	245,582
2017	664	238,202	1,019	262,464
2018	675	246,328	1,051	265,920
2019	660	239,577	1,048	263,127

(1) Permit figures for calendar year 2015 are not comparable to that of prior years due to outlet counts in these reports including the number of outlets that were active during the reporting period. Retailers that operate part-time are now tabulated with store retailers.

Source: State Department of Tax and Fee Administration.

Total taxable sales during calendar year 2019 in the County were reported to be \$171,776,327,181, a 3.46% increase over the total taxable sales of \$166,023,795,826 reported during calendar year 2018.

**LOS ANGELES COUNTY**  
**Taxable Retail Sales**  
**Number of Permits and Valuation of Taxable Transactions**  
**(Dollars in Thousands)**

	<b>Retail Stores</b>		<b>Total All Outlets</b>	
	<b>Number of Permits</b>	<b>Taxable Transactions</b>	<b>Number of Permits</b>	<b>Taxable Transactions</b>
2015 <sup>(1)</sup>	112,657 <sup>(1)</sup>	\$108,147,021	310,063	\$151,033,781
2016	196,929	109,997,043	311,295	154,208,333
2017	197,452	113,280,347	313,226	159,259,356
2018	200,603	119,145,054	328,047	166,023,796
2019	206,732	122,137,664	342,359	171,776,327

(1) Permit figures for calendar year 2015 are not comparable to that of prior years due to outlet counts in these reports including the number of outlets that were active during the reporting period. Retailers that operate part-time are now tabulated with store retailers.

Source: State Department of Tax and Fee Administration.

## Construction Activity

Provided below are the building permits and valuations for the City and the County during the past five years in which data is available.

### CITY OF HERMOSA BEACH Total Building Permit Valuations (Valuations in Thousands) Calendar Years 2015 through 2019

	2015	2016	2017	2018	2019
<u>Permit Valuation</u>					
New Single-family	\$25,092.1	\$25,569.2	\$17,520.0	\$35,068.6	\$18,367.5
New Multi-family	5,807.3	5,621.9	1,985.4	4,488.4	2,372.2
Res. Alterations/Additions	<u>10,594.9</u>	<u>10,793.2</u>	<u>7,076.1</u>	<u>8,525.4</u>	<u>7,102.4</u>
Total Residential	41,494.30	41,984.30	26,581.50	48,082.40	27,842.10
 New Commercial	 853.0	 5,992.3	 1,580.1	 0.0	 13.0
New Industrial	0.0	0.0	0.0	0.0	0.0
New Other	749.7	1,704.2	737.1	743.5	389.4
Com. Alterations/Additions	<u>2,494.1</u>	<u>2,942.4</u>	<u>1,352.6</u>	<u>5,109.8</u>	<u>1,609.3</u>
Total Nonresidential	4,096.8	10,638.90	3,669.80	5,853.3	2,011.7
 <u>New Dwelling Units</u>					
Single Family	43	49	29	56	31
Multiple Family	<u>15</u>	<u>15</u>	<u>5</u>	<u>9</u>	<u>4</u>
TOTAL	58	64	34	65	35

Source: Construction Industry Research Board, Building Permit Summary.

### LOS ANGELES COUNTY Total Building Permit Valuations (Valuations in Thousands) Calendar Years 2015 through 2019

	2015	2016	2017	2018	2019
<u>Permit Valuation</u>					
New Single-family	\$1,897,829.7	\$2,162,018.2	\$2,352,614.8	\$2,277,101.5	\$1,967,219.3
New Multi-family	2,843,749.2	2,774,294.3	3,257,833.4	3,222,530.3	2,961,257.4
Res. Alterations/Additions	<u>1,641,457.3</u>	<u>1,639,294.3</u>	<u>1,757,904.1</u>	<u>1,941,369.5</u>	<u>1,625,839.3</u>
Total Residential	6,383,036.1	6,575,607.5	7,368,352.3	7,441,001.3	6,554,316.0
 New Commercial	 1,695,869.8	 1,728,443.4	 2,196,089.2	 2,844,173.0	 2,675,678.8
New Industrial	85,937.1	138,408.6	134,534.3	101,201.3	63,727.8
New Other	1,157,838.0	791,078.1	563,679.3	952,347.7	446,182.7
Com. Alterations/Additions	<u>2,705,727.5</u>	<u>2,880,916.6</u>	<u>3,143,200.2</u>	<u>2,796,375.3</u>	<u>3,404,012.4</u>
Total Nonresidential	5,645,372.4	2,657,930.1	6,037,503.0	6,694,097.3	6,589,601.7
 <u>New Dwelling Units</u>					
Single Family	4,487	4,780	5,456	6,070	5,738
Multiple Family	<u>18,405</u>	<u>15,589</u>	<u>17,023</u>	<u>17,152</u>	<u>15,884</u>
TOTAL	22,892	20,369	22,479	23,222	21,622

Source: Construction Industry Research Board, Building Permit Summary.

## **Transportation**

The County maintains more than 4,700 miles of major roads and local streets; operates and maintains hundreds of traffic control devices; administers and manages public transit services, such as shuttle buses and dial-a-ride services, in unincorporated areas; and owns and operates five local airports: Brackett Field Airport, Compton/Woodley Airport, San Gabriel Valley Airport, General Wm. J. Fox Airfield, Whiteman Airport and Department of Public Works - Los Angeles County Airports.

Los Angeles County Metropolitan Transportation Authority (Metro) is unique among the nation's transportation agencies. It serves as transportation planner and coordinator, designer, builder and operator for one of the Country's largest, most populous counties. More than 9.6 million people – nearly one-third of California's residents – live, work, and play within its 1,433-square-mile service area. Many of these transit services are provided in conjunction with the adjacent cities to expand the service areas. Metro provides bus stop amenities including shelters, benches, and trash receptacles at bus stops.

**APPENDIX E**  
**FORM OF OPINION OF BOND COUNSEL**

## APPENDIX F

### DTC AND THE BOOK-ENTRY ONLY SYSTEM

*The following description of the Depository Trust Company (“DTC”), the procedures and record keeping with respect to beneficial ownership interests in the 2020 Bonds, payment of principal, interest and other payments on the 2020 Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the 2020 Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.*

*Neither the issuer of the 2020 Bonds (the “Issuer”) nor the trustee, fiscal agent or paying agent appointed with respect to the 2020 Bonds (the “Agent”) take any responsibility for the information contained in this Appendix.*

*No assurances can be given that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the 2020 Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the 2020 Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the 2020 Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current “Rules” applicable to DTC are on file with the Securities and Exchange Commission and the current “Procedures” of DTC to be followed in dealing with DTC Participants are on file with DTC.*

1. The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the securities (the “Securities”). The Securities 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 Security certificate will be issued for each issue of the Securities, each in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. DTC, the world’s largest securities depository, 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. 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 Securities 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 its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com). *The information contained on this Internet site is not incorporated herein by reference.*

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("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 Securities 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 Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities 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 Securities 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 Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities 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.

5. 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. Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer 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 Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities 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 Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by 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 Participant and not of DTC, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, 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.

9. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

10. Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

11. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

**APPENDIX G**  
**INVESTMENT POLICY**





## Staff Report

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### Staff Report

REPORT 20-0619

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### Board of Directors of the Hermosa Beach Public Finance Authority Public Finance Authority Meeting of September 22, 2020

#### **RESOLUTION OF THE BOARD OF DIRECTORS OF THE HERMOSA BEACH PUBLIC FINANCING AUTHORITY APPROVING THE ISSUANCE AND SALE OF REFUNDING LEASE REVENUE BONDS BY THE HERMOSA BEACH PUBLIC FINANCING AUTHORITY TO REFUND OUTSTANDING 2015 LEASE REVENUE BONDS AND APPROVE RELATED DOCUMENTS AND ACTIONS**

(Finance Director Viki Copeland)

#### **Recommended Action:**

Staff recommends that the Public Financing Authority approve the Resolution entitled "Resolution of the Board of Directors of the Hermosa Beach Public Financing Authority Authorizing the Issuance and Sale of Refunding Lease Revenue Bonds and Approving Related Documents and Actions".

#### **Executive Summary:**

This Resolution authorizes staff to execute documents required to issue lease revenue bonds sufficient to fund the remaining \$9.89 million outstanding 2015 Lease Revenue Bonds.

Mark Northcross, Financial Advisor, Northcross Hill Ash (NHA Advisors), Charles (Chick) Adams, Bond Counsel, Jones Hall and Scott Ferguson, Bond Counsel, Jones Hall will be attending the meeting to answer any questions.

#### **Background:**

In 2015, the City issued \$11.6 million in lease revenue bonds to fund a portion of its \$17.5 million settlement with the MacPherson Oil Company. The bonds have a final maturity of 2035 and carry an average interest rate of 3.16%. They are secured by a pledge of the City's General Fund revenues. Since the transaction is legally a lease, the City needed to encumber certain assets as the subject of the lease. These leased assets comprise the City Hall complex, including the fire station and the police station. The 2015 lease revenue bonds are callable without premium on November 1, 2020. There are currently \$9.89 million of those bonds outstanding.

#### **Analysis:**

The City's financial advisors, NHA Advisors, believe that the 2015 bonds can be refinanced now at an

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## Staff Report

REPORT 20-0619

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interest rate of approximately 2.0%, with a financing term matching the original financing term through 2035. The average interest rate on the outstanding 2015 bonds is 3.16%. The cash flow savings are projected to be \$60,000 per year, with a total of \$965,000 in cash flow savings through 2035. A commonly used measure for the benefit of a refinancing of municipal bonds is called the "present value savings". This figure is a present value, using a discount rate equal to the interest rate on the bonds. In the case of the City's 2015 bonds, these present value savings are projected to be over \$870,000, a figure equal to almost 9% of the outstanding amount of the 2015 bonds. A refinancing of municipal bonds with a potential present value savings in excess of 5% of par value of the refunded bonds is considered to be a very strong refinancing.

Total costs of issuance for the lease revenues are estimated at \$227,000. Of this total, the cost of financial advisor, bond counsel, credit rating, appraisal and other financing costs are estimated at \$170,000. The remainder of these costs are for the bond underwriter's discount for selling the lease revenue bonds.

**Legal documents:** The Resolution specifically authorizes execution of the following documents:

**Lease agreement.** Under this agreement, the City agrees to make semi-annual lease payments to the Hermosa Beach Public Financing Authority. The lease agreement requires the City to provide both casualty, liability and rental interruption insurance with regard to the City Hall and Fire Station. The lease agreement also includes provisions that will enable the City to encumber the City Hall complex with an additional lien in the future should it decide to finance a remodeling of the City Hall complex.

**Assignment Agreement.** Under this agreement, the Authority transfers all of its rights under the lease agreement and the site lease to Bank of New York, the trustee under the bond indenture.

**Site Lease.** Under this agreement, the City lease the City Hall complex to the Authority in return for receiving the proceeds of the lease revenue bonds issued by the Authority.

**Indenture of Trust.** The indenture is a contract between the City and a trustee bank, Bank of New York Mellon Trust Company, under which Bank of New York will provide standard bond trustee services for the lease revenue bonds.

**Escrow Agreement.** This document sets forth the terms and conditions under which the trustee bank for the proposed bond issue will hold the bond proceeds prior to prepaying the 2015 lease revenue bonds on November 1, 2015.

**Bond Purchase Agreement.** This document sets forth the terms under which the proposed underwriter for the transaction, Stifel Nicolaus & Company, will purchase the bonds from the City for resale to bond investors.**Official Statement.** This is a key document that discloses to potential purchasers of the lease revenue bonds the fundamental terms of the transaction, and the risk

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## Staff Report

REPORT 20-0619

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associated with ownership of the lease revenue bonds.

### **General Plan Consistency:**

PLAN Hermosa, the City's long range planning document, was adopted by the City Council in August 2017, and envisions future where "Hermosa Beach is the small town others aspire to be; a place where our beach culture, strong sense of community, and commitment to sustainability intersect." One of the guiding principles to achieve the vision is to make decisions and take actions that help contribute to the City's economic and fiscal stability.

A focus of the Governance chapter in the General Plan is to ensure that decision-making and leadership are conducted in ethical, transparent, and innovative manner that reflects community values. Goal 1 of the Governance chapter speaks to maintaining a high degree of transparency and integrity in the decision-making process.

### **Fiscal Impact:**

The cash flow savings are projected to be \$60,000 per year, with a total of \$965,000 in cash flow savings through 2035.

### **Attachments:**

1. Resolution 20-XXXX - Hermosa Beach Public Financing Authority Issuance and Sale of Lease Revenue Bonds
2. Amended and Restated Lease Agreement
3. Assignment Agreement
4. Amended and Restated Site Lease
5. Indenture of Trust
6. Escrow Agreement
7. Bond Purchase Agreement
8. Preliminary Official Statement

**Respectfully Submitted by:** Viki Copeland, Finance Director

**Noted for Fiscal Impact:** Viki Copeland, Finance Director

**Approved:** Suja Lowenthal, City Manager

**HERMOSA BEACH PUBLIC FINANCING AUTHORITY  
RESOLUTION NO. \_\_\_\_**

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE HERMOSA  
BEACH PUBLIC FINANCING AUTHORITY AUTHORIZING THE  
ISSUANCE AND SALE OF REFUNDING LEASE REVENUE BONDS TO  
REFUND OUTSTANDING 2015 LEASE REVENUE BONDS, AND  
APPROVING RELATED DOCUMENTS AND ACTIONS**

**Section 1. Recitals.**

In order to raise the funds required to make payments due under a Settlement Agreement and Release dated as of March 2, 2012, between MacPherson Oil Company, Windward Associates, E & B Natural Resources Management Corporation and the City of Hermosa Beach (the "City"), the Hermosa Beach Public Financing Authority (the "Authority") has previously issued its Hermosa Beach Public Financing Authority 2015 Lease Revenue Bonds in the aggregate principal amount of \$11,600,000 (the "2015 Bonds").

The 2015 Bonds are secured by a pledge of lease payments which are made by the City as rental for certain property consisting generally of the land and improvements which constitute the existing civic center of the City (the "Leased Property"), under a Lease Agreement dated as of August 1, 2015.

The 2015 Bonds are subject to redemption at the option of the Authority on November 1, 2020, at a redemption price equal to 100% of the principal amount thereof together with accrued interest thereon to the redemption date, without premium.

The City and the Authority have determined that it is in their best interests to refund the 2015 Bonds, and in order to provide funds for that purpose the City has requested the City to authorize the issuance and sale of its 2020 Refunding Lease Revenue Bonds in the aggregate principal amount of not to exceed \$10,000,000 (the "Refunding Bonds") under the provisions of Articles 10 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, commencing with Section 53570 of said Code (the "Refunding Bond Law").

The Authority has been organized as a joint exercise of powers authority for the purpose of providing financial assistance to the City and is authorized to issue the Refunding Bonds for the purposes set forth in this Resolution, and the Board of Directors of the Authority wishes to authorize the issuance and sale of the Refunding Bonds and to approve all related documents and proceedings to which it is a party.

The City Council of the City has previously approved a Debt Management Policy which complies with Government Code Section 8855 and which by its terms is also applicable to the Authority, and the Board of Directors hereby determines that the Authority is subject to such Debt Management Policy and that the issuance of the Refunding Bonds will be in compliance therewith.

Pursuant to Government Code Section 5852.1 which became effective on January 1, 2018 by the enactment of Senate Bill 450, certain information relating to the Refunding

Bonds is set forth in Appendix A attached to this Resolution, and such information is hereby disclosed and made public.

**Section 2. Authorization of Refunding Bonds.** The Board of Directors hereby authorizes the issuance of the Refunding Bonds under the Refunding Bond Law, for the purpose of providing funds to refund the 2015 Bonds and thereby realize debt service savings to the City.

**Section 3. Approval of Related Financing Agreements.** The Board of Directors hereby approves each of the following agreements relating to the issuance and sale of the Refunding Bonds, in substantially the respective forms on file with the Secretary together with any changes therein or additions thereto deemed advisable by the Executive Director, whose execution thereof shall be conclusive evidence of the approval of any such changes or additions. The Executive Director is hereby authorized and directed for and in the name and on behalf of the Authority to execute, and the Secretary of the Authority is hereby authorized and directed to attest to, the final form of each such agreement:

- Indenture of Trust, between the Authority and U.S. Bank National Association, as trustee (the "Trustee"), setting forth the terms and provisions relating to the Refunding Bonds.
- Amended and Restated Site Lease, between the City as lessor and the Authority as lessee of the Leased Property, under which the City and the Authority amend and restate the site lease relating to the 2015 Bonds for the purpose of incorporating the terms and provisions relating to the Refunding Bonds;
- Amended and Restated Lease Agreement, between the Authority as lessor and the City as lessee of the Leased Property, under which the City and the Authority amend and restate the lease agreement relating to the 2015 Bonds for the purpose of incorporating the terms and provisions relating to the Refunding Bonds, including for the purpose of reducing the schedule of lease payments for the Leased Property to reflect the debt service savings which are realized as a result of the issuance of the Refunding Bonds and the refunding of the 2015 Bonds;
- Assignment Agreement, between the Authority and the Trustee, whereby the Authority assigns certain of its rights under the Amended and Restated Lease Agreement to the Trustee for the benefit of the owners of the Refunding Bonds, and which terminates the assignment previously made for the security of the 2015 Bonds; and
- Escrow Agreement, among the Authority, the City and U.S. Bank National Association, as escrow agent, providing the terms and provisions relating to the refunding and redemption of the 2015 Bonds.

**Section 4. Authorization to Obtain Municipal Bond Insurance.** The Board of Directors hereby directs the Finance Director to determine whether it is feasible and in the best interests of the Authority to obtain municipal bond insurance for the Refunding Bonds. If the Finance Director determines that it is in the best interests of the Authority to obtain

such insurance, the Financial Director is authorized to accept a commitment from a municipal bond insurer to issue such insurance, in the name and on behalf of the Authority.

**Section 5. Sale of Refunding Bonds.** The Board of Directors hereby approves the sale of the Refunding Bonds by the Authority on a negotiated basis to Stifel, Nicolaus & Company, Incorporated (the "Underwriter"). The Refunding Bonds shall be sold to the Underwriter pursuant to the Bond Purchase Agreement among the Authority, the City and the Underwriter in substantially the form on file with the Secretary together with any changes therein or additions thereto deemed advisable by the Executive Director or the Finance Director (each, an "Authorized Officer"), and execution of the final form of the Bond Purchase Agreement by an Authorized Officer shall be conclusive evidence of the approval of any such changes or additions. The Finance Director is hereby authorized to approve an offer from the Underwriter to purchase the Refunding Bonds, provided that the amount of Underwriter's discount for the Refunding Bonds shall be not more than 0.8% of the par amount thereof, and the true interest cost of the Refunding Bonds shall not exceed 2.25% per annum. An Authorized Officer is hereby authorized and directed to execute the final form of the Bond Purchase Agreement in the name and on behalf of the Authority.

**Section 6. Official Statement.** The Board of Directors hereby approves and deems final within the meaning of Rule 15c2-12 of the Securities Exchange Act of 1934, the Preliminary Official Statement describing the Refunding Bonds in the form on file with the Secretary of the Authority. An Authorized Officer is individually authorized, at the request of the Underwriter, to execute an appropriate certificate affirming the Board of Directors' determination that the Preliminary Official Statement has been deemed final within the meaning of such Rule. Distribution of the Preliminary Official Statement by the Underwriter is hereby approved. An Authorized Officer is hereby authorized and directed to approve any changes in or additions to a final form of said Official Statement, and the execution thereof by an Authorized Officer shall be conclusive evidence of approval of any such changes and additions. The Board of Directors hereby authorizes the distribution of the Final Official Statement by the purchaser of the Refunding Bonds. The Final Official Statement shall be executed in the name and on behalf of the Authority by an Authorized Officer.

**Section 7. Official Actions.** The President, the Executive Director, the Assistant Treasurer, the Secretary, the Authority Attorney and all other officers of the Authority are each authorized and directed in the name and on behalf of the Authority to make any and all leases, assignments, certificates, requisitions, agreements, notices, consents, instruments of conveyance, warrants and other documents, which they or any of them deem necessary or appropriate in order to consummate any of the transactions contemplated by the agreements and documents approved under this Resolution. Whenever in this resolution any officer of the Authority is authorized to execute or countersign any document or take any action, such execution, countersigning or action may be taken on behalf of such officer by any person designated by such officer to act on his or her behalf if such officer is absent or unavailable.

**Section 8. Effective Date.** This Resolution shall take effect immediately upon its passage and adoption.

\* \* \* \* \*

**PASSED AND ADOPTED** by the Board of Directors of the Hermosa Beach Public Financing Authority at a regular meeting held on September 22, 2020, by the following vote:

AYES:

NOES:

ABSENT:

Attest:

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President

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Secretary

## **APPENDIX A**

### **REQUIRED DISCLOSURES PURSUANT TO GOVERNMENT CODE SECTION 5852.1**

1. True Interest Cost of the Refunding Bonds (Estimated): 1.75%
2. Finance charge of the Refunding Bonds in the estimated amount of \$228,000, being the sum of all fees and charges paid to third parties (consisting of costs of issuance in the estimated amount of \$170,000 and underwriter's compensation in the estimated amount of \$58,000).
3. Proceeds of the Refunding Bonds expected to be received by the Authority, net of proceeds for Costs of Issuance in (2) above to paid, capitalized interest and reserves (if any) from the principal amount of the Refunding Bonds (Estimated): \$7,928,000.
4. Total Payment Amount for the Refunding Bonds, being the sum of all debt service to be paid on the Refunding Bonds to final maturity (Estimated): \$11,025,000.

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*\*All amounts and percentages are estimates, and are made in good faith by the Authority and the District based on information available as of the date of adoption of this Resolution. Estimates include certain assumptions regarding tax-exempt rates available in the bond market at the time of pricing the Refunding Bonds.*



RECORDING REQUESTED BY:  
Stewart Title Guaranty Company  
Commercial Services San Francisco

TO BE RECORDED MAIL TO:  
Jones Hall, A Professional Law Corporation  
475 Sansome Street, Suite 1700  
San Francisco, California 94111  
Attention: Charles F. Adams, Esq.

File No.

APN:

## **AMENDED AND RESTATED LEASE AGREEMENT**

This AMENDED AND RESTATED LEASE AGREEMENT (this "Lease Agreement"), dated for convenience as of October 1, 2020, is between the HERMOSA BEACH PUBLIC FINANCING AUTHORITY, a joint powers authority duly organized and existing under the laws of the State of California, as lessor (the "Authority"), and the CITY OF HERMOSA BEACH, a municipal corporation duly organized and existing under the laws of the State of California, as lessee (the "City").

### ***B A C K G R O U N D :***

1. The Authority has previously issued its Hermosa Beach Public Financing Authority 2015 Lease Revenue Bonds in the aggregate principal amount of \$11,600,000 (the "2015 Bonds") for the purpose of providing funds to enable the City to discharge its obligation to settle certain claims made against the City, pursuant to that certain Settlement Agreement and Release dated as of March 2, 2012 between MacPherson Oil Company, Woodward Associates, E & B Natural Resources Management Corporation and the City.

2. The 2015 Bonds are secured by a pledge of lease payments which are made by the City as rental for certain property consisting generally of the land and improvements which constitute the existing civic center of the City, as described more fully in Appendix A which is attached hereto and by this reference incorporated herein (the "Leased Property"), under a Lease Agreement dated as of August 1, 2015, which was recorded on August 13, 2015, as Document No. 2015-0994373 in the Office of the Los Angeles County Recorder (the "2015 Lease Agreement"), between the City and the Authority.

3. The 2015 Bonds are subject to redemption at the option of the Authority on November 1, 2020, at a redemption price equal to 100% of the principal amount thereof together with accrued interest thereon to the redemption date, without premium.

4. The City and the Authority have determined that it is in their best interests to refund the 2015 Bonds and in order to provide funds for that purpose the Authority has authorized the issuance of its 2020 Refunding Lease Revenue Bonds in the aggregate

principal amount of \$\_\_\_\_\_ (the "Bonds"), under an Indenture of Trust dated as of October 1, 2020 (the "Indenture"), between the Authority and U.S. Bank National Association, as trustee (the "Trustee").

5. The City and the Authority wish to amend and restate the 2015 Lease Agreement pursuant to this Lease Agreement for the purpose of providing for the payment of lease payments by the City (the "Lease Payments") which have been assigned by the Authority to the Trustee for the security of the Bonds under an Assignment Agreement dated as of October 1, 2020 (the "Assignment Agreement"), which has been recorded concurrently herewith, between the Authority as assignor and the Trustee as assignee.

6. The Authority has been organized for the purpose of providing financial assistance to the City and is authorized to enter into financing documents for that purpose.

#### **A G R E E M E N T :**

*In consideration of the above premises and of the mutual promises and covenants herein contained and for other valuable consideration, the parties hereto do hereby agree as follows:*

### **ARTICLE I**

#### **DEFINITIONS; RULES OF INTERPRETATION**

SECTION 1.1. *Definitions.* Unless the context clearly otherwise requires or unless otherwise defined herein, the capitalized terms in this Lease Agreement have the respective meanings given them in the Indenture.

#### **SECTION 1.2. *Interpretation.***

(a) Unless the context otherwise indicates, words expressed in the singular includes the plural and vice versa and the use of the neuter, masculine, or feminine gender is for convenience only and includes the neuter, masculine or feminine gender, as appropriate.

(b) Headings of articles and sections herein and the table of contents hereof are solely for convenience of reference, do not constitute a part hereof and do not affect the meaning, construction or effect hereof.

(c) All references herein to "Articles," "Sections" and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Lease Agreement; the words "herein," "hereof," "hereby," "hereunder" and other words of similar import refer to this Lease Agreement as a whole and not to any particular Article, Section or subdivision hereof.

(d) Whenever the term "may" is used herein with respect to an action by one of the parties hereto, such action shall be discretionary and the party who "may" take such action shall be under no obligation to do so.

## ARTICLE II

### COVENANTS, REPRESENTATIONS AND WARRANTIES

SECTION 2.1. *Covenants, Representations and Warranties of the City.* The City makes the following covenants, representations and warranties to the Authority and the Trustee as of the date of the execution and delivery of this Lease Agreement:

- (a) Due Organization and Existence. The City is a municipal corporation duly organized and validly existing under the laws of the State of California, has full legal right, power and authority under the laws of the State of California to enter into the Site Lease, the Escrow Agreement and this Lease Agreement and to carry out and consummate all transactions contemplated hereby, and by proper action the City has duly authorized the execution and delivery of the Site Lease, the Escrow Agreement and this Lease Agreement.
- (b) Due Execution. The representatives of the City executing the Site Lease, the Escrow Agreement and this Lease Agreement have been fully authorized to execute the same under a resolution duly adopted by the City Council of the City.
- (c) Valid, Binding and Enforceable Obligations. The Site Lease, the Escrow Agreement and this Lease Agreement have been duly authorized, executed and delivered by the City and constitute the legal, valid and binding obligations of the City enforceable against the City in accordance with their respective terms.
- (d) No Conflicts. The execution and delivery of the Site Lease, the Escrow Agreement and this Lease Agreement, the consummation of the transactions therein and herein contemplated and the fulfillment of or compliance with the terms and conditions thereof and hereof, do not and will not conflict with or constitute a violation or breach of or default (with due notice or the passage of time or both) under any applicable law or administrative rule or regulation, or any applicable court or administrative decree or order, or any indenture, mortgage, deed of trust, lease, contract or other agreement or instrument to which the City is a party or by which it or its properties are otherwise subject or bound, or result in the creation or imposition of any prohibited lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of the City, which conflict, violation, breach, default, lien, charge or encumbrance would have consequences that would materially and adversely affect the consummation of the transactions contemplated by the Site Lease, the Escrow Agreement and this Lease Agreement or the financial condition, assets, properties or operations of the City.
- (e) Consents and Approvals. No consent or approval of any trustee or holder of any indebtedness of the City or of the voters of the City, and no consent, permission, authorization, order or license of, or filing or

registration with, any governmental authority is necessary in connection with the execution and delivery of the Site Lease, the Escrow Agreement and this Lease Agreement, or the consummation of any transaction therein and herein contemplated, except as have been obtained or made and as are in full force and effect.

- (f) No Litigation. There is no action, suit, proceeding, inquiry or investigation before or by any court or federal, state, municipal or other governmental authority pending or, to the knowledge of the City after reasonable investigation, threatened against or affecting the City or the assets, properties or operations of the City which, if determined adversely to the City or its interests, would have a material and adverse effect upon the consummation of the transactions contemplated by or the validity of the Site Lease, the Escrow Agreement and this Lease Agreement, or upon the financial condition, assets, properties or operations of the City, and the City is not in default with respect to any order or decree of any court or any order, regulation or demand of any federal, state, municipal or other governmental authority, which default might have consequences that would materially and adversely affect the consummation of the transactions contemplated by the Site Lease, the Escrow Agreement and this Lease Agreement or the financial conditions, assets, properties or operations of the City.

SECTION 2.2. *Covenants, Representations and Warranties of the Authority.* The Authority makes the following covenants, representations and warranties to the City and the Trustee as of the date of the execution and delivery of this Lease Agreement:

- (a) Due Organization and Existence. The Authority is a joint exercise of powers authority duly organized and existing under a joint powers agreement and the laws of the State of California; has power to enter into this Lease Agreement, the Site Lease, the Escrow Agreement, the Assignment Agreement and the Indenture; is possessed of full power to own and hold, improve and equip real and personal property, and to lease the same; and has duly authorized the execution and delivery of each of the aforesaid agreements and such agreements constitute the legal, valid and binding obligations of the Authority, enforceable against the Authority in accordance with their respective terms.
- (b) Due Execution. The representatives of the Authority executing this Lease Agreement, the Site Lease, the Escrow Agreement, the Assignment Agreement and the Indenture are fully authorized to execute the same pursuant to official action taken by the governing body of the Authority.
- (c) Valid, Binding and Enforceable Obligations. This Lease Agreement, the Site Lease, the Escrow Agreement, the Assignment Agreement and the Indenture have been duly authorized, executed and delivered by the Authority and constitute the legal, valid and binding

agreements of the Authority, enforceable against the Authority in accordance with their respective terms.

- (d) No Conflicts. The execution and delivery of this Lease Agreement, the Site Lease, the Escrow Agreement, the Assignment Agreement and the Indenture, the consummation of the transactions herein and therein contemplated and the fulfillment of or compliance with the terms and conditions hereof, do not and will not conflict with or constitute a violation or breach of or default (with due notice or the passage of time or both) under any applicable law or administrative rule or regulation, or any applicable court or administrative decree or order, or any indenture, mortgage, deed of trust, lease, contract or other agreement or instrument to which the Authority is a party or by which it or its properties are otherwise subject or bound, or result in the creation or imposition of any prohibited lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of the Authority, which conflict, violation, breach, default, lien, charge or encumbrance would have consequences that would materially and adversely affect the consummation of the transactions contemplated by this Lease Agreement, the Site Lease, the Escrow Agreement, the Assignment Agreement and the Indenture or the financial condition, assets, properties or operations of the Authority.
- (e) Consents and Approvals. No consent or approval of any trustee or holder of any indebtedness of the Authority, and no consent, permission, authorization, order or license of, or filing or registration with, any governmental authority is necessary in connection with the execution and delivery of this Lease Agreement, the Site Lease, the Escrow Agreement, the Assignment Agreement or the Indenture, or the consummation of any transaction herein or therein contemplated, except as have been obtained or made and as are in full force and effect.
- (f) No Litigation. There is no action, suit, proceeding, inquiry or investigation before or by any court or federal, state, municipal or other governmental authority pending or, to the knowledge of the Authority after reasonable investigation, threatened against or affecting the Authority or the assets, properties or operations of the Authority which, if determined adversely to the Authority or its interests, would have a material and adverse effect upon the consummation of the transactions contemplated by or the validity of this Lease Agreement, the Site Lease, the Escrow Agreement, the Assignment Agreement or the Indenture, or upon the financial condition, assets, properties or operations of the Authority, and the Authority is not in default with respect to any order or decree of any court or any order, regulation or demand of any federal, state, municipal or other governmental authority, which default might have consequences that would materially and adversely affect the consummation of the transactions contemplated by this Lease Agreement, the Site Lease, the Escrow Agreement, the Assignment

Agreement or the Indenture or the financial conditions, assets, properties or operations of the Authority.

### **ARTICLE III**

#### **LEASE TO THE CITY; ISSUANCE OF BONDS AND APPLICATION OF PROCEEDS; SUBSTITUTION AND RELEASE OF LEASED PROPERTY**

SECTION 3.1. *Lease of Leased Property.* This Lease Agreement constitutes an amendment and restatement in full of the 2015 Lease Agreement. From and after the Closing Date, the 2015 Lease Agreement, in the form heretofore executed and delivered by the City and the Authority, shall be of no further force and effect and shall be deemed to be restated in full hereby. The Authority continues to and does hereby lease the Leased Property to the City upon the terms and conditions set forth in this Lease Agreement, without interruption by virtue of the amendment and restatement of the 2015 Lease Agreement hereby.

SECTION 3.2. *Issuance of Bonds; Application of Proceeds.* In consideration for the agreement by the City to amend and restate the 2015 Site Lease as provided herein, the Authority hereby agrees to issue the Bonds under the Bond Law for the purpose of providing funds to refund the 2015 Bonds in full. The proceeds received by the Authority from the sale of the Bonds to the Original Purchaser shall be applied on the Closing Date in the amounts and for the purposes set forth in Section 3.02 of the Indenture.

SECTION 3.3. *Substitution of Property.* The City has the option at any time and from time to time to substitute other real property (the "Substitute Property") for the Leased Property or any portion thereof (the "Former Property"), upon satisfaction of all of the following requirements which are hereby declared to be conditions precedent to such substitution:

- (a) No Event of Default has occurred and is continuing.
- (b) The City has filed with the Authority and the Trustee, and caused to be recorded in the office of the Los Angeles County Recorder sufficient memorialization of, an amendment hereof and an amendment of the Site Lease which removes the Former Property from this Lease Agreement and the Site Lease and which adds the Substitute Property to this Lease and the Site Lease.
- (c) The City has obtained a CLTA policy of title insurance insuring the City's leasehold estate hereunder in the Substitute Property, subject only to Permitted Encumbrances, in an amount at least equal to the estimated value thereof.
- (d) The City has certified in writing to the Authority and the Trustee that the Substitute Property serves the municipal purposes of the City and constitutes property which the City is permitted to lease under the laws of the State of California, and has been determined to serve a governmental function of the City.

- (e) The Substitute Property does not cause the City to violate any of its covenants, representations and warranties made herein.
- (f) The City and the Authority have filed a written certificate with the Trustee stating that (a) based on the estimated value of the Substitute Property, the remaining Lease Payments constitute fair rental value for the use and occupancy of the Substitute Property, taking into consideration the factors set forth in Section 4.2(d), and (b) the useful life of the Substitute Property at least extends to November 1, 2045.
- (g) The City has mailed written notice of such substitution to each rating agency which then maintains a rating on the Bonds.

Upon the satisfaction of all such conditions precedent, the Term of this Lease Agreement and the term of the Site Lease will thereupon end as to the Former Property and commence as to the Substitute Property, and all references to the Former Property herein and therein will apply with full force and effect to the Substitute Property. The City shall not be entitled to any reduction, diminution, extension or other modification of the Lease Payments whatsoever as a result of any substitution of property under this Section. The Authority and the City shall execute, deliver and cause to be recorded all documents required to discharge the Site Lease, this Lease Agreement and the Assignment Agreement of record against the Former Property and to cause the Substitute Property to become subject to all of the terms and conditions of the Site Lease, this Lease Agreement and the Assignment Agreement.

SECTION 3.4. *Release of Property.* The City has the option at any time and from time to time to release any portion of the Leased Property from this Lease Agreement and the Site Lease (the "Released Property"), upon satisfaction of all of the following requirements which are hereby declared to be conditions precedent to such release:

- (a) No Event of Default has occurred and is continuing.
- (b) The City has filed with the Authority and the Trustee, and caused to be recorded in the office of the Los Angeles County Recorder sufficient memorialization of, an amendment hereof and an amendment of the Site Lease which removes the Released Property from this Lease Agreement and the Site Lease.
- (c) The City and the Authority have filed with the Trustee a written certificate stating that based on the estimated value of the property which remains subject to this Lease Agreement following such release, the remaining Lease Payments constitute fair rental value for the use and occupancy of such property, taking into consideration the factors set forth in Section 4.2(d).
- (d) The City has mailed written notice of such release to each rating agency which then maintains a rating on the Bonds.

Upon the satisfaction of all such conditions precedent, the Term of this Lease Agreement and the term of the Site Lease will thereupon end as to the Released Property.

The City shall not be entitled to any reduction, diminution, extension or other modification of the Lease Payments whatsoever as a result of such release. The Authority and the City shall execute, deliver and cause to be recorded all documents required to discharge the Site Lease, this Lease Agreement and the Assignment Agreement of record against the Released Property.

SECTION 3.5. *No Merger.* It is the express intention of the Authority and the City that this Lease Agreement and the obligations of the parties hereunder shall be and remain separate and distinct from the Site Lease and the obligations of the parties thereunder, and that during the term of the Site Lease and this Lease Agreement no merger of title or interest shall occur or be deemed to occur as a result of the respective positions of the Authority and the City thereunder and hereunder.

## **ARTICLE IV**

### **TERM OF THIS LEASE AGREEMENT; LEASE PAYMENTS**

SECTION 4.1. *Term.* The Term of this Lease Agreement shall commence on the Closing Date and end on the date on which the Indenture is discharged in accordance with Section 10.01 thereof, unless such term is extended as hereinafter provided. If on November 1, 2035, the Indenture shall not be discharged by its terms, or if the Lease Payments payable hereunder shall have been abated at any time and for any reason, then the Term of this Lease Agreement shall be extended until the Indenture shall be discharged by its terms, but not to exceed November 1, 2045.

#### **SECTION 4.2. *Lease Payments.***

(a) Obligation to Pay. Subject to the provisions of Sections 6.2 and 6.3, the City agrees to pay to the Authority, its successors and assigns, the Lease Payments in the respective amounts specified in Appendix B attached to this Lease Agreement, to be due and payable in immediately available funds on the Interest Payment Dates immediately following each of the respective Lease Payment Dates specified in Appendix B, and to be deposited by the City with the Trustee on each of the Lease Payment Dates specified in Appendix B. Any amount held in the Bond Fund, the Interest Account and the Principal Account on any Lease Payment Date (other than amounts required for payment of past due principal or interest on any Bonds not presented for payment) will be credited towards the Lease Payment then required to be paid hereunder. The City shall not be required to deposit any Lease Payment with the Trustee on any Lease Payment Date if the amounts then held in the Bond Fund, the Interest Account and the Principal Account are at least equal to the Lease Payment then required to be deposited with the Trustee.

(b) Effect of Prepayment. If the City prepays all Lease Payments in full under Sections 9.2 or 9.3, the City's obligations under this Section will thereupon cease and terminate. If the City prepays the Lease Payments in part but not in whole under Sections 9.2 or 9.3, the principal and interest components of the remaining Lease Payments will be reduced to correspond to the payments of principal of and interest on the Bonds coming due and payable following the resulting redemption of the Bonds under the Indenture.



(c) Rate on Overdue Payments. If the City fails to make any of the payments required in this Section, the payment in default will continue as an obligation of the City until the amount in default has been fully paid, and the City agrees to pay the same with interest thereon, from the date of default to the date of payment at the highest rate of interest on any Outstanding Bond.

(d) Fair Rental Value. The aggregate amount of the Lease Payments and Additional Rental Payments coming due and payable during each Rental Period shall constitute the total rental for the Leased Property for such Rental Period, and shall be payable by the City in each Rental Period for and in consideration of the right of the use and occupancy of, and the continued quiet use and enjoyment of the Leased Property during such Rental Period. The parties hereto have agreed and determined that the total Lease Payments represent the fair rental value of the Leased Property. In making that determination, consideration has been given to the estimated value of the Leased Property, other obligations of the City and the Authority under this Lease Agreement, the uses and purposes which may be served by the Leased Property and the benefits therefrom which will accrue to the City and the general public.

(e) Assignment. The City understands and agrees that all Lease Payments have been assigned by the Authority to the Trustee in trust under the Assignment Agreement, for the benefit of the Owners of the Bonds, and the City hereby assents to such assignment. The Authority hereby directs the City, and the City hereby agrees, to pay all amounts due under this Section to the Trustee at its Office.

SECTION 4.3. *Source of Payments; Covenant to Budget and Appropriate.* The Lease Payments shall be payable from any source of available funds of the City, subject to the provisions of Sections 6.2 and 6.3. The City covenants to take all actions required to include the Lease Payments in each of its budgets during the Term of this Lease Agreement and to make the necessary appropriations for all Lease Payments and Additional Rental Payments. The foregoing covenant of the City contained constitutes a duty imposed by law and each and every public official of the City is required to take all actions required by law in the performance of the official duty of such officials to enable the City to carry out and perform the covenants and agreements in this Lease Agreement agreed to be carried out and performed by the City.

SECTION 4.4. *Additional Rental Payments.* In addition to the Lease Payments, the City shall pay when due the following amounts of Additional Rental Payments in consideration of the lease of the Leased Property by the City from the Authority hereunder:

- (a) all fees and expenses incurred by the Authority in connection with or by reason of its leasehold estate in the Leased Property, when due;
- (b) compensation to the Trustee for its services rendered under the Indenture and for all expenses, charges, costs, liabilities, legal fees and other disbursements incurred by the Trustee in and about the performance of its powers and duties under the Indenture;
- (c) all fees and expenses of such accountants, consultants, attorneys and other experts as may be engaged by the Authority or the Trustee to prepare audits, financial statements, reports, opinions or provide

such other services required under this Lease Agreement or the Indenture;

- (d) all amounts coming due and payable as Excess Investment Earnings in accordance with Section 7.6(e); and
- (e) all out-of-pocket expenses of the Authority in connection with the execution and delivery of this Lease Agreement or the Indenture, or in connection with the issuance of the Bonds, including but not limited to any and all expenses incurred in connection with the authorization, sale and delivery of the Bonds, or incurred by the Authority in connection with any litigation which may at any time be instituted involving this Lease Agreement, the Bonds, the Indenture or any of the other documents contemplated hereby or thereby, or otherwise incurred in connection with the administration of this Lease Agreement.

SECTION 4.5. *Quiet Enjoyment.* Throughout the Term of this Lease Agreement, the Authority shall provide the City with quiet use and enjoyment of the Leased Property and the City will peaceably and quietly have and hold and enjoy the Leased Property, without suit, trouble or hindrance from the Authority, except as expressly set forth in this Lease Agreement. The Authority will, at the request of the City and at the City's cost, join in any legal action in which the City asserts its right to such possession and enjoyment to the extent the Authority may lawfully do so. Notwithstanding the foregoing, the Authority has the right to inspect the Leased Property as provided in Section 7.2.

SECTION 4.6. *Title.* Upon the termination of this Lease Agreement (other than as a result of the occurrence of an Event of Default under Article VIII), all right, title and interest of the Authority in and to the Leased Property shall transfer to and vest in the City. The Authority shall take any and all steps and execute and record any and all documents reasonably required by the City to consummate any such transfer of title.

## **ARTICLE V**

### **MAINTENANCE; TAXES; INSURANCE; AND OTHER MATTERS**

SECTION 5.1. *Maintenance, Utilities, Taxes and Assessments.* Throughout the Term of this Lease Agreement, as part of the consideration for the rental of the Leased Property, all improvement, repair and maintenance of the Leased Property shall be the responsibility of the City, and the City shall pay for or otherwise arrange for the payment of all utility services supplied to the Leased Property, which may include, without limitation, janitor service, security, power, gas, telephone, light, heating, water and all other utility services, and will pay for or otherwise arrange for the payment of the cost of the repair and replacement of the Leased Property resulting from ordinary wear and tear or want of care on the part of the City or any assignee or sublessee thereof. In exchange for the Lease Payments herein provided, the Authority agrees to provide only the Leased Property. The City waives the benefits of subsections 1 and 2 of Section 1932, Section 1933(4) and Sections 1941 and 1942 of the California Civil Code, but such waiver does not limit any of the rights of the City under the terms of this Lease Agreement.

The City shall also pay or cause to be paid all taxes and assessments of any type or nature, if any, charged to the Authority or the City affecting the Leased Property or the respective interests or estates therein; provided that with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, the City shall pay only such installments as are required to be paid during the Term of this Lease Agreement as and when the same become due.

The City may, at its expense and in its name, in good faith contest any such taxes, assessments, utility and other charges and, in the event of any such contest, may permit the taxes, assessments or other charges so contested to remain unpaid during the period of such contest and any appeal therefrom unless the Authority notifies the City that, in its reasonable opinion, by nonpayment of any such items the interest of the Authority in the Leased Property will be materially endangered or the Leased Property or any part thereof will be subject to loss or forfeiture, in which event the City shall promptly pay such taxes, assessments or charges or provide the Authority with full security against any loss which may result from nonpayment, in form satisfactory to the Authority and the Trustee.

SECTION 5.2. *Modification of Leased Property.* The City has the right, at its own expense, to make additions, modifications and improvements to the Leased Property or any portion thereof. All additions, modifications and improvements to the Leased Property will thereafter comprise part of the Leased Property and become subject to the provisions of this Lease Agreement. Such additions, modifications and improvements may not in any way damage the Leased Property, or cause the Leased Property to be used for purposes other than those authorized under the provisions of state and federal law; and the Leased Property, upon completion of any additions, modifications and improvements made thereto under this Section, shall be of a value which is not substantially less than the value thereof immediately prior to the making of such additions, modifications and improvements. The City will not permit any mechanic's or other lien to be established or remain against the Leased Property for labor or materials furnished in connection with any remodeling, additions, modifications, improvements, repairs, renewals or replacements made by the City under this Section; except that if any such lien is established and the City first notifies or causes to be notified the Authority of the City's intention to do so, the City may in good faith contest any lien filed or established against the Leased Property, and in such event may permit the items so contested to remain undischarged and unsatisfied during the period of such contest and any appeal therefrom and shall provide the Authority with full security against any loss or forfeiture which might arise from the nonpayment of any such item, in form satisfactory to the Authority. The Authority will cooperate fully in any such contest, upon the request and at the expense of the City.

SECTION 5.3. *Liability Insurance.* The City shall maintain or cause to be maintained throughout the Term of this Lease Agreement, but only if and to the extent available from reputable insurers at reasonable cost in the opinion of the City, a standard commercial general liability insurance policy or policies in protection of the Authority, the City, and their respective members, officers, agents, employees and assigns. Said policy or policies shall provide for indemnification of said parties against direct or contingent loss or liability for damages for bodily and personal injury, death or property damage occasioned by reason of the operation of the Leased Property. Such policy or policies shall provide coverage in such liability limits and be subject to such deductibles as the City deems adequate and prudent. Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the City, and may be maintained in whole or

in part in the form of self-insurance by the City, subject to the provisions of Section 5.7, or in the form of the participation by the City in a joint powers agency or other program providing pooled insurance. The proceeds of such liability insurance shall be applied toward extinguishment or satisfaction of the liability with respect to which it has been paid.

SECTION 5.4. *Casualty Insurance.* The City shall procure and maintain, or cause to be procured and maintained, throughout the Term of this Lease Agreement, casualty insurance against loss or damage to all buildings situated on the Leased Property, in an amount at least equal to the lesser of (a) 100% of the replacement value of the insured buildings, or (b) 100% of the aggregate principal amount of the Outstanding Bonds. Such insurance shall, as nearly as practicable, cover loss or damage by explosion, windstorm, riot, aircraft, vehicle damage, smoke and such other hazards as are normally covered by such insurance; provided that earthquake insurance shall not be required under any circumstances. Such insurance may be subject to such deductibles as the City deems adequate and prudent. Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the City, and may be maintained in whole or in part in the form of the participation by the City in a joint powers agency or other program providing pooled insurance; provided that such insurance may not be maintained by the City in the form of self-insurance. The Net Proceeds of such insurance shall be applied as provided in Section 6.1.

SECTION 5.5. *Rental Interruption Insurance.* The City shall procure and maintain, or cause to be procured and maintained, throughout the Term of this Lease Agreement, rental interruption or use and occupancy insurance to cover loss, total or partial, of the use of any portion of the Leased Property constituting buildings or other improvements as a result of any of the hazards covered in the insurance required by Section 5.4, in an amount at least equal to the maximum such Lease Payments coming due and payable during any consecutive two Fiscal Years. Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the City, and may be maintained in whole or in part in the form of the participation by the City in a joint powers agency or other program providing pooled insurance; provided that such insurance may not be maintained by the City in the form of self-insurance. The proceeds of such insurance, if any, shall be paid to the Trustee and deposited in the Bond Fund, to be applied as a credit towards the payment of the Lease Payments allocable to the insured improvements as the same become due and payable.

SECTION 5.6. *Recordation Hereof; Title Insurance.* On or before the Closing Date the City shall, at its expense, (a) cause the Site Lease, the Assignment Agreement and this Lease Agreement, or a memorandum hereof or thereof in form and substance approved by Bond Counsel, to be recorded in the office of the Los Angeles County Recorder, and (b) obtain a CLTA title insurance policy insuring the City's leasehold estate hereunder in the Leased Property, subject only to Permitted Encumbrances, in an amount at least equal to the aggregate principal amount of the Bonds. All Net Proceeds received under any such title insurance policy shall be deposited with the Trustee and applied in accordance with the provisions of the Indenture.

SECTION 5.7. *Insurance Net Proceeds; Form of Policies.* Each policy of insurance maintained under Sections 5.4, 5.5 and 5.6 shall name the Trustee as loss payee so as to provide that all proceeds thereunder are payable to the Trustee. The City shall pay or cause to be paid when due the premiums for all insurance policies required by this Lease Agreement. All such policies shall provide that the Trustee is given 30 days' notice of

each expiration, any intended cancellation thereof or reduction of the coverage provided thereby. The City shall file with the Trustee, upon the written request of the Trustee, a certificate of the City stating that all policies of insurance required hereunder are then in full force and effect. The Trustee has no responsibility for the sufficiency, adequacy or amount of any insurance or self-insurance herein required and is fully protected in accepting payment on account of such insurance or any adjustment, compromise or settlement of any loss.

If any insurance maintained under Section 5.3 is provided in the form of self-insurance, the City shall file with the Trustee annually, within 90 days following the close of each Fiscal Year, a statement of the risk manager of the City or an independent insurance adviser engaged by the City identifying the extent of such self-insurance and stating the determination that the City maintains sufficient reserves with respect thereto. If any such insurance is provided in the form of self-insurance by the City, the City has no obligation to make any payment with respect to any insured event except from those reserves.

SECTION 5.8. *Installation of City's Personal Property.* The City may at any time and from time to time, in its sole discretion and at its own expense, install or permit to be installed other items of equipment or other personal property in or upon the Leased Property. All such items shall remain the sole property of the City, in which neither the Authority nor the Trustee has any interest, and may be modified or removed by the City at any time, provided that the City shall repair all damage to the Leased Property resulting from the installation, modification or removal of any such items. Nothing in this Lease Agreement prevents the City from purchasing or leasing items to be installed under this Section under a lease or conditional sale agreement, or subject to a vendor's lien or security agreement, as security for the unpaid portion of the purchase price thereof, so long as no such lien or security interest attaches to any part of the Leased Property.

SECTION 5.9. *Liens.* The City may not, directly or indirectly, create, incur, assume or suffer to exist any mortgage, pledge, lien, charge, encumbrance or claim on or with respect to the Leased Property, other than as herein contemplated and except for such encumbrances as the City certifies in writing to the Trustee do not materially and adversely affect the leasehold estate of the City in the Leased Property hereunder. If any such mortgage, pledge, lien, charge, encumbrance or claim does materially and adversely affect the leasehold estate of the City in the Leased Property hereunder, the City will promptly, at its own expense, take such action as may be necessary to duly discharge or remove any such mortgage, pledge, lien, charge, encumbrance or claim, for which it is responsible; provided that the City is not required to do so prior to the time when such mortgage, pledge, lien, charge, encumbrance or claim actually causes such material adverse effect. The City will reimburse the Authority for any expense incurred by it in order to discharge or remove any such mortgage, pledge, lien, charge, encumbrance or claim.

SECTION 5.10. *Advances.* If the City fails to perform any of its obligations under this Article, the Authority may take such action as it deems necessary to cure such failure, including the advancement of money, and the City shall repay all such advances as Additional Rental Payments hereunder, with interest at the rate set forth in Section 4.2(c).

## ARTICLE VI

### **DAMAGE, DESTRUCTION AND EMINENT DOMAIN; USE OF NET PROCEEDS**

SECTION 6.1. *Application of Net Proceeds.* The Trustee, as assignee of the Authority under the Assignment Agreement, shall have the right to receive all Net Proceeds. As provided in the Indenture, the Trustee shall deposit all Net Proceeds in the Insurance and Condemnation Fund to be applied as set forth in Section 5.05 of the Indenture.

SECTION 6.2. *Termination or Abatement Due to Eminent Domain.* If the Leased Property is taken permanently under the power of eminent domain or sold to a government threatening to exercise the power of eminent domain, the Term of this Lease Agreement thereupon ceases as of the day possession is taken. If less than all of the Leased Property is taken permanently, or if the Leased Property is taken temporarily, under the power of eminent domain, then:

- (a) this Lease Agreement shall continue in full force and effect with respect thereto and does not terminate by virtue of such taking, and the parties waive the benefit of any law to the contrary; and
- (b) the Lease Payments are subject to abatement in an amount determined by the City such that the resulting Lease Payments represent fair consideration for the use and occupancy of the remaining usable portions of the Leased Property.

SECTION 6.3. *Abatement Due to Damage or Destruction.* The Lease Payments are subject to abatement during any period in which by reason of damage or destruction (other than by eminent domain which is hereinbefore provided for) there is substantial interference with the use and occupancy by the City of the Leased Property or any portion thereof. The Lease Payments are subject to abatement in an amount determined by the City such that the resulting Lease Payments represent fair consideration for the use and occupancy of the remaining usable portions of the Leased Property not damaged or destroyed. Such abatement will continue for the period commencing with such damage or destruction and ending with the substantial completion of the work of repair or reconstruction. Notwithstanding the foregoing provisions of this Section, the Lease Payments may be paid with proceeds of rental interruption insurance during any period in which the Lease Payments would otherwise be subject to abatement, it being hereby declared that such proceeds constitute a special fund for the payment of the Lease Payments. In the event of any such damage or destruction, this Lease Agreement continues in full force and effect and the City waives any right to terminate this Lease Agreement by virtue of any such damage and destruction.

## ARTICLE VII

### OTHER COVENANTS OF THE CITY

SECTION 7.1. *Disclaimer of Warranties.* THE AUTHORITY MAKES NO AGREEMENT, WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE VALUE, DESIGN, CONDITION, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OR FITNESS FOR THE USE CONTEMPLATED BY THE CITY OF THE LEASED PROPERTY OR ANY PORTION THEREOF, OR ANY OTHER REPRESENTATION OR WARRANTY WITH RESPECT TO THE LEASED PROPERTY OR ANY PORTION THEREOF. THE CITY ACKNOWLEDGES THAT THE AUTHORITY IS NOT A MANUFACTURER OF ANY PORTION OF THE LEASED PROPERTY OR A DEALER THEREIN, THAT THE CITY LEASES THE LEASED PROPERTY AS-IS, IT BEING AGREED THAT ALL OF THE AFOREMENTIONED RISKS ARE TO BE BORNE BY THE CITY. The Authority has no liability for incidental, indirect, special or consequential damages, in connection with or arising out of this Lease Agreement for the existence, furnishing, functioning or use of the Leased Property by the City.

SECTION 7.2. *Access to the Leased Property.* The City agrees that the Authority and any Authorized Representative of the Authority, and the Authority's successors or assigns, have the right at all reasonable times to enter upon and to examine and inspect the Leased Property or any part thereof. The City further agrees that the Authority, any Authority Representative and the Authority's successors or assigns may have such rights of access to the Leased Property or any component thereof as reasonably necessary to cause the proper maintenance of the Leased Property if the City fails to perform its obligations hereunder; *provided, however*, that neither the Authority nor any of its assigns has any obligation to cause such proper maintenance.

SECTION 7.3. *Release and Indemnification Covenants.* The City agrees to indemnify the Authority, the Trustee and their respective officers, agents, successors and assigns, against all claims, losses and damages, including legal fees and expenses, arising out of any of the following:

- (a) the use, maintenance, condition or management of, or from any work or thing done on the Leased Property by the City,
- (b) any breach or default on the part of the City in the performance of any of its obligations under this Lease Agreement,
- (c) any negligence or willful misconduct of the City or of any of its agents, contractors, servants, employees or licensees with respect to the Leased Property,
- (d) any intentional misconduct or negligence of any sublessee of the City with respect to the Leased Property,
- (e) the acquisition, construction, improvement and equipping of the Leased Property, or the authorization of payment of the costs thereof, or

- (f) the acceptance and performance of the duties of the Trustee under the Indenture and under this Lease Agreement.

No indemnification is made under this Section or elsewhere in this Lease Agreement for willful misconduct or negligence under this Lease Agreement by the Authority, the Trustee or their respective officers, agents, employees, successors or assigns.

SECTION 7.4. *Assignment and Subleasing by the City.* The City may sublease the Leased Property, or any portion thereof, subject to all of the following conditions:

- (a) this Lease Agreement and the obligation of the City to make Lease Payments hereunder shall remain obligations of the City;
- (b) the City shall, within 30 days after the delivery thereof, furnish or cause to be furnished to the Authority and the Trustee a true and complete copy of such sublease;
- (c) no such sublease by the City may cause the Leased Property to be used for a purpose which is not authorized under the provisions of the laws of the State of California; and
- (d) the City shall furnish to the Authority and the Trustee a written opinion of Bond Counsel stating that such sublease does not cause the interest components of the Lease Payments to become included in gross income for purposes of federal income taxation or to become subject to personal income taxation by the State of California.

SECTION 7.5. *Amendment Hereof.* The Authority and the City may at any time amend or modify any of the provisions of this Lease Agreement, but only: (a) with the prior written consents of the Owners of a majority in aggregate principal amount of the Outstanding Bonds; or (b) without the consent of the Trustee or any of the Bond Owners, but only if such amendment or modification is for any one or more of the following purposes:

- (i) to add to the covenants and agreements of the City contained in this Lease Agreement, other covenants and agreements thereafter to be observed, or to limit or surrender any rights or power herein reserved to or conferred upon the City;
- (ii) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained herein, to conform to the original intention of the City and the Authority;
- (iii) to modify, amend or supplement this Lease Agreement in such manner as to assure that the interest on the Bonds remains excluded from gross income under the Tax Code;
- (iv) to amend the description of the Leased Property to reflect accurately the property originally intended to be included therein, or in



connection with any substitution or release of property under Sections 3.3 or 3.4;

- (v) to obligate the City to pay additional amounts of rental for the use and occupancy of the Leased Property, but only if (A) such additional rent payments are pledged or assigned for the payment of any bonds, notes or other obligations the proceeds of which are applied to finance or refinance the acquisition or construction of any real or personal property for which the City is authorized to expend funds subject to its control, (B) the City has filed with the Trustee a Written Certificate of the City stating that the estimated value of the Leased Property is, or following the completion of the acquisition and construction of any improvements to be financed from the proceeds of such bonds, notes or other obligations will be, at least equal to the aggregate original principal amount of the Bonds and all such other bonds, notes or other obligations, and (C) the City has filed with the Trustee written evidence that the amendments made under this clause (v) will not of themselves cause a reduction or withdrawal of any rating then assigned to the Bonds; or
- (vi) in any other respect whatsoever as the Authority and the City deem necessary or desirable, if in the opinion of Bond Counsel such modifications or amendments do not materially adversely affect the interests of the Owners of the Bonds.

No such modification or amendment shall (a) extend or have the effect of extending any Lease Payment Date or reducing any Lease Payment, without the express consent of the Owners of the affected Bonds, or (b) modify any of the rights or obligations of the Trustee without its written assent thereto.

#### SECTION 7.6. *Tax Covenants*

(a) Private Business Use Limitation. The City shall assure that the proceeds of the Bonds are not used in a manner which would cause the Bonds to satisfy the private business tests of Section 141(b) of the Tax Code or the private loan financing test of Section 141(c) of the Tax Code.

(b) Federal Guarantee Prohibition. The City shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause the Bonds to be “federally guaranteed” within the meaning of Section 149(b) of the Tax Code.

(c) No Arbitrage. The City shall not take, or permit or suffer to be taken by the Trustee or otherwise, any action with respect to the proceeds of the Bonds or of any other obligations which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the Closing Date, would have caused the Bonds to be “arbitrage bonds” within the meaning of Section 148(a) of the Tax Code.

(d) Maintenance of Tax Exemption. The City shall take all actions necessary to assure the exclusion of interest on the Bonds from the gross income of the Owners of the Bonds to the same extent as such interest is permitted to be excluded from gross income under the Tax Code as in effect on the Closing Date.

(e) Rebate of Excess Investment Earnings to United States. The City shall calculate or cause to be calculated the Excess Investment Earnings in all respects at the times and in the manner required under the Tax Code. The City shall pay the full amount of Excess Investment Earnings to the United States of America in such amounts, at such times and in such manner as may be required under the Tax Code. Such payments shall be made by the City from any source of legally available funds of the City, and shall constitute Additional Rental Payments hereunder.

The City shall keep or cause to be kept, and retain or cause to be retained for a period of six years following the retirement of the Bonds, records of the determinations made under this subsection (e). In order to provide for the administration of this subsection (e), the City may provide for the employment of independent attorneys, accountants and consultants compensated on such reasonable basis as the City may deem appropriate. The Trustee has no duty or obligation to monitor or enforce compliance by the City of any of the requirements under this subsection (e).

SECTION 7.7. *Continuing Disclosure.* The City shall comply with and carry out all of the provisions of the Continuing Disclosure Certificate executed by the City as of the Closing Date, as originally executed and as it may be amended from time to time in accordance with its terms. Notwithstanding any other provision of this Lease Agreement, failure of the City to comply with such Continuing Disclosure Certificate will not constitute an Event of Default, although any Participating Underwriter (as that term is defined in such Continuing Disclosure Certificate) or any Owner or beneficial owner of the Bonds may take such actions as may be necessary and appropriate to compel performance by the City of its obligations under this Section, including seeking mandate or specific performance by court order.

## **ARTICLE VIII**

### **EVENTS OF DEFAULT AND REMEDIES**

SECTION 8.1. *Events of Default Defined.* Any one or more of the following events constitute an Event of Default hereunder:

- (a) Failure by the City to pay any Lease Payment or other payment required to be paid hereunder at the time specified herein.
- (b) Failure by the City to observe and perform any covenant, condition or agreement on its part to be observed or performed, other than as referred to in the preceding subsection (a), for a period of 30 days after written notice specifying such failure and requesting that it be remedied has been given to the City by the Authority or the Trustee. If in the reasonable opinion of the City the failure stated in the notice can be corrected, but not within such 30-day period, the failure will not constitute an Event of Default if the City commences to cure the failure within such 30-day period and thereafter diligently and in good faith cures the failure in a reasonable period of time.

- (c) The filing by the City of a voluntary petition in bankruptcy, or failure by the City promptly to lift any execution, garnishment or attachment, or adjudication of the City as a bankrupt, or assignment by the City for the benefit of creditors, or the entry by the City into an agreement of composition with creditors, or the approval by a court of competent jurisdiction of a petition applicable to the City in any proceedings instituted under the provisions of the Federal Bankruptcy Code, as amended, or under any similar acts which may hereafter be enacted.

SECTION 8.2. *Remedies on Default.* Whenever any Event of Default has happened and is continuing, the Authority may exercise any and all remedies available under law or granted under this Lease Agreement. Notwithstanding anything herein or in the Indenture to the contrary, neither the Authority nor the Trustee may accelerate the Lease Payments or otherwise declare any Lease Payments not then in default to be immediately due and payable. Each covenant hereof to be kept and performed by the City is expressly made a condition and upon the breach thereof the Authority may exercise any and all rights granted hereunder; except that no termination of this Lease Agreement may be effected either by operation of law or acts of the parties hereto, except only in the manner herein expressly provided. Upon the occurrence and during the continuance of any Event of Default, the Authority may exercise each and every one of the following remedies, subject in all respects to the limitations set forth in Section 8.3.

- (a) Enforcement of Payments Without Termination. If the Authority does not elect to terminate this Lease Agreement in the manner hereinafter provided for in subparagraph (b) hereof, the City agrees to and shall remain liable for the payment of all Lease Payments and the performance of all conditions herein contained and shall reimburse the Authority for any deficiency arising out of the re-leasing of the Leased Property, or, if the Authority is unable to re-lease the Leased Property, then for the full amount of all Lease Payments to the end of the Term of this Lease Agreement, but said Lease Payments and/or deficiency shall be payable only at the same time and in the same manner as hereinabove provided for the payment of Lease Payments hereunder, notwithstanding such entry or re-entry by the Authority or any suit in unlawful detainer, or otherwise, brought by the Authority for the purpose of effecting such re-entry or obtaining possession of the Leased Property or the exercise of any other remedy by the Authority. The City hereby irrevocably appoints the Authority as the agent and attorney-in-fact of the City to enter upon and re-lease the Leased Property upon the occurrence and continuation of an Event of Default and to remove all personal property whatsoever situated upon the Leased Property, to place the Leased Property in storage or other suitable place in the County of Los Angeles for the account of and at the expense of the City, and the City hereby exempts and agrees to save harmless the Authority from any costs, loss or damage whatsoever arising or occasioned by any such entry upon and re-leasing of the Leased Property and the removal and storage of the Leased Property by the Authority or its duly authorized agents in accordance with the provisions herein contained. The City agrees that the terms of this Lease Agreement constitute full and sufficient notice of the right of the Authority to re-lease the Leased Property in

the event of such re-entry without effecting a surrender of this Lease Agreement, and further agrees that no acts of the Authority in effecting such re-leasing shall constitute a surrender or termination of this Lease Agreement irrespective of the term for which such re-leasing is made or the terms and conditions of such re-leasing, or otherwise, but that, on the contrary, in the event of such default by the City the right to terminate this Lease Agreement shall vest in the Authority to be effected in the sole and exclusive manner hereinafter provided for in subparagraph (b) hereof. The City agrees to surrender and quit possession of the Leased Property upon demand of the Authority for the purpose of enabling the Leased Property to be re-let under this paragraph, and the City further waives the right to any rental obtained by the Authority in excess of the Lease Payments and hereby conveys and releases such excess to the Authority as compensation to the Authority for its services in re-leasing the Leased Property.

- (b) Termination of Lease. If an Event of Default occurs and is continuing hereunder, the Authority at its option may terminate this Lease Agreement and re-lease all or any portion of the Leased Property. If the Authority terminates this Lease Agreement at its option and in the manner hereinafter provided on account of default by the City (and notwithstanding any re-entry upon the Leased Property by the Authority in any manner whatsoever or the re-leasing of the Leased Property), the City nevertheless agrees to pay to the Authority all costs, loss or damages howsoever arising or occurring payable at the same time and in the same manner as is herein provided in the case of payment of Lease Payments and Additional Rental Payments. Any surplus received by the Authority from such re-leasing shall be deposited in the Bond Fund. Neither notice to pay rent or to deliver up possession of the premises given under law nor any proceeding in unlawful detainer taken by the Authority shall of itself operate to terminate this Lease Agreement, and no termination of this Lease Agreement on account of default by the City shall be or become effective by operation of law, or otherwise, unless and until the Authority shall have given written notice to the City of the election on the part of the Authority to terminate this Lease Agreement. The City covenants and agrees that no surrender of the Leased Property, or of the remainder of the Term hereof or any termination of this Lease Agreement shall be valid in any manner or for any purpose whatsoever unless stated or accepted by the Authority by such written notice.
- (c) Proceedings at Law or In Equity. If an Event of Default occurs and continues hereunder, the Authority may take whatever action at law or in equity may appear necessary or desirable to collect the amounts then due and thereafter to become due hereunder or to enforce any other of its rights hereunder.

SECTION 8.3. *No Remedy Exclusive.* No remedy herein conferred upon or reserved to the Authority is intended to be exclusive and every such remedy is cumulative

and in addition to every other remedy given under this Lease Agreement or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon the occurrence of any Event of Default impairs any such right or power or operates as a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Authority to exercise any remedy reserved to it in this Article it is not necessary to give any notice, other than as expressly required in this Article or by law.

SECTION 8.4. *Agreement to Pay Attorneys' Fees and Expenses.* If the Authority or the City defaults under any of the provisions of this Lease Agreement and the non-defaulting party employs attorneys or incurs other expenses for the collection of moneys or the enforcement or performance or observance of any obligation or agreement on the part of the defaulting party herein contained, the defaulting party will on demand therefor pay to the non-defaulting party the reasonable fees of such attorneys and such other expenses so incurred by the non-defaulting party.

SECTION 8.5. *No Additional Waiver Implied by One Waiver.* If the Authority or the City breaches any agreement in this Lease Agreement and thereafter the other party waives the breach, such waiver is limited to the particular breach so waived and does not operate to waive any other breach hereunder.

SECTION 8.6. *Application of Proceeds.* All net proceeds received from the re-lease of the Leased Property under this Article, and all other amounts derived by the Authority or the Trustee as a result of the occurrence of an Event of Default, shall be paid to and applied by the Trustee in accordance with Section 7.03 of the Indenture.

SECTION 8.7. *Trustee and Bond Owners to Exercise Rights.* Such rights and remedies as are given to the Authority under this Article have been assigned by the Authority to the Trustee under the Assignment Agreement for the benefit of the Bond Owners. The Trustee and the Bond Owners shall exercise such rights and remedies in accordance with the Indenture.

## **ARTICLE IX**

### **PREPAYMENT OF LEASE PAYMENTS**

SECTION 9.1. *Security Deposit.* Notwithstanding any other provision of this Lease Agreement, the City may on any date secure the payment of the Lease Payments allocable to the Leased Property in whole or in part by depositing with the Trustee or an escrow agent an amount of cash which, together with other available amounts on deposit in the funds and accounts established under the Indenture, is either:

- (a) sufficient to pay such Lease Payments, including the principal and interest components thereof, in accordance with the Lease Payment schedule set forth in Appendix B, or
- (b) invested in whole or in part in non-callable Federal Securities in such amount as will, in the opinion of an independent certified public accountant, (which opinion must be addressed and delivered to the Trustee), together with interest to accrue thereon and together with

any cash which is so deposited, be fully sufficient to pay such Lease Payments when due under Section 4.2(a), as the City instructs at the time of said deposit.

If the City makes a security deposit under this Section with respect to all unpaid Lease Payments, and notwithstanding the provisions of Section 4.2, (a) the Term of this Lease Agreement will continue, (b) all obligations of the City under this Lease Agreement, and all security provided by this Lease Agreement for said Lease Payments, will thereupon cease and terminate, excepting only the obligation of the City to make, or cause to be made all of said Lease Payments from such security deposit, and (c) under Section 4.6, title to the Leased Property will vest in the City on the date of said deposit automatically and without further action by the City or the Authority. Said security deposit constitutes a special fund for the payment of Lease Payments in accordance with the provisions of this Lease Agreement.

SECTION 9.2. *Optional Prepayment.* The City has the option to prepay the principal components of the Lease Payments in whole, or in part in any integral multiple of \$5,000, from any source of legally available funds, on any date on or after November 1, 20\_\_, at a prepayment price equal to the aggregate principal components of the Lease Payments to be prepaid, together with the interest component of the Lease Payment required to be paid on such Interest Payment Date, and together with a prepayment premium equal to the premium (if any) required to be paid on the resulting redemption of Bonds under Section 4.01 of the Indenture. Such prepayment price shall be deposited by the Trustee in the Redemption Fund to be applied to the redemption of Bonds under Section 4.01 of the Indenture. The City shall give written notice to the Trustee of its intention to prepay the Lease Payments under this Section at least 45 days prior to the date fixed for such prepayment.

SECTION 9.3. *Mandatory Prepayment From Net Proceeds of Insurance or Eminent Domain.* The City shall prepay the principal components of the Lease Payments in whole or in part on any date, from and to the extent of any Net Proceeds of insurance award or eminent domain award with respect to the Leased Property which is required to be used for that purpose under Article VI and Sections 5.05 and 5.06 of the Indenture. Such Net Proceeds, to the extent remaining after payment of any delinquent Lease Payments, shall be deposited by the Trustee in the Redemption Fund to be applied to the corresponding redemption of Bonds under Section 4.03 of the Indenture.

SECTION 9.4. *Credit for Amounts on Deposit.* If the principal components of the Lease Payments are prepaid in full under Sections 9.2 or 9.3, such that the Indenture is discharged by its terms as a result of such prepayment, at the written election of the City filed with the Trustee any or all amounts then on deposit in the Bond Fund (and the accounts therein) and in the Insurance and Condemnation Fund, will be credited towards the amounts then required to be so prepaid.

## ARTICLE X

### MISCELLANEOUS

SECTION 10.1. *Notices.* Any notice, request, complaint, demand or other communication under this Lease Agreement shall be given by first class mail or personal delivery to the party entitled thereto at its address set forth below, or by facsimile transmission or other form of telecommunication, at its number set forth below. Notice shall be effective either (a) upon transmission by facsimile transmission or other form of telecommunication, (b) 48 hours after deposit in the United States of America first class mail, postage prepaid, or (c) in the case of personal delivery to any person, upon actual receipt. The Authority, the City or the Trustee may, by written notice to the other parties, from time to time modify the address or number to which communications are to be given hereunder.

<i>If to the City:</i>	City of Hermosa Beach 1315 Valley Drive Hermosa Beach, California 90254 Attention: City Manager
<i>If to the Authority:</i>	Hermosa Beach Public Financing Authority 1315 Valley Drive Hermosa Beach, California 90254 Attention: Executive Director
<i>If to the Trustee:</i>	U.S. Bank National Association 633 West Fifth Street, 24th Floor Los Angeles, California 90071 Attention: Corporate Trust Services

SECTION 10.2. *Binding Effect.* This Lease Agreement inures to the benefit of and binds the Authority, the City and their respective successors and assigns.

SECTION 10.3. *Severability.* If any provision of this Lease Agreement is held invalid or unenforceable by any court of competent jurisdiction, such holding will not invalidate or render unenforceable any other provision hereof.

SECTION 10.4. *Net-net-net Lease.* This Lease Agreement shall be deemed and construed to be a "net-net-net lease" and the City hereby agrees that the Lease Payments are an absolute net return to the Authority, free and clear of any expenses, charges or set-offs whatsoever.

SECTION 10.5. *Third Party Beneficiary.* The Trustee is hereby made a third party beneficiary hereunder with all rights of a third party beneficiary.

SECTION 10.6. *Further Assurances and Corrective Instruments.* The Authority and the City shall, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements hereto and such further instruments as may reasonably be required for correcting any inadequate or incorrect description of the Leased Property hereby leased or intended so to be or for carrying out the expressed intention of this Lease Agreement.

SECTION 10.7. *Execution in Counterparts.* This Lease Agreement may be executed in several counterparts, each of which is an original and all of which constitute but one and the same instrument.

SECTION 10.8. *Applicable Law.* This Lease Agreement shall be governed by and construed in accordance with the laws of the State of California.

SECTION 10.9. *Authority and City Representatives.* Whenever under the provisions of this Lease Agreement the approval of the Authority or the City is required, or the Authority or the City is required to take some action at the request of the other, such approval or such request shall be given for the Authority and for the City by an Authorized Representative thereof, and any party hereto may conclusively rely upon any such approval or request.

SECTION 10.10. *Captions.* The captions or headings in this Lease Agreement are for convenience only and in no way define, limit or describe the scope or intent of any provisions or Section of this Lease Agreement.

IN WITNESS WHEREOF, the Authority and the City have caused this Lease Agreement to be executed in their respective names by their duly authorized officers, all as of the date first above written.

**HERMOSA BEACH PUBLIC FINANCING  
AUTHORITY, as lessor**

By \_\_\_\_\_  
Executive Director

Attest:

\_\_\_\_\_  
Secretary

**CITY OF HERMOSA BEACH, as lessee**

By \_\_\_\_\_  
City Manager

Attest:

\_\_\_\_\_  
City Clerk



## **APPENDIX A**

### **DESCRIPTION OF THE LEASED PROPERTY**

The Leased Property consists of that certain real property which is situated in the County of Los Angeles, State of California, and is more particularly described as follows:

#### **PARCEL 1:**

LOTS 1, 2 AND 3 IN BLOCK 73, OF THE SECOND ADDITION TO HERMOSA BEACH, IN THE CITY OF HERMOSA BEACH, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 3, PAGES 11 AND 12 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

EXCEPT FROM SAID LOT 3 THAT PORTION THEREOF CONVEYED TO THE COUNTY OF LOS ANGELES, A BODY CORPORATE AND POLITIC, BY GRANT DEED RECORDED AUGUST 3, 1964 AS INSTRUMENT NO. 168, OFFICIAL RECORDS.

#### **PARCEL 2:**

LOTS 7, 8, 9, 10, 11 AND 12 IN BLOCK 73, OF THE SECOND ADDITION TO HERMOSA BEACH, IN THE CITY OF HERMOSA BEACH, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 3, PAGES 11 AND 12 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

EXCEPT THEREFROM THAT PORTION THEREOF CONVEYED TO THE COUNTY OF LOS ANGELES, A BODY CORPORATE AND POLITIC, BY GRANT DEED RECORDED AUGUST 3, 1964 AS INSTRUMENT NO. 168, OFFICIAL RECORDS.

#### **PARCEL 3:**

THAT PORTION OF LOT 2 IN BLOCK 74, OF THE SECOND ADDITION TO HERMOSA BEACH, IN THE CITY OF HERMOSA BEACH, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 3, PAGES 11 AND 12 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT IN THE SOUTHERLY LINE OF SAID LOT, DISTANT WESTERLY THEREON 69 FEET FROM THE SOUTHEASTERLY CORNER THEREOF; THENCE NORTHERLY PARALLEL TO THE EASTERLY LINE OF SAID LOT 2, A DISTANCE OF 300 FEET TO A POINT IN THE SOUTHERLY LINE OF 11TH PLACE, FORMERLY OF ELM STREET; THENCE WESTERLY ALONG SAID SOUTHERLY LINE OF SAID ELM STREET, 69 FEET; THENCE SOUTHERLY PARALLEL WITH THE EASTERLY LINE OF SAID LOT, 300 FEET TO THE SOUTHERLY LINE OF SAID LOT; THENCE EASTERLY ALONG SAID SOUTHERLY LINE 69 FEET TO THE POINT OF BEGINNING.

EXCEPT THE SOUTHERLY 150 FEET OF SAID LAND.

**PARCEL 4:**

LOT 1 OF TRACT NO. 780, IN THE CITY OF HERMOSA BEACH, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 16, PAGE 41 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

EXCEPT THE SOUTHERLY 150 FEET OF SAID LOT.

**PARCEL 5:**

THAT PORTION OF THE UNNAMED ALLEY, BEING A PART OF BLOCK 73 OF THE SECOND ADDITION TO HERMOSA BEACH, IN THE CITY OF HERMOSA BEACH, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 3, PAGES 11 AND 12 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, VACATED BY RESOLUTION NO. N.S. 2192 OF THE CITY COUNCIL OF THE CITY OF HERMOSA BEACH, A CERTIFIED COPY OF WHICH RECORDED OCTOBER 27, 1958, AS INSTRUMENT NO. 3982 IN BOOK D257, PAGE 352 OF OFFICIAL RECORDS, SAID PORTION BEING MORE PARTICULARLY DESCRIBED IN SAID RESOLUTION AS FOLLOWS:

BEGINNING AT THE SOUTHWEST CORNER OF LOT 1 IN SAID BLOCK 73; THENCE NORTH 77 DEGREES, 10 MINUTES EAST, 180 FEET TO THE SOUTHEAST CORNER OF LOT 6 IN SAID BLOCK 73; THENCE SOUTH 12 DEGREES 50 MINUTES EAST, 20 FEET TO THE NORTHEAST CORNER OF LOT 7 IN SAID BLOCK 73; THENCE SOUTH 77 DEGREES, 10 MINUTES WEST, 180 FEET TO THE NORTHWEST CORNER OF LOT 12; THENCE NORTH 12 DEGREES, 50 MINUTES WEST, 20 FEET TO THE POINT OF BEGINNING.

EXCEPT THEREFROM THAT PORTION THEREOF CONVEYED TO THE COUNTY OF LOS ANGELES, A BODY CORPORATE AND POLITIC, BY GRANT DEED RECORDED AUGUST 3, 1964 AS INSTRUMENT NO. 168, OFFICIAL RECORDS.

**PARCEL 6:**

THAT PORTION OF THE ELEVENTH PLACE, FORMERLY ELM ST., BEING A PART OF BLOCK 73 OF THE SECOND ADDITION TO HERMOSA BEACH, IN THE CITY OF HERMOSA BEACH, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 3, PAGES 11 AND 12 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, VACATED BY RESOLUTION NO. N.S. 2192 OF THE CITY COUNCIL OF THE CITY OF HERMOSA BEACH, A CERTIFIED COPY OF WHICH RECORDED OCTOBER 27, 1958, AS INSTRUMENT NO. 3982 IN BOOK D257, PAGE 352 OF OFFICIAL RECORDS, SAID PORTION BEING MORE PARTICULARLY DESCRIBED IN SAID RESOLUTION AS FOLLOWS:

BEGINNING AT THE SOUTHWEST CORNER OF LOT 12 IN SAID BLOCK 73; THENCE NORTH 77 DEGREES, 10 MINUTES EAST, 180 FEET TO THE SOUTHEAST CORNER OF LOT 7 IN SAID BLOCK 73; THENCE SOUTH 12 DEGREES, 50 MINUTES EAST, 30 FEET ON THE WEST PROPERTY LINE OF VALLEY DRIVE, SHOWN AS "WEST RAILROAD DRIVE" ON SAID MAP, TO AN INTERSECTION WITH THE CENTER LINE OF SAID ELEVENTH PLACE; THENCE SOUTH 77 DEGREES, 10 MINUTES WEST, 180 FEET TO AN INTERSECTION WITH THE EAST PROPERTY LINE OF BARD STREET;

THENCE NORTH 12 DEGREES, 50 MINUTES WEST, 30 FEET TO THE POINT OF BEGINNING.

**PARCEL 7:**

THAT PORTION OF ELEVENTH PLACE VACATED BY RESOLUTION NO. N.S. 2385 OF THE CITY COUNCIL OF THE CITY OF HERMOSA BEACH, A CERTIFIED COPY OF WHICH RECORDED OCTOBER 11, 1961 AS INSTRUMENT NO. 4079, IN BOOK D1384, PAGE 472, OF OFFICIAL RECORDS, SAID PORTION BEING MORE PARTICULARLY DESCRIBED THEREIN AS FOLLOWS:

THE SOUTHERLY ONE-HALF OF ELEVENTH PLACE, FORMERLY ELM ST., BEING A PART OF BLOCK 74 OF THE SECOND ADDITION TO HERMOSA BEACH, IN THE CITY OF HERMOSA BEACH, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 3, PAGES 11 AND 12 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, LYING BETWEEN THE NORTHERLY EXTENSION OF THE WESTERLY LINE OF VALLEY DRIVE, FORMERLY WEST RAILROAD DRIVE, AND THE SOUTHERLY EXTENSION OF THE EASTERLY LINE OF BARD STREET.

**PARCEL 8:**

THAT PORTION OF LOT 2 IN BLOCK 74 OF THE SECOND ADDITION OF HERMOSA BEACH, IN THE CITY OF HERMOSA BEACH, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 3, PAGES 11 AND 12 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, DESCRIBED AS FOLLOWS:

BEGINNING AT THE SOUTHEAST CORNER OF SAID LOT 2; THENCE SOUTHWESTERLY ALONG THE SOUTHEASTERLY LINE OF SAID LOT 2, 69 FEET; THENCE NORTHERLY PARALLEL TO THE EASTERLY LINE OF SAID LOT 2, A DISTANCE OF 300 FEET TO A POINT IN THE SOUTHERLY LINE OF ELM STREET; THENCE NORTHEAST ALONG SAID SOUTHERLY LINE TO THE EASTERLY LINE OF SAID LOT 2; THENCE SOUTHERLY ALONG SAID LAST MENTIONED EASTERLY LINE 300 FEET TO THE POINT OF BEGINNING.

EXCEPT FROM PARCELS 1 THROUGH 8 DESCRIBED HEREINABOVE THE INTEREST IN SAID LAND WHICH WAS CONVEYED BY CITY OF HERMOSA BEACH, A CALIFORNIA MUNICIPAL CORPORATION, TO MACPHERSON OIL COMPANY, A CALIFORNIA CORPORATION, BY DEED RECORDED APRIL 11, 2012 AS INSTRUMENT NO. 20120541608, OF OFFICIAL RECORDS, WHICH DEED DESCRIBES A ROYALTY OF 3-1/3% OF 100% OF ALL ROYALTY SUBSTANCES (AS DEFINED IN SAID DEED) WHICH MAY THEREAFTER AT ANY TIME BE PRODUCED FROM ANY BURDENED WELL (AS DEFINED AND DESCRIBED IN SAID DEED).

**APN: 4187-020-904; 4187-020-907**

## APPENDIX B

### SCHEDULE OF LEASE PAYMENTS

<u>Lease Payment Date*</u>	<u>Principal Component</u>	<u>Interest Component</u>	<u>Aggregate Lease Payment</u>
May 1, 2021			
November 1, 2021			
May 1, 2022			
November 1, 2022			
May 1, 2023			
November 1, 2023			
May 1, 2024			
November 1, 2024			
May 1, 2025			
November 1, 2025			
May 1, 2026			
November 1, 2026			
May 1, 2027			
November 1, 2027			
May 1, 2028			
November 1, 2028			
May 1, 2029			
November 1, 2029			
May 1, 2030			
November 1, 2030			
May 1, 2031			
November 1, 2031			
May 1, 2032			
November 1, 2032			
May 1, 2033			
November 1, 2033			
May 1, 2034			
November 1, 2034			
May 1, 2035			
November 1, 2035			

\* Lease Payment Dates are the 5<sup>th</sup> Business Day immediately preceding each date listed in the schedule

RECORDING REQUESTED BY:  
Stewart Title Guaranty Company  
Commercial Services San Francisco

TO BE RECORDED MAIL TO:  
Jones Hall, A Professional Law Corporation  
475 Sansome Street, Suite 1700  
San Francisco, California 94111  
Attention: Charles F. Adams, Esq.

File No.

APN:

THIS TRANSACTION IS EXEMPT FROM DOCUMENTARY TRANSFER TAX PURSUANT TO SECTION 11929 OF THE CALIFORNIA REVENUE AND TAXATION CODE AND EXEMPT FROM RECORDING FEES PURSUANT TO SECTION 6103 OF THE CALIFORNIA GOVERNMENT CODE.

## **ASSIGNMENT AGREEMENT**

This ASSIGNMENT AGREEMENT (this "Assignment Agreement"), dated for convenience as of October 1, 2020, is between the HERMOSA BEACH PUBLIC FINANCING AUTHORITY, a joint powers authority duly organized and existing under the laws of the State of California (the "Authority") and U.S. BANK NATIONAL ASSOCIATION, a national banking association, as Trustee (the "Trustee").

### ***B A C K G R O U N D :***

1. The Authority has previously issued its Hermosa Beach Public Financing Authority 2015 Lease Revenue Bonds in the aggregate principal amount of \$11,600,000 (the "2015 Bonds") for the purpose of providing funds to enable the City to discharge its obligation to settle certain claims made against the City, pursuant to that certain Settlement Agreement and Release dated as of March 2, 2012 between MacPherson Oil Company, Woodward Associates, E & B Natural Resources Management Corporation and the City.

2. In order to secure the payment of the 2015 Bonds, the City has previously leased certain property, consisting generally of the land and improvements which constitute the existing civic center of the City, as described more fully in Appendix A which is attached hereto and by this reference incorporated herein (the "Leased Property"), to the Authority under a Site Lease dated as of August 1, 2015, which was recorded on August 13, 2015, as Document No. 2015-0994372 in the Office of the Los Angeles County Recorder (the "2015 Site Lease"); and the Authority has leased the Leased Property back to the City under a Lease Agreement dated as of August 1, 2015, which was recorded on August 13, 2015, as Document No. 2015-0994373 in the Office of the Los Angeles County Recorder (the "2015 Lease Agreement").

3. The 2015 Bonds are subject to redemption at the option of the Authority on November 1, 2020, at a redemption price equal to 100% of the principal amount thereof together with accrued interest thereon to the redemption date, without premium.

4. The City and the Authority have determined that it is in their best interests to refund the 2015 Bonds, and in order to provide funds for that purpose the Authority has authorized the issuance of its 2020 Refunding Lease Revenue Bonds in the aggregate principal amount of \$\_\_\_\_\_ (the "Bonds"), under an unrecorded Indenture of Trust dated as of October 1, 2020 (the "Indenture"), between the Authority and U.S. Bank National Association, as trustee (the "Trustee").

5. The City and the Authority have amended and restated the 2015 Lease Agreement pursuant to an Amended and Restated Lease Agreement dated as of October 1, 2020, which has been recorded concurrently herewith (the "Lease Agreement"), for the purpose of providing for the payment of lease payments by the City (the "Lease Payments") which have been pledged for the security of the Bonds.

6. The Authority has requested the Trustee to enter into this Assignment Agreement for the purpose of assigning certain of its rights under the Lease Agreement to the Trustee for the benefit of the Bond owners.

#### A G R E E M E N T :

In consideration of the material covenants contained in this Assignment Agreement, the parties hereto hereby formally covenant, agree and bind themselves as follows:

SECTION 1. *Defined Terms.* All capitalized terms not otherwise defined herein have the respective meanings given those terms in the Indenture.

SECTION 2. *Assignment.* The Authority hereby assigns to the Trustee, for the benefit of the Owners of all Bonds which are issued and Outstanding under the Indenture, all of the Authority's rights under the Lease Agreement (excepting only the Authority's rights under Sections 4.4, 5.10, 7.3 and 8.4 of the Lease Agreement), including but not limited to:

- (a) the right to receive and collect all of the Lease Payments from the City under the Lease Agreement;
- (b) the right to receive and collect any proceeds of any insurance maintained thereunder with respect to the Leased Property, or any eminent domain award (or proceeds of sale under threat of eminent domain) paid with respect to the Leased Property; and
- (c) the right to exercise such rights and remedies conferred on the Authority under the Lease Agreement as may be necessary or convenient (i) to enforce payment of the Lease Payments and any amounts required to be deposited in the Insurance and Condemnation Fund established under Section 5.06 of the Indenture,

or (ii) otherwise to protect the interests of the Bond Owners in the event of a default by the City under the Lease Agreement.

The Trustee shall administer all of the rights assigned to it by the Authority under this Assignment Agreement in accordance with the provisions of the Indenture, for the benefit of the Owners of Bonds. The assignment made under this Section is absolute and irrevocable, and without recourse to the Authority.

SECTION 3. *Acceptance.* The Trustee hereby accepts the assignments made herein for the purpose of securing the payments due under the Lease Agreement and Indenture to, and the rights under the Lease Agreement and Indenture of, the Owners of the Bonds, all subject to the provisions of the Indenture. The recitals contained herein are those of the Authority and not of the Trustee, and the Trustee assumes no responsibility for the correctness thereof.

SECTION 4. *Termination of Prior Assignment Agreement.* The Authority and the Trustee hereby terminate that certain Assignment Agreement dated as of August 1, 2015, which was recorded on August 13, 2015, as Document No. 2015-0994374 in the Office of the Los Angeles County Recorder.

SECTION 5. *Conditions.* This Assignment Agreement confers no rights and imposes no duties upon the Trustee beyond those expressly provided in the Indenture. The assignment hereunder to the Trustee is solely in its capacity as Trustee under the Indenture.

SECTION 6. *Execution in Counterparts.* This Assignment Agreement may be executed in any number of counterparts, each of which is an original and all together constitute one and the same agreement. Separate counterparts of this Assignment Agreement may be separately executed by the Trustee and the Authority, both with the same force and effect as though the same counterpart had been executed by the Trustee and the Authority.

SECTION 7. *Binding Effect.* This Assignment Agreement inures to the benefit of and binds the Authority and the Trustee, and their respective successors and assigns, subject, however, to the limitations contained herein.

SECTION 8. *Governing Law.* This Assignment Agreement shall be governed by the Constitution and laws of the State of California.

IN WITNESS WHEREOF, the parties have executed this Assignment Agreement by their officers thereunto duly authorized as of the day and year first written above.

**HERMOSA BEACH PUBLIC FINANCING  
AUTHORITY**

By \_\_\_\_\_  
Executive Director

Attest:

\_\_\_\_\_  
Secretary

**U.S. BANK NATIONAL ASSOCIATION,  
*as Trustee***

By \_\_\_\_\_  
Authorized Signatory



## **APPENDIX A**

### **DESCRIPTION OF THE LEASED PROPERTY**

The Leased Property consists of that certain real property which is situated in the County of Los Angeles, State of California, and is more particularly described as follows:

#### **PARCEL 1:**

LOTS 1, 2 AND 3 IN BLOCK 73, OF THE SECOND ADDITION TO HERMOSA BEACH, IN THE CITY OF HERMOSA BEACH, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 3, PAGES 11 AND 12 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

EXCEPT FROM SAID LOT 3 THAT PORTION THEREOF CONVEYED TO THE COUNTY OF LOS ANGELES, A BODY CORPORATE AND POLITIC, BY GRANT DEED RECORDED AUGUST 3, 1964 AS INSTRUMENT NO. 168, OFFICIAL RECORDS.

#### **PARCEL 2:**

LOTS 7, 8, 9, 10, 11 AND 12 IN BLOCK 73, OF THE SECOND ADDITION TO HERMOSA BEACH, IN THE CITY OF HERMOSA BEACH, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 3, PAGES 11 AND 12 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

EXCEPT THEREFROM THAT PORTION THEREOF CONVEYED TO THE COUNTY OF LOS ANGELES, A BODY CORPORATE AND POLITIC, BY GRANT DEED RECORDED AUGUST 3, 1964 AS INSTRUMENT NO. 168, OFFICIAL RECORDS.

#### **PARCEL 3:**

THAT PORTION OF LOT 2 IN BLOCK 74, OF THE SECOND ADDITION TO HERMOSA BEACH, IN THE CITY OF HERMOSA BEACH, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 3, PAGES 11 AND 12 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT IN THE SOUTHERLY LINE OF SAID LOT, DISTANT WESTERLY THEREON 69 FEET FROM THE SOUTHEASTERLY CORNER THEREOF; THENCE NORTHERLY PARALLEL TO THE EASTERLY LINE OF SAID LOT 2, A DISTANCE OF 300 FEET TO A POINT IN THE SOUTHERLY LINE OF 11TH PLACE, FORMERLY OF ELM STREET; THENCE WESTERLY ALONG SAID SOUTHERLY LINE OF SAID ELM STREET, 69 FEET; THENCE SOUTHERLY PARALLEL WITH THE EASTERLY LINE OF SAID LOT, 300 FEET TO THE SOUTHERLY LINE OF SAID LOT; THENCE EASTERLY ALONG SAID SOUTHERLY LINE 69 FEET TO THE POINT OF BEGINNING.

EXCEPT THE SOUTHERLY 150 FEET OF SAID LAND.

**PARCEL 4:**

LOT 1 OF TRACT NO. 780, IN THE CITY OF HERMOSA BEACH, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 16, PAGE 41 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

EXCEPT THE SOUTHERLY 150 FEET OF SAID LOT.

**PARCEL 5:**

THAT PORTION OF THE UNNAMED ALLEY, BEING A PART OF BLOCK 73 OF THE SECOND ADDITION TO HERMOSA BEACH, IN THE CITY OF HERMOSA BEACH, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 3, PAGES 11 AND 12 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, VACATED BY RESOLUTION NO. N.S. 2192 OF THE CITY COUNCIL OF THE CITY OF HERMOSA BEACH, A CERTIFIED COPY OF WHICH RECORDED OCTOBER 27, 1958, AS INSTRUMENT NO. 3982 IN BOOK D257, PAGE 352 OF OFFICIAL RECORDS, SAID PORTION BEING MORE PARTICULARLY DESCRIBED IN SAID RESOLUTION AS FOLLOWS:

BEGINNING AT THE SOUTHWEST CORNER OF LOT 1 IN SAID BLOCK 73; THENCE NORTH 77 DEGREES, 10 MINUTES EAST, 180 FEET TO THE SOUTHEAST CORNER OF LOT 6 IN SAID BLOCK 73; THENCE SOUTH 12 DEGREES 50 MINUTES EAST, 20 FEET TO THE NORTHEAST CORNER OF LOT 7 IN SAID BLOCK 73; THENCE SOUTH 77 DEGREES, 10 MINUTES WEST, 180 FEET TO THE NORTHWEST CORNER OF LOT 12; THENCE NORTH 12 DEGREES, 50 MINUTES WEST, 20 FEET TO THE POINT OF BEGINNING.

EXCEPT THEREFROM THAT PORTION THEREOF CONVEYED TO THE COUNTY OF LOS ANGELES, A BODY CORPORATE AND POLITIC, BY GRANT DEED RECORDED AUGUST 3, 1964 AS INSTRUMENT NO. 168, OFFICIAL RECORDS.

**PARCEL 6:**

THAT PORTION OF THE ELEVENTH PLACE, FORMERLY ELM ST., BEING A PART OF BLOCK 73 OF THE SECOND ADDITION TO HERMOSA BEACH, IN THE CITY OF HERMOSA BEACH, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 3, PAGES 11 AND 12 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, VACATED BY RESOLUTION NO. N.S. 2192 OF THE CITY COUNCIL OF THE CITY OF HERMOSA BEACH, A CERTIFIED COPY OF WHICH RECORDED OCTOBER 27, 1958, AS INSTRUMENT NO. 3982 IN BOOK D257, PAGE 352 OF OFFICIAL RECORDS, SAID PORTION BEING MORE PARTICULARLY DESCRIBED IN SAID RESOLUTION AS FOLLOWS:

BEGINNING AT THE SOUTHWEST CORNER OF LOT 12 IN SAID BLOCK 73; THENCE NORTH 77 DEGREES, 10 MINUTES EAST, 180 FEET TO THE SOUTHEAST CORNER OF LOT 7 IN SAID BLOCK 73; THENCE SOUTH 12 DEGREES, 50 MINUTES EAST, 30 FEET ON THE WEST PROPERTY LINE OF VALLEY DRIVE, SHOWN AS "WEST RAILROAD DRIVE" ON SAID MAP, TO AN INTERSECTION WITH THE CENTER LINE OF SAID ELEVENTH PLACE; THENCE SOUTH 77 DEGREES, 10 MINUTES WEST, 180 FEET TO AN INTERSECTION WITH THE EAST PROPERTY LINE OF BARD STREET; THENCE NORTH 12 DEGREES, 50 MINUTES WEST, 30 FEET TO THE POINT OF BEGINNING.

**PARCEL 7:**

THAT PORTION OF ELEVENTH PLACE VACATED BY RESOLUTION NO. N.S. 2385 OF THE CITY COUNCIL OF THE CITY OF HERMOSA BEACH, A CERTIFIED COPY OF WHICH RECORDED OCTOBER 11, 1961 AS INSTRUMENT NO. 4079, IN BOOK D1384, PAGE 472, OF OFFICIAL RECORDS, SAID PORTION BEING MORE PARTICULARLY DESCRIBED THEREIN AS FOLLOWS:

THE SOUTHERLY ONE-HALF OF ELEVENTH PLACE, FORMERLY ELM ST., BEING A PART OF BLOCK 74 OF THE SECOND ADDITION TO HERMOSA BEACH, IN THE CITY OF HERMOSA BEACH, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 3, PAGES 11 AND 12 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, LYING BETWEEN THE NORTHERLY EXTENSION OF THE WESTERLY LINE OF VALLEY DRIVE, FORMERLY WEST RAILROAD DRIVE, AND THE SOUTHERLY EXTENSION OF THE EASTERLY LINE OF BARD STREET.

**PARCEL 8:**

THAT PORTION OF LOT 2 IN BLOCK 74 OF THE SECOND ADDITION OF HERMOSA BEACH, IN THE CITY OF HERMOSA BEACH, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 3, PAGES 11 AND 12 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, DESCRIBED AS FOLLOWS:

BEGINNING AT THE SOUTHEAST CORNER OF SAID LOT 2; THENCE SOUTHWESTERLY ALONG THE SOUTHEASTERLY LINE OF SAID LOT 2, 69 FEET; THENCE NORTHERLY PARALLEL TO THE EASTERLY LINE OF SAID LOT 2, A DISTANCE OF 300 FEET TO A POINT IN THE SOUTHERLY LINE OF ELM STREET; THENCE NORTHEAST ALONG SAID SOUTHERLY LINE TO THE EASTERLY LINE OF SAID LOT 2; THENCE SOUTHERLY ALONG SAID LAST MENTIONED EASTERLY LINE 300 FEET TO THE POINT OF BEGINNING.

EXCEPT FROM PARCELS 1 THROUGH 8 DESCRIBED HEREINABOVE THE INTEREST IN SAID LAND WHICH WAS CONVEYED BY CITY OF HERMOSA BEACH, A CALIFORNIA MUNICIPAL CORPORATION, TO MACPHERSON OIL COMPANY, A CALIFORNIA CORPORATION, BY DEED RECORDED APRIL 11, 2012 AS INSTRUMENT NO. 20120541608, OF OFFICIAL RECORDS, WHICH DEED DESCRIBES A ROYALTY OF 3-1/3% OF 100% OF ALL ROYALTY SUBSTANCES (AS DEFINED IN SAID DEED) WHICH MAY THEREAFTER AT ANY TIME BE PRODUCED FROM ANY BURDENED WELL (AS DEFINED AND DESCRIBED IN SAID DEED).

APN: **4187-020-904; 4187-020-907**

RECORDING REQUESTED BY:  
Stewart Title Guaranty Company  
Commercial Services San Francisco

TO BE RECORDED MAIL TO:  
Jones Hall, A Professional Law Corporation  
475 Sansome Street, Suite 1700  
San Francisco, California 94111  
Attention: Charles F. Adams, Esq.

File No.  
APN:

THIS TRANSACTION IS EXEMPT FROM CALIFORNIA DOCUMENTARY TRANSFER TAX UNDER SECTION 11922 OF THE CALIFORNIA REVENUE AND TAXATION CODE. THIS DOCUMENT IS EXEMPT FROM RECORDING FEES UNDER SECTION 27383 OF THE CALIFORNIA GOVERNMENT CODE.

## **AMENDED AND RESTATED SITE LEASE**

This AMENDED AND RESTATED SITE LEASE (this "Site Lease"), dated for convenience as of October 1, 2020, is between the CITY OF HERMOSA BEACH, a municipal corporation duly organized and existing under the laws of the State of California, as lessor (the "City"), and the HERMOSA BEACH PUBLIC FINANCING AUTHORITY, a joint powers authority duly organized and existing under the laws of the State of California, as lessee (the "Authority").

### ***BACKGROUND:***

1. The Authority has previously issued its Hermosa Beach Public Financing Authority 2015 Lease Revenue Bonds in the aggregate principal amount of \$11,600,000 (the "2015 Bonds") for the purpose of providing funds to enable the City to discharge its obligation to settle certain claims made against the City, pursuant to that certain Settlement Agreement and Release dated as of March 2, 2012 between MacPherson Oil Company, Woodward Associates, E & B Natural Resources Management Corporation and the City.

2. In order to secure the payment of the 2015 Bonds, the City has previously leased certain property, consisting generally of the land and improvements which constitute the existing civic center of the City, as described more fully in Appendix A which is attached hereto and by this reference incorporated herein (the "Leased Property"), to the Authority under a Site Lease dated as of August 1, 2015, which was recorded on August 13, 2015, as Document No. 2015-0994372 in the Office of the Los Angeles County Recorder (the "2015 Site Lease"); and the Authority has leased the Leased Property back to the City under a Lease Agreement dated as of August 1, 2015, which was recorded on

August 13, 2015, as Document No. 2015-0994373 in the Office of the Los Angeles County Recorder (the "2015 Lease Agreement").

3. The 2015 Bonds are subject to redemption at the option of the Authority on October 1, 2020, at a redemption price equal to 100% of the principal amount thereof together with accrued interest thereon to the redemption date, without premium.

4. The City and the Authority have determined that it is in their best interests to refund the 2015 Bonds and in order to provide funds for that purpose the Authority has authorized the issuance of its 2020 Refunding Lease Revenue Bonds in the aggregate principal amount of \$\_\_\_\_\_ (the "Bonds"), under an Indenture of Trust dated as of October 1, 2020 (the "Indenture"), between the Authority and U.S. Bank National Association, as trustee (the "Trustee").

5. The City and the Authority have amended and restated the 2015 Lease Agreement pursuant to an Amended and Restated Lease Agreement dated as of October 1, 2020, which has been recorded concurrently herewith (the "Lease Agreement"), for the purpose of providing for the payment of lease payments by the City (the "Lease Payments") which have been pledged for the security of the Bonds and which have been assigned by the Authority to the Trustee for the security of the Bonds under an Assignment Agreement dated as of October 1, 2020, which has been recorded concurrently herewith, between the Authority as assignor and the Trustee as assignee.

6. The Authority and the City have agreed to amend and restate the 2015 Site Lease as provided herein, for the purpose of incorporating provisions relating to the Bonds.

7. The Authority has been organized for the purpose of providing financial assistance to the City and is authorized to enter into financing documents for that purpose.

#### **A G R E E M E N T :**

*In consideration of the above premises and of the mutual promises and covenants herein contained and for other valuable consideration, the parties hereto do hereby agree as follows:*

SECTION 1. *Definitions.* Unless the context clearly otherwise requires or unless otherwise defined herein, the capitalized terms in this Site Lease have the respective meanings given them in the Indenture.

SECTION 2. *Restatement of 2015 Site Lease.* This Site Lease constitutes an amendment and restatement in full of the 2015 Site Lease. From and after the Closing Date the 2015 Site Lease, in the form heretofore executed and delivered by the City and the Authority, will be of no further force and effect and will be deemed to be restated in full hereby. The City continues to and does hereby lease the Leased Property to the Authority, upon the terms and conditions set forth in this Site Lease, without interruption by virtue of the amendment and restatement of the 2015 Site Lease hereby.

SECTION 3. *Term; Possession.* The term of this Site Lease shall commence on the Closing Date. This Site Lease shall end, and the right of the Authority hereunder to

possession of the Leased Property shall thereupon cease, on November 1, 2035 (unless the term of the Lease Agreement has been extended under the provisions thereof), or such earlier or later date on which the Lease Payments are paid in full or provisions made for such payment, but in any event not later than November 1, 2045.

SECTION 4. *Consideration.* In consideration for the agreement by the City to amend and restate the 2015 Site Lease as provided herein, the Authority hereby agrees to issue the Bonds and to apply the proceeds as set forth in Section 3.02 of the Indenture for the purpose of providing funds to refund the 2015 Bonds in full. No other amounts of rental shall be due and payable by the Authority for the use and occupancy of the Leased Property under this Site Lease.

SECTION 5. *Assignments and Subleases.* Unless the City shall be in default under the Lease Agreement, the Authority may not assign its rights under this Site Lease or sublet all or any portion of the Leased Property, except as provided in the Lease Agreement, without the prior written consent of the City.

SECTION 6. *Substitution or Release of Property.* If the City exercises its option under Section 3.3 of the Lease Agreement to substitute property for the Leased Property in whole or in part, such substitution shall also operate to substitute property for the Leased Property which is leased hereunder. If the City exercises its option under Section 3.4 of the Lease Agreement to release a portion of the Leased Property from the Lease Agreement, such substitution shall also operate to release such portion of the Leased Property hereunder. The description of the Leased Property which is leased hereunder shall conform at all times to the description of the Leased Property which is leased under the Lease Agreement.

SECTION 7. *Right of Entry.* The City reserves the right for any of its duly authorized representatives to enter upon the Leased Property, or any portion thereof, at any reasonable time to inspect the same or to make any repairs, improvements or changes necessary for the preservation thereof.

SECTION 8. *Termination.* The Authority agrees, upon the termination of this Site Lease, to quit and surrender the Leased Property in the same good order and condition as the Leased Property was in at the time of commencement of the term hereof, reasonable wear and tear excepted, and agrees that all buildings, improvements and structures then existing upon the Leased Property shall remain thereon and all right, title and interest of the Authority thereto shall vest thereupon in the City for no additional consideration.

SECTION 9. *Default.* In the event the Authority shall be in default in the performance of any obligation on its part to be performed under the terms of this Site Lease, which default continues for 30 days following notice and demand for correction thereof to the Authority, the City may exercise any and all remedies granted by law, except that no merger of this Site Lease and of the Lease Agreement shall be deemed to occur as a result thereof; *provided, however*, that so long as the Lease Agreement remains in effect, the Lease Payments payable by the City under the Lease Agreement shall continue to be paid to the Trustee.

SECTION 10. *Quiet Enjoyment.* The Authority at all times during the term of this Site Lease shall peaceably and quietly have, hold and enjoy all of the Leased Property,

subject to the provisions of the Lease Agreement and subject only to Permitted Encumbrances.

SECTION 11. *Waiver of Personal Liability.* All liabilities under this Site Lease on the part of the Authority are solely liabilities of the Authority, and the City hereby releases each and every member and officer of the Authority of and from any personal or individual liability under this Site Lease. No member or officer of the Authority or its governing board shall at any time or under any circumstances be individually or personally liable under this Site Lease for anything done or omitted to be done by the Authority hereunder.

SECTION 12. *Taxes.* The City covenants and agrees to pay any and all assessments of any kind or character and also all taxes, including possessory interest taxes, levied or assessed upon the Leased Property and any improvements thereon.

SECTION 13. *Eminent Domain.* In the event the whole or any part of the Leased Property or any improvements thereon shall be taken by eminent domain proceedings, the interest of the Authority shall be recognized and is hereby determined to be the amount of the then unpaid principal components of the Lease Payments payable under the Lease Agreement and the balance of the award, if any, shall be paid to the City.

SECTION 14. *Partial Invalidity.* If any one or more of the terms, provisions, covenants or conditions of this Site Lease shall to any extent be declared invalid, unenforceable, void or voidable for any reason whatsoever by a court of competent jurisdiction, the finding or order or decree of which becomes final, none of the remaining terms, provisions, covenants and conditions of this Site Lease shall be affected thereby, and each provision of this Site Lease shall be valid and enforceable to the fullest extent permitted by law.

SECTION 15. *Notices.* Any notice, request, complaint, demand or other communication under this Site Lease shall be given by first class mail or personal delivery to the party entitled thereto at its address set forth below, or by telecopy, telex or other form of telecommunication, at its number set forth below. Notice shall be effective either (a) upon transmission by telecopy, telex or other form of electronic or telecommunication, (b) 48 hours after deposit in the United States mail, postage prepaid, or (c) in the case of personal delivery to any person, upon actual receipt. The City and the Authority may, by written notice to the other parties, from time to time modify the address or number to which communications are to be given hereunder.

*If to the City:*

City of Hermosa Beach  
1315 Valley Drive  
Hermosa Beach, California 90254  
Attention: City Manager

*If to the Authority:*

Hermosa Beach Public Financing Authority  
1315 Valley Drive  
Hermosa Beach, California 90254  
Attention: Executive Director

*If to the Trustee:*

U.S. Bank National Association  
633 West Fifth Street, 24th Floor  
Los Angeles, California 90071  
Attention: Corporate Trust Services

SECTION 16. *Amendment of this Site Lease.* The Authority and the City may at any time amend or modify any of the provisions of this Site Lease, but only (a) with the prior written consent of the Owners of a majority in aggregate principal amount of the Outstanding Bonds; or (b) without the consent of any of the Bond Owners, but only if such amendment or modification is for any one or more of the following purposes:

- (i) to make cure any ambiguity, or to cure, correct or supplement any defective provision contained herein, or in any other respect whatsoever as the Authority and the City may deem necessary or desirable, provided that, in the opinion of Bond Counsel, such modifications or amendments do not materially adversely affect the interests of the Owners of the Bonds;
- (ii) to amend any provision hereof relating to the Tax Code, to any extent whatsoever but only if and to the extent such amendment will not adversely affect the exclusion from gross income of interest on the Bonds under the Tax Code, in the opinion of Bond Counsel;
- (iii) to conform to any amendment of the Indenture which is made thereto in accordance with applicable provisions of the Indenture; or
- (iv) to amend the description of the Leased Property to reflect accurately the property originally intended to be included therein, or in connection with any substitution or release of property under Section 6.

SECTION 17. *Governing Law.* This Site Lease shall be construed in accordance with and governed by the Constitution and laws of the State of California.

SECTION 18. *Third Party Beneficiary.* The Trustee is hereby made a third party beneficiary under this Site Lease with all rights of a third party beneficiary.

SECTION 19. *Binding Effect.* This Site Lease inures to the benefit of and is binding upon the Authority, the City and their respective successors and assigns, subject, however, to the limitations contained herein.

SECTION 20. *Section Headings.* All section headings contained herein are for convenience of reference only and are not intended to define or limit the scope of any provision of this Site Lease.

SECTION 21. *Execution in Counterparts.* This Site Lease may be executed in any number of counterparts, each of which shall be deemed to be an original but all together shall constitute but one and the same lease. It is also agreed that separate counterparts of this Site Lease may be separately executed by the Authority and the City, all with the same force and effect as though the same counterpart had been executed by both the Authority and the City.



IN WITNESS WHEREOF, the City and the Authority have caused this Site Lease to be executed by their respective officers thereunto duly authorized, all as of the day and year first above written.

**CITY OF HERMOSA BEACH, *as lessor***

By \_\_\_\_\_  
City Manager

Attest:

\_\_\_\_\_  
City Clerk

**HERMOSA BEACH PUBLIC FINANCING  
AUTHORITY, *as lessee***

By \_\_\_\_\_  
Executive Director

Attest:

\_\_\_\_\_  
Secretary

## **APPENDIX A**

### **DESCRIPTION OF THE LEASED PROPERTY**

The Leased Property consists of that certain real property which is situated in the County of Los Angeles, State of California, and is more particularly described as follows:

#### **PARCEL 1:**

LOTS 1, 2 AND 3 IN BLOCK 73, OF THE SECOND ADDITION TO HERMOSA BEACH, IN THE CITY OF HERMOSA BEACH, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 3, PAGES 11 AND 12 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

EXCEPT FROM SAID LOT 3 THAT PORTION THEREOF CONVEYED TO THE COUNTY OF LOS ANGELES, A BODY CORPORATE AND POLITIC, BY GRANT DEED RECORDED AUGUST 3, 1964 AS INSTRUMENT NO. 168, OFFICIAL RECORDS.

#### **PARCEL 2:**

LOTS 7, 8, 9, 10, 11 AND 12 IN BLOCK 73, OF THE SECOND ADDITION TO HERMOSA BEACH, IN THE CITY OF HERMOSA BEACH, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 3, PAGES 11 AND 12 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

EXCEPT THEREFROM THAT PORTION THEREOF CONVEYED TO THE COUNTY OF LOS ANGELES, A BODY CORPORATE AND POLITIC, BY GRANT DEED RECORDED AUGUST 3, 1964 AS INSTRUMENT NO. 168, OFFICIAL RECORDS.

#### **PARCEL 3:**

THAT PORTION OF LOT 2 IN BLOCK 74, OF THE SECOND ADDITION TO HERMOSA BEACH, IN THE CITY OF HERMOSA BEACH, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 3, PAGES 11 AND 12 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT IN THE SOUTHERLY LINE OF SAID LOT, DISTANT WESTERLY THEREON 69 FEET FROM THE SOUTHEASTERLY CORNER THEREOF; THENCE NORTHERLY PARALLEL TO THE EASTERLY LINE OF SAID LOT 2, A DISTANCE OF 300 FEET TO A POINT IN THE SOUTHERLY LINE OF 11TH PLACE, FORMERLY OF ELM STREET; THENCE WESTERLY ALONG SAID SOUTHERLY LINE OF SAID ELM STREET, 69 FEET; THENCE SOUTHERLY PARALLEL WITH THE EASTERLY LINE OF SAID LOT, 300 FEET TO THE SOUTHERLY LINE OF SAID LOT; THENCE EASTERLY ALONG SAID SOUTHERLY LINE 69 FEET TO THE POINT OF BEGINNING.

EXCEPT THE SOUTHERLY 150 FEET OF SAID LAND.

**PARCEL 4:**

LOT 1 OF TRACT NO. 780, IN THE CITY OF HERMOSA BEACH, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 16, PAGE 41 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

EXCEPT THE SOUTHERLY 150 FEET OF SAID LOT.

**PARCEL 5:**

THAT PORTION OF THE UNNAMED ALLEY, BEING A PART OF BLOCK 73 OF THE SECOND ADDITION TO HERMOSA BEACH, IN THE CITY OF HERMOSA BEACH, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 3, PAGES 11 AND 12 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, VACATED BY RESOLUTION NO. N.S. 2192 OF THE CITY COUNCIL OF THE CITY OF HERMOSA BEACH, A CERTIFIED COPY OF WHICH RECORDED OCTOBER 27, 1958, AS INSTRUMENT NO. 3982 IN BOOK D257, PAGE 352 OF OFFICIAL RECORDS, SAID PORTION BEING MORE PARTICULARLY DESCRIBED IN SAID RESOLUTION AS FOLLOWS:

BEGINNING AT THE SOUTHWEST CORNER OF LOT 1 IN SAID BLOCK 73; THENCE NORTH 77 DEGREES, 10 MINUTES EAST, 180 FEET TO THE SOUTHEAST CORNER OF LOT 6 IN SAID BLOCK 73; THENCE SOUTH 12 DEGREES 50 MINUTES EAST, 20 FEET TO THE NORTHEAST CORNER OF LOT 7 IN SAID BLOCK 73; THENCE SOUTH 77 DEGREES, 10 MINUTES WEST, 180 FEET TO THE NORTHWEST CORNER OF LOT 12; THENCE NORTH 12 DEGREES, 50 MINUTES WEST, 20 FEET TO THE POINT OF BEGINNING.

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BEGINNING AT THE SOUTHWEST CORNER OF LOT 12 IN SAID BLOCK 73; THENCE NORTH 77 DEGREES, 10 MINUTES EAST, 180 FEET TO THE SOUTHEAST CORNER OF LOT 7 IN SAID BLOCK 73; THENCE SOUTH 12 DEGREES, 50 MINUTES EAST, 30 FEET ON THE WEST PROPERTY LINE OF VALLEY DRIVE, SHOWN AS "WEST RAILROAD DRIVE" ON SAID MAP, TO AN INTERSECTION WITH THE CENTER LINE OF SAID ELEVENTH PLACE; THENCE SOUTH 77 DEGREES, 10 MINUTES WEST, 180 FEET TO AN INTERSECTION WITH THE EAST PROPERTY LINE OF BARD STREET;

THENCE NORTH 12 DEGREES, 50 MINUTES WEST, 30 FEET TO THE POINT OF BEGINNING.

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BEGINNING AT THE SOUTHEAST CORNER OF SAID LOT 2; THENCE SOUTHWESTERLY ALONG THE SOUTHEASTERLY LINE OF SAID LOT 2, 69 FEET; THENCE NORTHERLY PARALLEL TO THE EASTERLY LINE OF SAID LOT 2, A DISTANCE OF 300 FEET TO A POINT IN THE SOUTHERLY LINE OF ELM STREET; THENCE NORTHEAST ALONG SAID SOUTHERLY LINE TO THE EASTERLY LINE OF SAID LOT 2; THENCE SOUTHERLY ALONG SAID LAST MENTIONED EASTERLY LINE 300 FEET TO THE POINT OF BEGINNING.

EXCEPT FROM PARCELS 1 THROUGH 8 DESCRIBED HEREINABOVE THE INTEREST IN SAID LAND WHICH WAS CONVEYED BY CITY OF HERMOSA BEACH, A CALIFORNIA MUNICIPAL CORPORATION, TO MACPHERSON OIL COMPANY, A CALIFORNIA CORPORATION, BY DEED RECORDED APRIL 11, 2012 AS INSTRUMENT NO. 20120541608, OF OFFICIAL RECORDS, WHICH DEED DESCRIBES A ROYALTY OF 3-1/3% OF 100% OF ALL ROYALTY SUBSTANCES (AS DEFINED IN SAID DEED) WHICH MAY THEREAFTER AT ANY TIME BE PRODUCED FROM ANY BURDENED WELL (AS DEFINED AND DESCRIBED IN SAID DEED).

**APN: 4187-020-904; 4187-020-907**

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# INDENTURE OF TRUST

Dated as of October 1, 2020

between

**U.S. BANK NATIONAL ASSOCIATION,**  
*as Trustee*

and the

**HERMOSA BEACH PUBLIC FINANCING AUTHORITY**

*Authorizing the Issuance of*

**\$ \_\_\_\_\_**

**2020 Refunding Lease Revenue Bonds**

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## TABLE OF CONTENTS

[to be completed when the document is in final form]

APPENDIX A	DEFINITIONS
APPENDIX B	FORM OF BOND

## INDENTURE OF TRUST

This INDENTURE OF TRUST (this "Indenture"), dated for convenience as of October 1, 2020, is between the HERMOSA BEACH PUBLIC FINANCING AUTHORITY, a joint powers authority duly organized and existing under the laws of the State of California (the "Authority"), and U.S. BANK NATIONAL ASSOCIATION, a national banking association organized and existing under the laws of the United States of America, with a corporate trust office in Los Angeles, California, being qualified to accept and administer the trusts hereby created (the "Trustee").

### *B A C K G R O U N D :*

1. The Authority has previously issued its Hermosa Beach Public Financing Authority 2015 Lease Revenue Bonds in the aggregate principal amount of \$11,600,000 (the "2015 Bonds") for the purpose of providing funds to enable the City of Hermosa Beach (the "City") to discharge its obligation to settle certain claims made against the City, pursuant to that certain Settlement Agreement and Release dated as of March 2, 2012 between MacPherson Oil Company, Windward Associates, E & B Natural Resources Management Corporation and the City.

2. The 2015 Bonds are secured by a pledge of lease payments which are made by the City as rental for certain property consisting generally of the land and improvements which constitute the existing civic center of the City (the "Leased Property"), under a Lease Agreement dated as of August 1, 2015 (the "2015 Lease Agreement"), between the City and the Hermosa Beach Financing Authority.

3. The 2015 Bonds are subject to redemption at the option of the Authority on November 1, 2020, at a redemption price equal to 100% of the principal amount thereof together with accrued interest thereon to the redemption date, without premium.

4. The City and the Authority have determined that it is in their best interests to refund the 2015 Bonds and in order to provide funds for that purpose the Authority has authorized the issuance of its 2020 Refunding Lease Revenue Bonds in the aggregate principal amount of \$\_\_\_\_\_ (the "Bonds") under the provisions of Articles 10 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, commencing with Sections 53570 and 53580 of said Code (the "Bond Law").

5. In order to provide revenues which are sufficient to enable the Authority to pay debt service on the Bonds, the Authority and the City have amended and restated the 2015 Lease Agreement pursuant to an Amended and Restated Lease Agreement dated as of October 1, 2020, under which the City has agreed to pay semiannual lease payments (the "Lease Payments") as the rental for the Leased Property.

6. The Authority has assigned the Lease Payments to the Trustee for the security of the Bonds under an Assignment Agreement dated as of October 1, 2020, between the Authority as assignor and the Trustee as assignee.

7. In order to provide for the authentication and delivery of the Bonds, to establish and declare the terms and conditions upon which the Bonds are to be issued and to secure the payment of the principal thereof and interest thereon, the Authority has authorized the execution and delivery of this Indenture.

8. The Authority has found and determined, and hereby affirms, that all acts and proceedings required by law necessary to make the Bonds, when executed by the Authority, authenticated and delivered by the Trustee and duly issued, the valid, binding and legal special obligations of the Authority, and to constitute this Indenture a valid and binding agreement for the uses and purposes herein set forth in accordance with its terms, have been done and taken, and the execution and delivery of this Indenture have been in all respects duly authorized.

## **A G R E E M E N T :**

In order to secure the payment of the principal of and the interest on all the Outstanding Bonds under this Indenture according to their tenor, and to secure the performance and observance of all the covenants and conditions therein and herein set forth, and to declare the terms and conditions upon and subject to which the Bonds are to be issued and received, and in consideration of the premises and of the mutual covenants herein contained and of the purchase and acceptance of the Bonds by the Owners thereof, and for other valuable considerations, the receipt of which is hereby acknowledged, the Authority and the Trustee do hereby covenant and agree with one another, for the benefit of the respective Owners from time to time of the Bonds, as follows:

## **ARTICLE I**

### **DEFINITIONS; RULES OF CONSTRUCTION**

SECTION 1.01. *Definitions.* Unless the context clearly otherwise requires or unless otherwise defined herein, the capitalized terms defined in Appendix A attached to this Indenture have the respective meanings specified in Appendix A when used in this Indenture.

SECTION 1.02. *Authorization.* Each of the parties hereby represents and warrants that it has full legal authority and is duly empowered to enter into this Indenture, and has taken all actions necessary to authorize the execution hereof by the officers and persons signing it.

SECTION 1.03. *Interpretation.*

(a) Unless the context otherwise indicates, words expressed in the singular shall include the plural and vice versa and the use of the neuter, masculine, or feminine gender is for convenience only and shall be deemed to include the neuter, masculine or feminine gender, as appropriate.

(b) Headings of articles and sections herein and the table of contents hereof are solely for convenience of reference, do not constitute a part hereof and shall not affect the meaning, construction or effect hereof.



(c) All references herein to “Articles,” “Sections” and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Indenture; the words “herein,” “hereof,” “hereby,” “hereunder” and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or subdivision hereof.

(d) Whenever the term “may” is used herein with respect to an action by one of the parties hereto, such action shall be discretionary and the party who “may” take such action shall be under no obligation to do so.

## ARTICLE II

### THE BONDS

SECTION 2.01. *Authorization of Bonds.* The Authority has reviewed all proceedings heretofore taken and, as a result of such review, hereby finds and determines that all things, conditions and acts required by law to exist, happen or be performed precedent to and in connection with the issuance of the Bonds do exist, have happened and have been performed in due time, form and manner as required by law, and the Authority is now duly empowered, under each and every requirement of law, to issue the Bonds in the manner and form provided in this Indenture.

The Authority hereby authorizes the issuance of Bonds under the Bond Law for the purpose of providing funds to refund the 2015 Bonds. The Bonds shall be designated the “2020 Refunding Lease Revenue Bonds” and shall be issued in the aggregate principal amount of \$\_\_\_\_\_. The Bonds are authorized and issued under and subject to the terms of this Indenture and the Bond Law.

#### SECTION 2.02. *Terms of the Bonds.*

(a) Payment Provisions. The Bonds shall be issued in fully registered form without coupons in denominations of \$5,000 or any integral multiple thereof, so long as no Bond has more than one maturity date. The Bonds shall mature on November 1 in each of the years and in the amounts, and bear interest (calculated on the basis of a 360-day year of twelve 30-day months) at the rates, as follows:

<u>Maturity Date</u> <u>(November 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Maturity Date</u> <u>(November 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>
2021			2029		
2022			2030		
2023			2031		
2024			2032		
2025			2033		
2026			2034		
2027			2035		
2028					

Interest on the Bonds is payable from the Interest Payment Date next preceding the date of authentication thereof unless:

- (a) a Bond is authenticated on or before an Interest Payment Date and after the close of business on the preceding Record Date, in which event it will bear interest from such Interest Payment Date,
- (b) a Bond is authenticated on or before the first Record Date, in which event interest thereon will be payable from the Closing Date, or
- (c) interest on any Bond is in default as of the date of authentication thereof, in which event interest thereon will be payable from the date to which interest has been paid in full, payable on each Interest Payment Date.

Interest is payable on each Interest Payment Date to the persons in whose names the ownership of the Bonds is registered on the Registration Books at the close of business on the immediately preceding Record Date, except as provided below. Interest on any Bond which is not punctually paid or duly provided for on any Interest Payment Date is payable to the person in whose name the ownership of such Bond is registered on the Registration Books at the close of business on a special record date for the payment of such defaulted interest to be fixed by the Trustee, notice of which is given to such Owner by first-class mail not less than 10 days prior to such special record date.

The Trustee will pay interest on the Bonds by check of the Trustee mailed by first class mail, postage prepaid, on each Interest Payment Date to the Owners of the Bonds at their respective addresses shown on the Registration Books as of the close of business on the preceding Record Date. At the written request of the Owner of Bonds in an aggregate principal amount of at least \$1,000,000, which written request is on file with the Trustee as of any Record Date, the Trustee will pay interest on such Bonds on each succeeding Interest Payment Date by wire transfer in immediately available funds to such account of a financial institution within the United States of America as specified in such written request, which written request will remain in effect until rescinded in writing by the Owner. The Trustee will pay principal of the Bonds in lawful money of the United States of America by check of the Trustee upon presentation and surrender thereof at the Office of the Trustee. The provisions of this Section are subject in all respects to the provisions of Section 2.04 relating to the payment of the principal of and interest on the Bonds held in book-entry form.

#### SECTION 2.03. *Transfer and Exchange of Bonds.*

(a) Transfer. Any Bond may, in accordance with its terms, be transferred, upon the Registration Books, by the person in whose name it is registered, in person or by a duly authorized attorney of such person, upon surrender of such Bond to the Trustee at its Office for cancellation, accompanied by delivery of a written instrument of transfer in a form acceptable to the Trustee, duly executed. The Trustee shall collect any tax or other governmental charge on the transfer of any Bonds under this Section. Whenever any Bond or Bonds shall be surrendered for transfer, the Authority shall execute and the Trustee shall authenticate and deliver to the transferee a new Bond or Bonds of like series, interest rate, maturity and aggregate principal amount. The Authority shall pay the cost of any services rendered or expenses incurred by the Trustee in connection with any transfer of Bonds. Prior to any transfer of the Bonds outside the book-entry system (including, but not limited to, the initial transfer outside the book-entry system) the transferor shall provide or cause to be provided to the Trustee all information necessary to allow the Trustee to

comply with any applicable tax reporting obligations, including without limitation any cost basis report obligations under Section 6045 of the Tax Code. The Trustee shall conclusively rely on the information provided to it and shall have no responsibility to verify or ensure the accuracy of such information.

(b) Exchange. The Bonds may be exchanged at the Office of the Trustee for a like aggregate principal amount of Bonds of other authorized denominations and of the same series, interest rate and maturity. The Trustee shall collect any tax or other governmental charge on the exchange of any Bonds under this subsection (b). The Authority shall pay the cost of printing Bonds and any services rendered or expenses incurred by the Trustee in connection with any exchange of Bonds.

(c) Limitations. The Trustee may refuse to transfer or exchange, under the provisions of this Section, any Bonds selected by the Trustee for redemption under Article IV, or any Bonds during the period established by the Trustee for the selection of Bonds for redemption.

#### SECTION 2.04. *Book-Entry System.*

(a) Original Delivery. The Bonds will be initially delivered in the form of a separate single fully registered bond (which may be typewritten) for each maturity of the Bonds. Upon initial delivery, the Trustee shall register the ownership of each Bond on the Registration Books in the name of the Nominee. Except as provided in subsection (c), the ownership of all of the Outstanding Bonds shall be registered in the name of the Nominee on the Registration Books.

With respect to Bonds the ownership of which shall be registered in the name of the Nominee, each of the Authority and the Trustee has no responsibility or obligation to any Depository System Participant or to any person on behalf of which the Nominee holds an interest in the Bonds. Without limiting the generality of the immediately preceding sentence, each of the Authority and the Trustee has no responsibility or obligation with respect to (i) the accuracy of the records of the Depository, the Nominee or any Depository System Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any Depository System Participant or any other person, other than a Bond Owner as shown in the Registration Books, of any notice with respect to the Bonds, including any notice of redemption, (iii) the selection by the Depository of the beneficial interests in the Bonds to be redeemed if the Authority elects to redeem the Bonds in part, (iv) the payment to any Depository System Participant or any other person, other than a Bond Owner as shown in the Registration Books, of any amount with respect to principal of or interest on the Bonds or (v) any consent given or other action taken by the Depository as Owner of the Bonds. The Authority and the Trustee may treat and consider the person in whose name each Bond is registered as the absolute owner of such Bond for the purpose of payment of principal of and interest on such Bond, for the purpose of giving notices of redemption and other matters with respect to such Bond, for the purpose of registering transfers of ownership of such Bond, and for all other purposes whatsoever. The Trustee shall pay the principal of and the interest on the Bonds only to the respective Owners or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge all obligations with respect to payment of principal of and interest on the Bonds to the extent of the sum or sums so paid. No person other than a Bond Owner shall receive a Bond evidencing the obligation of the Authority to make payments of principal and interest under this Indenture. Upon delivery by the

Depository to the Authority of written notice to the effect that the Depository has determined to substitute a new Nominee in its place, and subject to the provisions herein with respect to Record Dates, such new nominee shall become the Nominee hereunder for all purposes; and upon receipt of such a notice the Authority shall promptly deliver a copy of the same to the Trustee.

(b) Representation Letter. In order to qualify the Bonds for the Depository's book-entry system, the Authority shall execute and deliver to such Depository a letter representing such matters as shall be necessary to so qualify the Bonds. The execution and delivery of such letter shall not in any way limit the provisions of subsection (a) above or in any other way impose upon the Authority or the Trustee any obligation whatsoever with respect to persons having interests in the Bonds other than the Bond Owners. Upon the written acceptance by the Trustee, the Trustee shall agree to take all action reasonably necessary for all representations of the Trustee in such letter with respect to the Trustee to at all times be complied with. In addition to the execution and delivery of such letter, the Authority may take any other actions, not inconsistent with this Indenture, to qualify the Bonds for the Depository's book-entry program.

(c) Transfers Outside Book-Entry System. If either (i) the Depository determines not to continue to act as Depository for the Bonds, or (ii) the Authority determines to terminate the Depository as such, then the Authority shall thereupon discontinue the book-entry system with such Depository. In such event, the Depository shall cooperate with the Authority and the Trustee in the issuance of replacement Bonds by providing the Trustee with a list showing the interests of the Depository System Participants in the Bonds, and by surrendering the Bonds, registered in the name of the Nominee, to the Trustee on or before the date such replacement Bonds are to be issued. The Depository, by accepting delivery of the Bonds, agrees to be bound by the provisions of this subsection (c). If, prior to the termination of the Depository acting as such, the Authority fails to identify another Securities Depository to replace the Depository, then the Bonds shall no longer be required to be registered in the Registration Books in the name of the Nominee, but shall be registered in whatever name or names the Owners transferring or exchanging Bonds shall designate, in accordance with the provisions hereof.

If the Authority determines that it is in the best interests of the beneficial owners of the Bonds that they be able to obtain certificated Bonds, the Authority may notify the Depository System Participants of the availability of such certificated Bonds through the Depository. In such event, the Trustee will issue, transfer and exchange Bonds as required by the Depository and others in appropriate amounts; and whenever the Depository requests, the Trustee and the Authority shall cooperate with the Depository in taking appropriate action (i) to make available one or more separate certificates evidencing the Bonds to any Depository System Participant having Bonds credited to its account with the Depository, or (ii) to arrange for another Securities Depository to maintain custody of a single certificate evidencing such Bonds, all at the Authority's expense.

(d) Payments to the Nominee. Notwithstanding any other provision of this Indenture to the contrary, so long as any Bond is registered in the name of the Nominee, all payments with respect to principal of and interest on such Bond and all notices with respect to such Bond shall be made and given, respectively, as provided in the letter described in subsection (b) of this Section or as otherwise instructed by the Depository.

SECTION 2.05. *Registration Books.* The Trustee will keep or cause to be kept, at the Office of the Trustee, sufficient records for the registration and transfer of ownership of the Bonds, which shall upon reasonable notice as agreed to by the Trustee, be open to inspection during regular business hours by the Authority; 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 Bonds as hereinbefore provided.

SECTION 2.06. *Form and Execution of Bonds.* The Bonds, the form of Trustee's certificate of authentication, and the form of assignment to appear thereon, are set forth in Appendix B attached hereto and by this reference incorporated herein, with necessary or appropriate variations, omissions and insertions, as permitted or required by this Indenture.

The Chairperson of the Authority shall execute, and the Secretary of the Authority shall attest each Bond. Either or both of such signatures may be made manually or may be affixed by facsimile thereof. If any officer whose signature appears on any Bond ceases to be such officer before the Closing Date, such signature will nevertheless be as effective as if the officer had remained in office until the Closing Date. Any Bond may be signed and attested on behalf of the Authority by such persons as at the actual date of the execution of such Bond are the proper officers of the Authority, duly authorized to execute debt instruments on behalf of the Authority, although on the date of such Bond any such person was not an officer of the Authority.

Only those Bonds bearing a certificate of authentication in the form set forth in Appendix B, manually executed and dated by the Trustee, are valid or obligatory for any purpose or entitled to the benefits of this Indenture, and such certificate of the Trustee is conclusive evidence that such Bonds have been duly authenticated and delivered hereunder and are entitled to the benefits of this Indenture.

### **ARTICLE III**

#### **ISSUANCE OF BONDS; \ APPLICATION OF PROCEEDS**

SECTION 3.01. *Issuance of the Bonds.* Concurrently with the execution of this Indenture, the Authority shall execute and the Trustee shall authenticate and deliver the Bonds to the Original Purchaser, upon the Written Request of the Authority.

SECTION 3.02. *Application of Proceeds of Sale of Bonds.* On the Closing Date, the Authority shall direct the Original Purchaser to pay the purchase price of the Bonds by making the following transfers for the following purposes:

- (a) The Original Purchaser shall transfer the amount of \$\_\_\_\_\_ to the Trustee for deposit into the Costs of Issuance Fund.
- (b) The Original Purchaser shall transfer the amount of \$\_\_\_\_\_, constituting the remainder of such proceeds, to the Escrow Agent for application pursuant to the Escrow Agreement.

SECTION 3.03. *Establishment and Application of Costs of Issuance Fund.* The Trustee shall establish, maintain and hold in trust a separate fund designated as the "Costs of Issuance Fund" into which the Trustee shall deposit a portion of the proceeds of sale of the Bonds under Section 3.02(a). The Trustee shall disburse amounts in the Costs of Issuance Fund from time to time to pay the Costs of Issuance of the Bonds upon submission of Written Requisitions of the Authority stating the person to whom payment is to be made, the amount to be paid, the purpose for which the obligation was incurred and that such payment is a proper charge against the Costs of Issuance Fund. The Trustee may conclusively rely on such Written Requisitions and shall be fully protected in relying thereon. On January 1, 2021, or upon the earlier Written Request of the Authority, the Trustee shall transfer all amounts remaining in the Costs of Issuance Fund to the Interest Account and shall thereupon close the Costs of Issuance Fund.

SECTION 3.04. *Refunding of 2015 Bonds.* The Authority shall cause the proceeds of the Bonds to be applied to the payment and redemption of the 2015 Bonds in full in accordance with the provisions of the Escrow Agreement. From and after the Closing Date, the 2015 Bonds shall be fully discharged and satisfied and shall no longer be secured by a pledge of or lien on the Revenues, or any portion thereof.

SECTION 3.05. *Validity of Bonds.* The recital contained in the Bonds that the same are issued under the Constitution and laws of the State of California shall be conclusive evidence of their validity and of compliance with the provisions of law in their issuance.

## **ARTICLE IV**

### **REDEMPTION OF BONDS**

SECTION 4.01. *Optional Redemption.* The Bonds maturing on or before November 1, 20\_\_, are not subject to optional redemption prior to their respective stated maturity dates. The Bonds maturing on or after November 1, 20\_\_, are subject to redemption in whole, or in part at the Written Request of the Authority among maturities on such basis as the Authority may designate and by lot within a maturity, at the option of the Authority, on any date on or after November 1, 20\_\_, from any available source of funds, at a redemption price of the principal amount of the Bonds to be redeemed plus accrued interest to the date of redemption, without premium. The Authority shall give the Trustee written notice of its intention to redeem the Bonds under this Section, and the manner of selecting such Bonds for redemption from among the maturities thereof, at least 45 days prior to the proposed redemption date.

SECTION 4.02. *Mandatory Sinking Fund Redemption of Term Bonds.* The Term Bonds are subject to mandatory redemption in whole, or in part by lot, from sinking fund payments made under Section 5.02(b), at a redemption price equal to the principal amount thereof to be redeemed, without premium, plus accrued interest to the date of redemption, in the aggregate respective principal amounts and on November 1 in the years as set forth in the following table:

Payment Date  
(November 1)

Payment  
Amount

If some but not all of the Term Bonds have been redeemed under Sections 4.01 or 4.03, the total amount of all future sinking fund payments will be reduced by the aggregate principal amount of the Term Bonds so redeemed, to be allocated among such sinking fund payments on a pro rata basis as determined by the Authority, which shall notify the Trustee in writing of such determination.

SECTION 4.03. *Special Mandatory Redemption From Insurance or Condemnation Proceeds.* The Bonds are subject to redemption as a whole, or in part by lot on a pro rata basis among maturities, on any date, from any Net Proceeds required to be used for such purpose as provided in Section 5.06, at a redemption price equal to 100% of the principal amount thereof plus interest accrued thereon to the date fixed for redemption, without premium.

SECTION 4.04. *Selection of Bonds for Redemption.* Whenever provision is made in this Indenture for the redemption of less than all of the Bonds of a single maturity, the Trustee shall select the Bonds of that maturity to be redeemed by lot in any manner which the Trustee in its sole discretion deems appropriate. For purposes of such selection, the Trustee shall treat each Bond as consisting of separate \$5,000 portions and each such portion shall be subject to redemption as if such portion were a separate Bond.

SECTION 4.05. *Right to Rescind Notice of Optional Redemption.* The Authority has the right to rescind any notice of the optional redemption of Bonds under Section 4.01 by written notice to the Trustee on or prior to the date fixed for redemption. Any notice of optional redemption shall be cancelled and annulled if for any reason funds will not be or are not available on the date fixed for redemption for the payment in full of the Bonds then called for redemption, and such cancellation shall not constitute an Event of Default. The Authority and the Trustee shall have no liability to the Owners or any other party related to or arising from such rescission of redemption. The Trustee shall cause notice of such rescission to be given to the respective Owners of any Bonds designated for redemption, at their addresses appearing on the Registration Books, and to the Municipal Securities Rulemaking Board and the Securities Depositories.

SECTION 4.06. *Notice of Redemption.* The Trustee shall mail notice of redemption of the Bonds by first class mail, postage prepaid, not less than 20 nor more than 60 days before any redemption date, to the respective Owners of any Bonds designated for redemption at their addresses appearing on the Registration Books and to one or more Securities Depositories. In addition, the Trustee shall file a copy of each redemption notice electronically with the Information Services. Each notice of redemption shall state the date of the notice, the redemption date, the place or places of redemption, whether less than all of the Bonds (or all Bonds of a single maturity) are to be redeemed, the CUSIP numbers and (in the event that not all Bonds within a maturity are called for redemption) Bond numbers of the Bonds to be redeemed and the maturity or maturities of the Bonds to be

redeemed, and in the case of Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice shall also state that on the redemption date there will become due and payable on each of said Bonds the redemption price thereof, and that from and after such redemption date interest thereon shall cease to accrue, and shall require that such Bonds be then surrendered. Neither the failure to receive any notice nor any defect therein shall affect the sufficiency of the proceedings for such redemption or the cessation of accrual of interest from and after the redemption date. Notice of redemption of Bonds shall be given by the Trustee, at the expense of the Authority, for and on behalf of the Authority.

SECTION 4.07. *Partial Redemption of Bonds.* Upon surrender of any Bonds redeemed in part only, the Authority shall execute and the Trustee shall authenticate and deliver to the Owner thereof, at the expense of the Authority, a new Bond or Bonds of authorized denominations equal in aggregate principal amount to the unredeemed portion of the Bonds surrendered.

SECTION 4.08. *Effect of Redemption.* Notice of redemption having been duly given as aforesaid, and moneys for payment of the redemption price of, together with interest accrued to the date fixed for redemption on the Bonds (or portions thereof) so called for redemption being held by the Trustee, on the redemption date designated in such notice, the Bonds (or portions thereof) so called for redemption shall become due and payable, interest on the Bonds so called for redemption shall cease to accrue, said Bonds (or portions thereof) shall cease to be entitled to any benefit or security under this Indenture, and the Owners of said Bonds shall have no rights in respect thereof except to receive payment of the redemption price thereof.

All Bonds redeemed under the provisions of this Article shall be canceled by the Trustee upon surrender thereof and destroyed in accordance with the retention policy of the Trustee then in effect.

## **ARTICLE V**

### **REVENUES; FUNDS AND ACCOUNTS; PAYMENT OF PRINCIPAL AND INTEREST**

SECTION 5.01. *Security for the Bonds; Bond Fund.*

(a) Pledge of Revenues and Other Amounts. Subject only to the provisions of this Indenture permitting the application thereof for the purposes and on the terms and conditions set forth herein, all of the Revenues and all amounts (including proceeds of the sale of the Bonds) held in any fund or account established under this Indenture are hereby pledged to secure the payment of the principal of and interest on the Bonds in accordance with their terms and the provisions of this Indenture. Said pledge constitutes a lien on and security interest in the Revenues and such amounts and shall attach, be perfected and be valid and binding from and after the Closing Date, without the need for any physical delivery thereof or further act.

(b) Assignment to Trustee. Under the Assignment Agreement, the Authority has transferred to the Trustee all of the rights of the Authority in the Lease Agreement (other than the rights of the Authority under Sections 4.4, 5.10, 7.3 and 8.4 thereof). The Trustee



shall be entitled to collect and receive all of the Revenues, and any Revenues collected or received by the Authority shall be deemed to be held, and to have been collected or received, by the Authority as the agent of the Trustee and shall forthwith be paid by the Authority to the Trustee. The Trustee is also entitled to and shall, subject to the provisions of Article VIII, take all steps, actions and proceedings which the Trustee determines to be reasonably necessary in its judgment to enforce, either jointly with the Authority or separately, all of the rights of the Authority and all of the obligations of the City under the Lease Agreement.

(c) Deposit of Revenues in Bond Fund. All Revenues shall be promptly deposited by the Trustee upon receipt thereof in a special fund designated as the "Bond Fund" which the Trustee shall establish, maintain and hold in trust; except that all moneys received by the Trustee and required hereunder or under the Lease Agreement to be deposited in the Insurance and Condemnation Fund or the Redemption Fund shall be promptly deposited in such funds. All Revenues deposited with the Trustee shall be held, disbursed, allocated and applied by the Trustee only as provided in this Indenture. Any surplus remaining in the Bond Fund, after payment in full of (i) the principal of and interest on the Bonds, or provision therefore under Article X, and (ii) any applicable fees and expenses to the Trustee, shall be withdrawn by the Trustee and remitted to the City.

SECTION 5.02. *Allocation of Revenues.* On or before each Interest Payment Date, the Trustee shall transfer from the Bond Fund and deposit into the following respective accounts (each of which the Trustee shall establish and maintain within the Bond Fund), the following amounts in the following order of priority:

- (a) Deposit to Interest Account. The Trustee shall deposit in the Interest Account an amount required to cause the aggregate amount on deposit in the Interest Account to be at least equal to the amount of interest becoming due and payable on such Interest Payment Date on all Bonds then Outstanding.
- (b) Deposit to Principal Account. The Trustee shall deposit in the Principal Account an amount required to cause the aggregate amount on deposit in the Principal Account to equal the principal amount of the Bonds coming due and payable on such Interest Payment Date, including the principal amount of any Term Bonds which are subject to mandatory sinking fund redemption on such Interest Payment Date under Section 4.02.

SECTION 5.03. *Interest Account.* All amounts in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying interest on the Bonds as it comes due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity).

SECTION 5.04. *Principal Account.* All amounts in the Principal Account shall be used and withdrawn by the Trustee solely to pay the principal amount of the Bonds at their respective maturity dates, including the principal amount of any Term Bonds which are subject to mandatory sinking fund redemption under Section 4.02.

SECTION 5.05. *Redemption Fund.* Upon the receipt of any funds which are required to be applied to the redemption of Bonds under Sections 4.01 or 4.03, the Trustee

shall establish and maintain the Redemption Fund, into which the Trustee shall deposit such funds, in accordance with a Written Request of the Authority. Amounts on deposit in the Redemption Fund shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of the Bonds to be redeemed under Section 4.01 and under Section 4.03.

SECTION 5.06. *Insurance and Condemnation Fund.*

(a) Establishment of Fund. Upon the receipt of proceeds of insurance or eminent domain with respect to the Leased Property, the Trustee shall establish and maintain the Insurance and Condemnation Fund, to be held and applied as hereinafter set forth in this Section.

(b) Application of Insurance Proceeds. Any Net Proceeds of insurance against accident to or destruction of the Leased Property collected by the City or the Authority in the event of any such accident or destruction shall be paid to the Trustee under Section 6.3 of the Lease Agreement and deposited by the Trustee promptly upon receipt thereof in the Insurance and Condemnation Fund. If the City fails to determine and notify the Trustee in writing of its determination, within 45 days following the date of such deposit, to replace, repair, restore, modify or improve the Leased Property which has been damaged or destroyed, then such Net Proceeds shall be promptly transferred by the Trustee to the Redemption Fund and applied to the redemption of Bonds on the next available redemption date under Section 4.03. Notwithstanding the foregoing sentence, however, if the Leased Property is damaged or destroyed in full, the Net Proceeds of such insurance shall be used by the City to rebuild or replace the Leased Property if such proceeds are not sufficient to defease Outstanding Bonds.

All proceeds deposited in the Insurance and Condemnation Fund and not so applied to redeem the Outstanding Bonds shall be applied to the prompt replacement, repair, restoration, modification or improvement of the damaged or destroyed portions of the Leased Property by the City, upon receipt of a Written Request of the City which: (i) states with respect to each payment to be made (A) the requisition number, (B) the name and address of the person to whom payment is due, (C) the amount to be paid and (D) that each obligation mentioned therein has been properly incurred, is a proper charge against the Insurance and Condemnation Fund and has not been the basis of any previous withdrawal; and (ii) specifies in reasonable detail the nature of the obligation. Each such Written Request of the City shall be sufficient evidence to the Trustee of the facts stated therein and the Trustee shall have no duty to confirm the accuracy of such facts. Any balance of the proceeds remaining after such work has been completed as certified by the City under a Written Certificate to the Trustee shall be paid to the City. The Trustee shall be entitled to conclusively rely on any Written Request or Written Certificate received under this subsection (b) of this Section and in each case, shall be fully protected in relying thereon.

(c) Application of Eminent Domain Proceeds. If all or any part of the Leased Property is taken by eminent domain proceedings (or sold to a government threatening to exercise the power of eminent domain) the Authority shall deposit or cause to be deposited with the Trustee the Net Proceeds therefrom, which the Trustee shall deposit in the Insurance and Condemnation Fund, to be applied and disbursed by the Trustee as follows:

- (i) If the City has not given written notice to the Trustee, within 45 days following the date on which such Net Proceeds are deposited with the Trustee, of its determination that such Net Proceeds are needed for the replacement of the Leased Property or such portion thereof, the Trustee shall deposit such Net Proceeds in the Redemption Fund, to be applied to redeem Outstanding Bonds under Section 4.03.
- (ii) If the City has given written notice to the Trustee, within 45 days following the date on which such Net Proceeds are deposited with the Trustee, of its determination that such Net Proceeds are needed for replacement of the Leased Property or such portion thereof, the Trustee shall pay to the City, or to its order, from said proceeds such amounts as the City may expend for such replacement, upon the filing of Written Requisitions of the City as agent for the Authority.

In each case, the Trustee may conclusively rely upon any notice received under this subsection (c)(ii) of this Section and is protected in relying thereon.

(d) Reliance on Independent Advice. In making any such determination whether to repair, replace or rehabilitate the Leased Property under this Section, the City may obtain, but is not required to obtain, at its expense, the report of an independent engineer or other independent professional consultant. Any such determination by the City shall be final.

SECTION 5.07. *Investments.* All moneys in any of the funds or accounts established with the Trustee under this Indenture shall be invested by the Trustee solely in Permitted Investments. Such investments shall be directed by the Authority in a Written Request of the Authority filed with the Trustee at least two Business Days in advance of the making of such investments. In the absence of any such directions from the Authority, the Trustee shall hold such funds uninvested. Permitted Investments purchased as an investment of moneys in any fund shall be deemed to be part of such fund or account. To the extent Permitted Investments are registrable, such Permitted Investments shall be registered in the name of the Trustee.

All interest or gain derived from the investment of amounts in any of the funds or accounts established hereunder shall be deposited in the Bond Fund. For purposes of acquiring any investments hereunder, the Trustee may commingle funds held by it hereunder. The Trustee or any of its affiliates may act as principal or agent in the acquisition or disposition of any investment and may impose its customary charges therefor. The Trustee shall incur no liability for losses arising from any investments made under this Section.

The Trustee may make any investments hereunder through its own bond or investment department or trust investment department, or those of its parent or any affiliate. The Trustee or any of its affiliates may act as sponsor, advisor or manager in connection with any investments made by the Trustee hereunder. The Trustee is hereby authorized, in making or disposing of any investment permitted by this Section, to deal with itself (in its individual capacity) or with any one or more of its affiliates, whether it or such affiliate is acting as an agent of the Trustee or for any third person or is dealing as a principal for its own account.

The Authority acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Authority the right to receive brokerage confirmations of security transactions as they occur, the Authority will not receive such confirmations to the extent permitted by law. The Trustee will furnish the Authority a periodic cash transaction statements which include detail for all investment transactions made by the Trustee hereunder.

SECTION 5.08. *Valuation and Disposition of Investments.*

(a) Except as otherwise provided in subsection (b) of this Section, the Authority covenants that all investments of amounts deposited in any fund or account created by or under this Indenture, or otherwise containing gross proceeds of the Bonds (within the meaning of Section 148 of the Tax Code) shall be acquired, disposed of and valued at the Fair Market Value thereof as such term is defined in subsection (d) below. The Trustee shall have no duty in connection with the determination of Fair Market Value other than to follow the investment directions of the Authority in any Written Request of the Authority.

(b) Investments in funds or accounts (or portions thereof) that are subject to a yield restriction under applicable provisions of the Tax Code shall be valued at cost thereof, (consisting of present value thereof within the meaning of Section 148 of the Tax Code); provided that the Authority shall inform the Trustee which funds are subject to a yield restriction.

(c) Except for funds or accounts described in subsection (b), for the purpose of determining the amount in any fund or account established hereunder, the value of Permitted Investments credited to such fund shall be valued by the Trustee at least annually on or before October 15. The Trustee may sell or present for redemption, any Permitted Investment so purchased by the Trustee whenever it is necessary in order to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund to which such Permitted Investment is credited, and the Trustee shall not be liable or responsible for any loss resulting from any such Permitted Investment.

(d) For purposes of this Section, the term "Fair Market Value" means the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm's length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of Section 1273 of the Tax Code) and, otherwise, the term "Fair Market Value" means the acquisition price in a bona fide arm's length transaction (as referenced above) if (i) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Tax Code, (ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the Tax Code, or (iii) the investment is a United States Treasury Security -- State and Local Government Series which is acquired in accordance with applicable regulations of the United States Bureau of Public Debt.

(e) To the extent of any valuations made by the Trustee hereunder, the Trustee may utilize and rely upon computerized securities pricing services that may be available to it, including those available through its regular accounting system.

## ARTICLE VI

### COVENANTS OF THE AUTHORITY

SECTION 6.01. *Punctual Payment.* The Authority shall punctually pay or cause to be paid the principal of and interest on all the Bonds in strict conformity with the terms of the Bonds and of this Indenture, according to the true intent and meaning thereof, but only out of the Revenues and other amounts pledged for such payment as provided in this Indenture.

SECTION 6.02. *Extension of Payment of Bonds.* The Authority shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any claims for interest by the purchase of such Bonds or by any other arrangement, and in case the maturity of any of the Bonds or the time of payment of any such claims for interest shall be extended, such Bonds or claims for interest shall not be entitled, in case of any default hereunder, to the benefits of this Indenture, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest thereon which have not been so extended. Nothing in this Section limits the right of the Authority to issue Bonds for the purpose of refunding any Outstanding Bonds, and such issuance does not constitute an extension of maturity of the Bonds.

SECTION 6.03. *Against Encumbrances.* The Authority shall not create, or permit the creation of, any pledge, lien, charge or other encumbrance upon the Revenues and other assets pledged or assigned under this Indenture while any of the Bonds are Outstanding, except the pledge and assignment created by this Indenture. Subject to this limitation, the Authority 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.

SECTION 6.04. *Power to Issue Bonds and Make Pledge and Assignment.* The Authority is duly authorized under law to issue the Bonds and to enter into this Indenture and to pledge and assign the Revenues and other amounts purported to be pledged and assigned, respectively, under this Indenture and under the Assignment Agreement in the manner and to the extent provided in this Indenture and the Assignment Agreement. The Bonds and the provisions of this Indenture are and will be the legal, valid and binding special obligations of the Authority in accordance with their terms, and the Authority and the Trustee shall at all times, subject to the provisions of Article VIII and to the extent permitted by law, defend, preserve and protect said pledge and assignment of Revenues and other assets and all the rights of the Bond Owners under this Indenture against all claims and demands of all persons whomsoever.

SECTION 6.05. *Accounting Records.* The Trustee shall at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with corporate trust industry standards, in which complete and accurate entries shall be made of all transactions made by it relating to the proceeds of Bonds and all funds and accounts established under this Indenture. The Trustee shall make such books of record and account available for inspection by the Authority and the City, during business hours, upon reasonable notice, and under reasonable circumstances.

SECTION 6.06. *Limitation on Additional Obligations.* The Authority covenants that no additional bonds, notes or other indebtedness shall be issued or incurred which are payable out of the Revenues in whole or in part.

SECTION 6.07. *Tax Covenants.*

(a) Private Business Use Limitation. The Authority shall assure that the proceeds of the Bonds are not used in a manner which would cause the Bonds to satisfy the private business tests of Section 141(b) of the Tax Code or the private loan financing test of Section 141(c) of the Tax Code.

(b) Federal Guarantee Prohibition. The Authority may not take any action or permit or suffer any action to be taken if the result of the same would be to cause the Bonds to be “federally guaranteed” within the meaning of Section 149(b) of the Tax Code.

(c) No Arbitrage. The Authority may not take, or permit or suffer to be taken by the Trustee or otherwise, any action with respect to the proceeds of the Bonds or of any other obligations which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the Closing Date, would have caused the Bonds to be “arbitrage bonds” within the meaning of Section 148(a) of the Tax Code.

(d) Maintenance of Tax Exemption. The Authority shall take all actions necessary to assure the exclusion of interest on the Bonds from the gross income of the Owners of the Bonds to the same extent as such interest is permitted to be excluded from gross income under the Tax Code as in effect on the Closing Date.

(e) Rebate of Excess Investment Earnings to United States. The Authority shall calculate or cause to be calculated all amounts of excess investment earnings with respect to the Bonds which are required to be rebated to the United States of America under Section 148(f) of the Tax Code, at the times and in the manner required under the Tax Code. The Authority shall pay when due an amount equal to excess investment earnings to the United States of America in such amounts, at such times and in such manner as may be required under the Tax Code, such payments to be made from amounts paid by the City for that purpose under Section 4.4(d) of the Lease Agreement. The Authority shall keep or cause to be kept, and retain or cause to be retained for a period of six years following the retirement of the Bonds, records of the determinations made under this subsection (e).

SECTION 6.08. *Enforcement of Lease Agreement.* The Trustee shall promptly collect all amounts (to the extent any such amounts are available for collection) due from the City under the Lease Agreement. Subject to the provisions of Article VIII, the Trustee shall enforce, and take all steps, actions and proceedings which the Trustee determines to be reasonably necessary for the enforcement of all of its rights thereunder as assignee of the Authority and for the enforcement of all of the obligations of the City under the Lease Agreement.

SECTION 6.09. *Waiver of Laws.* The Authority shall not at any time insist upon or plead in any manner whatsoever, or claim or take the benefit or advantage of, any stay or extension law now or at any time hereafter in force that may affect the covenants and agreements contained in this Indenture or in the Bonds, and all benefit or advantage of

any such law or laws is hereby expressly waived by the Authority to the extent permitted by law.

SECTION 6.10. *Further Assurances.* The Authority 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 this Indenture and for the better assuring and confirming unto the Owners of the Bonds of the rights and benefits provided in this Indenture.

## **ARTICLE VII**

### **EVENTS OF DEFAULT AND REMEDIES**

SECTION 7.01. *Events of Default.* The following events constitute Events of Default hereunder:

- (a) Failure to pay any installment of the principal of any Bonds when due, whether at maturity as therein expressed, by proceedings for redemption, by acceleration, or otherwise.
- (b) Failure to pay any installment of interest on the Bonds when due.
- (c) Failure by the Authority to observe and perform any of the other covenants, agreements or conditions on its part contained in this Indenture or in the Bonds, if such failure has continued for a period of 30 days after written notice thereof, specifying such failure and requiring the same to be remedied, has been given to the Authority by the Trustee; provided, however, if in the reasonable opinion of the Authority the failure stated in the notice can be corrected, but not within such 30-day period, such failure shall not constitute an Event of Default if the Authority institutes corrective action within such 30-day period and thereafter diligently and in good faith cures the failure in a reasonable period of time.
- (d) The commencement by the Authority of a voluntary case under Title 11 of the United States Code or any substitute or successor statute.
- (e) The occurrence and continuation of an event of default under and as defined in the Lease Agreement.

SECTION 7.02. *Remedies Upon Event of Default.* If any Event of Default occurs, then, and in each and every such case during the continuance of such Event of Default, the Trustee may, and at the written direction of the Owners of a majority in aggregate principal amount of the Bonds at the time Outstanding shall, in each case, upon receipt of indemnification satisfactory to Trustee against the costs, expenses and liabilities to be incurred in connection with such action, upon notice in writing to the Authority, declare the principal of all of the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable, anything in this Indenture or in the Bonds contained to the contrary notwithstanding.

Any such declaration is subject to the condition that if, at any time after such declaration and before any judgment or decree for the payment of the moneys due shall have been obtained or entered, the Authority deposits with the Trustee a sum sufficient to pay all the principal of and installments of interest on the Bonds payment of which is overdue, with interest on such overdue principal at the rate borne by the respective Bonds to the extent permitted by law, and the reasonable fees, charges and expenses (including those of its legal counsel, including the allocated costs of internal attorneys) of the Trustee, and any and all other Events of Default known to the Trustee (other than in the payment of principal of and interest on the Bonds due and payable solely by reason of such declaration) have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate has been made therefor, then, and in every such case, the Owners of a majority in aggregate principal amount of the Bonds then Outstanding, by written notice to the Authority, the City and the Trustee, may, on behalf of the Owners of all of the Bonds, rescind and annul such declaration and its consequences and waive such Event of Default; but no such rescission and annulment shall extend to or shall affect any subsequent Event of Default, or shall impair or exhaust any right or power consequent thereon.

SECTION 7.03. *Application of Revenues and Other Funds After Default.* If an Event of Default occurs and is continuing, all Revenues and any other funds then held or thereafter received by the Trustee under any of the provisions of this Indenture shall be applied by the Trustee in the following order of priority:

- (a) To the payment of reasonable fees, charges and expenses of the Trustee (including reasonable fees and disbursements of its legal counsel including outside counsel and the allocated costs of internal attorneys) incurred in and about the performance of its powers and duties under this Indenture;
- (b) To the payment of the principal of and interest then due on the Bonds (upon presentation of the Bonds to be paid, and stamping or otherwise noting thereon of the payment if only partially paid, or surrender thereof if fully paid) in accordance with the provisions of this Indenture, as follows:

*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; and

*Second:* To the payment to the persons entitled thereto of the unpaid principal of any Bonds which shall have become due, whether at maturity or by acceleration or redemption, with interest on the overdue principal at the rate borne by the respective Bonds (to the extent permitted by law), and, if the amount available shall not be sufficient to pay in full all the Bonds, together with such interest, then to the payment thereof ratably, according to the



amounts of principal due on such date to the persons entitled thereto, without any discrimination or preference.

SECTION 7.04. *Trustee to Represent Bond Owners.* The Trustee is hereby irrevocably appointed (and the successive respective Owners of the 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 Bonds for the purpose of exercising and prosecuting on their behalf such rights and remedies as may be available to such Owners under the provisions of the Bonds, this Indenture and applicable provisions of any law. All rights of action under this Indenture or the Bonds or otherwise may be prosecuted and enforced by the Trustee without the possession of any of the Bonds or the production thereof in any proceeding relating thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in the name of the Trustee for the benefit and protection of all the Owners of such Bonds, subject to the provisions of this Indenture.

SECTION 7.05. *Limitation on Bond Owners' Right to Sue.* Notwithstanding any other provision hereof, no Owner of any Bonds has 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 this Indenture, the Lease Agreement or any other applicable law with respect to such Bonds, unless (a) such Owner has given to the Trustee written notice of the occurrence of an Event of Default; (b) the Owners of a majority in aggregate principal amount of the Bonds then Outstanding have requested the Trustee in writing to exercise the powers hereinbefore granted or to institute such suit, action or proceeding in its own name; (c) such Owner or Owners have tendered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; (d) the Trustee has failed to comply with such request for a period of 60 days after such written request has been received by, and said tender of indemnity has been made to, the Trustee; and (e) no direction inconsistent with such written request has been given to the Trustee during such 60-day period by the Owners of a majority in aggregate principal amount of the Bonds then Outstanding.

Such notification, request, tender of indemnity and refusal or omission are hereby declared, in every case, to be conditions precedent to the exercise by any Owner of Bonds of any remedy hereunder or under law; it being understood and intended that no one or more Owners of Bonds shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of this Indenture or the rights of any other Owners of Bonds, or to enforce any right under the Bonds, this Indenture, the Lease Agreement or other applicable law with respect to the Bonds, except in the manner herein provided, and that all proceedings at law or in equity to enforce any such right shall be instituted, had and maintained in the manner herein provided and for the benefit and protection of all Owners of the Outstanding Bonds, subject to the provisions of this Indenture.

SECTION 7.06. *Absolute Obligation of Authority.* Nothing herein or in the Bonds contained affects or impairs the obligation of the Authority, which is absolute and unconditional, to pay the principal of and interest on the Bonds to the respective Owners of the Bonds at their respective dates of maturity, or upon acceleration or call for redemption, as herein provided, but only out of the Revenues and other assets herein pledged therefor, or affect or impair the right of such Owners, which is also absolute and unconditional, to enforce such payment by virtue of the contract embodied in the Bonds.

SECTION 7.07. *Termination of Proceedings.* In case any proceedings taken by the Trustee or by any one or more Bond Owners on account of any Event of Default have been discontinued or abandoned for any reason or have been determined adversely to the Trustee or the Bond Owners, then in every such case the Authority, the Trustee and the Bond Owners, subject to any determination in such proceedings, shall be restored to their former positions and rights hereunder, severally and respectively, and all rights, remedies, powers and duties of the Authority, the Trustee and the Bond Owners shall continue as though no such proceedings had been taken.

SECTION 7.08. *Remedies Not Exclusive.* No remedy herein conferred upon or reserved to the Trustee, to the Owners of the Bonds is intended to be exclusive of any other remedy or remedies, and each and every such remedy, to the extent permitted by law, shall be cumulative and in addition to any other remedy given hereunder or now or hereafter existing at law or in equity or otherwise.

SECTION 7.09. *No Waiver of Default.* No delay or omission of the Trustee or any Owner of the Bonds to exercise any right or power arising upon the occurrence of any default or Event of Default shall impair any such right or power or shall be construed to be a waiver of any such default or Event of Default or an acquiescence therein; and every power and remedy given by this Indenture to the Trustee or to the Owners of the Bonds may be exercised from time to time and as often as may be deemed expedient by the Trustee or the Bond Owners.

SECTION 7.10. *Notice to Bond Owners of Default.* Immediately upon becoming aware of the occurrence of an Event of Default, but in no event later than five Business Days following becoming aware of such occurrence, the Trustee shall promptly give written notice thereof by first class mail, postage prepaid, to the Owner of each Outstanding Bond, unless such Event of Default has been cured before the giving of such notice; *provided, however* that except in the case of an Event of Default described in Sections 7.01(a) or 7.01(b), the Trustee may elect not to give such notice to the Bond Owners if and so long as the Trustee in good faith determines that it is in the best interests of the Bond Owners not to give such notice.

## **ARTICLE VIII**

### **THE TRUSTEE**

SECTION 8.01. *Appointment of Trustee.* U.S. Bank National Association is hereby appointed Trustee by the Authority for the purpose of receiving all moneys required to be deposited with the Trustee hereunder and to allocate, use and apply the same as provided in this Indenture. The Authority will maintain a Trustee which is qualified under the provisions of the foregoing provisions of this Article, so long as any Bonds are Outstanding.

SECTION 8.02. *Acceptance of Trusts; Removal and Resignation of Trustee.* The Trustee hereby accepts the express trusts imposed upon it by this Indenture, and agrees to perform said trusts, but only upon and subject to the following express terms and conditions:

- (a) The Trustee shall, prior to an Event of Default, and after the curing or waiver of all Events of Default which may have occurred, perform such duties and only such duties as are expressly and specifically set forth in this Indenture and no implied duties or covenants shall be read into this Indenture against the Trustee.
- (b) The Authority, with thirty days' prior notice, may remove the Trustee at any time, unless an Event of Default has occurred and is then continuing, and shall remove the Trustee (a) if at any time requested to do so by the Owners of a majority in aggregate principal amount of the Bonds then Outstanding (or their attorneys duly authorized in writing) or (b) if at any time the Trustee ceases to be eligible in accordance with Section 8.02, or becomes incapable of acting, or is adjudged a bankrupt or insolvent, or a receiver of the Trustee or its property is appointed, or any public officer takes control or charge of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation.
- (c) The Trustee may at any time resign by giving written notice of such resignation to the Authority and the City, and by giving the Bond Owners notice of such resignation by mail at the addresses shown on the Registration Books.
- (d) Any removal or resignation of the Trustee and appointment of a successor Trustee shall become effective upon acceptance of appointment by the successor Trustee. In the event of the removal or resignation of the Trustee under subsections (b) or (d), respectively, the Authority shall promptly appoint a successor Trustee.

If no successor Trustee has been appointed and accepted appointment within 45 days of giving notice of removal or notice of resignation as aforesaid, the resigning Trustee 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 this Indenture, shall signify its acceptance of such appointment by executing and delivering to the Authority, to its predecessor Trustee a written acceptance thereof, and after payment by the Authority of all unpaid fees and expenses of the predecessor Trustee, 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 herein; but, nevertheless at the Written Request of the Authority 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 the Leased

Property held by such predecessor Trustee under this Indenture and shall pay over, transfer, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions herein set forth. Upon request of the successor Trustee, the Authority 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 this subsection, the Authority shall promptly mail or cause the successor trustee to mail a notice of the succession of such Trustee to the trusts hereunder to each rating agency which is then rating the Bonds and to the Bond Owners at the addresses shown on the Registration Books. If the Authority fails to mail such notice within 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 Authority.

- (e) Any Trustee appointed under this Indenture shall be a corporation or association organized and doing business under the laws of any state or the United States of America or the District of Columbia, shall be authorized under such laws to exercise corporate trust powers, shall have (or, in the case of a corporation or association that is a member of a bank holding company system, the related bank holding company has) a combined capital and surplus of at least \$50,000,000, and shall be subject to supervision or examination by a federal or state agency, so long as any Bonds are Outstanding. If such corporation or association publishes a report of condition at least annually under law or to the requirements of any supervising or examining agency above referred to, then for the purpose of this subsection (e), the combined capital and surplus of such corporation or association shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If the Trustee at any time ceases to be eligible in accordance with the provisions of this subsection (e), the Trustee shall resign immediately in the manner and with the effect specified in this Section.

SECTION 8.03. *Merger or Consolidation.* Any bank, federal savings 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, federal savings association, or trust company resulting from any merger, conversion or consolidation to which it shall be a party or any bank, national banking association, federal savings 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, federal savings association, or trust company shall be eligible under subsection (e) of Section 8.02 shall be the successor to such Trustee, without the execution or filing of any paper or any further act, anything herein to the contrary notwithstanding.

SECTION 8.04. *Liability of Trustee.*

(a) The recitals of facts herein and in the Bonds contained shall be taken as statements of the Authority, and the Trustee shall not assume responsibility for the correctness of the same, or make any representations as to the validity or sufficiency of this Indenture, the Bonds or the Lease Agreement (including any right to receive moneys thereunder or the value of or title to the premises upon which the Leased Property is located), nor shall the Trustee incur any responsibility in respect thereof, other than as expressly stated herein in connection with the respective duties or obligations of Trustee herein or in the Bonds assigned to or imposed upon it. The Trustee shall, however, be responsible for its representations contained in its certificate of authentication on the Bonds. The Trustee shall not be liable in connection with the performance of its duties hereunder, except for its own negligence. The Trustee may become the Owner of Bonds with the same rights it would have if it were not Trustee, and, to the extent permitted by law, may act as depository for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Bond Owners, whether or not such committee shall represent the Owners of a majority in principal amount of the Bonds then Outstanding.

(b) The Trustee is not liable for any error of judgment made by a responsible officer, unless it is proved that the Trustee was grossly negligent in ascertaining the pertinent facts.

(c) The Trustee is not liable with respect to any action taken or omitted to be taken by it in accordance with the direction of the Owners of a majority in aggregate principal amount of the Bonds at the time Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under this Indenture or assigned to it under the Assignment Agreement.

(d) The Trustee is not liable for any action taken by it and believed by it to be authorized or within the discretion or rights or powers conferred upon it by this Indenture.

(e) The Trustee shall not be deemed to have knowledge of any Event of Default hereunder, or any other event which, with the passage of time, the giving of notice, or both, would constitute an Event of Default hereunder unless and until it shall have actual knowledge thereof, or a corporate trust officer shall have received written notice thereof at its Office from the City, the Authority or the Owners of at least 25% in aggregate principal amount of the Outstanding Bonds. Except as otherwise expressly provided herein, the Trustee shall not be bound to ascertain or inquire as to the performance or observance by the Authority or the City of any of the terms, conditions, covenants or agreements herein, under the Lease Agreement or the Bonds or of any of the documents executed in connection with the Bonds, or as to the existence of a default or an Event of Default or an event which would, with the giving of notice, the passage of time, or both, constitute an Event of Default. The Trustee is not responsible for the validity, effectiveness or priority of any collateral given to or held by it. Without limiting the generality of the foregoing, the Trustee shall not be required to ascertain or inquire as to the performance or observance by the City or the Authority of the terms, conditions, covenants or agreements set forth in the Lease Agreement, other than the covenants of the City to make Lease Payments to the Trustee when due and to file with the Trustee when due, such reports and certifications as the City is required to file with the Trustee thereunder.

(f) No provision of this Indenture requires the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers.

(g) The Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or through agents, receivers or attorneys and the Trustee shall not be responsible for any misconduct or negligence on the part of any agent, receiver or attorney appointed with due care by it hereunder.

(h) The Trustee has no obligation to exercise any of the rights or powers vested in it by this Indenture at the request or direction of the Bond Owners under this Indenture, unless such Owners have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities (including but not limited to fees and expenses of its attorneys) which might be incurred by it in compliance with such request or direction. No permissive power, right or remedy conferred upon the Trustee hereunder shall be construed to impose a duty to exercise such power, right or remedy.

(i) Whether or not therein expressly so provided, every provision of this Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee is subject to the provisions of Section 8.02(a), this Section and Section 8.05, and shall be applicable to the assignment of any rights under the Lease Agreement to the Trustee under the Assignment Agreement.

(j) The Trustee is not accountable to anyone for the subsequent use or application of any moneys which are released or withdrawn in accordance with the provisions hereof.

(k) The Trustee makes no representation or warranty, expressed or implied as to the title, value, design, compliance with specifications or legal requirements, quality, durability, operation, condition, merchantability or fitness for any particular purpose for the use contemplated by the Authority or the City of the Leased Property. In no event shall the Trustee be liable for incidental, indirect, special or consequential damages in connection with or arising from the Lease Agreement or this Indenture for the existence, furnishing or use of the Leased Property.

(l) The Trustee has no responsibility with respect to any information, statement, or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the Bonds.

(m) The Trustee is authorized and directed to execute the Assignment Agreement in its capacity as Trustee hereunder.

SECTION 8.05. *Right to Rely on Documents.* The Trustee shall be protected and shall incur no liability in acting or refraining from acting in reliance upon any notice, resolution, request, consent, order, certificate, report, opinion, bonds or other paper or document believed by them to be genuine and to have been signed or presented by the proper party or parties. The Trustee is under no duty to make any investigation or inquiry as to any statements contained or matter referred to in any paper or document but may accept and conclusively rely upon the same as conclusive evidence of the truth and accuracy of any such statement or matter and shall be fully protected in relying thereon.

The Trustee may consult with counsel, who may be counsel of or to the Authority, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith.

The Trustee may treat the Owners of the Bonds appearing in the Registration Books as the absolute owners of the 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 this Indenture the Trustee deems it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a Written Certificate, Written Request or Written Requisition of the Authority or the City, and such Written Certificate, Written Request or Written Requisition shall be full warrant to the Trustee for any action taken or suffered under the provisions of this Indenture in reliance upon such Written Certificate, Written Request or Written Requisition, and the Trustee shall be fully protected in relying thereon, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may deem reasonable.

SECTION 8.06. *Preservation and Inspection of Documents.* All documents received by the Trustee under the provisions of this Indenture shall be retained in its respective possession and in accordance with its retention policy then in effect and shall, upon reasonable notice to Trustee, be subject to the inspection of the Authority, the City and any Bond Owner, and their agents and representatives duly authorized in writing, during business hours and under reasonable conditions as agreed to by the Trustee.

SECTION 8.07. *Compensation and Indemnification.* The Authority shall pay to the Trustee from time to time, on demand, the compensation for all services rendered under this Indenture and also all reasonable expenses, advances (including any interest on advances), charges, legal (including outside counsel and the allocated costs of internal attorneys) and consulting fees and other disbursements, incurred in and about the performance of its powers and duties under this Indenture.

The Authority shall indemnify the Trustee, its officers, directors, employees and agents against any cost, loss, liability or expense whatsoever (including but not limited to fees and expenses of its attorneys) incurred without negligence or willful misconduct on its part, arising out of or in connection with the acceptance or administration of this trust and this Indenture, including costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers hereunder or under the Assignment Agreement or the Lease Agreement. As security for the performance of the obligations of the Authority under this Section and the obligation of the Authority to make Additional Rental Payments to the Trustee, the Trustee shall have a lien prior to the lien of the Bonds upon all property and funds held or collected by the Trustee as such. The rights of the Trustee and the obligations of the Authority under this Section shall survive the resignation or removal of the Trustee or the discharge of the Bonds and this Indenture and the Lease Agreement.

## ARTICLE IX

### MODIFICATION OR AMENDMENT HEREOF

#### SECTION 9.01. *Amendments Permitted.*

(a) Amendments With Bond Owner Consent. This Indenture and the rights and obligations of the Authority and of the Owners of the Bonds and of the Trustee may be modified or amended from time to time and at any time by Supplemental Indenture, which the Authority and the Trustee may enter into when the written consents of the Owners of a majority in aggregate principal amount of all Bonds then Outstanding are filed with the Trustee. No such modification or amendment may (i) extend the fixed maturity of any Bonds, or reduce the amount of principal thereof or extend the time of payment, or change the method of computing the rate of interest thereon, or extend the time of payment of interest thereon, without the consent of the Owner of each Bond so affected, or (ii) reduce the aforesaid percentage of Bonds the consent of the Owners of which is required to effect any such modification or amendment, or permit the creation of any lien on the Revenues and other assets pledged under this Indenture prior to or on a parity with the lien created by this Indenture except as permitted herein, or deprive the Owners of the Bonds of the lien created by this Indenture on such Revenues and other assets (except as expressly provided in this Indenture), without the consent of the Owners of all of the Bonds then Outstanding. It is not necessary for the consent of the Bond Owners to approve the particular form of any Supplemental Indenture, but it is sufficient if such consent approves the substance thereof.

(b) Amendments Without Owner Consent. This Indenture and the rights and obligations of the Authority, of the Trustee and the Owners of the Bonds may also be modified or amended from time to time and at any time by a Supplemental Indenture, which the Authority and the Trustee may enter into without the consent of any Bond Owners, if the Trustee has been furnished an opinion of counsel that the provisions of such Supplemental Indenture do not materially adversely affect the interests of the Bond Owners, including, without limitation, for any one or more of the following purposes:

- (i) to add to the covenants and agreements of the Authority in this Indenture contained, other covenants and agreements thereafter to be observed, to pledge or assign additional security for the Bonds (or any portion thereof), or to surrender any right or power herein reserved to or conferred upon the Authority;
- (ii) to cure any ambiguity, inconsistency or omission, or to cure or correct any defective provision, contained in this Indenture, or in regard to matters or questions arising under this Indenture, as the Authority deems necessary or desirable, provided that such modification or amendment does not materially adversely affect the interests of the Bond Owners, in the opinion of Bond Counsel filed with the Trustee;
- (iii) to modify, amend or supplement this Indenture in such manner as to permit the qualification hereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute;



- (iv) to modify, amend or supplement this Indenture in such manner as to assure that the interest on the Bonds remains excluded from gross income under the Tax Code;
- (v) to facilitate the issuance of additional obligations of the City under the Lease Agreement as provided in Section 7.5(b)(v) thereof; or
- (vi) to facilitate the substitution or release of property under Sections 3.3 or 3.4, respectively, of the Lease Agreement.

(c) Limitation. The Trustee is not obligated to enter into any Supplemental Indenture authorized by subsections (a) or (b) of this Section which materially adversely affects the Trustee's rights, duties or immunities hereunder or otherwise.

(d) Bond Counsel Opinion. Prior to the Trustee entering into any Supplemental Indenture hereunder, the Authority shall deliver to the Trustee an opinion of Bond Counsel stating, in substance, that such Supplemental Indenture has been adopted in compliance with the requirements of this Indenture and that the adoption of such Supplemental Indenture will not, in and of itself, adversely affect the exclusion from gross income for purposes of federal income taxes of interest on the Bonds.

(e) Notice of Amendments. The Authority shall deliver or cause to be delivered a draft of any Supplemental Indenture to each rating agency which then maintains a rating on the Bonds, at least 10 days prior to the effective date of such Supplemental Indenture under this Section.

SECTION 9.02. *Effect of Supplemental Indenture*. Upon the execution of any Supplemental Indenture under this Article, this Indenture shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under this Indenture of the Authority, the Trustee and all Owners of Bonds Outstanding shall thereafter be determined, exercised and enforced hereunder 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 this Indenture for any and all purposes.

SECTION 9.03. *Amendment of Particular Bonds*. The provisions of this Article do not prevent any Bond Owner from accepting any amendment as to the particular Bonds held by such Owner.

## **ARTICLE X**

### **DEFEASANCE**

SECTION 10.01. *Discharge of Indenture*. Any or all of the Outstanding Bonds may be paid by the Authority in any of the following ways, provided that the Authority also pays or causes to be paid any other sums payable hereunder by the Authority:

- (a) by paying or causing to be paid the principal of and interest on such Bonds, as and when the same become due and payable;

- (b) by depositing with the Trustee or an escrow agent, at or before maturity, money or securities in the necessary amount (as provided in Section 10.03) to pay or redeem such Bonds; or
- (c) by delivering all of such Bonds to the Trustee for cancellation.

If the Authority also pays or causes to be paid all other sums payable hereunder by the Authority, then and in that case, at the election of the Authority (evidenced by a Written Certificate of the Authority, filed with the Trustee, signifying the intention of the Authority to discharge all such indebtedness and this Indenture), and notwithstanding that any of such Bonds shall not have been surrendered for payment, this Indenture and the pledge of Revenues and other assets made under this Indenture with respect to such Bonds and all covenants, agreements and other obligations of the Authority under this Indenture with respect to such Bonds shall cease, terminate, become void and be completely discharged and satisfied, subject to Section 10.02. In such event, upon the Written Request of the Authority, the Trustee shall execute and deliver to the Authority 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 to the City all moneys or securities or other property held by it under this Indenture which are not required for the payment or redemption of any of such Bonds not theretofore surrendered for such payment or redemption. The Trustee is entitled to conclusively rely on any such Written Certificate or Written Request and, in each case, is fully protected in relying thereon.

SECTION 10.02. *Discharge of Liability on Bonds.* Upon the deposit with the Trustee or with an escrow agent, at or before maturity, of money or securities in the necessary amount (as provided in Section 10.03) to pay any Outstanding Bonds (upon the maturity of such Bonds), then all liability of the Authority in respect of such 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 or such escrow agent as aforesaid for their payment, subject, however, to the provisions of Section 10.04.

The Authority may at any time surrender to the Trustee, for cancellation by Trustee, any Bonds previously issued and delivered, which the Authority may have acquired in any manner whatsoever, and such Bonds, upon such surrender and cancellation, shall be deemed to be paid and retired.

SECTION 10.03. *Deposit of Money or Securities with Trustee.* Whenever in this Indenture it is provided or permitted that there be deposited with or held by the Trustee or an escrow agent money or securities in the necessary amount to pay any Bonds, the money or securities so to be deposited or held may include money or securities held by the Trustee in the funds and accounts established under this Indenture and shall be:

- (a) lawful money of the United States of America in an amount equal to the principal amount of such Bonds and all unpaid interest thereon to maturity; or
- (b) non-callable Federal Securities, the principal of and interest on which when due will, in the written opinion of an Independent Accountant

filed with the City, the Authority and the Trustee, provide money sufficient to pay the principal of and interest on the Bonds to be paid, as such principal and interest become due;

provided, in each case, that (i) the Trustee shall have been irrevocably instructed (by the terms of this Indenture or by Written Request of the Authority) to apply such money to the payment of such principal and interest with respect to such Bonds, and (ii) the Authority shall have delivered to the Trustee an opinion of Bond Counsel to the effect that such Bonds have been discharged in accordance with this Indenture (which opinion may rely upon and assume the accuracy of the Independent Accountant's opinion referred to above). The Trustee shall be entitled to conclusively rely on such Written Request or opinion and shall be fully protected, in each case, in relying thereon.

SECTION 10.04. *Unclaimed Funds.* Notwithstanding any provisions of this Indenture, any moneys held by the Trustee for the payment of the principal of, or interest on, any Bonds and remaining unclaimed for two years after the principal of all of the Bonds has become due and payable (whether at maturity or upon call for redemption or by acceleration as provided in this Indenture), if such moneys were so held at such date, or two years after the date of deposit of such moneys if deposited after said date when all of the Bonds became due and payable, shall be repaid to the Authority free from the trusts created by this 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 Authority as aforesaid, the Trustee shall (at the cost of the Authority) first mail to the Owners of Bonds which have not yet been paid, at the addresses shown on the Registration Books, a notice, in such form as may be deemed appropriate by the Trustee with respect to the Bonds so payable and not presented and with respect to the provisions relating to the repayment to the Authority of the moneys held for the payment thereof.

## **ARTICLE XI**

### **MISCELLANEOUS**

SECTION 11.01. *Liability of Authority Limited to Revenues.* Notwithstanding anything in this Indenture or in the Bonds contained, the Authority is not required to advance any moneys derived from any source other than the Revenues and other assets pledged under this Indenture for any of the purposes in this Indenture mentioned, whether for the payment of the principal of or interest on the Bonds or for any other purpose of this Indenture. Nevertheless, the Authority may, but is not required to, advance for any of the purposes hereof any funds of the Authority which may be made available to it for such purposes.

SECTION 11.02. *Limitation of Rights to Parties and Bond Owners.* Nothing in this Indenture or in the Bonds expressed or implied is intended or shall be construed to give to any person other than the Authority, the Trustee, the City and the Owners of the Bonds, any legal or equitable right, remedy or claim under or in respect of this Indenture or any covenant, condition or provision therein or herein contained; and all such covenants, conditions and provisions are and shall be held to be for the sole and exclusive benefit of the Authority, the Trustee, the City and the Owners of the Bonds.

SECTION 11.03. *Funds and Accounts.* Any fund or account required by this 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 industry standards to the extent practicable, and with due regard for the requirements of Section 6.05 and for the protection of the security of the Bonds and the rights of every Owner thereof. The Trustee may establish such funds and accounts as it deems necessary or appropriate to perform its obligations under this Indenture.

SECTION 11.04. *Waiver of Notice; Requirement of Mailed Notice.* Whenever in this 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 this Indenture any notice is required to be given by mail, such requirement may be satisfied by the deposit of such notice in the United States mail, postage prepaid, by first class mail.

SECTION 11.05. *Destruction of Bonds.* Whenever in this Indenture provision is made for the cancellation by the Trustee, and the delivery to the Authority, of any Bonds, the Trustee may, in lieu of such cancellation and delivery, destroy such Bonds as may be allowed by law, and at the written request of the Authority the Trustee shall deliver a certificate of such destruction to the Authority.

SECTION 11.06. *Severability of Invalid Provisions.* If any one or more of the provisions contained in this Indenture or in the Bonds shall for any reason be held to be invalid, illegal or unenforceable in any respect, then such provision or provisions shall be deemed severable from the remaining provisions contained in this Indenture and such invalidity, illegality or unenforceability shall not affect any other provision of this Indenture, and this Indenture shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein. The Authority hereby declares that it would have entered into this Indenture and each and every other Section, paragraph, sentence, clause or phrase hereof and authorized the issuance of the Bonds pursuant thereto irrespective of the fact that any one or more Sections, paragraphs, sentences, clauses or phrases of this Indenture may be held illegal, invalid or unenforceable.

SECTION 11.07. *Notices.* All notices or communications to be given under this Indenture shall be given by first class mail or personal delivery to the party entitled thereto at its address set forth below, or at such address as the party may provide to the other party in writing from time to time. Notice shall be effective either (a) upon transmission by facsimile transmission or other form of telecommunication, confirmed by telephone, (b) 48 hours after deposit in the United States mail, postage prepaid, or (c) in the case of personal delivery to any person, upon actual receipt. The Authority, the City or the Trustee may, by written notice to the other parties, from time to time modify the address or number to which communications are to be given hereunder.

*If to the City:* City of Hermosa Beach  
1315 Valley Drive  
Hermosa Beach, California 90254  
Attention: City Manager

*If to the Authority:* Hermosa Beach Public Financing Authority  
1315 Valley Drive  
Hermosa Beach, California 90254  
Attention: Executive Director

*If to the Trustee:* U.S. Bank National Association  
633 West Fifth Street, 24th Floor  
Los Angeles, California 90071  
Attention: Corporate Trust Services

SECTION 11.08. *Evidence of Rights of Bond Owners.* Any request, consent or other instrument required or permitted by this Indenture to be signed and executed by Bond Owners may be in any number of concurrent instruments of substantially similar tenor and shall be signed or executed by such Bond Owners in person or by an agent or agents duly appointed in writing. Proof of the execution of any such request, consent or other instrument or of a writing appointing any such agent, or of the holding by any person of Bonds transferable by delivery, shall be sufficient for any purpose of this Indenture and shall be conclusive in favor of the Trustee and the Authority if made in the manner provided in this Section.

The ownership of Bonds shall be proved by the Registration Books.

Any request, consent, or other instrument or writing of the Owner of any Bond shall bind every future Owner of the same Bond and the Owner of every Bond issued in exchange therefor or in lieu thereof, in respect of anything done or suffered to be done by the Trustee or the Authority in accordance therewith or reliance thereon.

SECTION 11.09. *Disqualified Bonds.* In determining whether the Owners of the requisite aggregate principal amount of Bonds have concurred in any demand, request, direction, consent or waiver under this Indenture, Bonds which are known by the Trustee to be owned or held by or for the account of the Authority or the City, or by any other obligor on the Bonds, or by any person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the Authority or the City or any other obligor on the Bonds, shall be disregarded and deemed not to be Outstanding for the purpose of any such determination. Bonds so owned which have been pledged in good faith may be regarded as Outstanding for the purposes of this Section if the pledgee shall establish to the satisfaction of the Trustee the pledgee's right to vote such Bonds and that the pledgee is not a person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the Authority or the City or any other obligor on the Bonds. In case of a dispute as to such right, the Trustee shall be entitled to rely upon the advice of counsel in any decision by Trustee and shall be fully protected in relying thereon.

Upon request, the Authority shall specify to the Trustee those Bonds disqualified under this Section.

SECTION 11.10. *Money Held for Particular Bonds.* The money held by the Trustee for the payment of the interest or principal due on any date with respect to particular Bonds (or portions of Bonds in the case of 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 Bonds entitled thereto, *subject, however,* to the provisions of Section 10.04 but without any liability for interest thereon.

SECTION 11.11. *Waiver of Personal Liability.* No member, officer, agent or employee of the Authority shall be individually or personally liable for the payment of the principal of or interest on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof; but nothing herein contained shall relieve any such member, officer, agent or employee from the performance of any official duty provided by law or by this Indenture.

SECTION 11.12. *Successor Is Deemed Included in All References to Predecessor.* Whenever in this Indenture either the Authority, the City 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 this Indenture contained by or on behalf of the Authority, the City or the Trustee shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

SECTION 11.13. *Execution in Several Counterparts.* This Indenture may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original; and all such counterparts, or as many of them as the Authority and the Trustee shall preserve undestroyed, shall together constitute but one and the same instrument.

SECTION 11.14. *Payment on Non-Business Day.* In the event any payment is required to be made hereunder on a day which is not a Business Day, such payment shall be made on the next succeeding Business Day and with the same effect as if made on such preceding non-Business Day.

SECTION 11.15. *Governing Law.* This Indenture shall be governed by and construed in accordance with the laws of the State of California.

**IN WITNESS WHEREOF**, the HERMOSA BEACH PUBLIC FINANCING AUTHORITY has caused this Indenture to be signed in its name by its Executive Director and attested to by its Secretary, and U.S. BANK NATIONAL ASSOCIATION, in token of its acceptance of the trusts created hereunder, has caused this Indenture to be signed in its corporate name by its officer thereunto duly authorized, all as of the day and year first above written.

**HERMOSA BEACH PUBLIC FINANCING  
AUTHORITY**

By \_\_\_\_\_  
Executive Director

Attest:

\_\_\_\_\_  
Secretary

**U.S. BANK NATIONAL ASSOCIATION,  
*as Trustee***

By \_\_\_\_\_  
Authorized Officer

## APPENDIX A

### DEFINITIONS

“Assignment Agreement” means the Assignment Agreement dated as of October 1, 2020, between the Authority as assignor and the Trustee as assignee, as originally executed or as thereafter amended.

“Authority” means the Hermosa Beach Public Financing Authority, a joint exercise of powers authority duly organized and existing under the laws of the State of California.

“Authorized Representative” means: (a) with respect to the Authority, its Executive Director, Treasurer, Finance Director, or any other person designated as an Authorized Representative of the Authority by a Written Certificate of the Authority signed by its Executive Director and filed with the City and the Trustee; and (b) with respect to the City, its Mayor, City Manager, Finance Director or any other person designated as an Authorized Representative of the City by a Written Certificate of the City signed by its Mayor, City Manager or Finance Director and filed with the Authority and the Trustee.

“Bond Counsel” means (a) Jones Hall, A Professional Law Corporation, or (b) any other attorney or firm of attorneys appointed by or acceptable to the Authority of nationally-recognized experience in the issuance of obligations the interest on which is excludable from gross income for federal income tax purposes under the Tax Code.

“Bond Fund” means the fund by that name established and held by the Trustee under Section 5.01.

“Bond Law” means Articles 10 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, commencing with Section 53570 of said Code.

“Bond Year” means each twelve-month period extending from November 2 in one calendar year to November 1 of the succeeding calendar year, both dates inclusive; except that the first Bond Year commences on the Closing Date and extends to and including November 1, 2021.

“Bonds” means the \$\_\_\_\_\_ aggregate principal amount of 2020 Refunding Lease Revenue Bonds authorized by and at any time Outstanding under this Indenture.

“Business Day” means a day (other than a Saturday or a Sunday) on which banks are not required or authorized to remain closed in the city in which the Office of the Trustee is located.

“City” means the City of Hermosa Beach, a municipal corporation organized and existing under the laws of the State of California.

“Closing Date” means October \_\_, 2020, being the date of delivery of the Bonds to the Original Purchaser.

“Costs of Issuance” means all items of expense directly or indirectly payable by or reimbursable to the City relating to the authorization, issuance, sale and delivery of the



Bonds and the refunding of the 2015 Bonds, including but not limited to: printing expenses; rating agency fees; filing and recording fees; initial fees, expenses and charges of the Trustee and their respective counsel, including the Trustee's first annual administrative fee; fees, charges and disbursements of attorneys, financial advisors, accounting firms, consultants and other professionals; fees and charges for title insurance; fees and charges for preparation, execution and safekeeping of the Bonds; and any other cost, charge or fee in connection with the original issuance of the Bonds and the refunding of the 2015 Bonds.

"Costs of Issuance Fund" means the fund by that name established and held by the Trustee under Section 3.03.

"Depository" means (a) initially, DTC, and (b) any other Securities Depositories acting as Depository under Section 2.04.

"Depository System Participant" means any participant in the Depository's book-entry system.

"DTC" means The Depository Trust Company, New York, New York, and its successors and assigns.

"Escrow Agent" means U.S. Bank National Association, its successors and assigns, as trustee for the 2015 Bonds and as escrow agent under the Escrow Agreement.

"Escrow Agreement" means the Escrow Agreement dated as of October 1, 2020, among the Authority, the City and the Escrow Agent, relating to the refunding and defeasance of the 2015 Bonds in full.

"Event of Default" means any of the events specified in Section 7.01.

"Excess Investment Earnings" means an amount required to be rebated to the United States of America under Section 148(f) of the Tax Code due to investment of gross proceeds of the Bonds at a yield in excess of the yield on the Bonds.

"Federal Securities" means: (a) any direct 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), for which the full faith and credit of the United States of America are pledged; (b) obligations of any agency, department or instrumentality of the United States of America, the timely payment of principal and interest on which are directly or indirectly secured or guaranteed by the full faith and credit of the United States of America.

"Fiscal Year" means any twelve-month period extending from July 1 in one calendar year to June 30 of the succeeding calendar year, both dates inclusive, or any other twelve-month period selected and designated by the Authority as its official fiscal year period.

"Indenture" means this Indenture of Trust, as originally executed or as it may from time to time be supplemented, modified or amended by any Supplemental Indenture under the provisions hereof.

“Independent Accountant” means any certified public accountant or firm of certified public accountants appointed and paid by the Authority or the City, and who, or each of whom (a) is in fact independent and not under domination of the Authority or the City; (b) does not have any substantial interest, direct or indirect, in the Authority or the City; and (c) is not connected with the Authority or the City as an officer or employee of the Authority or the City but who may be regularly retained to make annual or other audits of the books of or reports to the Authority or the City.

“Insurance and Condemnation Fund” means the fund by that name established and held by the Trustee under Section 5.06.

“Interest Account” means the account by that name established and held by the Trustee in the Bond Fund under Section 5.02.

“Interest Payment Date” means each May 1 and November 1, commencing May 1, 2021, so long as any Bonds remain unpaid.

“Lease Agreement” means the Amended and Restated Lease Agreement dated as of October 1, 2020, between the Authority as lessor and the City as lessee of the Leased Property, as amended from time to time in accordance with its terms.

“Lease Payment Date” means, with respect to any Interest Payment Date, the 5<sup>th</sup> Business Day immediately preceding such Interest Payment Date.

“Lease Payments” means the amounts payable by the City under Section 4.2(a) of the Lease Agreement, including any early payment thereof and including any amounts payable upon a delinquency in the payment thereof.

“Leased Property” means the real property described in Appendix A to the Lease Agreement, together with all improvements and facilities at any time situated thereon, consisting generally of the land and improvements which constitute the existing civic center of the City.

“Net Proceeds” means amounts derived from any policy of casualty insurance or title insurance with respect to the Leased Property, or the proceeds of any taking of the Leased Property or any portion thereof in eminent domain proceedings (including sale under threat of such proceedings), to the extent remaining after payment therefrom of all expenses incurred in the collection and administration thereof.

“Nominee” means (a) initially, Cede & Co. as nominee of DTC, and (b) any other nominee of the Depository designated under Section 2.04(a).

“Office” means such office or offices as the Trustee may designate in writing to the Authority from time to time as the corporate trust office for purposes of the Indenture.

“Original Purchaser” means Stifel, Nicolaus & Company, Incorporated, as original purchaser of the Bonds on the Closing Date.

“Outstanding”, when used as of any particular time with reference to Bonds, means all Bonds theretofore, or thereupon being, authenticated and delivered by the Trustee under this Indenture except: (a) Bonds theretofore canceled by the Trustee or surrendered

to the Trustee for cancellation; (b) Bonds with respect to which all liability of the Authority shall have been discharged in accordance with Section 10.02, including Bonds (or portions thereof) described in Section 11.09; and (c) Bonds for the transfer or exchange of or in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Trustee under this Indenture.

“Owner”, whenever used herein with respect to a Bond, means the person in whose name the ownership of such Bond is registered on the Registration Books.

“Permitted Encumbrances” means, as of any time: (a) liens for general ad valorem taxes and assessments, if any, not then delinquent, or which the City may permit to remain unpaid under Article V of the Lease Agreement; (b) the Site Lease, the Lease Agreement and the Assignment Agreement; (c) any right or claim of any mechanic, laborer, material man, supplier or vendor not filed or perfected in the manner prescribed by law; (d) the exceptions disclosed in the title insurance policy with respect to the Leased Property issued as of the Closing Date by Stewart Title Guaranty Company; and (e) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions which exist of record and which the City certifies in writing will not materially impair the use of the Leased Property for its intended purposes.

“Permitted Investments” means any of the following:

- (a) any direct 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), for which the full faith and credit of the United States of America are pledged.
- (b) obligations of any agency, department or instrumentality of the United States of America, the timely payment of principal and interest on which are directly or indirectly secured or guaranteed by the full faith and credit of the United States of America.
- (c) Any direct or indirect obligations of an agency or department of the United States of America whose obligations represent the full faith and credit of the United States of America, or which are rated A or better by S&P.
- (d) Bank deposit products and interest-bearing deposit accounts (including certificates of deposit) in federal or State chartered savings and loan associations or in federal or State of California banks (including the Trustee) which may include the Trustee and its affiliates, provided that: (i) the unsecured obligations of such commercial bank or savings and loan association are rated A or better by S&P; or (ii) such deposits are fully insured by the Federal Deposit Insurance Corporation or are collateralized by Permitted Investments described in clauses (a), (b) or (c) above.
- (e) Commercial paper rated, at the time of purchase, “A-1+” or better by S&P.

- (f) Federal funds or bankers acceptances with a maximum term of one year of any bank which an unsecured, uninsured and unguaranteed obligation rating of “A-1+” or better by S&P.
- (g) Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by S&P of at least AAAm-G, AAAm or AAm, which funds may include funds for which the Trustee, its affiliates, parent or subsidiaries receives and retains a fee for services provided to the fund, whether as a custodian, transfer agent, investment advisor or otherwise.

“Principal Account” means the account by that name established and held by the Trustee in the Bond Fund under Section 5.02.

“Record Date” means, with respect to any Interest Payment Date, the 15<sup>th</sup> calendar day of the month preceding such Interest Payment Date, whether or not such day is a Business Day.

“Redemption Fund” means the fund by that name established and held by the Trustee under Section 5.05.

“Registration Books” means the records maintained by the Trustee under Section 2.05 for the registration and transfer of ownership of the Bonds.

“Rental Period” means each period during the Term of the Lease Agreement commencing on and including November 2 in each year and extending to and including the next succeeding November 1, except that the first Rental Period begins on the Closing Date and ends on November 1, 2021.

“Revenues” means: (a) all amounts received by the Authority or the Trustee under or with respect to the Lease Agreement, including, without limiting the generality of the foregoing, all of the Lease Payments (including both timely and delinquent payments, any late charges, and whether paid from any source); and (b) all interest, profits or other income derived from the investment of amounts in any fund or account established under this Indenture.

“Securities Depositories” means DTC; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other securities depositories as the Authority designates in written notice filed with the Trustee.

“Site Lease” means the Amended and Restated Site Lease dated as of October 1, 2020, between the City as lessor and the Authority as lessee, as amended from time to time in accordance with its terms.

“S&P” means S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC, of New York, New York, its successors and assigns.

“Supplemental Indenture” means any indenture hereafter duly authorized and entered into between the Authority and the Trustee, supplementing, modifying or

amending this Indenture; but only if and to the extent that such Supplemental Indenture is specifically authorized hereunder.

"Tax Code" means the Internal Revenue Code of 1986 as in effect on the Closing Date or (except as otherwise referenced herein) as it may be amended to apply to obligations issued on the Closing Date, together with applicable proposed, temporary and final regulations promulgated, and applicable official public guidance published, under said Code.

"Term" means, with reference to the Lease Agreement, the time during which the Lease Agreement is in effect, as provided in Section 4.1 thereof.

"Term Bonds" means the Bonds maturing on November 1, 20\_\_.

"Trustee" means U.S. Bank National Association, a national banking association organized and existing under the laws of United States of America, or its successor or successors, as Trustee hereunder as provided in Article VIII.

"2015 Bonds" means the Hermosa Beach Public Financing Authority 2015 Lease Revenue Bonds issued by the Authority in the aggregate original principal amount of \$11,600,000.

"Written Certificate," "Written Request" and "Written Requisition" of the Authority or the City mean, respectively, a written certificate, request or requisition signed in the name of the Authority or the City by its Authorized Representative. Any such instrument and supporting opinions or representations, if any, may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument.

## APPENDIX B

### BOND FORM

NO. R-\_\_\_\_\_

\*\*\*\$\_\_\_\_\_\*\*\*

UNITED STATES OF AMERICA  
STATE OF CALIFORNIA

### HERMOSA BEACH PUBLIC FINANCING AUTHORITY

### 2020 REFUNDING LEASE REVENUE BOND

INTEREST RATE: \_\_\_\_\_% MATURITY DATE: \_\_\_\_\_ 1, \_\_\_\_\_ ORIGINAL ISSUE DATE: \_\_\_\_\_ 2020 CUSIP: \_\_\_\_\_

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: \*\*\*

\*\*\*

The Hermosa Beach Public Financing Authority, a public body corporate and politic duly organized and existing under the laws of the State of California (the "Authority"), for value received, hereby promises to pay to the Registered Owner specified above or registered assigns (the "Registered Owner"), on the Maturity Date specified above, the Principal Amount specified above, in lawful money of the United States of America, and to pay interest thereon in like lawful money from the Interest Payment Date (as hereinafter defined) next preceding the date of authentication of this Bond unless (i) this Bond is authenticated on or before an Interest Payment Date and after the close of business on the 15<sup>th</sup> day of the month preceding such interest payment date, in which event it shall bear interest from such Interest Payment Date, or (ii) this Bond is authenticated on or before April 15, 2021, in which event it shall bear interest from the Original Issue Date specified above, or (iii) interest on this Bond is in default as of the date of authentication hereof, in which event interest hereon shall be payable from the date to which interest has been paid in full. Interest on this Bond shall accrue at the Interest Rate per annum specified above, and shall be payable semiannually on May 1 and November 1 in each year, commencing May 1, 2021 (the "Interest Payment Dates"), calculated on the basis of a 360-day year composed of twelve 30-day months.

Principal hereof is payable upon presentation and surrender hereof at the corporate trust office of U.S. Bank National Association, in Los Angeles, California (the "Trust Office"), as trustee (the "Trustee"). Interest hereon is payable by check of the Trustee mailed to the Registered Owner hereof at the Registered Owner's address as it appears on the registration books of the Trustee as of the close of business on the fifteenth day of the month preceding each Interest Payment Date (a "Record Date"), or, upon

written request filed with the Trustee as of such Record Date by a registered owner of at least \$1,000,000 in aggregate principal amount of Bonds, by wire transfer in immediately available funds to an account in the United States designated by such registered owner in such written request.

This Bond is not a debt of the City of Hermosa Beach (the "City"), the County of Los Angeles, the State of California, or any of its political subdivisions, and neither the City, said County, said State, nor any of its political subdivisions, is liable hereon nor in any event shall this Bond be payable out of any funds or properties of the Authority other than the Revenues.

This Bond is one of a duly authorized issue of bonds of the Authority designated as the "Hermosa Beach Public Financing Authority 2020 Refunding Lease Revenue Bonds (the "Bonds")", in an aggregate principal amount of \$\_\_\_\_\_, all of like tenor and date (except for such variation, if any, as may be required to designate varying numbers, maturities, interest rates) and all issued under the provisions of Articles 10 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, commencing with Section 53570 of said Code, and under an Indenture of Trust dated as of October 1, 2020, between the Authority and the Trustee (the "Indenture") and a resolution of the Authority adopted on August \_\_, 2020, authorizing the issuance of the Bonds. Reference is hereby made to the Indenture (copies of which are on file at the office of the Authority) and all supplements thereto for a description of the terms on which the Bonds are issued, the provisions with regard to the nature and extent of the Revenues, and the rights thereunder of the owners of the Bonds and the rights, duties and immunities of the Trustee and the rights and obligations of the Authority thereunder, to all of the provisions of which the Registered Owner of this Bond, by acceptance hereof, assents and agrees.

The Bonds have been issued by the Authority to refinance certain outstanding obligations of the Authority. This Bond and the interest hereon are special obligations of the Authority, payable from the Revenues, and secured by a charge and lien on the Revenues as defined in the Indenture, consisting principally of lease payments made by the City under an Amended and Restated Lease Agreement dated as of October 1, 2020 (the "Lease Agreement"), between the Authority as lessor and the City as lessee. As and to the extent set forth in the Indenture, all of the Revenues are exclusively and irrevocably pledged in accordance with the terms hereof and the provisions of the Indenture, to the payment of the principal of and interest on the Bonds.

The rights and obligations of the Authority and the owners of the Bonds may be modified or amended at any time in the manner, to the extent and upon the terms provided in the Indenture, but no such modification or amendment shall extend the fixed maturity of any Bonds, or reduce the amount of principal thereof or extend the time of payment, or change the method of computing the rate of interest thereon, or extend the time of payment of interest thereon, without the consent of the owner of each Bond so affected.

The Bonds maturing on or before November 1, 20\_\_\_\_, are not subject to optional redemption prior to their respective stated maturity dates. The Bonds maturing on or after November 1, 20\_\_\_\_, are subject to redemption in whole, or in part at the written request of the Authority among maturities on such basis as the Authority may designate and by lot within a maturity, at the option of the Authority, on any date on or after November 1, 20\_\_\_\_, from any available source of funds, at a redemption price of the principal amount of the Bonds to be redeemed plus accrued interest to the date of redemption, without premium.

The Bonds maturing on November 1, 20\_\_, are subject to mandatory sinking fund redemption in whole or in part by lot, at a redemption price equal to the principal amount thereof to be redeemed, without premium, plus accrued interest to the date of redemption, in the aggregate respective principal amounts and on November 1 in the years as set forth in the following table:

<u>Payment Date</u> <u>(November 1)</u>	<u>Payment</u> <u>Amount</u>
--	---------------------------------

The Bonds are subject to redemption as a whole, or in part by lot, on any date, from the net proceeds or eminent domain or insurance award with respect to the property which is leased under the Lease Agreement and which are required to be used for such purpose under the Indenture, at a redemption price equal to 100% of the principal amount thereof plus interest accrued thereon to the date fixed for redemption, without premium.

As provided in the Indenture, notice of redemption will be mailed by the Trustee by first class mail not less than 20 nor more than 60 days prior to the redemption date to the respective owners of any Bonds designated for redemption at their addresses appearing on the registration books of the Trustee, but neither failure to receive such notice nor any defect in the notice so mailed shall affect the sufficiency of the proceedings for redemption or the cessation of accrual of interest thereon from and after the date fixed for redemption.

If this Bond is called for redemption and payment is duly provided therefor as specified in the Indenture, interest shall cease to accrue hereon from and after the date fixed for redemption.

This Bond is transferable by the Registered Owner hereof, in person or by his attorney duly authorized in writing, at the Trust Office, but only in the manner, subject to the limitations and upon payment of the charges provided in the Indenture, and upon surrender and cancellation of this Bond. Upon registration of such transfer, a new Bond or Bonds, of authorized denomination or denominations, for the same aggregate principal amount and of the same maturity will be issued to the transferee in exchange herefor. This Bond may be exchanged at the Trust Office for Bonds of the same tenor, aggregate principal amount, interest rate and maturity, of other authorized denominations.

The Authority and the Trustee may treat the Registered Owner hereof as the absolute owner hereof for all purposes, and the Authority and the Trustee shall not be affected by any notice to the contrary.

Unless this Bond is presented by an authorized representative of The Depository Trust Company to the Authority or the Trustee for registration of transfer, exchange or payment, and any Bond issued is registered in the name of Cede & Co. or such other name as requested by an authorized representative of The Depository Trust Company and any payment is made to Cede & Co., ANY TRANSFER, PLEDGE OR OTHER USE



HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL since the registered owner hereof, Cede & Co., has an interest herein.

It is hereby certified by the Authority that all of the things, conditions and acts required to exist, to have happened or to have been performed precedent to and in the issuance of this Bond do exist, have happened or have been performed in due and regular time, form and manner as required by the laws of the State of California and that the amount of this Bond, together with all other indebtedness of the Authority, does not exceed any limit prescribed by the laws of the State of California, and is not in excess of the amount of Bonds permitted to be issued under the Indenture.

This Bond shall not be entitled to any benefit under the Indenture or become valid or obligatory for any purpose until the certificate of authentication hereon endorsed shall have been manually signed by the Trustee.

IN WITNESS WHEREOF, the has caused this Bond to be executed in its name and on its behalf with the facsimile signature of its Chairperson and attested to by the facsimile signature of its Secretary, all as of the Original Issue Date specified above.

Attest:

By \_\_\_\_\_  
Chairperson

\_\_\_\_\_  
Secretary

*SPECIMEN*

### CERTIFICATE OF AUTHENTICATION

This is one of the Bonds described in the within-mentioned Indenture.

Dated:

**U.S. BANK NATIONAL ASSOCIATION,**  
*as Trustee*

By \_\_\_\_\_  
Authorized Signatory

## ASSIGNMENT

For value received the undersigned hereby sells, assigns and transfers unto \_\_\_\_\_ whose address and social security or other tax identifying number is \_\_\_\_\_, the within-mentioned Bond and hereby irrevocably \_\_\_\_\_ constitute(s) \_\_\_\_\_ and \_\_\_\_\_ appoint(s) \_\_\_\_\_ attorney, to transfer the same on the registration books of the Trustee with full power of substitution in the premises.

Dated: \_\_\_\_\_

Signature Guaranteed: \_\_\_\_\_

Note: Signature(s) shall be guaranteed by an eligible guarantor institution.

Note: The signature(s) on this Assignment shall correspond with the name(s) as written on the face of the within Bond in every particular without alteration or enlargement or any change whatsoever.

## **ESCROW AGREEMENT**

**Relating to  
\$11,600,000  
Hermosa Beach Public Financing Authority  
2015 Lease Revenue Bonds**

This ESCROW AGREEMENT (this "Agreement"), dated as of October 1, 2020, is between the HERMOSA BEACH PUBLIC FINANCING AUTHORITY, a joint powers authority duly organized and existing under the laws of the State of California (the "Authority"), the CITY OF HERMOSA BEACH, a municipal corporation duly organized and existing under the laws of the State of California (the "City"), and U.S. BANK NATIONAL ASSOCIATION, a national banking association organized and existing under the laws of the United States of America, acting as escrow agent (the "Escrow Agent") and as trustee for the 2015 Bonds described below.

### ***BACKGROUND:***

1. In order to refinance certain obligations of the City, the Authority has previously issued its Hermosa Beach Public Financing Authority 2015 Lease Revenue Bonds in the aggregate principal amount of \$11,600,000 (the "2015 Bonds") under an Indenture of Trust dated as of August 1, 2015 (the "2015 Bond Indenture"), between the City and U.S. Bank National Association, as trustee (the "2015 Bond Trustee").

2. The Authority has the right under the 2015 Bond Indenture, at its option, to redeem the 2015 Bonds on any date on or after November 1, 2020 (the "Redemption Date"), from any available source of funds, at a redemption price equal to the principal amount thereof to be redeemed together with accrued interest thereon to the redemption date, without premium.

3. In order to provide funds to pay and redeem the 2015 Bonds in full on the Redemption Date, the Authority has issued its Hermosa Beach Public Financing Authority 2020 Refunding Lease Revenue Bonds in the aggregate principal amount of \$\_\_\_\_\_ (the "2020 Bonds") under an Indenture of Trust dated as of October 1, 2020 (the "2020 Bond Indenture"), between the City and U.S. Bank National Association, as trustee (the "2020 Bond Trustee").

4. The Authority and the City wish to appoint the Escrow Agent for the purpose of establishing an irrevocable escrow fund to be funded, invested, held and administered as set forth herein for the purpose of providing for payment and redemption of the 2015 Bonds in full on the Redemption Date.

### ***AGREEMENT:***

In consideration of the premises and the material covenants contained herein, the City and the Escrow Agent hereby agree as follows:

**SECTION 1. *Appointment of Escrow Agent; Establishment of Escrow Fund.*** The Authority and the City hereby appoint the Escrow Agent to act as escrow agent for purpose

of administering the funds required for the refunding of the 2015 Bonds as provided herein. The Escrow Agent is hereby directed to establish an escrow fund (the "Escrow Fund") to be held by the Escrow Agent as an irrevocable escrow. If at any time the Escrow Agent receives actual knowledge that the cash in the Escrow Fund will not be sufficient to make any payment required by Section 4, the Escrow Agent shall notify the City of such fact and the City shall immediately cure such deficiency from any source of legally available funds. The Escrow Agent has no liability for any such insufficiency.

SECTION 2. *Deposit of Amounts in Escrow Fund.* On October \_\_, 2020 (the "Closing Date"), the Authority and the City shall cause to be transferred to the Escrow Agent for deposit into the Escrow Fund the amount of \$\_\_\_\_\_ in immediately available funds. Such amount shall be derived from the following sources:

- (a) from the proceeds of the 2020 Bonds in the amount of \$\_\_\_\_\_: and
- (b) from amounts held by the 2015 Bond Trustee in the Bond Fund which has been established under Section 5.01 of the 2015 Bond Indenture, in the amount of \$\_\_\_\_\_.

SECTION 3. *Investment of Amounts in Escrow Fund.* Amounts on deposit in the Escrow Fund shall be held in cash, uninvested.

SECTION 4. *Application of Amounts in Escrow Fund.* The Escrow Agent shall transfer amounts in the Escrow Fund to the 2015 Bond Trustee to pay and redeem all of the outstanding 2015 Bonds in accordance with the following schedule:

<u>Date</u>	<u>Interest Payment</u>	<u>Maturing Principal</u>	<u>Redeemed Principal</u>	<u>Total Payment</u>
November 1, 2020				

Following the payment and redemption of the 2015 Bonds in full on the Redemption Date, the Escrow Agent shall transfer any amounts remaining on deposit in the Escrow Fund to the 2020 Bond Trustee to be deposited into the Interest Account established under Section 5.02(a) of the 2020 Bond Indenture and applied to pay interest next coming due and payable on the 2020 Bonds.

SECTION 5. *Irrevocable Election.* The Authority hereby irrevocably elects to redeem the 2015 Bonds in full on the Redemption Date in accordance with Section 4.01 of the 2015 Bond Indenture. The 2015 Bond Trustee shall give notice of redemption of the 2015 Bonds in accordance with Section 4.03 of the 2015 Bond Indenture, at the expense of the Authority and the City.

SECTION 6. *Transfer of 2015 Bond Funds.* Any amounts held in the funds and accounts established under the 2015 Bond Indenture by the Escrow Agent, in its capacity as 2015 Bond Trustee, which are not required to be deposited into the Escrow Fund under Section 2, shall be withdrawn therefrom on or after the Closing Date and transferred to the 2020 Bond Trustee to be deposited into the Interest Account established under Section 5.02(a) of the 2020 Bond Indenture and applied to pay interest next coming due and payable on the 2020 Bonds.

SECTION 7. *Resignation of Escrow Agent.* The Escrow Agent may at any time resign by giving written notice of such resignation to the Authority and the City, and the Authority and the City shall promptly appoint a successor Escrow Agent by the resignation date. Resignation of the Escrow Agent will be effective only upon acceptance of appointment by a successor Escrow Agent. If the Authority and the City do not appoint a successor, the Escrow Agent may at the expense of the Authority and the City petition any court of competent jurisdiction for the appointment of a successor Escrow Agent, which court may thereupon, after such notice, if any, as it may deem proper and prescribe and as may be required by law, appoint a successor Escrow Agent. After receiving a notice of resignation of Escrow Agent, the Authority and the City may appoint a temporary Escrow Agent to replace the resigning Escrow Agent until the Authority and the City appoint a successor Escrow Agent. Any such temporary Escrow Agent so appointed by the Authority and the City, shall immediately and without further act be superseded by the successor Escrow Agent so appointed.

SECTION 8. *Compensation to Escrow Agent.* The City shall pay the Escrow Agent full compensation for its services under this Agreement, including out-of-pocket costs such as publication costs, legal fees and other costs and expenses relating hereto and, in addition, all fees, costs and expenses relating to (a) the purchase, substitution or withdrawal of any securities after the date hereof, and (b) the redemption of the 2015 Bonds. Under no circumstances shall amounts deposited in or credited to the Escrow Fund be deemed to be available for said purposes. The Escrow Agent has no lien upon or right of set off against the amounts at any time on deposit in the Escrow Fund.

The Authority and the City shall indemnify, defend and hold harmless the Escrow Agent and its officers, directors, employees, representatives and agents, from and against and reimburse the Escrow Agent for any and all claims, obligations, liabilities, losses, damages, actions, suits, judgments, reasonable costs and expenses (including reasonable attorneys' and agents' fees and expenses) of whatever kind or nature regardless of their merit, demanded, asserted or claimed against the Escrow Agent directly or indirectly relating to, or arising from, claims against the Escrow Agent by reason of its participation in the transactions contemplated hereby, except to the extent caused by the Escrow Agent's gross negligence or willful misconduct. The provisions of this Section shall survive the termination of this Agreement or the earlier resignation or removal of the Escrow Agent.

SECTION 9. *Immunities and Liability of Escrow Agent.* The Escrow Agent undertakes to perform only such duties as are expressly set forth in this Agreement and no implied duties, covenants or obligations shall be read into this Agreement against the Escrow Agent. The Escrow Agent shall not have any liability hereunder except to the extent of its gross negligence or willful misconduct. In no event shall the Escrow Agent be liable for any special, indirect or consequential damages. The Escrow Agent shall not be liable for any loss from any investment made by it in accordance with the terms of this Agreement. The Escrow Agent may consult with legal counsel of its own choice and the Escrow Agent shall not be liable for any action taken or not taken by it in good faith in reliance upon the opinion or advice of such counsel. The Escrow Agent shall not be liable for the recitals or representations contained in this Agreement and shall not be responsible for the validity of this Agreement, the sufficiency of the Escrow Fund or the amounts therein to pay the principal of and interest on the 2015 Bonds.

Whenever in the administration of this Agreement the Escrow Agent deems it necessary or desirable that a matter be proved or established prior to taking or not taking any action, such matter may be deemed to be conclusively proved and established by a certificate of an authorized representative of the Authority and the City and shall be full protection for any action taken or not taken by the Escrow Agent in good faith reliance thereon.

The Escrow Agent may conclusively rely as to the truth and accuracy of the statements and correctness of any opinions or calculations provided to it in connection with this Agreement and shall be protected in acting, or refraining from acting, upon any notice, instruction, request, certificate, document, opinion or other writing furnished to the Escrow Agent in connection with this Agreement and believed by the Escrow Agent to be signed by the proper party, and it need not investigate any fact or matter stated therein.

None of the provisions of this Agreement shall require the Escrow Agent to expend or risk its own funds or otherwise to incur any liability, financial or otherwise, in the performance of any of its duties hereunder. The Escrow Agent may execute any of the powers hereunder or perform any duties hereunder either directly or by or through agents, attorneys, custodians or nominees appointed with due care, and shall not be responsible for any willful misconduct or negligence on the part of any agent, attorney, custodian or nominee so appointed. The Escrow Agent shall not be liable to the parties hereto or deemed in breach or default hereunder if and to the extent its performance hereunder is prevented by reason of force majeure. The term "force majeure" means an occurrence that is beyond the control of the Escrow Agent and could not have been avoided by exercising due care. Force majeure shall include acts of God, terrorism, war, riots, strikes, fire, floods, earthquakes, epidemics or other similar occurrences.

The Escrow Agent may at any time resign by giving 30 days written notice of resignation to the Authority and the City. Upon receiving such notice of resignation, the Authority and the City shall promptly appoint a successor and, upon the acceptance by the successor of such appointment, release the resigning Escrow Agent from its obligations hereunder by written instrument, a copy of which instrument shall be delivered to each of the Authority and the City, the resigning Escrow Agent and the successor. If no successor shall have been so appointed and have accepted appointment within 30 days after the giving of such notice of resignation, the resigning Escrow Agent may petition any court of competent jurisdiction for the appointment of a successor.

Any bank, corporation or association into which the Escrow Agent may be merged or converted or with which it may be consolidated, or any bank, corporation or association resulting from any merger, conversion or consolidation to which the Escrow Agent shall be a party, or any bank, corporation or association succeeding to all or substantially all of the corporate trust business of the Escrow Agent shall be the successor of the Escrow Agent hereunder without the execution or filing of any paper with any party hereto or any further act on the part of any of the parties hereto except on the part of any of the parties hereto where an instrument of transfer or assignment is required by law to effect such succession, anything herein to the contrary notwithstanding.

The Escrow Agent agrees to accept and act upon instructions or directions pursuant to this Agreement sent by unsecured e-mail, facsimile transmission or other similar unsecured electronic methods, provided, however, that, the Escrow Agent shall have received an incumbency certificate listing persons designated to give such

instructions or directions and containing specimen signatures of such designated persons, which such incumbency certificate shall be amended and replaced whenever a person is to be added or deleted from the listing. If the Authority and the City elect's to give the Escrow Agent e-mail or facsimile instructions (or instructions by a similar electronic method) and the Escrow Agent in its discretion elects to act upon such instructions, the Escrow Agent's understanding of such instructions shall be deemed controlling. The Escrow Agent shall not be liable for any losses, costs or expenses arising directly or indirectly from the Escrow Agent's reliance upon and compliance with such instructions notwithstanding such instructions conflict or are inconsistent with a subsequent written instruction. The Authority and the City agree's to assume all risks arising out of the use of such electronic methods to submit instructions and directions to the Escrow Agent, including without limitation the risk of the Escrow Agent acting on unauthorized instructions, and the risk of interception and misuse by third parties.

The Authority and the City acknowledge that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Authority and the City the right to receive brokerage confirmations of security transactions as they occur, the Authority and the City specifically waive receipt of such confirmations to the extent permitted by law. The Escrow Agent will furnish the Authority and the City periodic transaction statements which include detail for all investment transactions made by the Escrow Agent hereunder; provided that the Escrow Agent is not obligated to provide an accounting for any fund or account that (a) has a balance of \$0.00 and (b) has not had any activity since the last reporting date.

SECTION 10. *Amendment.* This Agreement may be amended by the parties hereto, but only if there shall have been filed with the Authority and the City and the Escrow Agent a written opinion of Bond Counsel stating that such amendment will not materially adversely affect the interests of the owners of the 2015 Bonds.

SECTION 11. *Termination of Agreement.* Upon payment in full of the principal of and interest on the 2015 Bonds, and upon payment of all fees, expenses and charges of the Escrow Agent as described above, this Agreement shall terminate and the Escrow Agent shall be discharged from any further obligation or responsibility hereunder.

SECTION 12. *Execution in Counterparts.* This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SECTION 13. *Applicable Law.* This Agreement shall be governed by and construed in accordance with the laws of the State of California.

**HERMOPACIFSA BEACH PUBLIC  
FINANCING AUTHORITY**

By \_\_\_\_\_  
Executive Director

**CITY OF HERMOSA BEACH**

By \_\_\_\_\_  
City Manager

**U.S. BANK NATIONAL ASSOCIATION,  
as Escrow Agent**

By \_\_\_\_\_  
Authorized Officer



**HERMOSA BEACH PUBLIC FINANCING AUTHORITY  
2020 LEASE REVENUE REFUNDING BONDS**

**BOND PURCHASE AGREEMENT**

October \_\_, 2020

Hermosa Beach Public Financing Authority  
c/of City of Hermosa Beach  
1315 Valley Drive  
Hermosa Beach, California 90254  
Attention: Executive Director

City of Hermosa Beach  
1315 Valley Drive  
Hermosa Beach, California 90254  
Attention: City Manager

Ladies and Gentlemen:

The undersigned, Stifel, Nicolaus & Company, Incorporated (the “Underwriter”), acting not as a fiduciary or agent for you, but on behalf of itself, offers to enter into this Bond Purchase Agreement (which, together with Exhibit A and Exhibit B, is referred to as the “Purchase Agreement”) with the Hermosa Beach Public Financing Authority (the “Authority”) and the City of Hermosa Beach, California (the “City”), which, upon the acceptance of the Authority and the City, will be binding upon the Authority, the City and the Underwriter. This offer is made subject to acceptance by the Authority and by the City by the execution of this Purchase Agreement and delivery of the same to the Underwriter prior to 11:59 P.M., Pacific Standard Time, on the date hereof, and, if not so accepted, will be subject to withdrawal by the Underwriter upon notice delivered to the Authority and the City at any time prior to the acceptance hereof by the Authority and the City. Capitalized terms used herein and not otherwise defined shall have the meanings set forth in the Indenture of Trust, dated as of October 1, 2020 (the “Indenture”), by and between the Authority and U.S. Bank National Association, as trustee (the “Trustee”).

**Section 1. Purchase and Sale.** Upon the terms and conditions and upon the basis of the representations, warranties and agreements herein set forth, the Underwriter hereby agrees to purchase from the Authority, and the Authority hereby agrees to issue, sell and deliver to the Underwriter all (but not less than all) of the Hermosa Beach Public Financing Authority 2020 Lease Revenue Refunding Bonds in the aggregate principal amount of \$\_\_\_\_\_ (the “Bonds”). The Bonds will be dated as of their date of delivery. Interest on the Bonds shall be payable semiannually on May 1 and November 1 in each year, commencing May 1, 2021 and will mature, bear interest and be subject to redemption prior to maturity as set forth in Exhibit A hereto. The purchase price for the Bonds shall be equal to \$\_\_\_\_\_ (being the aggregate principal amount thereof plus a net original issue premium of \$\_\_\_\_\_, less an underwriter’s discount of \$\_\_\_\_\_).

**Section 2. The Bonds.** The Bonds shall be secured by a pledge of Revenues consisting primarily of Lease Payments (“Lease Payments”) to be paid by the City pursuant to the Amended and Restated Lease Agreement, dated as of October 1, 2020 (together, the “Lease”), by and between the City and the Authority. The Authority’s right to receive the Lease Payments due under the Lease

and to exercise remedies upon default under such Lease shall be assigned to the Trustee for the benefit of the owners of the Bonds pursuant to the Assignment Agreement, dated as of October 1, 2020 (the “Assignment Agreement”), by and between the Authority and the Trustee.

The Bonds shall be as described in, and shall be secured under and pursuant to the Indenture substantially in the form previously submitted to the Underwriter with only such changes therein as shall be mutually agreed upon by the Authority, the City and the Underwriter.

The proceeds of the Bonds shall be used to: (i) defease and redeem the Authority’s outstanding 2015 Lease Revenue Bonds (the “2015 Bonds”); and (ii) to pay the costs of issuance of the Bonds.

The Bonds, this Purchase Agreement, the Indenture, the Lease, the Amended and Restated Site Lease, dated as of October 1, 2020 (the “Site Lease”), by and between the Authority and the City, the Assignment Agreement, the Escrow Agreement dated as of October 1, 2020 (the “Escrow Agreement”), by and among the Authority, the City and U.S. Bank National Association, and a resolution adopted by the Board of Directors of the Authority on [September 22, 2020] (the “Authority Resolution”) authorizing the issuance of the Bonds and the execution and delivery of the Authority Documents (hereinafter defined) are collectively referred to herein as the “Authority Documents.”

This Purchase Agreement, the Continuing Disclosure Certificate, dated as of October \_\_, 2020 (the “Continuing Disclosure Certificate”), executed and delivered by the City, the Lease, the Site Lease, the Escrow Agreement and a resolution adopted by the City Council of the City on [September 22, 2020] (the “City Resolution”) authorizing the execution and delivery of the City Documents (hereinafter defined) are collectively referred to herein as the “City Documents.”

### **Section 3. Public Offering and Establishment of Issue Price.**

(a) The Underwriter agrees to make an initial public offering of all of the Bonds at the public offering prices (or yields) set forth on Exhibit A attached hereto and incorporated herein by reference. Subsequent to the initial public offering, the Underwriter reserves the right to change the public offering prices (or yields) as the Underwriter deems necessary in connection with the marketing of the Bonds, provided that the Underwriter shall not change the interest rates set forth on Exhibit A. The Bonds may be offered and sold to certain dealers at prices lower than such initial public offering prices. The City and the Authority acknowledge and agree that: (i) the purchase and sale of the Bonds pursuant to this Purchase Agreement is an arm’s-length commercial transaction between the City and the Authority, on one hand, and the Underwriter, on the other; (ii) in connection therewith and with the discussions, undertakings and procedures leading up to the consummation of such transaction, the Underwriter is and has been acting solely as principal and is not acting as a Municipal Advisor (as defined in Section 15B of the Securities Exchange Act of 1934, as amended); (iii) the Underwriter has not assumed an advisory or fiduciary responsibility in favor of the City or Authority with respect to the offering contemplated hereby or the discussions, undertakings and procedures leading thereto (irrespective of whether the Underwriter has provided other services or is currently providing other services to the City or Authority on other matters); (iv) the Underwriter has financial and other interests that differ from those of the City and the Authority; and (v) the City and Authority have consulted their own legal, financial and other advisors to the extent they have deemed appropriate.

(b) The Underwriter agrees to assist the Authority in establishing the issue price of the Bonds and shall execute and deliver to the Authority at Closing (as defined below) an “issue price” or similar certificate, together with the supporting pricing wires or equivalent communications, substantially in the form attached hereto as Exhibit B, with such modifications as may be appropriate or necessary, in the reasonable judgment of the Underwriter, the Authority and Bond Counsel (as defined below), to accurately reflect, as applicable, the sales price or prices or the initial offering price or prices to the public of the Bonds. All actions to be taken by the Authority under this section to establish the issue price of the Bonds may be taken on behalf of the Authority by the Authority’s municipal advisor, NHA Advisors, LLC (the “Municipal Advisor”) and any notice or report to be provided to the Authority may be provided to the Authority’s Municipal Advisor.

(c) The Authority will treat the first price at which 10% of each maturity of the Bonds (the “10% test”), identified under the column “10% Test Used” in Exhibit A, is sold to the public as the issue price of that maturity. At or promptly after the execution of this Purchase Contract, the Underwriter shall report to the Authority the price or prices at which it has sold to the public each maturity of Bonds. If at that time the 10% test has not been satisfied as to any maturity of the Bonds, the Underwriter agrees to promptly report to the Authority the prices at which it sells the unsold Bonds of that maturity to the public. That reporting obligation shall continue, whether or not the Closing Date (as defined below) has occurred, until either (i) the Underwriter has sold all Bonds of that maturity or (ii) the 10% test has been satisfied as to the Bonds of that maturity, provided that, the Underwriter’s reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the Authority or Bond Counsel. For purposes of this section, if Bonds mature on the same date but have different interest rates, each separate CUSIP number within that maturity will be treated as a separate maturity of the Bonds.

(d) The Underwriter confirms that:

(i) any selling group agreement and any third-party distribution agreement relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each dealer who is a member of the selling group and each broker-dealer that is a party to such third-party distribution agreement, as applicable:

(A)(i) to report the prices at which it sells to the public the unsold Bonds of each maturity allocated to it, whether or not the Closing Date has occurred, until either all Bonds of that maturity allocated to it have been sold or it is notified by the Underwriter that the 10% test has been satisfied as to the Bonds of that maturity, provided that, the reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the Underwriter, and (ii) to comply with the hold-the-offering-price rule, if applicable, if and for so long as directed by the Underwriter,

(B) to promptly notify the Underwriter of any sales of Bonds that, to its knowledge, are made to a purchaser who is a related party to an underwriter participating in the initial sale of the Bonds to the public (each such term being used as defined below), and

(C) to acknowledge that, unless otherwise advised by the dealer or broker-dealer, the Underwriter shall assume that each order submitted by the dealer or broker-dealer is a sale to the public.

(ii) any selling group agreement relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each dealer that is a party to a third-party distribution agreement to be employed in connection with the initial sale of the Bonds to the public to require each broker-dealer that is a party to such third-party distribution agreement to (A) report the prices at which it sells to the public the unsold Bonds of each maturity allocated to it, whether or not the Closing Date has occurred, until either all Bonds of that maturity allocated to it have been sold or it is notified by the Underwriter or the dealer that the 10% test has been satisfied as to the Bonds of that maturity, provided that, the reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the Underwriter or the dealer, and (B) comply with the hold-the-offering-price rule, if applicable, if and for so long as directed by the Underwriter or the dealer and as set forth in the related pricing wires.

(e) The Authority and the City acknowledge that, in making the representations set forth in this section, the Underwriter will rely on (i) in the event a selling group has been created in connection with the initial sale of the Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, as set forth in a selling group agreement and the related pricing wires, and (ii) in the event that a third-party distribution agreement was employed in connection with the initial sale of the Bonds to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, as set forth in the third-party distribution agreement and the related pricing wires. The Authority and the City further acknowledge that the Underwriter shall not be liable for the failure of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a third-party distribution agreement, to comply with its corresponding agreement to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds.

(f) The Underwriter acknowledges that sales of any Bonds to any person that is a related party to an underwriter participating in the initial sale of the Bonds to the public (each such term being used as defined below) shall not constitute sales to the public for purposes of this section. Further, for purposes of this section:

(i) “public” means any person other than an underwriter or a related party;

(ii) “underwriter” means (A) any person that agrees pursuant to a written contract with the Authority (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Bonds to the public); and

(iii) a purchaser of any of the Bonds is a “related party” to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (i) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct

ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other).

**Section 4. The Official Statement.** By its acceptance of this proposal, the Authority and the City ratify, confirm and approve of the use and distribution by the Underwriter prior to the date hereof of the preliminary official statement relating to the Bonds dated September \_\_, 2020 (including the cover page, all appendices and all information incorporated therein and any supplements or amendments thereto and as disseminated in its printed physical form or in electronic form in all respects materially consistent with such physical form, the “Preliminary Official Statement”) that authorized officers of the Authority and the City deemed “final” as of its date, for purposes of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended (“Rule 15c2-12”), except for certain information permitted to be omitted therefrom by Rule 15c2-12. The Authority and the City hereby agree to deliver or cause to be delivered to the Underwriter, within seven business days of the date hereof, copies of the final official statement, dated the date hereof, relating to the Bonds (including all information previously permitted to have been omitted by Rule 15c2-12), including the cover page, all appendices, all information incorporated therein and any amendments or supplements as have been approved by the Authority, the City and the Underwriter (the “Official Statement”) in such quantity as the Underwriter shall reasonably request to comply with Section (b)(4) of Rule 15c2-12 and the rules of the Municipal Securities Rulemaking Board (the “MSRB”).

The Underwriter hereby agrees that it will not request that payment be made by any purchaser of the Bonds prior to delivery by the Underwriter to the purchaser of a copy of the Official Statement. The Underwriter agrees: (i) to provide the Authority and the City with final pricing information on the Bonds on a timely basis; and (ii) to promptly file a copy of the Official Statement, including any supplements prepared by the Authority or the City with the MSRB at <http://emma.msrb.org>. The Authority and the City hereby approve of the use and distribution by the Underwriter of the Preliminary Official Statement in connection with the offer and sale of the Bonds. The Authority and the City will cooperate with the Underwriter in the filing by the Underwriter of the Official Statement with the MSRB.

**Section 5. Closing.** At 8:30 a.m., Pacific Standard Time, on October \_\_, 2020, or at such other time or date as the Authority and the Underwriter agree upon (the “Closing Date”), the Authority shall deliver or cause to be delivered to the Trustee, the Bonds, in definitive form, registered in the name of Cede & Co., as the nominee of The Depository Trust Company (“DTC”), so that the Bonds may be authenticated by the Trustee and credited to the account specified by the Underwriter under DTC’s FAST procedures. Concurrently with the delivery of the Bonds, the Authority and the City will deliver the documents hereinafter mentioned at the offices of Jones Hall, A Professional Law Corporation, San Francisco, California (“Bond Counsel”), or another place to be mutually agreed upon by the Authority, the City and the Underwriter. The Underwriter will accept such delivery and pay the purchase price of the Bonds as set forth in Section 1 hereof by wire transfer in immediately available funds. This payment for and delivery of the Bonds, together with the delivery of the aforementioned documents, is herein called the “Closing.”

The Bonds shall be registered in the name of Cede & Co., as nominee of DTC in denominations of five thousand dollars (\$5,000) or any integral multiple thereof. The Authority and the City acknowledge that the services of DTC will be used initially by the Underwriter in order to

permit the issuance of the Bonds in book-entry form, and agree to cooperate fully with the Underwriter in employing such services.

**Section 6. Representations, Warranties and Covenants of the Authority.** The Authority represents, warrants and covenants to the Underwriter and the City that:

(a) The Authority is a public body, duly organized and existing under the Constitution and laws of the State of California (the “State”), including Articles 1, 2 and 4 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (the “JPA Act”) and the Joint Exercise of Powers Agreement, dated as of July 14, 2015 (the “JPA Agreement”), between the City and the Parking Authority of the City of Hermosa Beach.

(b) The Authority has full legal right, power and authority to adopt or enter into, as the case may be, and to carry out and consummate the transactions on its part contemplated by the Authority Documents.

(c) By all necessary official action, the Authority has duly authorized and approved the Authority Documents, has duly authorized and approved the Preliminary Official Statement and the Official Statement, and has duly authorized and approved the execution and delivery of, and the performance by the Authority of the obligations on its part contained in, the Authority Documents and the consummation by it of all other transactions contemplated by the Authority Documents in connection with the issuance of the Bonds. As of the date hereof, such authorizations and approvals are in full force and effect and have not been amended, modified or rescinded. When executed and delivered, and assuming due execution and delivery by the other parties thereto, if applicable, the Authority Documents will constitute the legally valid and binding obligations of the Authority enforceable in accordance with their respective terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or affecting creditors’ rights generally, or by the exercise of judicial discretion and the limitations on legal remedies against joint powers authorities in the State. The Authority has complied, and will at the Closing be in compliance in all material respects, with the terms of the Authority Documents.

(d) The Authority is not in any material respect in breach of or default under any applicable constitutional provision, law or administrative regulation of any state or of the United States, or any agency or instrumentality of either, or any applicable judgment or decree, or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Authority is a party which breach or default has or may have a materially adverse effect on the ability of the Authority to perform its obligations under the Authority Documents, and no event has occurred and is continuing which with the passage of time or the giving of notice, or both, would constitute such a default or event of default under any such instrument; and the adoption, execution and delivery of the Authority Documents, if applicable, and compliance with the provisions on the Authority’s part contained therein, will not conflict in any material way with or constitute a material breach of or a material default under any constitutional provision, law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Authority is a party, nor will any such execution, delivery, adoption or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the property or assets of the Authority or under the terms of any such law, regulation or instrument, except as may be provided by the Authority Documents.

(e) All material authorizations, approvals, licenses, permits, consents and orders of any governmental authority, legislative body, board, agency or commission having jurisdiction of the matter which are required for the due authorization by, or which would constitute a condition precedent to or the absence of which would materially adversely affect the due performance by the Authority of its obligations in connection with the Authority Documents have been duly obtained or, when required for future performance, are expected to be obtained, other than such approvals, consents and orders as may be required under the Blue Sky or securities laws of any state in connection with the offering and sale of the Bonds; except as described in or contemplated by the Preliminary Official Statement and the Official Statement, all authorizations, approvals, licenses, permits, consents and orders of any governmental authority, board, agency or commission having jurisdiction of the matter which are required for the due authorization by, or which would constitute a condition precedent to or the absence of which would materially adversely affect the due performance by, the Authority of its obligations under the Authority Documents have been duly obtained.

(f) The Authority hereby agrees that it will notify the other parties hereto if, within the period from the date of this Purchase Agreement to and including the date twenty-five (25) days following the end of the underwriting period (as defined herein), the Authority discovers any pre-existing or subsequent fact or becomes aware of the occurrence of any event, in any such case, which might cause the Official Statement (as the same may have then been supplemented or amended) to contain any untrue statement of a material fact or to omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(g) As of the time of acceptance hereof and the Closing, except as disclosed in the Official Statement, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, governmental authority, public board or body, pending, with service of process upon the Authority having been accomplished, or threatened in writing to the Authority: (i) in any way questioning the corporate existence of the Authority or the titles of the officers of the Authority to their respective offices; (ii) affecting, contesting or seeking to prohibit, restrain or enjoin the issuance or delivery of any of the Bonds, or the payment or collection of Lease Payments with respect to the Lease or any amounts pledged or to be pledged to pay the principal of and interest on the Bonds, or in any way contesting or affecting the validity of the Bonds or the other Authority Documents or the consummation of the transactions contemplated thereby or hereby, or contesting the exclusion of the interest on the Bonds from taxation or contesting the powers of the Authority or its authority to issue the Bonds; (iii) which would be likely to result in any material adverse change relating to the business, operations or financial condition of the Authority; or (iv) contesting the completeness or accuracy of the Preliminary Official Statement or the Official Statement or any supplement or amendment thereto or asserting that the Preliminary Official Statement or the Official Statement contained any untrue statement of a material fact or omitted to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(h) To the Authority's knowledge, there is no basis for any action, suit, proceeding, inquiry or investigation of the nature described in clauses (i) through (iv) of paragraph 6(g).

(i) As of its date, the information in the Preliminary Official Statement set forth under the caption "INTRODUCTION—The Authority" did not, and as of the date hereof does not,

contain any untrue statement of a material fact, and as of its date did not, and as of the date hereof does not, omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(j) As of the date hereof, the information in the Official Statement set forth under the caption “INTRODUCTION—The Authority” does not, and at all times thereafter up to and including the Closing will not, contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(k) The Authority will refrain from taking any action, or permitting any action to be taken, with regard to which the Authority may exercise control, that results in the loss of the tax-exempt status of the interest on the Bonds.

(l) The Authority will refrain from taking any action, or permitting any action to be taken, to reduce the amount of the Lease Payments while the Bonds are Outstanding, and the Authority will collect the Lease Payments in accordance with the Lease.

(m) Any certificate signed by any officer of the Authority authorized to execute such certificate in connection with the execution, sale and delivery of the Bonds and delivered to the Underwriter shall be deemed a representation and warranty of the Authority to the Underwriter and the City as to the statements made therein but not of the person signing such certificate.

**Section 7. Representations, Warranties and Covenants of the City.** The City represents, warrants and covenants to the Underwriter and the Authority that:

(a) The City is a general law city duly organized and existing under and by virtue of the Constitution and laws of the State.

(b) The City has full legal right, power and authority to adopt or enter into, as the case may be, and to carry out and consummate the transactions on its part contemplated by the City Documents.

(c) By all necessary official action, the City has duly authorized and approved the City Documents, has duly authorized and approved the Preliminary Official Statement and the Official Statement, and has duly authorized and approved the execution and delivery of, and the performance by the City of the obligations on its part contained in, the City Documents and the consummation by it of all other transactions contemplated by the City Documents in connection with the issuance of the Bonds. As of the date hereof, such authorizations and approvals are in full force and effect and have not been amended, modified or rescinded. When executed and delivered, and assuming due execution and delivery by the other parties thereto, if applicable, the City Documents will constitute the legally valid and binding obligations of the City enforceable in accordance with their respective terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or affecting creditors' rights generally, or by the exercise of judicial discretion and the limitations on legal remedies against municipal corporations in the State. The City has complied, and will at the Closing be in compliance in all material respects, with the terms of the City Documents.



(d) The City is not in any material respect in breach of or default under any applicable constitutional provision, law or administrative regulation of any state or of the United States, or any agency or instrumentality of either, or any applicable judgment or decree, or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the City is a party which breach or default has or may have a materially adverse effect on the ability of the City to perform its obligations under the City Documents, and no event has occurred and is continuing which with the passage of time or the giving of notice, or both, would constitute such a default or event of default under any such instrument; and the adoption, execution and delivery of the City Documents, if applicable, and compliance with the provisions on the City's part contained therein, will not conflict in any material way with or constitute a material breach of or a material default under any constitutional provision, law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the City is a party nor will any such execution, delivery, adoption or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the property or assets of the City or under the terms of any such law, regulation or instrument, except as may be provided by the City Documents.

(e) All material authorizations, approvals, licenses, permits, consents and orders of any governmental authority, legislative body, board, agency or commission having jurisdiction of the matter which are required for the due authorization by, or which would constitute a condition precedent to or the absence of which would materially adversely affect the due performance by the City of its obligations in connection with the City Documents have been duly obtained or, when required for future performance, are expected to be obtained, other than such approvals, consents and orders as may be required under the Blue Sky or securities laws of any state in connection with the offering and sale of the Bonds; except as described in or contemplated by the Preliminary Official Statement, all authorizations, approvals, licenses, permits, consents and orders of any governmental authority, board, agency or commission having jurisdiction of the matter which are required for the due authorization by, or which would constitute a condition precedent to or the absence of which would materially adversely affect the due performance by, the City of its obligations under the City Documents have been duly obtained.

(f) As of its date, the Preliminary Official Statement did not, and as of the date hereof, does not, contain any untrue statement of a material fact, and as of its date did not, and as of the date hereof, does not, omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading (except that this representation does not include statements in the Preliminary Official Statement under the captions "INTRODUCTION—The Authority" and "UNDERWRITING" and information regarding DTC and its book-entry only system, as to which no view is expressed).

(g) As of the date hereof, the Official Statement does not, and at all times thereafter up to and including the Closing will not, contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading (except that this representation does not include statements in the Official Statement under the captions "INTRODUCTION—The Authority" and "UNDERWRITING" and information regarding DTC and its book-entry only system, as to which no view is expressed).

(h) The City will advise the Underwriter promptly of any proposal to amend or supplement the Official Statement. The City will advise the Underwriter promptly of the institution

of any proceedings known to it by any governmental authority prohibiting or otherwise affecting the use of the Official Statement in connection with the offering, sale or distribution of the Bonds.

(i) As of the time of acceptance hereof and the Closing, except as disclosed in the Official Statement, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, governmental authority, public board or body, pending, with service of process upon the City having been accomplished, or threatened in writing to the City: (i) in any way questioning the corporate existence of the City or the titles of the officers of the City to their respective offices; (ii) affecting, contesting or seeking to prohibit, restrain or enjoin the issuance or delivery of any of the Bonds, or the payment or collection of Lease Payments with respect to the Lease or of any amounts pledged or to be pledged to pay the principal of and interest on the Bonds, or in any way contesting or affecting the validity of the Bonds, or the City Documents or the consummation of the transactions contemplated thereby or hereby, or contesting the exclusion of the interest on the Bonds from taxation, or contesting the powers of the Authority to issue the Bonds; (iii) which would be likely to result in any material adverse change relating to the business, operations or financial condition of the City; and (iv) contesting the completeness or accuracy of the Preliminary Official Statement or the Official Statement or any supplement or amendment thereto or asserting that the Preliminary Official Statement or the Official Statement contained any untrue statement of a material fact or omitted to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(j) To the City's knowledge, there is no basis for any action, suit, proceeding, inquiry or investigation of the nature described in clauses (i) through (iv) of paragraph 7(i).

(k) Until the date which is twenty-five (25) days after the "end of the underwriting period" (as hereinafter defined), if any event shall occur of which the City is aware that would cause the Official Statement to contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements in the Official Statement, in light of the circumstances under which they were made, not misleading (except that this representation does not include information regarding DTC and its book entry only system, as to which no view is expressed), the City shall forthwith notify the Underwriter of any such event of which it has knowledge and shall cooperate fully in furnishing any information available to it for any supplement to the Official Statement necessary, in the Underwriter's reasonable opinion, so that the statements therein as so supplemented will not be misleading in light of the circumstances existing at such time and the City shall promptly furnish to the Underwriter a reasonable number of copies of such supplement. As used herein, the term "end of the underwriting period" means the later of such time as: (i) the Authority delivers the Bonds to the Underwriter; or (ii) the Underwriter does not retain, directly or as a member of an underwriting syndicate, an unsold balance of the Bonds for sale to the public. Unless the Underwriter gives notice to the contrary, the "end of the underwriting period" shall be deemed to be the Closing Date. Any notice delivered pursuant to this provision shall be written notice delivered to the Underwriter at or prior to the Closing Date of the Bonds and shall specify a date (other than the Closing Date) to be deemed the "end of the underwriting period."

(l) Except as disclosed in the Preliminary Official Statement and the Official Statement, the City has not within the last five years failed to comply in any material respect with any continuing disclosure undertakings with regard to Rule 15c2-12, to provide annual reports or notices of material events specified in such rule.

(m) The City will refrain from taking any action, or permitting any action to be taken, with regard to which the City may exercise control, that results in the loss of the tax-exempt status of the interest on the Bonds.

(n) The financial statements relating to the receipts, expenditures and cash balances of the City as of June 30, 2019 attached as Appendix B to the Official Statement fairly represent the receipts, expenditures and cash balances of the City. Except as disclosed in the Official Statement, there has not been any materially adverse change in the financial condition of the City or in its operations since June 30, 2019 and there has been no occurrence, circumstance or combination thereof which is reasonably expected to result in any such materially adverse change.

(o) To the extent required by law, the City will undertake, pursuant to the Continuing Disclosure Certificate and the other City Documents, to provide annual reports and notices of certain events, if material. A description of this undertaking is set forth in Appendix C to the Preliminary Official Statement and will also be set forth in the Official Statement.

(p) Except in connection with the issuance of refunding bonds pursuant to the terms of the Indenture or as permitted under the Lease due to damage, destruction, or substantial interference with the use and occupancy by the City of the Leased Property or any portion thereof, the City will refrain from taking any action, or permitting any action to be taken, to reduce the amount of the Lease Payments while the Bonds are Outstanding, and the City will pay the Lease Payments in accordance with the Lease.

(q) Any certificate signed by any officer of the City authorized to execute such certificate in connection with the execution, sale and delivery of the Bonds and delivered to the Underwriter shall be deemed a representation and warranty of the City to the Underwriter and the Authority as to the statements made therein but not of the person signing such certificate.

**Section 8. Conditions to the Obligations of the Underwriter.** The Underwriter has entered into this Purchase Agreement in reliance upon the representations and warranties of the Authority and the City contained herein. The obligations of the Underwriter to accept delivery of and pay for the Bonds on the Closing Date shall be subject, at the option of the Underwriter, to the accuracy in all material respects of the statements of the officers and other officials of the Authority and of the City, as well as authorized representatives of Bond Counsel and the Trustee made in any Bonds or other documents furnished pursuant to the provisions hereof; to the performance by the Authority and the City of their obligations to be performed hereunder at or prior to the Closing Date; and to the following additional conditions:

(a) The representations, warranties and covenants of the City and the Authority contained herein shall be true and correct at the date hereof and at the time of the Closing, as if made on the Closing Date.

(b) At the time of Closing, the City Documents and the Authority Documents shall be in full force and effect as valid and binding agreements between or among the various parties thereto, and the City Documents, the Authority Documents and the Official Statement shall not have been amended, modified or supplemented except as may have been agreed to in writing by the Underwriter.

(c) At the time of the Closing, no material default shall have occurred or be existing under the City Documents, Authority Documents, or any other agreement or document pursuant to which any of the City's financial obligations were executed and delivered, and the City shall not be in default in the payment of principal or interest with respect to any of its financial obligations, which default would materially adversely impact the ability of the City to pay the Lease Payments.

(d) In recognition of the desire of the Authority, the City and the Underwriter to effect a successful public offering of the Bonds, and in view of the potential adverse impact of any of the following events on such a public offering, this Purchase Agreement shall be subject to termination in the discretion of the Underwriter by notification, in writing, to the Authority and the City prior to delivery of and payment for the Bonds, if at any time prior to such time, regardless of whether any of the following statements of fact were in existence or known of on the date of this Purchase Agreement:

(i) any event shall occur which makes untrue any material statement or results in an omission to state a material fact necessary to make the statements in the Official Statement, in the light of the circumstances under which they were made, not misleading, which event, in the reasonable opinion of the Underwriter would materially or adversely affect the ability of the Underwriter to market the Bonds; or

(ii) the marketability of the Bonds or the market price thereof, in the opinion of the Underwriter, has been materially adversely affected by an amendment to the Constitution of the United States or by any legislation in or by the Congress of the United States or by the State, or the amendment of legislation pending as of the date of this Purchase Agreement in the Congress of the United States, or the recommendation to Congress or endorsement for passage (by press release, other form of notice or otherwise) of legislation by the President of the United States, the Treasury Department of the United States, the Internal Revenue Service or the Chairman or ranking minority member of the Committee on Finance of the United States Senate or the Committee on Ways and Means of the United States House of Representatives, or the proposal for consideration of legislation by either such Committee or by any member thereof, or the presentment of legislation for consideration as an option by either such Committee, or by the staff of the Joint Committee on Taxation of the Congress of the United States, or the favorable reporting for passage of legislation to either House of the Congress of the United States by a Committee of such House to which such legislation has been referred for consideration, or any decision of any federal or state court or any ruling or regulation (final, temporary or proposed) or official statement on behalf of the United States Treasury Department, the Internal Revenue Service or other federal or State authority affecting the federal or State tax status of the Authority or the City, or the interest on or with respect to bonds or notes (including the Bonds); or

(iii) any legislation, ordinance, rule or regulation shall be enacted by any governmental body, department or authority of the State, or a decision by any court of competent jurisdiction within the State shall be rendered which materially adversely affects the market price of the Bonds; or

(iv) an order, decree or injunction issued by any court of competent jurisdiction, or order, ruling, regulation (final, temporary or proposed), official statement or other form of notice or communication issued or made by or on behalf of the Securities and Exchange Commission, or any other governmental authority having jurisdiction of the subject matter, to the

effect that: (i) obligations of the general character of the Bonds, or the Bonds, including any or all underlying arrangements, are not exempt from registration under the Securities Act of 1933, as amended, or that the Indenture is not exempt from qualification under the Trust Indenture Act of 1939, as amended; or (ii) the issuance, offering or sale of obligations of the general character of the Bonds, or the issuance, offering or sale of the Bonds, including any or all underlying obligations, as contemplated hereby or by the Official Statement, is or would be in violation of the federal securities laws as amended and then in effect; or

(v) legislation shall be enacted by the Congress of the United States, or a decision by a court of the United States shall be rendered, to the effect that obligations of the general character of the Bonds, or the Bonds are not exempt from registration under or other requirements of the Securities Act of 1933, as amended and as then in effect, or the Securities Exchange Act of 1934, as amended and as then in effect, or that the Indenture is not exempt from qualification under or other requirements of the Trust Indenture Act of 1939, as amended and as then in effect; or

(vi) additional material restrictions not in force as of the date hereof shall have been imposed upon trading in securities generally by any domestic governmental authority or by any domestic national securities exchange, which are material to the marketability of the Bonds; or

(vii) a general banking moratorium shall have been declared by federal, State or New York authorities, or the general suspension of trading on any national securities exchange; or

(viii) in the reasonable judgment of the Underwriter, the market price or marketability of the Bonds, or the ability of the Underwriter to enforce contracts for the sale of the Bonds is materially adversely affected by (1) an outbreak or escalation of hostilities or the declaration by the United States of a national emergency or war or (2) any other calamity or crisis in the financial markets of the United States or elsewhere or the escalation of such calamity or crisis; or

(ix) any rating of the Bonds or the rating of any obligations of the City secured by or payable from the City's general fund shall have been downgraded or withdrawn by a national rating service, which, in the opinion of the Underwriter, materially adversely affects the market price of the Bonds; or

(x) the commencement of any action, suit or proceeding described in Section 6(g) or Section 7(i).

(e) at or prior to the Closing, the Underwriter shall receive the following documents, in each case to the reasonable satisfaction in form and substance of the Underwriter:

(i) The Authority Resolution relating to the Bonds and authorizing the execution and delivery of the Bonds and the Authority Documents and the Official Statement signed by an authorized official of the Authority;

(ii) The City Resolution relating to the Bonds and authorizing the execution and delivery of the City Documents and the delivery of the Bonds and the Official Statement signed by an authorized official of the City;

(iii) The City Documents and the Authority Documents duly executed and delivered by the respective parties thereto, with only such amendments, modifications or supplements as may have been agreed to in writing by the Underwriter;

(iv) The approving opinion of Bond Counsel dated the Closing Date and addressed to the Authority and the City, in substantially the form attached as Appendix E to the Official Statement, and a reliance letter thereon addressed to the Underwriter;

(v) A supplemental opinion of Bond Counsel dated the Closing Date and addressed to the Underwriter, to the effect that:

(A) the statements on the cover of the Official Statement and in the Official Statement under the captions “INTRODUCTION,” “THE 2020 BONDS,” “SECURITY FOR THE 2020 BONDS,” and “TAX MATTERS,” and in Appendix A—“SUMMARY OF PRINCIPAL LEGAL DOCUMENTS” and Appendix E—“FORM OF OPINION OF BOND COUNSEL,” excluding any material that may be treated as included under such captions and appendices by any cross-reference, insofar as such statements expressly summarize provisions of the City Documents, the Authority Documents and Bond Counsel’s final opinion concerning certain federal tax matters relating to the Bonds, are accurate in all material respects as of the Closing Date, provided that Bond Counsel need not express any opinion with respect to any financial or statistical data contained therein or with respect to the book-entry system in which the Bonds are initially delivered;

(B) The Purchase Agreement, the Escrow Agreement and the Continuing Disclosure Certificate have been duly authorized, executed and delivered by the City and the Authority, as applicable, and are the valid, legal and binding agreements of the City and the Authority, as applicable, enforceable in accordance with their respective terms, except that the rights and obligations under the Purchase Agreement, the Escrow Agreement and the Continuing Disclosure Certificate are subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws affecting creditors’ rights, to the application of equitable principles if equitable remedies are sought, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public agencies in the State, and provided that no opinion is expressed with respect to any indemnification or contribution provisions contained therein;

(C) The Bonds are not subject to the registration requirements of the Securities Act of 1933, as amended, and the Indenture is exempt from qualification under the Trust Indenture Act of 1939, as amended; and

(vi) The Official Statement, executed on behalf of the Authority and the City, and the Preliminary Official Statement;

(vii) Evidence that the rating on the Bonds is in effect as described in the Official Statement;

(viii) A certificate, dated the Closing Date, signed by a duly authorized officer of the Authority satisfactory in form and substance to the Underwriter to the effect that: (i) the representations, warranties and covenants of the Authority contained in this Purchase Agreement are true and correct in all material respects on and as of the Closing Date with the same effect as if made on the Closing Date by the Authority, and the Authority has complied with, in all

material respects, all of the terms and conditions of this Purchase Agreement required to be complied with by the Authority at or prior to the Closing Date; and (ii) no event affecting the Authority has occurred since the date of the Official Statement which should be disclosed in the Official Statement for the purposes for which it is to be used or which is necessary to disclose therein in order to make the statements and information therein not misleading in any material respect;

(ix) A certificate, dated the Closing Date, signed by a duly authorized officer of the City satisfactory in form and substance to the Underwriter to the effect that: (i) the representations, warranties and covenants of the City contained in this Purchase Agreement are true and correct in all material respects on and as of the Closing Date with the same effect as if made on the Closing Date by the City, and the City has complied with, in all material respects, all of the terms and conditions of the Purchase Agreement required to be complied with by the City at or prior to the Closing Date; and (ii) no event affecting the City has occurred since the date of the Official Statement which should be disclosed in the Official Statement for the purposes for which it is to be used or which is necessary to disclose therein in order to make the statements and information therein not misleading in any material respect;

(x) An opinion dated the Closing Date and addressed to the Underwriter, of Best Best & Krieger LLP, as counsel to the Authority, to the effect that:

(A) The Authority is a public body, organized and existing under the Constitution and laws of the State, including the JPA Act and the JPA Agreement;

(B) The Authority Resolution has been duly adopted by the Authority, is in full force and effect and has not been modified, amended, rescinded or repealed since its date of adoption;

(C) Except as otherwise disclosed in the Official Statement, there is no litigation, proceeding, action, suit, or investigation at law or in equity before or by any court, governmental authority or body, pending, with service of process upon the Authority having been accomplished, or threatened in writing against the Authority, challenging the creation, organization or existence of the Authority, or the validity of the Authority Documents or seeking to restrain or enjoin the issuance of the Bonds, the collection of Lease Payments with respect to the Lease or the repayment of the Bonds or in any way contesting or affecting the validity of the Authority Documents or contesting the authority of the Authority to enter into or perform its obligations under any of the Authority Documents;

(D) The execution and delivery of the Authority Documents and the issuance of the Bonds and compliance with the provisions thereof, do not and will not in any material respect conflict with or constitute on the part of the Authority a breach of or default under any agreement or other instrument to which the Authority is a party or by which it is bound or any existing law, regulation, court order or consent decree to which the Authority is subject, which breach or default has or may have a material adverse effect on the ability of the Authority to perform its obligations under the Authority Documents; and

(E) No authorization, approval, consent, or other order of the State or any other governmental body within the State is required for the valid authorization, execution and delivery of the Authority Documents or the Official Statement by the Authority or the consummation by the Authority of the transactions on its part contemplated therein, except such as

have been obtained and except such as may be required under state securities or Blue Sky laws in connection with the purchase and distribution of the Bonds by the Underwriter;

(xi) an opinion dated the Closing Date and addressed to the Underwriter, of Best Best & Krieger LLP, as City Attorney, to the effect that:

(A) The City is a general law city, duly organized and existing under and by virtue of the Constitution and laws of the State;

(B) The City Resolution has been duly adopted by the City Council, is in full force and effect and has not been modified, amended, rescinded or repealed since its date of adoption;

(C) Except as otherwise disclosed in the Official Statement, there is no litigation, proceeding, action, suit, or investigation at law or in equity before or by any court, governmental authority or body, pending, with service of process upon the City having been accomplished, or threatened in writing against the City, challenging the creation, organization or existence of the City, or the validity of the City Documents or seeking to restrain or enjoin the issuance of the Bonds, the payment of the Lease Payments or the repayment of the Bonds or in any way contesting or affecting the validity of the City Documents or contesting the authority of the City to enter into or perform its obligations under any of the City Documents, or which, in any manner, questions the right of the City to pay the Lease Payments under the Lease;

(D) The execution and delivery of the City Documents and compliance with the provisions thereof, do not and will not in any material respect conflict with or constitute on the part of the City a breach of or default under any agreement or other instrument to which the City is a party or by which it is bound or any existing law, regulation, court order or consent decree to which the City is subject, which breach or default has or may have a material adverse effect on the ability of the City to perform its obligations under the City Documents; and

(E) No authorization, approval, consent, or other order of the State or any other governmental body within the State is required for the valid authorization, execution and delivery of the City Documents or the consummation by the City of the transactions on its part contemplated therein, except such as have been obtained and except such as may be required under state securities or Blue Sky laws in connection with the purchase and distribution of the Bonds by the Underwriter;

(xii) An opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, in its capacity as Disclosure Counsel, dated the Closing Date and addressed to the Authority, the City and the Underwriter, to the effect that, based upon the information made available to them in the course of their participation in the preparation of the Preliminary Official Statement and the Official Statement and without passing on and without assuming any responsibility for the accuracy, completeness and fairness of the statements in the Preliminary Official Statement and the Official Statement, and having made no independent investigation or verification thereof, and stated as a matter of fact and not opinion that, during the course of its representation of the Authority and the City on this matter, no facts came to the attention of the attorneys in its firm rendering legal services in connection with the Preliminary Official Statement and the Official Statement which caused them to believe that the Preliminary Official Statement as of its date and as of the date hereof, or the Official Statement as of its date and as of the Closing Date (except any CUSIP numbers,



financial, accounting, statistical or economic, engineering or demographic data or forecasts, numbers, charts, tables, graphs, estimates, projections, assumptions or expressions of opinion, environmental litigation, environmental matters, information relating to The Depository Trust Company and its book-entry system, and the Appendices thereto, included or referred to therein, which shall be expressly excluded from the scope of this paragraph and as to which such firm will express no opinion or view) contained or contains any untrue statement of a material fact or omitted or omits to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(xiii) An opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, counsel to the Underwriter, in form and substance satisfactory to the Underwriter;

(xiv) An opinion of counsel to the Trustee, addressed to the Underwriter and dated the Closing Date, in form and substance satisfactory to the Underwriter and to Bond Counsel;

(xv) A certificate, dated the Closing Date, signed by a duly authorized official of the Trustee in form and substance satisfactory to the Underwriter;

(xvi) The preliminary and final Statement of Sale required to be delivered to the California Debt and Investment Advisory Commission pursuant to Section 53583 of the Government Code and Section 8855(g) of the Government Code;

(xvii) A copy of the executed Blanket Issuer Letter of Representations by the Authority relating to DTC's book-entry system;

(xviii) The tax and nonarbitrage certificate of the Authority and the City in form and substance to the reasonable satisfaction of Bond Counsel and the Underwriter;

(xix) A certificate, dated the date of the Preliminary Official Statement, of the City, as required under Rule 15c2-12;

(xx) A certificate, dated the date of the Preliminary Official Statement, of the Authority, as required under Rule 15c2-12;

(xxi) Certified copies of the JPA Agreement and all amendments thereto and related certificates issued by the Secretary of State of the State;

(xxii) A certified copy of the general resolution of the Trustee authorizing the execution and delivery of certain documents by certain officers of the Trustee, which resolution authorizes the execution and delivery of the Indenture and the authentication and delivery of the Bonds by the Trustee;

(xxiii) A copy of an ALTA or CLTA title insurance policy in an amount equal to the principal amount of the Bonds, insuring the City's leasehold interest in the Leased Property, subject only to permitted encumbrances or such other encumbrances approved in writing by the Underwriter;

(xxiv) Certificates, dated the Closing Date, regarding compliance with the insurance requirements of the Lease; and

(xxv) Such additional legal opinions, certificates, proceedings, instruments or other documents as Bond Counsel or the Underwriter may reasonably request.

**Section 9. Changes in Official Statement.** After the Closing, neither the Authority nor the City will adopt any amendment of or supplement to the Official Statement to which the Underwriter shall reasonably object in writing. Within 90 days after the Closing or within 25 days following the “end of the underwriting period,” whichever occurs first, if any event relating to or affecting the Bonds, the Trustee, the City or the Authority shall occur as a result of which it is necessary, in the opinion of the Underwriter, to amend or supplement the Official Statement in order to make the Official Statement not misleading in any material respect in the light of the circumstances existing at the time it is delivered to a purchaser, the Authority will forthwith prepare and furnish to the Underwriter an amendment or supplement that will amend or supplement the Official Statement so that it will not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances existing at the time the Official Statement is delivered to purchaser, not misleading. The City and the Authority shall cooperate with the Underwriter in the filing by the Underwriter of such amendment or supplement to the Official Statement with the MSRB.

**Section 10. Expenses.** The Authority or the City will pay or cause to be paid the approved expenses incident to the performance of its obligations hereunder and certain expenses relating to the sale of the Bonds, including, but not limited to (a) the cost of the preparation and printing or other reproduction of the Authority Documents and the City Documents (other than this Purchase Agreement); (b) the fees and disbursements of Bond Counsel, Disclosure Counsel, the Municipal Advisor and any other experts or other consultants retained by the Authority or the City; (c) the costs and fees of the credit rating agencies; (d) the cost of preparing and delivering the definitive Bonds; (e) the cost of providing immediately available funds on the Closing Date; (f) the cost of the printing or other reproduction of the Preliminary Official Statement and Official Statement and any amendment or supplement thereto, including a reasonable number of certified or conformed copies thereof; (g) the Underwriter’s out-of-pocket expenses (included in the expense component of the Underwriter’s discount) incurred by the Underwriter on behalf of the City’s employees which are incidental to implementing this Purchase Agreement; and (h) the fees for counsel to the Underwriter. The Underwriter will pay the expenses of the preparation of this Purchase Agreement, including CDIAAC fees, CUSIP Services Bureau charges, regulatory fees imposed on new securities issuers and any and all other expenses incurred by the Underwriter in connection with the public offering and distribution of the Bonds.

**Section 11. Notices.** Any notice or other communication to be given to the Underwriter under this Purchase Agreement may be given by delivering the same in writing to Stifel, Nicolaus & Company, Incorporated, One Montgomery Street, 35th Floor, San Francisco, CA 94104, Attention: Sara Oberlies Brown. All notices or communications hereunder by any party shall be given and served upon each other party. Any notice or communication to be given the Authority under this Purchase Agreement may be given by delivering the same in writing to the Hermosa Beach Public Financing Authority, c/o City of Hermosa Beach, 1315 Valley Drive, Hermosa Beach, California 90254, Attention: Executive Director. Any notice or communication to be given the City under this Purchase Agreement may be given by delivering the same in writing to the City of Hermosa Beach, 1315 Valley Drive, Hermosa Beach, California 90254, Attention: City Manager.

**Section 12. Parties in Interest.** This Purchase Agreement is made solely for the benefit of the Authority, the City and the Underwriter (including the successors or assigns thereof) and no

other person shall acquire or have any right hereunder or by virtue hereof. All representations, warranties and agreements of the Authority and the City in this Purchase Agreement shall remain operative and in full force and effect regardless of any investigation made by or on behalf of the Underwriter and shall survive the delivery of and payment for the Bonds.

**Section 13. Severability.** In case any one or more of the provisions contained herein shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision hereof.

**Section 14. Counterparts.** This Purchase Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

**Section 15. Governing Law.** This Purchase Agreement shall be governed by and construed in accordance with the laws of the State.

STIFEL, NICOLAUS & COMPANY,  
INCORPORATED

By: \_\_\_\_\_  
Title: Authorized Officer

Accepted as of the date first stated above:

CITY OF HERMOSA BEACH

By: \_\_\_\_\_  
Its: [City Manager]

Time of Execution: \_\_\_\_\_ a.m./p.m. Pacific Time

HERMOSA BEACH PUBLIC FINANCING AUTHORITY

By: \_\_\_\_\_  
Its: [Executive Director]

Time of Execution: \_\_\_\_\_ a.m./p.m. Pacific Time

**EXHIBIT A**

**HERMOSA BEACH PUBLIC FINANCING AUTHORITY  
2020 LEASE REVENUE REFUNDING BONDS**

**MATURITY SCHEDULE**

<i><b>Maturity Date (November 1)</b></i>	<i><b>Principal Amount</b></i>	<i><b>Interest Rate</b></i>	<i><b>Initial Offering Price</b></i>	<i><b>10% Test Used</b></i>	<i><b>Hold the Offering Price Rule Used</b></i>
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<sup>T</sup> Term Bonds.  
<sub>C</sub>

## EXHIBIT B

### HERMOSA BEACH PUBLIC FINANCING AUTHORITY 2020 LEASE REVENUE REFUNDING BONDS

#### FORM OF ISSUE PRICE CERTIFICATE

The undersigned, on behalf of Stifel, Nicolaus & Company, Incorporated (“Stifel”) hereby certifies as set forth below with respect to the sale and issuance of the above-captioned bonds (the “Bonds”).

1. ***Sale of the General Rule Maturities.*** As of the date of this certificate, for each Maturity of the General Rule Maturities, the first price at which at least 10% of such Maturity was sold to the Public is the respective price listed in Schedule A.

2. ***[Initial Offering Price of the Hold-the-Offering-Price Maturities.***

(a) Stifel offered the Hold-the-Offering-Price Maturities to the Public for purchase at the respective initial offering prices listed in Schedule A (the “Initial Offering Prices”) on or before the Sale Date. A copy of the pricing wire or equivalent communication for the Bonds is attached to this certificate as Schedule B.

(b) As set forth in the Bond Purchase Agreement, dated October \_\_, 2020, by and among Stifel, the Issuer and the City of Hermosa Beach, Stifel has agreed in writing that, (i) for each Maturity of the Hold-the-Offering-Price Maturities, it would neither offer nor sell any of the Bonds of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the “hold-the-offering-price rule”), and (ii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any retail distribution agreement shall contain the agreement of each broker-dealer who is a party to the retail distribution agreement, to comply with the hold-the-offering-price rule. Pursuant to such agreement, no Underwriter (as defined below) has offered or sold any Maturity of the Hold-the-Offering-Price Maturities at a price that is higher than the respective Initial Offering Price for that Maturity of the Bonds during the Holding Period.]

3. ***Defined Terms.***

(a) ***General Rule Maturities*** means those Maturities of the Bonds listed in Schedule A hereto as the “General Rule Maturities.”

(b) ***[Hold-the-Offering-Price Maturities*** means those Maturities of the Bonds listed in Schedule A hereto as the “Hold-the-Offering-Price Maturities.”

(c) ***Holding Period*** means, with respect to a Hold-the-Offering-Price Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date, or (ii) the date on which Stifel has sold at least 10% of such Hold-the-Offering-Price Maturity to the Public at prices that are no higher than the Initial Offering Price for such Hold-the-Offering-Price Maturity.]

(d) ***Issuer*** means the Hermosa Beach Public Financing Authority.

(e) *Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate maturities.

(f) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(g) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is October \_\_, 2020.

(h) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).]

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents Stifel’s interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and by Jones Hall, A Professional Law Corporation in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

STIFEL, NICOLAUS & COMPANY,  
INCORPORATED

By:\_\_\_\_\_

Name:\_\_\_\_\_

Dated: \_\_\_\_\_, 2020

**SCHEDULE A**  
**SALE PRICES OF THE GENERAL RULE MATURITIES [AND INITIAL OFFERING**  
**PRICES OF THE HOLD-THE-OFFERING-PRICE MATURITIES]**

*(Attached)*



**[SCHEDULE B  
PRICING WIRE OR EQUIVALENT COMMUNICATION**

*(Attached)*

**PRELIMINARY OFFICIAL STATEMENT DATED \_\_\_\_\_, 2020****NEW ISSUE - FULL BOOK-ENTRY****RATING: Standard & Poor's: "\_\_\_\_"**  
See "RATING"

*In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to certain qualifications described herein, under existing law, the interest on the 2020 Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax. In the further opinion of Bond Counsel, such interest is exempt from California personal income taxes. See "TAX MATTERS."*

\$ \_\_\_\_\_ \*

**HERMOSA BEACH PUBLIC FINANCING AUTHORITY**  
**2020 Refunding Lease Revenue Bonds**

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

**Authority for Issuance.** The bonds captioned above (the "2020 Bonds") are being issued by the Hermosa Beach Public Financing Authority (the "Authority") under a resolution adopted by the Board of Directors of the Authority on \_\_\_\_\_, 2020, and an Indenture of Trust dated as of October 1, 2020 (the "Indenture") by and between the Authority and U.S. Bank National Association, as trustee (the "Trustee"). See "THE 2020 BONDS – Authority for Issuance."

**Use of Proceeds.** The 2020 Bonds are being issued to (i) defease and refund certain outstanding bonds of the Authority captioned "\$11,600,000 Hermosa Beach Public Financing Authority 2015 Lease Revenue Bonds", and (ii) pay the costs of issuing the 2020 Bonds. See "FINANCING PLAN."

**Security for the 2020 Bonds.** Under the Indenture, the 2020 Bonds are payable from and secured by a first pledge of and lien on "Revenues" (as defined in this Official Statement) received by the Authority under the Amended and Restated Lease Agreement dated as of October 1, 2020 (the "Lease"), by and between the Authority, as lessor, and the City of Hermosa Beach (the "City"), as lessee, consisting primarily of payments (the "Lease Payments") made by the City under the Lease with respect to the lease of certain real property, as further described in this Official Statement. The 2020 Bonds are also secured by certain funds on deposit under the Indenture. See "SECURITY FOR THE 2020 BONDS."

**Bond Terms; Book-Entry Only.** The 2020 Bonds will bear interest at the rates shown on the inside cover page, payable semiannually on May 1 and November 1 of each year, commencing on May 1, 2021, and will be issued in fully registered form without coupons in the denomination of \$5,000 or any integral multiple of \$5,000. The 2020 Bonds will be issued in book-entry only form, initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Purchasers of the 2020 Bonds will not receive certificates representing their interests in the 2020 Bonds. Payments of the principal of, premium, if any, and interest on the 2020 Bonds will be made to DTC, which is obligated in turn to remit such principal, premium, if any, and interest to its DTC Participants for subsequent disbursement to the beneficial owners of the 2020 Bonds. See "THE 2020 BONDS – General Provisions."

**Redemption.** The 2020 Bonds are subject to optional redemption, mandatory sinking fund redemption and special mandatory redemption from insurance or condemnation proceeds prior to maturity. See "THE 2020 BONDS – Redemption."

NEITHER THE 2020 BONDS, NOR THE OBLIGATION OF THE AUTHORITY TO PAY PRINCIPAL OF OR INTEREST THEREON, NOR THE OBLIGATION OF THE CITY TO MAKE THE LEASE PAYMENTS, CONSTITUTE A DEBT OR A LIABILITY OF THE AUTHORITY, THE CITY, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL LIMITATION ON INDEBTEDNESS, OR A PLEDGE OF THE FULL FAITH AND CREDIT OF THE CITY. THE 2020 BONDS ARE SECURED SOLELY BY THE PLEDGE OF REVENUES AND CERTAIN FUNDS HELD UNDER THE INDENTURE. THE 2020 BONDS ARE NOT SECURED BY A PLEDGE OF THE TAXING POWER OF THE CITY.

**MATURITY SCHEDULE**  
**(see inside cover)**

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE OF 2020 BONDS. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION WITH RESPECT TO THE PURCHASE OF THE 2020 BONDS.

The 2020 Bonds are offered when, as and if issued and received by the Underwriter and subject to the approval as to their legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel. Certain legal matters will also be passed upon for the Authority and the City by Jones Hall, A Professional Law Corporation, as Disclosure Counsel. Certain legal matters will be passed upon for the City by the City Attorney, and for the Underwriter by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California. It is anticipated that the 2020 Bonds will be delivered in book-entry form through the facilities of DTC on or about \_\_\_\_, 2020.

**Stifel**

The date of this Official Statement is: \_\_\_\_\_, 2020

\* Preliminary; subject to change.

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

## MATURITY SCHEDULE\*

\$ \_\_\_\_\_ Serial Bonds  
(Base CUSIP†: \_\_\_\_\_)

<u>Maturity</u> (November 1)	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP†</u>
---------------------------------	-----------------------------------	--------------------------------	--------------	--------------	---------------

\$ \_\_\_\_\_ - \_\_\_\_\_% Term Bonds due November 1, 20\_\_\_\_; Yield \_\_\_\_\_%; Price \_\_\_\_\_%;  
CUSIP† No. \_\_\_\_\_

† CUSIP Copyright CUSIP Global Services, and a registered trademark of American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, which is managed on behalf of American Bankers Association by S&P Capital IQ. None of the City, the Authority nor the Underwriter assumes any responsibility for the accuracy of these CUSIP data.

\* Preliminary; subject to change

**HERMOSA BEACH PUBLIC FINANCING AUTHORITY  
CITY OF HERMOSA BEACH  
LOS ANGELES COUNTY, CALIFORNIA**

**BOARD OF DIRECTORS  
OF THE AUTHORITY AND MEMBERS OF THE CITY COUNCIL**

Mary Campbell, *Chairperson and Mayor*  
Justin Massey, *Vice Chairperson and Mayor Pro Tempore*  
Michael Detoy, *Member and Council Member*  
Hany Fangary, *Member and Council Member*  
Stacey Armato, *Member and Council Member*

**CITY OFFICERS**

Suja Lowenthal, *City Manager*  
Viki Copeland, *Finance Director*  
Eduardo Sarmiento, *City Clerk*

**FINANCING SERVICES**

**BOND COUNSEL AND DISCLOSURE COUNSEL**

Jones Hall,  
A Professional Law Corporation  
San Francisco, California

**MUNICIPAL ADVISOR**

NHA Advisors, LLC  
San Rafael, California

**TRUSTEE**

U.S. Bank National Association  
Los Angeles, California

## GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

**Use of Official Statement.** This Official Statement is submitted in connection with the sale of the 2020 Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not to be construed as a contract with the purchasers of the 2020 Bonds.

**No Offering Except by This Official Statement.** No dealer, broker, salesperson or other person has been authorized by the Authority or the Underwriter to give any information or to make any representations other than those contained in this Official Statement and, if given or made, such other information or representation must not be relied upon as having been authorized by the Authority or the Underwriter.

**No Unlawful Offers or Solicitations.** This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor may there be any sale of the 2020 Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

**Estimates and Forecasts.** When used in this Official Statement and in any continuing disclosure by the City, in any press release and in any oral statement made with the approval of an authorized officer of the City, the words or phrases "will likely result," "are expected to," "will continue," "is anticipated," "estimate," "project," "forecast," "expect," "intend" and similar expressions identify "forward looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. 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. 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, give rise to any implication that there has been no change in the affairs of the City since the date hereof.

**Limited Scope of Information.** The City has obtained certain information set forth herein from sources which are believed to be reliable, but such information is neither guaranteed as to accuracy or completeness, nor to be construed as a representation of such by the City.

**Preparation of Official Statement.** The information set forth in this Official Statement has been furnished by the Authority and the City, and other sources which are believed to be reliable, but it is not guaranteed as to accuracy or completeness.

**Involvement of Underwriter.** The Underwriter has provided the following sentence for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

**Stabilization of Prices.** In connection with this offering, the Underwriter may overallocate or effect transactions which stabilize or maintain the market price of the 2020 Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriter may offer and sell the 2020 Bonds to certain dealers and others at prices lower than the public offering prices set forth on the cover page hereof and said public offering prices may be changed from time to time by the Underwriter.

**Document Summaries.** All summaries of the Indenture or other documents referred to in this Official Statement are made subject to the provisions of such documents and qualified in their entirety to reference to such documents, and do not purport to be complete statements of any or all of such provisions.

**No Securities Laws Registration.** The 2020 Bonds have not been registered under the Securities Act of 1933, as amended, in reliance upon exceptions therein for the issuance and sale of municipal securities. The 2020 Bonds have not been registered or qualified under the securities laws of any state.

**Effective Date.** This Official Statement speaks only as of its date, and the information and expressions of opinion contained in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the 2020 Bonds will, under any circumstances, give rise to any implication that there has been no change in the affairs of the City, the Authority, the other parties described in this Official Statement.

**Website.** The City maintains a website. However, the information presented on the website is not a part of this Official Statement and should not be relied upon in making an investment decision with respect to the 2020 Bonds.

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## OFFICIAL STATEMENT

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**HERMOSA BEACH PUBLIC FINANCING AUTHORITY**  
**2020 Refunding Lease Revenue Bonds**

### INTRODUCTION

*This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of the 2020 Bonds to potential investors is made only by means of the entire Official Statement.*

*Capitalized terms used but not defined in this Official Statement have the meanings set forth in the Indenture (as defined below). See “APPENDIX A – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS.”*

**Authority for Issuance.** The Hermosa Beach Public Financing Authority (the “**Authority**”) is issuing the bonds captioned above (the “**2020 Bonds**”) under the following:

- (a) Articles 10 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, commencing with Section 53570 (the “**Law**”),
- (b) resolutions adopted by the Board of Directors (the “**Board**”) of the Authority on \_\_\_\_\_, 2020 (the “**Authority Resolution**”), and by the City Council (the “**City Council**”) of the City of Hermosa Beach (the “**City**”) on \_\_\_\_\_, 2020 (the “**City Resolution**”), and
- (c) an Indenture of Trust (the “**Indenture**”) dated as of October 1, 2020, by and between the Authority and U.S. Bank National Association, as trustee (the “**Trustee**”).

**The Authority.** The Authority is a joint powers authority formed pursuant to a Joint Exercise of Powers Agreement dated as of July 14, 2015, between the City and the Parking Authority of the City of Hermosa Beach under Articles 1 through 4 (commencing with Section 6500) of Chapter 5 of Division 7 of Title 1 of the California Government Code, as amended, for the purpose, among others, of having the Authority provide financial assistance to the City by entering into, among other arrangements, lease/leasebacks with the City.

**The City.** The City is located in Los Angeles County approximately 22 miles southwest of the City of Los Angeles. The City is one of three beach cities in the surrounding area, including

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\* Preliminary; subject to change.

Manhattan Beach, Hermosa Beach, and Redondo Beach. The City, incorporated on January 14, 1907, had an estimated population of 19,614 as of January 1, 2020, and covers approximately 1.4 square miles. See “APPENDIX D - GENERAL INFORMATION ABOUT THE CITY OF HERMOSA BEACH AND LOS ANGELES COUNTY.”

**Form of Bonds; Book-Entry Only.** The 2020 Bonds will be issued in fully registered form, registered in the name of The Depository Trust Company, New York, New York (“**DTC**”), or its nominee, which will act as securities depository for the 2020 Bonds. Purchasers of the 2020 Bonds will not receive certificates representing the 2020 Bonds that are purchased. See “THE 2020 BONDS - Book-Entry Only System” and “APPENDIX F – DTC AND THE BOOK-ENTRY ONLY SYSTEM.”

**Purpose of the 2020 Bonds.** The 2020 Bonds are being issued to:

- refund and defease the bonds previously issued by the Authority captioned “\$11,600,000 Hermosa Beach Public Financing Authority 2015 Lease Revenue Bonds” (the “**2015 Bonds**”), and
- to pay the costs of issuing the 2020 Bonds.

See “FINANCING PLAN.”

**Security for the 2020 Bonds and Pledge of Revenues.** Under the Indenture, the 2020 Bonds are payable from and secured by a first pledge of and lien on “**Revenues**” (as defined in this Official Statement) received by the Authority under the Amended and Restated Lease Agreement dated as of October 1, 2020, between the Authority, as lessor, and the City, as lessee (the “**Lease**”), consisting primarily of payments (the “**Lease Payments**”) made by the City under the Lease. The 2020 Bonds are also secured by certain funds held under the Indenture. See “SECURITY FOR THE 2020 BONDS.”

The City and the Authority will enter into an Amended and Restated Site Lease dated as of October 1, 2020 (the “**Site Lease**”), under which the City will lease certain real property to the Authority, consisting of the City’s civic center (the “**Leased Property**”), as described in “THE LEASED PROPERTY,” in return for an upfront payment under the Site Lease. Concurrently, the City and the Authority will enter into the Lease, under which the Authority will lease the Leased Property back to the City in return for the annual Lease Payments. See “SECURITY FOR THE 2020 BONDS.”

**Redemption.** The 2020 Bonds are subject to optional redemption, mandatory sinking fund redemption and special mandatory redemption from insurance or condemnation proceeds prior to their stated maturity dates. See “THE 2020 BONDS – Redemption.”

**Abatement.** The Lease Payments are subject to complete or partial abatement in the event and to the extent that there is substantial interference with the City’s use and possession of the Leased Property or any portion thereof. If the Lease Payments are abated under the Lease, the 2020 Bond Owners would receive less than the full amount of principal of and interest on the 2020 Bonds. To the extent proceeds of rental interruption insurance are available, Lease Payments (or a portion thereof) may be made from those proceeds during periods of abatement. See “SECURITY FOR THE 2020 BONDS – Abatement” and “BOND OWNERS’ RISKS.”



***Risks of Investment.*** Debt service on the 2020 Bonds is payable only from Lease Payments and other amounts payable by the City to the Authority under the Lease. For a discussion of some of the risks associated with the purchase of the 2020 Bonds, see “BOND OWNERS’ RISKS.”

NEITHER THE 2020 BONDS, THE OBLIGATION OF THE AUTHORITY TO PAY PRINCIPAL OF OR INTEREST THEREON, NOR THE OBLIGATION OF THE CITY TO MAKE THE LEASE PAYMENTS, CONSTITUTE A DEBT OR A LIABILITY OF THE AUTHORITY, THE CITY, THE STATE OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL LIMITATION ON INDEBTEDNESS, OR A PLEDGE OF THE FULL FAITH AND CREDIT OF THE CITY. THE 2020 BONDS ARE SECURED SOLELY BY THE PLEDGE OF REVENUES AND CERTAIN FUNDS HELD UNDER THE INDENTURE. THE 2020 BONDS ARE NOT SECURED BY A PLEDGE OF THE TAXING POWER OF THE CITY.

## FINANCING PLAN

### Refunding Plan

The 2015 Bonds were issued on August 13, 2015, in the original principal amount of \$11,600,000, of which \$9,890,000 is currently outstanding. The net proceeds of the 2015 Bonds were used to make certain payments under an agreement entered into for the purpose of settling certain claims made against the City.

The 2020 Bonds are being issued to defease and pay or refund on a current basis all outstanding maturities of the 2015 Bonds, as identified in the following table.

### Identification of Refunded 2015 Bonds\*

Maturities to be Paid or Refunded (November 1)	CUSIP†	Principal Amount Redeemed	Redemption Date	Redemption Price (% of Par Amount Redeemed)
2020	427637 AE3	\$500,000	11/01/2020	100%
2021	427637 AF0	510,000	11/01/2020	100
2022	427637 AG8	520,000	11/01/2020	100
2023	427637 AH6	535,000	11/01/2020	100
2024	427637 AJ2	545,000	11/01/2020	100
2025	427637 AK9	560,000	11/01/2020	100
2026	427637 AL7	575,000	11/01/2020	100
2027	427637 AM5	595,000	11/01/2020	100
2028	427637 AN3	615,000	11/01/2020	100
2029	427637 AP8	635,000	11/01/2020	100
2030	427637 AQ6	655,000	11/01/2020	100
2031	427637 AR4	680,000	11/01/2020	100
2032	427637 AS2	705,000	11/01/2020	100
2033	427637 AT0	730,000	11/01/2020	100
2034	427637 AU7	750,000	11/01/2020	100
2035	427637 AV5	780,000	11/01/2020	100
		\$9,890,000		

\* Preliminary, subject to change.

† CUSIP Copyright CUSIP Global Services, and a registered trademark of American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, which is managed on behalf of American Bankers Association by S&P Capital IQ. None of the City, the Authority nor the Underwriter assumes any responsibility for the accuracy of these CUSIP data.

On the Closing Date, the Authority will cause the Trustee to transfer a portion of the proceeds of the 2020 Bonds to U.S. Bank National Association (the “**Escrow Agent**”), for deposit in an escrow fund (the “**Escrow Fund**”) to be established and held by the Escrow Agent under an Escrow Agreement (the “**Escrow Agreement**”) to be entered into on the Closing Date by the Authority, the City and the Escrow Agent. In addition, on or before the Closing Date, the City will transfer to the Escrow Agent funds equal to the debt service due on the 2015 Bonds on November 1, 2020, for deposit into the Escrow Fund. The total amount deposited in the Escrow Fund will be sufficient to pay and redeem the 2015 Bonds in full on November 1, 2020 (the “**Redemption Date**”).

The Escrow Agent will hold the amounts on deposit in the Escrow Fund in cash, uninvested. All amounts held in the Escrow Fund will be applied on the Redemption Date to pay and redeem the 2015 Bonds at a redemption price equal to 100% of their outstanding principal amount, together with accrued interest to the Redemption Date, without premium. As a result of the deposit of funds with the Escrow Agent, the 2015 Bonds will be legally defeased and will be payable solely from amounts held in the Escrow Fund.

*The amounts held by the Escrow Agent in the Escrow Fund are pledged solely to the payment and redemption of the 2015 Bonds, and will not be available for the payment of debt service on the 2020 Bonds.*

## **Estimated Sources and Uses of Funds**

The estimated sources and uses of funds relating to the 2020 Bonds are as follows:

### Sources:

Principal Amount of 2020 Bonds	\$
Plus (Less): Original Issue Premium (Discount)	
Plus: Funds with Respect to 2015 Bonds	
<b>TOTAL SOURCES</b>	<b>\$</b>

### Uses:

Deposit to Escrow Fund [1]	\$
Costs of Issuance [2]	
Underwriter's Discount	
<b>TOTAL USES</b>	<b>\$</b>

[1] Represents the amount to be transferred to the Escrow Agent for deposit in the Escrow Fund and used to defease the 2015 Bonds. See "—Refinancing Plan" above.

[2] Represents funds to be used to pay Costs of Issuance, which include legal fees, municipal advisor fees, printing costs, rating agency fees and other costs of issuing the 2020 Bonds.

## THE LEASED PROPERTY

### General

**Description and Locations.** Lease Payments will be made by the City under the Lease for the use and occupancy of the Leased Property, which consists generally of the City's city hall complex ("**City Hall**") located at 1315 Valley Drive, which contains approximately 25,700 square feet of usable space and consists of three buildings originally constructed in 1960 housing the city hall, police station and fire department. The City Hall complex is located on a site of approximately 2 acres.

The City contracted with the Los Angeles County Fire Department in 2017 to provide fire protection services to the community, in connection with which the City carried out a renovation of the existing fire station in the amount of \$1,816,360. This project included the removal of the second floor, installation of a new roof, and a redesign of the first floor to include five dormitories, two ADA accessible restrooms, an office, a remodeled kitchen, HVAC, and new lighting. Exterior changes include tinted and retrofitted windows and newly designed landscaping. Demolition began in mid-September 2019, followed by construction beginning on October 7, 2019, and completion in August 2020. The renovation changed the square footage of the fire station from 8,500 square feet to 4,500 square feet.

The insured value of the structures making up the City Hall complex is currently \$13,649,310.

### Changes to Leased Property

**Additions and Improvements.** Under the Lease, the City has the right, at its own expense, to make additions, modifications and improvements to the Leased Property or any portion thereof. All additions, modifications and improvements to the Leased Property will thereafter comprise part of the Leased Property and become subject to the provisions of the Lease. Such additions, modifications and improvements may not in any way damage the Leased Property, or cause the Leased Property to be used for purposes other than those authorized under the provisions of state and federal law; and the Leased Property, upon completion of any additions, modifications and improvements made thereto, must be of a value which is not substantially less than the value thereof immediately prior to the making of such additions, modifications and improvements.

The City will not permit any mechanic's or other lien to be established or remain against the Leased Property for labor or materials furnished in connection with any remodeling, additions, modifications, improvements, repairs, renewals or replacements made by the City under this provision of the Lease; except that if any such lien is established and the City first notifies or causes to be notified the Authority of the City's intention to do so, the City may in good faith contest any lien filed or established against the Leased Property, and in such event may permit the items so contested to remain undischarged and unsatisfied during the period of such contest and any appeal therefrom and shall provide the Authority with full security against any loss or forfeiture which might arise from the nonpayment of any such item, in form satisfactory to the Authority. The Authority will cooperate fully in any such contest, upon the request and at the expense of the City.

## Substitution

Under the Lease, the City has the option at any time and from time to time to substitute other real property (the “**Substitute Property**”) for the Leased Property or any portion thereof (the “**Former Property**”), upon satisfaction of all of the conditions set forth in the Lease, which include (among others) the following:

- The City must file with the Authority and the Trustee, and cause to be recorded in the office of the Los Angeles County Recorder sufficient memorialization of, an amendment of the Site Lease and the Lease that removes the legal description of the Former Property and adds the legal description of the Substitute Property.
- The City must obtain a CLTA policy of title insurance insuring the City's leasehold estate under the Lease in the Substitute Property, subject only to Permitted Encumbrances, in an amount at least equal to the estimated value thereof.
- The City must certify in writing to the Authority and the Trustee that the Substitute Property serves the municipal purposes of the City and constitutes property which the City is permitted to lease under the laws of the State of California, and has been determined to serve a governmental function of the City.
- The City and the Authority must file with the Trustee a written certificate stating that (a) based on the estimated value of the Substitute Property, the remaining Lease Payments constitute fair rental value for the use and occupancy of the Substitute Property, taking into consideration the factors set forth in the Lease, and (b) the useful life of the Substitute Property at least extends to November 1, 2045.

See “APPENDIX A – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS.”

Upon the satisfaction of all the conditions precedent contained in the Lease, the Term of the Lease will end as to the Former Property and commence as to the Substitute Property, and all references to the Former Property will apply with full force and effect to the Substitute Property. The City is not entitled to any reduction, diminution, extension or other modification of the Lease Payments whatsoever as a result of any substitution of property under this provision of the Lease.

## Release of Leased Property

Under the Lease, the City has the option at any time and from time to time to release any portion of the Leased Property from the Lease (the “**Released Property**”) provided that the City has satisfied all of the requirements under the Lease that are conditions precedent to such removal, which include (among others) the following:

- The City must file with the Authority and the Trustee, and cause to be recorded in the office of the Los Angeles County Recorder sufficient memorialization of, an amendment of the Site Lease and the Lease that removes the Released Property from the Site Lease and the Lease.
- The City and the Authority must file with the Trustee a written certificate stating that based on the estimated value of the property which remains subject to the Lease following such release, the remaining Lease Payments constitute fair rental value for the use and occupancy of such property, taking into consideration the factors set forth in the Lease.

See "APPENDIX A – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS."

Upon the satisfaction of all the conditions precedent set forth in the Lease, the term of the Lease and the Site Lease will end as to the Released Property. The City is not entitled to any reduction, diminution, extension or other modification of the Lease Payments whatsoever as a result of such release.

## THE 2020 BONDS

*This section provides summaries of the 2020 Bonds and certain provisions of the Indenture. See APPENDIX A for a more complete summary of the Indenture. Capitalized terms used but not defined in this section have the meanings given in APPENDIX A.*

### Authority for Issuance

The 2020 Bonds are being issued under the Law, the Authority Resolution (which was adopted by the Board of the Authority on \_\_\_\_\_, 2020), the City Resolution (which was adopted by the City Council on \_\_\_\_\_, 2020), and the Indenture. Under the Authority Resolution and the City Resolution, the 2020 Bonds may be issued in a principal amount not to exceed \$\_\_\_\_\_.

### General Provisions

**Bond Terms.** The 2020 Bonds will be dated their date of delivery and issued in fully registered form without coupons in denominations of \$5,000 or any integral multiple of \$5,000, so long as no 2020 Bond has more than one maturity date. The 2020 Bonds will mature in the amounts and on the dates, and bear interest (calculated on the basis of a 360-day year of twelve 30-day months) at the annual rates, set forth on the inside cover page of this Official Statement.

**Calculation of Interest.** Interest on the 2020 Bonds is payable from the Interest Payment Date next preceding the date of its authentication unless:

- (a) a 2020 Bond is authenticated on or before an Interest Payment Date and after the close of business on the preceding Record Date, in which event it will bear interest from such Interest Payment Date,
- (b) a 2020 Bond is authenticated on or before the first Record Date, in which event interest thereon will be payable from the Closing Date, or
- (c) interest on any 2020 Bond is in default as of the date of authentication thereof, in which event interest thereon will be payable from the date to which interest has been paid in full, payable on each Interest Payment Date.

**Record Date.** Under the Indenture, “Record Date” means, with respect to any Interest Payment Date, the 15<sup>th</sup> calendar day of the month preceding such Interest Payment Date, whether or not such day is a Business Day.

**Payments of Principal and Interest.** Interest on the 2020 Bonds will be payable on May 1 and November in each year, beginning May 1, 2021 (each an “Interest Payment Date”).

*While the 2020 Bonds are subject to the book-entry system, the principal, interest and any redemption premium with respect to the 2020 Bonds will be paid by the Trustee to DTC for subsequent disbursement to beneficial owners of the 2020 Bonds. See “– Book-Entry Only System” below.*

Interest is payable on each Interest Payment Date to the persons in whose names the ownership of the 2020 Bonds is registered on the Registration Books at the close of business on the immediately preceding Record Date, except as provided below. Interest on any 2020 Bond

which is not punctually paid or duly provided for on any Interest Payment Date is payable to the person in whose name the ownership of such 2020 Bond is registered on the Registration Books at the close of business on a special record date for the payment of such defaulted interest to be fixed by the Trustee, notice of which is given to such Owner by first-class mail not less than 10 days prior to such special record date.

The Trustee will pay interest on the 2020 Bonds by check of the Trustee mailed by first class mail, postage prepaid, on each Interest Payment Date to the Owners of the 2020 Bonds at their respective addresses shown on the Registration Books as of the close of business on the preceding Record Date. At the written request of the Owner of 2020 Bonds in an aggregate principal amount of at least \$1,000,000, which is on file with the Trustee as of any Record Date, the Trustee will pay interest on such 2020 Bonds on each succeeding Interest Payment Date by wire transfer in immediately available funds to such account of a financial institution within the United States of America as specified in such written request, which written request will remain in effect until rescinded in writing by the Owner.

The Trustee will pay principal of the 2020 Bonds in lawful money of the United States of America by check of the Trustee upon presentation and surrender thereof at the Office of the Trustee.

### **Transfer, Registration and Exchange**

*The following provisions regarding the exchange and transfer of the 2020 Bonds apply only during any period in which the 2020 Bonds are not subject to DTC's book-entry system. While the 2020 Bonds are subject to DTC's book-entry system, their exchange and transfer will be effected through DTC and the Participants and will be subject to the procedures, rules and requirements established by DTC. See "APPENDIX F – DTC AND THE BOOK-ENTRY ONLY SYSTEM."*

**Bond Register.** 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 2020 Bonds, which will upon reasonable notice as agreed to by the Trustee, be open to inspection during regular business hours by the Authority; and, upon presentation for such purpose, the Trustee will, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on such records, the ownership of the 2020 Bonds as provided in the Indenture.

**Transfer.** Any 2020 Bond may, in accordance with its terms, be transferred, upon the Registration Books, by the person in whose name it is registered, in person or by a duly authorized attorney of such person, upon surrender of such 2020 Bond to the Trustee at its Office for cancellation, accompanied by delivery of a written instrument of transfer in a form acceptable to the Trustee, duly executed. The Trustee will collect any tax or other governmental charge on the transfer of any 2020 Bonds under this provision of the Indenture.

Whenever any 2020 Bond is or 2020 Bonds are surrendered for transfer, the Authority will execute and the Trustee will authenticate and deliver to the transferee a new 2020 Bond or 2020 Bonds of like series, interest rate, maturity and aggregate principal amount. The Authority will pay the cost of printing 2020 Bonds and any services rendered or expenses incurred by the Trustee in connection with any transfer of 2020 Bonds.

Prior to any transfer of the 2020 Bonds outside the book-entry system (including, but not limited to, the initial transfer outside the book-entry system) the transferor will be required to



provide or cause to be provided to the Trustee all information necessary to allow the Trustee to comply with any applicable tax reporting obligations, including without limitation any cost basis report obligations under Section 6045 of the Internal Revenue Code of 1986, as amended. The Trustee will conclusively rely on the information provided to it and will have no responsibility to verify or ensure the accuracy of such information.

**Exchange.** The 2020 Bonds may be exchanged at the Office of the Trustee for a like aggregate principal amount of 2020 Bonds of other authorized denominations and of the same series, interest rate and maturity. The Trustee will collect any tax or other governmental charge on the exchange of any 2020 Bonds under this provision of the Indenture. The Authority will pay the cost of printing 2020 Bonds and any services rendered or expenses incurred by the Trustee in connection with any exchange of 2020 Bonds.

**Limitations.** The Trustee may refuse to transfer or exchange, under the provisions of the Indenture described above, any 2020 Bonds selected by the Trustee for redemption under the Indenture, or any 2020 Bonds during the period established by the Trustee for the selection of 2020 Bonds for redemption.

## Redemption

**Optional Redemption.** The 2020 Bonds maturing on or before November 1, 20\_\_, are not subject to optional redemption prior to their respective stated maturity dates.

The 2020 Bonds maturing on or after November 1, 20\_\_, are subject to redemption in whole, or in part at the Written Request of the Authority among maturities on such basis as the Authority may designate and by lot within a maturity, at the option of the Authority, on any date on or after November 1, 20\_\_, from any available source of funds, at a redemption price of the principal amount of the 2020 Bonds to be redeemed plus accrued interest to the date of redemption, without premium.

The Authority shall give the Trustee written notice of its intention to redeem the 2020 Bonds under this provision of the Indenture, and the manner of selecting such 2020 Bonds for redemption from among the maturities thereof, at least 45 days prior to the proposed redemption date.

**Mandatory Sinking Fund Redemption of Term Bonds.** The 2020 Bonds maturing on November 1, 20\_\_ (the “**20\_\_ Term Bonds**”) are subject to mandatory redemption in whole, or in part by lot, from sinking fund payments made under the Indenture, at a redemption price equal to the principal amount thereof to be redeemed, without premium, plus accrued interest to the date of redemption, in the aggregate respective principal amounts and on November 1 in the years as set forth in the following table:

20__ Term Bonds	
Payment Date (November 1)	Payment Amount

(maturity)

If some but not all of the 20\_\_ Term Bonds have been redeemed through optional or special mandatory redemption, the total amount of all future sinking fund payments will be reduced by the aggregate principal amount of the 20\_\_ Term Bonds so redeemed, to be allocated among such sinking fund payments on a pro rata basis as determined by the Authority, which will notify the Trustee in writing of such determination.

***Special Mandatory Redemption From Insurance or Condemnation Proceeds.*** The 2020 Bonds are subject to redemption as a whole, or in part by lot on a pro rata basis among maturities, on any date, from any Net Proceeds required to be used for such purpose as provided in the Indenture, at a redemption price equal to 100% of the principal amount thereof plus interest accrued thereon to the date fixed for redemption, without premium.

***Selection of Bonds for Redemption.*** Whenever provision is made in this Indenture for the redemption of less than all of the 2020 Bonds of a single maturity, the Trustee will select the 2020 Bonds of that maturity to be redeemed by lot in any manner which the Trustee in its sole discretion deems appropriate. For purposes of such selection, the Trustee will treat each 2020 Bond as consisting of separate \$5,000 portions and each such portion will be subject to redemption as if such portion were a separate 2020 Bond.

***Notice of Redemption.*** The Trustee will mail notice of redemption of the 2020 Bonds by first class mail, postage prepaid, not less than 20 nor more than 60 days before any redemption date, to the respective Owners of any 2020 Bonds designated for redemption at their addresses appearing on the Registration Books and to one or more Securities Depositories. In addition, the Trustee shall file a copy of each redemption notice electronically with the Information Services.

Neither the failure to receive any notice nor any defect therein shall affect the sufficiency of the proceedings for such redemption or the cessation of accrual of interest from and after the redemption date. Notice of redemption of 2020 Bonds shall be given by the Trustee, at the expense of the Authority, for and on behalf of the Authority.

*However, while the 2020 Bonds are subject to DTC's book-entry system, the Trustee will be required to give notice of redemption only to DTC as provided in the letter of representations executed by the Authority and received and accepted by DTC. DTC and the Participants will have sole responsibility for providing any such notice of redemption to the beneficial owners of the 2020 Bonds to be redeemed. Any failure of DTC to notify any Participant, or any failure of Participants to notify the Beneficial Owner of any Bonds to be redeemed, of a notice of redemption or its content or effect will not affect the validity of the notice of redemption, or alter the effect of redemption set forth in the Indenture.*

***Rescission of Redemption.*** The Authority has the right to rescind any notice of the optional redemption of 2020 Bonds under the Indenture by written notice to the Trustee on or prior to the date fixed for redemption. Any notice of optional redemption will be cancelled and annulled if for any reason funds will not be or are not available on the date fixed for redemption for the payment in full of the 2020 Bonds then called for redemption, and such cancellation will not constitute an Event of Default. The Authority and the Trustee will have no liability to the Owners or any other party related to or arising from such rescission of redemption. The Trustee shall cause notice of such rescission to be given to the respective Owners of any 2020 Bonds designated for redemption, at their addresses appearing on the Registration Books, and to the Municipal Securities Rulemaking Board and the Securities Depositories.

***Partial Redemption.*** Upon surrender of any 2020 Bonds redeemed in part only, the Authority will execute and the Trustee will authenticate and deliver to the Owner thereof, at the expense of the Authority, a new 2020 Bond or 2020 Bonds of authorized denominations equal in aggregate principal amount to the unredeemed portion of the 2020 Bonds surrendered.

***Effect of Redemption.*** Notice of redemption having been duly given as aforesaid, and moneys for payment of the redemption price of, together with interest accrued to the date fixed for redemption on the 2020 Bonds (or portions thereof) so called for redemption being held by the Trustee, on the redemption date designated in such notice, the 2020 Bonds (or portions thereof) so called for redemption will become due and payable, interest on the 2020 Bonds so called for redemption will cease to accrue, said 2020 Bonds (or portions thereof) will cease to be entitled to any benefit or security under the Indenture, and the Owners of said 2020 Bonds will have no rights in respect thereof except to receive payment of the redemption price thereof.

### **Book-Entry Only System**

The 2020 Bonds will be issued as fully registered bonds in book-entry only form, registered in the name of Cede & Co. as nominee of DTC, and will be available to ultimate purchasers in the denomination of \$5,000 or any integral multiple of \$5,000, under the book-entry system maintained by DTC. While the 2020 Bonds are subject to the book-entry system, the principal, interest and any redemption premium with respect to a 2020 Bond will be paid by the Trustee to DTC, which in turn is obligated to remit such payment to its DTC Participants for subsequent disbursement to Beneficial Owners of the 2020 Bonds. Purchasers of the 2020 Bonds will not receive certificates representing their interests therein, which will be held at DTC.

See “APPENDIX F – DTC AND THE BOOK-ENTRY ONLY SYSTEM” for further information regarding DTC and the book-entry system.

## DEBT SERVICE SCHEDULE

The table below shows annual debt service payments on the 2020 Bonds.

Year Ending November 1	Principal	Interest	Total Debt Service
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
Total:			

## SECURITY FOR THE 2020 BONDS

*The principal of and interest on the 2020 Bonds are not a debt of the Authority or the City, nor a legal or equitable pledge, charge, lien or encumbrance, upon any of their respective property, or upon any of their income, receipts, or revenues except the Revenues and other amounts pledged under the Indenture.*

*This section provides summaries of the security for the 2020 Bonds and certain provisions of the Indenture, the Lease and the Site Lease. See “APPENDIX A – Summary of Principal Legal Documents” for a more complete summary of the Indenture, the Lease and the Site Lease. Capitalized terms used but not defined in this section have the meanings given in APPENDIX A.*

### **Revenues; Pledge of Revenues**

***Pledge of Revenues and Other Amounts.*** Under the Indenture, subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth herein, all of the Revenues and all amounts (including proceeds of the sale of the 2020 Bonds) held in any fund or account established under the Indenture are pledged to secure the payment of the principal of and interest on the 2020 Bonds in accordance with their terms and the provisions of the Indenture. This pledge constitutes a lien on and security interest in the Revenues and such amounts and will attach, be perfected and be valid and binding from and after the Closing Date, without the need for any physical delivery thereof or further act.

***Definition of Revenues.*** “Revenues” are defined in the Indenture as follows:

(a) all amounts received by the Authority or the Trustee under or with respect to the Lease, including, without limiting the generality of the foregoing, all of the Lease Payments (including both timely and delinquent payments, any late charges, and whether paid from any source); and

(b) all interest, profits or other income derived from the investment of amounts in any fund or account established under the Indenture.

### **Assignment to Trustee**

Under the Assignment Agreement, the Authority will transfer to the Trustee all of the rights of the Authority in the Lease (other than the rights of the Authority under the provisions of the Lease regarding Additional Rental Payments, repayment of advances, indemnification, and the payment of attorneys’ fees). The Trustee will be entitled to collect and receive all of the Revenues, and any Revenues collected or received by the Authority will be deemed to be held, and to have been collected or received, by the Authority as the agent of the Trustee and will immediately be paid by the Authority to the Trustee. The Trustee is also entitled to and will, subject to the provisions of the Indenture regarding duties of the Trustee, take all steps, actions and proceedings which the Trustee determines to be reasonably necessary in its judgment to enforce, either jointly with the Authority or separately, all of the rights of the Authority and all of the obligations of the City under the Lease.

### **Allocation of Revenues by Trustee; Application of Funds**

***Deposit of Revenues in Bond Fund.*** Under the Indenture, all Revenues will be promptly deposited by the Trustee upon receipt thereof in a special fund designated as the “**Bond Fund**”

which the Trustee will establish, maintain and hold in trust; except that all moneys received by the Trustee and required under the Indenture or under the Lease Agreement to be deposited in the Insurance and Condemnation Fund or the Redemption fund will be promptly deposited in such funds.

All Revenues deposited with the Trustee will be held, disbursed, allocated and applied by the Trustee only as provided in the Indenture. Any surplus remaining in the Bond Fund, after payment in full of (i) the principal of and interest on the 2020 Bonds, or provision therefore under the Indenture, and (ii) any applicable fees and expenses to the Trustee, will be withdrawn by the Trustee and remitted to the City.

***Transfers from the Bond Fund.*** Under the Indenture, on or before each Interest Payment Date, the Trustee will transfer from the Bond Fund and deposit into the following respective accounts (each of which the Trustee will establish and maintain within the Bond Fund), the following amounts in the following order of priority:

(a) *Deposit to Interest Account.* The Trustee will deposit in the Interest Account an amount required to cause the aggregate amount on deposit in the Interest Account to be at least equal to the amount of interest becoming due and payable on such Interest Payment Date on all 2020 Bonds then Outstanding.

(b) *Deposit to Principal Account.* The Trustee will deposit in the Principal Account an amount required to cause the aggregate amount on deposit in the Principal Account to equal the principal amount of the 2020 Bonds coming due and payable on such Interest Payment Date, including the principal amount of any Term Bonds which are subject to mandatory sinking fund redemption on such Interest Payment Date.

***Application of Accounts.***

*Application of Interest Account.* All amounts in the Interest Account will be used and withdrawn by the Trustee solely for the purpose of paying interest on the 2020 Bonds as it comes due and payable (including accrued interest on any 2020 Bonds purchased or redeemed prior to maturity).

*Application of Principal Account.* All amounts in the Principal Account will be used and withdrawn by the Trustee solely to pay the principal amount of the 2020 Bonds at their respective maturity dates, including the principal amount of any Term Bonds which are subject to mandatory sinking fund redemption.

**Lease Payments**

***Requirement to Make Lease Payments.*** Under the Lease, subject to the provisions of the Lease concerning rental abatement and prepayment of Lease Payments, the City agrees to pay to the Authority, its successors and assigns, the Lease Payments in the respective amounts specified in the Lease, to be due and payable in immediately available funds on the Interest Payment Dates immediately following each of the respective Lease Payment Dates specified in the Lease, and to be deposited by the City with the Trustee on each of the Lease Payment Dates specified in the Lease (defined as the 5th Business Day immediately preceding each Interest Payment Date).

Any amount held in the Bond Fund, the Interest Account and the Principal Account on any Lease Payment Date (other than amounts required for payment of past due principal or interest on any 2020 Bonds not presented for payment) will be credited towards the Lease Payment then required to be paid under the Lease.

The City will not be required to deposit any Lease Payment with the Trustee on any Lease Payment Date if the amounts then held in the Bond Fund, the Interest Account and the Principal Account are at least equal to the Lease Payment then required to be deposited with the Trustee.

***Rate on Overdue Payments.*** If the City fails to make any of the payments of Lease Payments required in the Lease, the payment in default will continue as an obligation of the City until the amount in default has been fully paid, and the City agrees to pay the same with interest thereon, from the date of default to the date of payment at the highest rate of interest on any Outstanding 2020 Bond.

***Fair Rental Value.*** The aggregate amount of the Lease Payments and Additional Rental Payments coming due and payable during each Rental Period constitute the total rental for the Leased Property for such Rental Period, and are payable by the City in each Rental Period for and in consideration of the right of the use and occupancy of, and the continued quiet use and enjoyment of the Leased Property during each Rental Period.

The Authority and the City have agreed and determined that the total Lease Payments represent the fair rental value of the Leased Property. In making that determination, consideration has been given to the estimated value of the Leased Property, other obligations of the City and the Authority under the Lease, the uses and purposes which may be served by the Leased Property and the benefits therefrom which will accrue to the City and the general public.

### **Limited Obligation**

THE OBLIGATION OF THE CITY TO MAKE THE LEASE PAYMENTS DOES NOT CONSTITUTE A DEBT OF THE CITY, THE AUTHORITY OR THE STATE OR OF ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMIT OR RESTRICTION, AND DOES NOT CONSTITUTE AN OBLIGATION FOR WHICH THE CITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE CITY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION.

### **Source of Payments; Covenant to Budget and Appropriate Funds for Lease Payments**

The Lease Payments are payable from any source of available funds of the City, subject to the provisions of the Lease regarding abatement.

Under the Lease, the City covenants to take all actions required to include the Lease Payments in each of its budgets during the Term of the Lease and to make the necessary appropriations for all Lease Payments and Additional Rental Payments. This covenant of the City constitutes a duty imposed by law and each and every public official of the City is required to take all actions required by law in the performance of the official duty of such officials to enable the City to carry out and perform the covenants and agreements in the Lease agreed to be carried out and performed by the City.

## **Additional Rental Payments**

Under the Lease, in addition to the Lease Payments, the City is required to pay when due the following amounts of Additional Rental Payments in consideration of the lease of the Leased Property by the City from the Authority thereunder:

- (a) all fees and expenses incurred by the Authority in connection with or by reason of its leasehold estate in the Leased Property, when due;
- (b) compensation to the Trustee for its services rendered under the Indenture and for all expenses, charges, costs, liabilities, legal fees and other disbursements incurred by the Trustee in and about the performance of its powers and duties under the Indenture;
- (c) all fees and expenses of such accountants, consultants, attorneys and other experts as may be engaged by the Authority or the Trustee to prepare audits, financial statements, reports, opinions or provide such other services required under the Lease or the Indenture;
- (d) all amounts coming due and payable as Excess Investment Earnings in accordance with the Lease; and
- (e) all out-of-pocket expenses of the Authority in connection with the execution and delivery of the Lease or the Indenture, or in connection with the issuance of the 2020 Bonds, including but not limited to any and all expenses incurred in connection with the authorization, sale and delivery of the 2020 Bonds, or incurred by the Authority in connection with any litigation which may at any time be instituted involving the Lease, the 2020 Bonds, the Indenture or any of the other documents contemplated hereby or thereby, or otherwise incurred in connection with the administration of the Lease.

## **Abatement**

***Termination or Abatement Due to Eminent Domain.*** Under the Lease, if the Leased Property is taken permanently under the power of eminent domain or sold to a government threatening to exercise the power of eminent domain, the Term of the Lease thereupon ceases as of the day possession is taken. If less than all of the Leased Property is taken permanently, or if the Leased Property is taken temporarily, under the power of eminent domain, then:

- (a) the Lease will continue in full force and effect with respect thereto and does not terminate by virtue of such taking, and the parties waive the benefit of any law to the contrary; and
- (b) the Lease Payments are subject to abatement in an amount determined by the City such that the resulting Lease Payments represent fair consideration for the use and occupancy of the remaining usable portions of the Leased Property.

***Abatement Due to Damage or Destruction.*** Under the Lease, the Lease Payments are subject to abatement during any period in which by reason of damage or destruction (other than by eminent domain as described above) there is substantial interference with the use and occupancy by the City of the Leased Property or any portion thereof.



The Lease Payments are subject to abatement in an amount determined by the City such that the resulting Lease Payments represent fair consideration for the use and occupancy of the remaining usable portions of the Leased Property not damaged or destroyed. Such abatement will continue for the period commencing with such damage or destruction and ending with the substantial completion of the work of repair or reconstruction.

Notwithstanding the foregoing, the Lease Payments may be paid with proceeds of rental interruption insurance during any period in which the Lease Payments would otherwise be subject to abatement, it being hereby declared in the Lease that such proceeds constitute a special fund for the payment of the Lease Payments.

In the event of any such damage or destruction, the Lease continues in full force and effect and the City waives any right to terminate the Lease by virtue of any such damage and destruction.

## **Property Insurance**

***Liability and Property Damage Insurance.*** Under the Lease, the City is required to maintain or cause to be maintained throughout the Term of the Lease, but only if and to the extent available from reputable insurers at reasonable cost in the reasonable opinion of the City, a standard commercial general liability insurance policy or policies in protection of the Authority, the City, and their respective members, officers, agents, employees and assigns.

Such policy or policies must provide for indemnification of said parties against direct or contingent loss or liability for damages for bodily and personal injury, death or property damage occasioned by reason of the operation of the Leased Property. Such policy or policies must provide coverage in such liability limits and be subject to such deductibles as the City deems adequate and prudent.

Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the City, and may be maintained in whole or in part in the form of self-insurance by the City, subject to the provisions of the Lease regarding self-insurance, or in the form of the participation by the City in a joint powers agency or other program providing pooled insurance. The proceeds of such liability insurance must be applied toward extinguishment or satisfaction of the liability with respect to which paid.

***Casualty Insurance.*** Under the Lease, the City is required to procure and maintain, or cause to be procured and maintained, throughout the Term of the Lease, casualty insurance against loss or damage to all buildings situated on the Leased Property, in an amount at least equal to the lesser of (a) 100% of the replacement value of the insured buildings, or (b) 100% of the aggregate principal amount of the Outstanding 2020 Bonds.

Such insurance must, as nearly as practicable, cover loss or damage by explosion, windstorm, riot, aircraft, vehicle damage, smoke and such other hazards as are normally covered by such insurance; provided that earthquake insurance shall not be required under any circumstances. Such insurance may be subject to such deductibles as the City deems adequate and prudent.

Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the City, and may be maintained in whole or in part in the form of the participation by the City in a joint powers agency or other program providing pooled insurance;

provided that such insurance may not be maintained by the City in the form of self-insurance. The Net Proceeds of such insurance must be applied as provided in the Lease.

***Rental Interruption Insurance.*** Under the Lease, the City is required to procure and maintain, or cause to be procured and maintained, throughout the Term of the Lease, rental interruption or use and occupancy insurance to cover loss, total or partial, of the use of any portion of the Leased Property constituting buildings or other improvements as a result of any of the hazards covered in the casualty insurance requirements described above, in an amount at least equal to the maximum such Lease Payments coming due and payable during any consecutive two Fiscal Years.

Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the City, and may be maintained in whole or in part in the form of the participation by the City in a joint powers agency or other program providing pooled insurance; provided that such insurance may not be maintained by the City in the form of self-insurance. The Net Proceeds of such insurance, if any, must be paid to the Trustee and deposited in the Bond Fund, to be applied as a credit towards the payment of the Lease Payments allocable to the insured improvements as they become due and payable.

***Insurance Net Proceeds; Form of Policies.*** Each policy of casualty insurance, rental interruption insurance and title insurance maintained under the Lease must name the Trustee as loss payee so as to provide that all proceeds thereunder are payable to the Trustee. The City shall pay or cause to be paid when due the premiums for all insurance policies required by the Lease. All such policies shall provide that the Trustee is given 30 days' notice of each expiration, any intended cancellation thereof or reduction of the coverage provided thereby.

The City is required to file with the Trustee, upon the written request of the Trustee, a certificate of the City stating that all policies of insurance required under the Lease are then in full force and effect. The Trustee has no responsibility for the sufficiency, adequacy or amount of any insurance or self-insurance required under the Lease and is fully protected in accepting payment on account of such insurance or any adjustment, compromise or settlement of any loss.

If any liability and property damage insurance maintained under the Lease is provided in the form of self-insurance, the City must file with the Trustee annually, within 90 days following the close of each Fiscal Year, a statement of the risk manager of the City or an independent insurance adviser engaged by the City identifying the extent of such self-insurance and stating the determination that the City maintains sufficient reserves with respect thereto. If any such insurance is provided in the form of self-insurance by the City, the City has no obligation to make any payment with respect to any insured event except from those reserves.

#### **Amendment of Lease to Provide for Additional Rental**

Under the Lease, the City has the right to amend the Lease for the purpose of providing for the payment of additional amounts of rental for the use and occupancy of the Leased Property, but only if

- (a) such additional rent payments are pledged or assigned for the payment of any bonds, notes or other obligations the proceeds of which are applied to finance or refinance the acquisition or construction of any real or personal property for which the City is authorized to expend funds subject to its control,

(b) the City has filed with the Trustee a Written Certificate of the City stating that the estimated value of the Leased Property is, or following the completion of the acquisition and construction of any improvements to be financed from the proceeds of such bonds, notes or other obligations will be, at least equal to the aggregate original principal amount of the 2020 Bonds and all such other bonds, notes or other obligations, and

(c) the City has filed with the Trustee written evidence that the amendments made under this provision of the Lease will not of themselves cause a reduction or withdrawal of any rating then assigned to the 2020 Bonds.

## CITY FINANCIAL INFORMATION

### General

The City of Hermosa Beach is located in Los Angeles County approximately 22 miles southwest of the City of Los Angeles. The City is one of three beach cities in the surrounding area, including Manhattan Beach, Hermosa Beach, and Redondo Beach. The City, incorporated on January 14, 1907, had an estimated population of 19,614 as of January 1, 2020, and covers approximately 1.4 square miles. The City operates under a Council-Manager form of government. See “APPENDIX D - GENERAL INFORMATION ABOUT THE CITY OF HERMOSA BEACH AND LOS ANGELES COUNTY.”

### City Budgets

**Annual Budget Process.** Work begins on the budget process in February. Department heads prepare estimates of revenues and departmental expenditures for submission to the Finance Director. The City Manager and Finance Director meet with each department to review the estimates and discuss requests. From these meetings, the preliminary budget is developed. The Capital Improvement Budget and Five Year Capital Improvement Plan, which are part of the same document, follows the same process.

The City Manager is required to submit a preliminary budget to the City Council on or before May 15th of each year. One or two public workshops are held in May and June to review the budget and receive public input. One formal public hearing is held in June, prior to budget adoption. The City Council must adopt an annual budget, by resolution, on or before June 30 for the coming fiscal year (July 1 – June 30). If the budget is not adopted by that date, the preliminary budget, except for capital outlays, goes into effect until the budget is adopted.

The budget may be amended during the year, as necessary. A Midyear Budget Review is conducted in February, at which time adjustments to revenue estimates and appropriations are made. Expenditures may not exceed appropriations at the fund level. The City Manager may approve transfers of appropriation within funds; transfers of appropriations from one fund to another require City Council approval.

Budgets are adopted for all governmental and proprietary funds on a basis consistent with generally accepted accounting principles.

**Adopted Fiscal Year 2020-21 Budget.** The Fiscal Year 2020-21 Budget anticipates \$35.9 million in revenue, a 16% decrease over the 2019-20 Budget, assuming the impacts of COVID-19 through the end of December 2020.

The General Fund operating expenditure plan presented in the Fiscal Year 2020-21 Budget is \$39 million and represents a 6.1% decrease compared to the Fiscal Year 2019-20 Budget. Personnel costs are 1.7% lower than the Fiscal Year 2019-20 Budget due to the decision to freeze ten vacant positions.

**City's Budgeted and Estimated Actual Figures.** The table below sets forth (i) a comparison of the City's General Fund budget and revised budget to the estimated actual figures for Fiscal Year 2019-20 and (ii) the City's adopted General Fund budget for Fiscal Year 2020-21.

**TABLE 1**  
**CITY OF HERMOSA BEACH**  
**General Fund Budgeted and Estimated Actual Figures, Fiscal Year 2019-20, and**  
**General Fund Budget, Fiscal Year 2020-21**

	2019-20 Adjusted Budget	COVID-19 2019-20 Budget	Revised 2019-20 Estimated Actual Year-End [1]	COVID-19 2020-21 Adopted Budget
<b>Revenues</b>				
Taxes	\$30,280,486	\$28,243,077	\$28,900,238	\$28,244,926
Licenses and permits	1,213,724	734,016	727,008	905,881
Fines and forfeitures	2,365,086	2,084,412	2,160,244	1,033,230
Use of money and property	1,006,122	857,930	886,360	802,659
Intergovernmental	127,256	132,085	127,555	143,510
Charges for services	7,523,765	5,653,988	6,122,989	4,674,001
Other revenue	165,416	114,252	127,906	66,145
<b>Total Revenues</b>	<b>42,681,855</b>	<b>37,819,760</b>	<b>39,052,300</b>	<b>35,870,352</b>
<b>Expenditures</b>				
Personal Services	22,263,508	19,998,248	19,889,642	21,895,709
Contract Services Private	5,686,419	4,628,099	4,107,142	4,192,113
Contract Services/Capital Improvement Projects	398,559	398,559	8,793	175,704
Contract Services/Govt.	6,931,895	6,721,077	6,841,396	6,932,731
Material/Supplies/Other	5,831,188	5,614,948	5,298,306	5,777,335
Equipment/Furniture	81,431	76,809	55,648	34,816
Buildings/Improvements	363,672	363,672	363,672	--
<b>Total expenditures</b>	<b>41,556,672</b>	<b>37,801,412</b>	<b>36,564,598</b>	<b>39,008,408</b>
<b>Excess of revenues over expenditures</b>	<b>\$1,125,183</b>	<b>\$18,348</b>	<b>\$2,487,701</b>	<b>(\$3,138,056) [2]</b>
Other financing sources (uses):				
Transfers in	402,922	2,312,672	2,312,672	3,396,734
Transfers out	(2,318,562)	(2,318,562)	(2,318,565)	(1,776,701)
Total other financing sources (uses)	(1,915,640)	(5,890)	(5,893)	1,620,033
<b>Change in fund balance</b>	<b>(\$790,457)</b>	<b>\$12,458</b>	<b>\$2,481,808</b>	<b>(\$1,518,023)</b>

[1] Represents updated actual Fiscal Year 2019-20 figures as of \_\_\_\_\_, 2020.

Source: City of Hermosa Beach.

**Effects of COVID-19 on 2019-20 Estimated Actuals.** Major revenue assumptions used in the Covid-19 2019-20 year-end estimated actual results are as follows:

Taxes are estimated to decrease by \$2,037,409 or 6.7% due to the following accounts:

- Sales Tax decreases by \$354,545 or 11% based on a forecast by the City's consultant for each business type and each quarter.
- Transient occupancy tax decreases by \$1,136,639 or 32% based on assumed occupancy of 30% through June 30, 2020.

- Business License decreases by \$447,091 or 38% based on suspension of fees through June 30, 2020.
- Other Taxes decrease by \$79,134.

Licenses and Permits are estimated to decrease by \$479,708 or 39.5% due to the following accounts:

- Building Permits decreases by \$300,420 assume a 15% decrease from the original year-end estimate which did not assume COVID-19 impacts.
- Other Licenses and Permits decrease by \$179,288.

Fines and Forfeitures are estimated to decrease by \$280,674 or 11.9% due to the following accounts:

- Court Fines/Parking decreases by \$243,856 or 11% due to suspension of street sweeping fines and a reduction in issuance of other parking fines.
- Other Fines and Forfeitures decrease by \$36,818.

Use of Money and Property is estimated to decrease by \$148,192 or 14.7% due to the following accounts:

- Community Center Leases, Rentals, and Theatre decreases by \$89,513 or 29% assuming the cancellation of events through the end of Fiscal Year 2019–20.
- Plaza Promotions decreases by \$30,000 or 100% assuming the cancellation of events through the end of Fiscal Year 2019–20.
- Film Permits decrease by \$19,232 or 26% assuming the cancellation of filming through the end of Fiscal Year 2019–20.
- Intergovernmental/State revenues are estimated to increase by \$4,829 or 3.8%.

Service Charges are estimated to decrease by \$1,869,777 or 24.85% due to the following accounts:

- General Plan Maintenance Fees decrease by \$112,450 or 52% assuming a 15% reduction to the original year end estimate, which did not take into account COVID-19 impacts.
- Plan Check Fees decreases by \$61,200 assuming a 15% reduction to the original year end estimate, which did not take into account COVID-19 impacts.
- Encroachment Permits decrease by \$86,400 or 30% due to suspension of outdoor dining permits assumed through June 30, 2020.
- Parking Meters decrease by \$512,248 or 24% due to an 80% reduction April-June 2020.

- Lot A Revenue decreases by \$153,985 or 30% based on March revenue assumed for April-June 2020.
- Parking Structure Revenue decreases by \$198,687 or 30% due to closure in March 2020.
- Contract Recreation Classes decreases by \$185,110 or 39% assuming the cancellation of recreation classes through Fiscal Year 2019–20.
- Other Recreation Programs decrease by \$133,781 or 55% assuming the cancellation of recreation programs through the end of Fiscal Year 2019–20.
- Other Service Charges decrease by \$410,099.

Other Revenue is estimated to decrease by \$51,164 or 30.9%. Other Revenue vary from year to year due to refunds, reimbursements, contributions, and miscellaneous revenue.

***Subsequent Budget Adjustments and Summary of Revised Revenue Shortfall Estimates for Fiscal Years 2019-20 and 2020-21.***

The State's Executive Order N-33-20, which ordered all individuals in California to stay home or at their place of residence except as needed to maintain continuity of operations, was issued on March 19, 2020, which, coincidentally, is the same day that department estimates of revenue and appropriation requests for the Fiscal Year 2020–21 budget were due.

Recognizing the potential impact of COVID-19, departments were asked to submit new revenue estimates for Fiscal Years 2019-20 and 2020-21, using the assumption that the effects of COVID-19 would continue at the same level through December 31, 2020.

The revised revenue estimates, when combined with the initial department budget requests, suggest a revenue shortfall of \$2.3 million for Fiscal Year-end 2019–20 and \$6.2 million for Fiscal Year 2020–21. Departments were then asked to submit departmental appropriation reductions and identify any previously requested supplemental items that are essential. All capital improvement projects were reviewed and changes made to prioritize the use of restricted funds and reduce the use of discretionary funds. All 13 vacant personnel positions were reviewed, resulting in the freezing of 12 of those positions for Fiscal Year 2019–20 and 10 for Fiscal Year 2020–21. The balance of the deficit gaps for both years were closed with a combination of using general funds that were previously unspent and transferred for other uses and swapping restricted funds for general funds, as further described below.

***Budget Balancing Actions for Fiscal Year 2019-20.*** The estimated General Fund revenue shortfall for Fiscal Year 2019-20 is estimated to be \$2.3 million. Steps taken to balance the Fiscal Year 2019-20 budget include:

- Departments were asked to make reductions, resulting in the freezing of 12 vacant positions and reductions in part time personnel.
- The Fiscal Year 2019–20 Budget contained a reserve of \$200,000 for general capital improvements. Also in Fiscal Year 2019–20, excess funds in the General Fund of \$393,000 were transferred at midyear to the Capital Improvement Fund. Both amounts were used to reduce the deficit.

- Excess amounts in the Insurance Fund were used to reduce the shortfall, due to a reduction of \$500,000 in estimated worker's compensation claims and amounts in excess of the \$3 million goal in the Insurance Fund.

- A donation from the Chamber of Commerce for holiday decorations was recognized to reduce general fund expenditures for this purpose.

- An amount of \$100,000 will be carried forward to 2020–21 from Prospective Expenditures.

***Effects of COVID-19 on 2020-21 General Fund Budget.*** Major revenue assumptions resulting from COVID-19 on the Fiscal Year 2020-21 General Fund budget are as follows:

Taxes are estimated to decrease by \$2,035,560 due to the following accounts:

- Sales Tax is estimated at just over \$2.75 million, a 12.6% decline from the Fiscal Year 2019-20 budget, based on a forecast by the City's consultant for each business type and each quarter.
- Transient occupancy tax decreases by \$908,027 or 39% based on assumed occupancy of 30%.
- Other Taxes decrease by 5%.

Licenses and Permits are estimated to decrease by \$307,843 or 25.4% due to the following accounts:

- Building Permits decrease by \$251,500 estimating a 30% reduction of baseline permits.
- Other Licenses and Permits decreases by \$56,343.

Fines and Forfeitures are estimated to decrease by \$1,331,856 or 56.3% due to the following accounts:

- Court Fines/Parking decreases by \$1,248,086, or 55% due to suspension of street sweeping fines and reduction in other parking fines.
- Other Fines and Forfeitures decreases by \$83,770.

Use of Money and Property is estimated to decrease by \$203,463 or 20.2% due to the following accounts:

- Community Center Leases, Rentals, and Theatre decreases by \$143,220 assuming the cancellation of events through December 31st.
- Plaza Promotions decreases by \$47,460 assuming the cancellation of events through December 31st.
- Other Use of Money and Property decreases by \$12,803



Intergovernmental/State is estimated to increase by \$16,254 or 12.8%.

Service Charges are estimated to decrease by \$2,849,764 or 37.9% due to the following accounts:

- Plan Check Fees decreases by \$156,000 estimating 60% of baseline fees.
- Encroachment Permits decreases by \$288,000. It is unknown when restaurant encroachment payments will be made due to closures.
- Parking Meters decreases by \$875,970, or 42% due to an 80% reduction through December 2020.
- Lot A Revenue decreases by \$272,692, or 52% based on actual revenues received during the second half of Fiscal Year 2018-19.
- Parking Structure Revenue decreases by \$334,472, or 50% due to closure for six months.
- Contract Recreation Classes decreases by \$203,430 assuming the cancellation of recreation classes through December 31st.
- Other Recreation Programs decreases by \$91,190 assuming the cancellation of recreation programs through December 31st.
- Other Service Charges decreases by \$628,010.

Other Revenue is estimated to decrease by \$99,271 or 61% due to the following accounts:

- Planning EIR Admin Reimbursement decreases by \$42,592 due to minimal activity expected for 2020–21. Account was not reduced due to COVID-19 impacts.
- Contributions Non-Government decreases by \$23,309.
- Other Revenue decreases by \$33,370.

***Reconciliation of Revenue Shortfall Between Fiscal Year 2019-20 and Fiscal Year 2020-21.*** The table below summarizes the calculation of the revised the General Fund revenue shortfall of \$6.2 million for Fiscal Year 2020–21.

Estimated Revenue 2019-20 Budget	\$42,681,855
Less: Estimated Revenue 2020-21 Budget	<u>\$35,870,352</u>
Revenue Decrease	(\$6,811,503)
Transfers In 2019-20 Budget	\$402,922
Less: Estimated Transfers In 2020-21 Budget	<u>\$396,734</u>
Transfers In Decrease	(\$6,188)
Estimated Appropriations 2019-20 Midyear Budget	\$40,939,034
Less: Initial 2020-21 Appropriations	<u>\$41,326,719</u>
Appropriations Decrease	(\$387,685)

Transfer Out 2019-20 Budget	\$2,318,562
Less: Estimated Transfers Out 2020-21 Budget	<u>\$1,788,970</u>
Transfers In Decrease	\$529,592
CIP Carry Forward	\$367,439
Changes in Fund Balance	\$100,324
Estimated 2020-21 Revenue Shortfall	<u>(\$6,208,021)</u>

**Budget Balancing Actions for Fiscal Year 2020-21.** As shown in the table above, the estimated Fiscal Year 2020-21 General Fund revenue shortfall due to COVID-19 is estimated to be \$6.2 million. Steps taken to balance the Fiscal Year 2020-21 budget include:

- Departments were asked to make reductions, including in Capital Improvement Projects and then identify previously submitted supplemental requests that were essential.

- The payment due to the County for the Fire Facility Renovation, originally funded by the General Fund, will be funded from the Capital Facility Reserve in the Capital Improvement Fund.

- The largest budget balancing action is to transfer \$3,000,000 from the Sewer Fund to the General Fund, representing an excess amount in the Insurance Fund in 2014–15 as a result of the settlement of the oil litigation. Funds were set aside as a contingency for the oil settlement and were no longer needed. Since the City had not yet implemented the sewer service charge, funds were transferred to the Sewer Fund. The sewer service charge was implemented in the following year, 2015–16 to fund sewer operations and capital improvements. The \$3,000,000 may be transferred to the General Fund since the original source of funds was the Insurance Fund which is discretionary. Most funds in the Insurance Fund originate from the General Fund through charges to departments for insurance, equipment replacement and building maintenance.

- Excess funds achieved through the 2019–20 budget balancing process were carried forward.

- The required 16% contribution to the Contingency (Rainy Day Fund) was reduced because of the reductions in operating expenses.

The result of these actions is estimated to reduce the Fiscal Year 2020-21 revenue shortfall to \$0.

**COVID-related grants.** The City received an allocation of \$242,177 under the federal Coronavirus Aid, Relief, and Economic Security Act (the “**CARES Act**”), which will be paid in six payments. The City received CARES Act funding for 50% of its unemployment costs, equaling \$15,174 for April through June 2020. Funding of the remaining 50% is anticipated to be received through December 2020. In addition, the City has a claim pending for FEMA reimbursement of \$498,468 for purchases.

## City’s Financial Policies

**Strategic Plan.** The City Council updated the strategic plan in May 2016. The strategic plan sets a value-based 15-year vision for 2031 and establishes 5-year goals to be accomplished by 2021. One of the major goals is to provide first-class services as compared to other cities.

**Fund Balance Policies.** The City Council has adopted policies for specific fund balances or reserve funds:

*General Fund.* Any funds remaining unspent at year-end in the General Fund transfer equally to the Contingency Fund, Insurance Fund, Equipment Replacement Fund, Capital Improvement Fund and Capital Facility Reserve. Transfers may be redirected as the need arises.

*Contingencies.* The adopted goal is to maintain fund balance equal to 16% of the General Fund appropriations for economic uncertainties and unforeseen emergencies.

*Compensated Absences.* The adopted goal is to maintain fund balance equal to 25% funding for accrued liabilities for employee vacation, sick and compensatory time.

*Retirement Stabilization.* These funds are set aside for use during periods of unstable rates.

*Insurance Fund.* The adopted goal is to maintain \$3,000,000 in net assets for unanticipated claims and catastrophic losses. Claims liabilities are recorded at the 56% probability level.

*Equipment Replacement Fund.* The adopted goal is to maintain net assets equal to the accumulated amount calculated for all equipment, based on replacement cost and useful life of equipment.

## **Investment Policy**

Under Section 53600 et seq. of the California Government Code, the City is required to present an annual investment policy (the “**Investment Policy**”) for confirmation by the City Council. The City Council adopted its most recent Investment Policy on May 10, 2016. The Investment Policy is intended to provide guidelines for the prudent investment of City funds and to outline the policies for maximizing the efficiency of the City's cash management. A full copy of the current Investment Policy is attached as APPENDIX G.

## **Financial Statements**

**Accounting Policies.** The basic financial statements of the City are prepared in conformity with accounting principles generally accepted in the United States (“U.S. GAAP”) as applied to governmental agencies. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. City resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

See “APPENDIX B – AUDITED FINANCIAL STATEMENTS OF THE CITY FOR THE FISCAL YEAR ENDED JUNE 30, 2019” for a full presentation of the City’s accounting policies.

**Management’s Discussion and Analysis.** GASB Statement No. 34 requires the inclusion of management’s discussion and analysis as required supplementary information. See “APPENDIX B – AUDITED FINANCIAL STATEMENTS OF THE CITY FOR THE FISCAL YEAR ENDED JUNE 30, 2019” for a full presentation of management’s discussion and analysis for the most recent Fiscal Year.

**Audited Financial Statements.** The City’s most recent audited financial statements for the Fiscal Year ending June 30, 2019, are attached as “APPENDIX B – AUDITED FINANCIAL STATEMENTS OF THE CITY FOR THE FISCAL YEAR ENDED JUNE 30, 2019” to this Official Statement, which were prepared by the City and audited by Gruber and Associates, Newport Beach, California (the “**Auditor**”).

*The Financial Statements should be read in their entirety. The City has not requested nor did the City obtain permission from the Auditor to include the audited financial statements as an appendix to this Official Statement. Accordingly, the Auditor has not performed any post-audit review of the financial condition or operations of the City or the General Fund. In addition, the Auditor has not reviewed this Official Statement.*

## General Fund Financial Data

The following tables provide a five-year history of the City's Comparative Balance Sheet, and summarize General Fund revenues, expenditures, transfers, and ending fund balances for the City for Fiscal Years 2014-15 through 2018-19.

**TABLE 2**  
**CITY OF HERMOSA BEACH**  
**GENERAL FUND BALANCE SHEET**  
**Fiscal Years Ending June 30, 2015 through June 30, 2019 (Audited)**

	2015	2016	2017	2018	2019
<b>Assets</b>					
Cash and investments	\$11,968,594	\$10,197,111	\$11,755,786	\$9,359,020	\$11,068,234
Accounts receivable	1,273,394	2,260,919	2,429,024	2,956,537	3,236,406
Property taxes receivable, net	197,577	647,216	604,619	629,878	699,026
Interest receivable on investments	32,062	23,836	10,987	14,121	11,830
Other receivables	233,154	4,143	--	--	--
Other assets	203,665	205,790	408,437	1,005,560	549,870
Due from other funds	283,126	170,068	170,068	26,698	26,808
<b>Total assets</b>	<b>14,191,572</b>	<b>13,509,083</b>	<b>15,378,921</b>	<b>13,991,814</b>	<b>15,592,174</b>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts payable and accrued liabilities	1,351,931	1,488,567	1,592,420	1,254,784	1,543,701
Accrued wages and benefits payable	1,967,543	935,229	1,394,194	757,284	827,667
Refundable deposits	315,867	409,647	337,634	297,263	592,521
Unearned revenue	42,543	48,884	50,401	50,402	50,401
Due to other funds	--	--	--	--	--
Other liabilities	--	--	--	--	--
Compensated absences, due within one year	--	1,201,498	1,737,101	1,427,428	1,364,766
<b>Total liabilities</b>	<b>3,677,884</b>	<b>4,083,825</b>	<b>5,111,750</b>	<b>3,787,161</b>	<b>4,379,056</b>
<b>Deferred Inflows of Resources</b>					
Unavailable Revenues	--	647,216	604,619	629,878	699,026
<b>Total</b>	<b>--</b>	<b>647,216</b>	<b>604,619</b>	<b>629,878</b>	<b>699,026</b>
Fund balances:					
Nonspendable	19,444	21,261	66,700	478,479	40,110
Restricted	460,304	329,890	158,149	170,336	345,902
Committed	28,900	28,900	1,115,600	1,144,500	1,108,275
Assigned/Reserved [1]	10,005,040	8,397,991	8,322,103	7,781,460	9,019,805
Unassigned/Unreserved	--	--	--	--	--
<b>Total fund balances</b>	<b>10,513,688</b>	<b>8,778,042</b>	<b>9,662,552</b>	<b>9,574,775</b>	<b>10,514,092</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$14,191,572</b>	<b>\$13,509,083</b>	<b>\$15,378,921</b>	<b>\$13,991,814</b>	<b>\$15,592,174</b>

[1] Amounts are assigned or reserved in the General Fund for the following: Capital Projects, Contingencies, Compensated Absences, Fire Services, Prop A Fund Exchange proceeds to fund an Assistant Engineer position and the reappropriation of one-time purchases or services not completed during the Fiscal Year.

Source: City of Hermosa Beach, audited financial statements.

The General Fund is the general operating fund of the City and is used to account for all financial resources except those required to be accounted for in another fund.

**TABLE 3**  
**CITY OF HERMOSA BEACH**  
**GENERAL FUND REVENUES, EXPENDITURES AND FUND BALANCES**  
**Fiscal Years Ending June 30, 2015 through June 30, 2019 (Audited)**

	2015	2016	2017	2018	2019
<b>Revenues</b>					
Property taxes	\$13,739,649	\$14,655,395	\$15,753,082	\$17,072,844	\$18,110,645
Other taxes	9,948,170	10,284,023	10,737,793	10,319,281	10,225,084
Licenses and permits	916,073	1,111,366	967,956	787,563	850,059
Fines and forfeitures	2,600,786	2,244,697	2,070,599	1,921,215	2,361,403
Use of money and property	768,912	646,893	718,239	708,505	1,580,582
Intergovernmental	298,001	162,104	116,176	117,774	115,015
Charges for services	6,941,275	6,915,663	6,969,683	7,170,767	7,088,925
Miscellaneous	252,854	453,917	126,818	177,509	417,118
Interest earned on investments	152,544	239,793	--	66,019	473,737
<b>Total Revenues</b>	<b>35,618,264</b>	<b>36,713,851</b>	<b>37,460,346</b>	<b>38,341,477</b>	<b>41,222,568</b>
<b>Expenditures</b>					
Legislative and legal	1,170,229	1,621,138	1,448,509	1,302,500	1,499,065
General government	2,960,379	3,336,439	3,640,396	3,684,961	4,190,782
Public safety	18,009,359	20,950,756	21,287,623	21,338,362	21,946,780
Community development	1,529,958	1,662,880	1,832,234	1,945,096	2,019,366
Culture and recreation	1,217,620	1,261,563	1,282,637	1,383,630	1,523,233
Public works	4,166,087	5,199,400	4,869,805	5,087,725	5,442,726
Capital Outlay	1,010,144	119,130	565,588	544,259	439,417
<b>Total expenditures</b>	<b>30,063,776</b>	<b>34,151,306</b>	<b>34,926,792</b>	<b>35,286,533</b>	<b>37,061,369</b>
<b>Excess of revenues over expenditures</b>	<b>5,554,488</b>	<b>2,562,545</b>	<b>2,533,554</b>	<b>3,054,944</b>	<b>4,161,199</b>
<b>Other financing sources (uses):</b>					
Proceeds from sale of assets	--	--	--	--	--
Transfers in	351,104	362,884	353,853	351,298	533,887
Transfers out [1]	(3,496,906)	(4,661,075)	(2,002,897)	(3,564,028)	(3,755,769)
<b>Total other financing sources (uses)</b>	<b>(3,145,802)</b>	<b>(4,298,191)</b>	<b>(1,649,044)</b>	<b>(3,212,730)</b>	<b>(3,221,882)</b>
<b>Change in fund balance</b>	<b>2,408,686</b>	<b>(1,735,646)</b>	<b>884,510</b>	<b>(157,786)</b>	<b>939,317</b>
<b>Fund balances, July 1</b>	<b>8,105,002</b>	<b>10,513,688</b>	<b>8,778,042</b>	<b>9,732,561 [2]</b>	<b>9,574,775</b>
<b>Fund balances, June 30</b>	<b>\$10,513,688</b>	<b>\$8,778,042</b>	<b>\$9,662,552</b>	<b>\$9,574,775</b>	<b>\$10,514,092</b>

[1] The City makes annual transfers from the General Fund to the Lighting/Landscape Fund to cure the fund's deficit, to the 2015 Lease Revenue Bond Fund for principle and interest payments, and to the Sewer and/or Storm Drain Funds representing a portion of the Utility User Tax revenue. Additionally, in accordance with the City's Financial Policy, any unassigned/unreserved fund balance is transferred to the Contingency Reserve, Insurance Fund, Equipment Replacement Fund, Capital Improvement Fund, and/or Capital Facility Reserve at year-end.

[2] Reflects a restatement to correct sales tax revenue of \$70,009.

Source: City of Hermosa Beach.

## Taxes and Other Revenues

Taxes and other sources of revenue received by the City are listed in the table below. Certain general taxes currently imposed by the City are affected by Proposition 218. See “CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS – Articles XIIC and XIID of the State Constitution.”

The following table presents the tax revenues and franchise revenues of the City’s General Fund for the last four Fiscal Years and the next budget year:

**TABLE 4**  
**CITY OF HERMOSA BEACH**  
**General Fund Tax Revenues By Source**

	Audited 2014-15	Audited 2015-16	Audited 2016-17	Audited 2017-18	Audited 2018-19	Unaudited 2019-20	Budgeted 2020-21
Property Taxes	\$13,739,648	\$14,655,395	\$15,753,082	\$17,072,843	\$18,110,646	\$19,119,818	\$19,971,254
Sales & Use Tax	\$2,768,225	\$2,764,531	\$2,816,289	\$3,151,207	\$3,133,311	\$2,774,607	\$2,750,820
Transient	\$2,349,750	\$2,762,444	\$3,237,026	\$3,295,207	\$3,251,349	\$2,599,810	\$1,440,460
Occupancy Tax							
Business License	\$1,059,445	\$1,058,663	\$1,098,421	\$1,061,130	\$1,107,724	\$1,095,424	\$732,024
Tax							
Utility Users Tax	\$2,442,575	\$2,388,824	\$2,302,024	\$2,229,906	\$2,195,815	\$2,093,567	\$2,147,057
Other Taxes	\$1,328,176	\$1,309,559	\$1,284,033	\$1,281,831	\$1,236,887	\$1,030,522	\$1,203,311
Total Taxes	\$23,687,819	\$24,939,416	\$26,490,875	\$28,092,124	\$29,035,732	\$28,713,749	\$28,244,926

*Source: City of Hermosa Beach.*

## Property Taxes

**General.** Property taxes represent the largest source of tax revenue to the City. This section describes property tax levy and collection procedures and certain information regarding historical assessed values and major property tax payers in the City. See “CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS” and “RISK FACTORS – Property Taxes” for a description of risks associated with the levy and collection of property tax revenues.

Property taxes have historically been the primary revenue source affected by voter initiatives and legislative actions. With approval of Proposition 13 (“**Proposition 13**”), property tax revenues were reduced by two-thirds and thereafter limited to 2% annual increases or the consumer price index, whichever is less. See “CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS – Article XIII A of the State Constitution” for further description of Proposition 13.

**Levy and Collection.** Property taxes are levied for each Fiscal Year on taxable real and personal property as of the preceding January 1. For assessment and collection purposes, property is classified either as “**secured**” or “**unsecured**” and is listed accordingly on separate parts of the assessment roll. The “**secured roll**” is that part of the assessment roll containing State-assessed public utilities property and real property the taxes on which are a lien sufficient, in the opinion of the County Assessor, to secure payment of the taxes. Other property is assessed on the “**unsecured roll**.”

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of each Fiscal Year, and become delinquent on December 10 and April 10, respectively. A penalty of 10% attaches immediately to all delinquent payments. Property on the secured roll with respect to which taxes are delinquent become tax defaulted on or about June 30 of the Fiscal Year. Such property may thereafter be redeemed by payment of a penalty of 1% per month to the time of redemption, plus costs and a redemption fee. If taxes are unpaid for a period of five years or more, the property is deeded to the State and may be sold at public auction.

Property taxes on the unsecured roll are due as of the January 1 lien dates and become delinquent on August 31. A 10% penalty attaches to delinquent unsecured taxes. If unsecured taxes are unpaid at 5:00 p.m. on October 31, an additional penalty of 1% attaches to them on the first day of each month until paid. The County has four ways of collecting delinquent unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a judgment in the office of the County Clerk specifying certain facts in order to obtain a lien on certain property of the taxpayer; (3) filing a certificate of delinquency for record in the County Recorder's office in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee.

Beginning in 1978-79, Proposition 13 and its implementing legislation shifted the function of property tax allocation to the counties, except for levies to support prior voted debt, and prescribed how levies on county-wide property values are to be shared with local taxing entities within each county. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS – Article XIII A of the State Constitution" for further description of Proposition 13.

***Suspension of Penalties, Costs, and Interest on Overdue Property Taxes due to COVID-19.*** On May 6, 2020, the Governor issued Executive Order N-61-20, which suspended the imposition of penalties, costs, and interest on overdue property taxes through May 6, 2021, where the taxes owed were not delinquent prior to the March 4, 2020 declaration of a state of emergency and the taxpayer demonstrates to the tax collector that the taxpayer has suffered economic hardship due to the COVID-19 pandemic.

The County Treasurer and Tax Collector has announced that property owners affected by COVID-19 may have late penalties cancelled if they are unable to pay their property taxes by April 10, 2020, and that the office of the Treasurer and Tax Collection has begun accepting requests for penalty cancellation related to COVID-19.

The extent of the impact of Executive Order N-61-20 and the current practices of the County Treasurer and Tax Collector on the City's property tax collections, and the date Executive Order N-61-20 might be modified or rescinded, are currently unknown.

***Assessed Valuation.*** All property is assessed using full cash value as defined by Article XIII A of the State Constitution. State law provides exemptions from *ad valorem* property taxation for certain classes of property such as churches, colleges, non-profit hospitals, and charitable institutions. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS."

Future assessed valuation growth allowed under Article XIII A (new construction, certain changes of ownership, 2% inflation) will be allocated on the basis of "situs" among the jurisdictions that serve the tax rate area within which the growth occurs. Local agencies and schools will share



the growth of “base” revenues from the tax rate area. Each year’s growth allocation becomes part of each agency’s allocation in the following year.

**Assessed Valuation History.** The table below presents a 11-year history of the assessed value of property within the City.

**TABLE 5**  
**CITY OF HERMOSA BEACH**  
**Assessed Valuation**  
**Fiscal Years 2010-11 through 2020-21**

<b>Year</b>	<b>Local Secured</b>	<b>Utility</b>	<b>Unsecured</b>	<b>Total</b>
2010-11	\$4,825,080,309	\$399,025	\$36,744,190	\$4,862,223,524
2011-12	4,907,649,567	399,025	36,891,946	4,944,940,538
2012-13	5,052,809,783	399,025	39,980,774	5,093,189,582
2013-14	5,339,827,938	399,025	39,523,323	5,379,750,286
2014-15	5,666,591,496	399,025	44,055,095	5,711,045,616
2015-16	6,043,529,037	580,400	44,979,594	6,089,089,031
2016-17	6,552,847,820	580,400	40,355,701	6,593,783,921
2017-18	7,040,130,592	580,400	42,005,566	7,082,716,558
2018-19	7,495,085,701	580,400	44,748,545	7,540,414,646
2019-20	7,938,902,723	580,400	49,810,065	7,989,293,188
2020-21	8,409,543,922	580,400	49,674,321	8,459,798,643

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Source: California Municipal Statistics Inc.

**Major Property Taxpayers.** The following table shows the top 20 local secured property taxpayers for the current Fiscal Year.

**TABLE 6**  
**CITY OF HERMOSA BEACH**  
**Top Twenty Local Secured Taxpayers**  
**Fiscal Year 2020-21**

	<u>Property Owner</u>	<u>Primary Land Use</u>	<u>2020-21 Assessed Valuation</u>	<u>% of Total <sup>(1)</sup></u>
1.	Crico of Fountain Place LP	Apartments	\$85,851,523	1.02%
2.	EQR Gallery Apartments Limited	Apartments	76,757,753	0.91
3.	S and P Hermosa Parent LLC	Commercial	29,661,859	0.35
4.	1601 PCH LP	Shopping Center	26,943,911	0.32
5.	Bagnard Company LLC	Residence	18,841,637	0.22
6.	Hermosa Hotel Investments LLC	Hotel	18,531,982	0.22
7.	Blake Holdings II LLC	Residence	18,309,818	0.22
8.	1221 Hermosa Avenue LLC	Commercial	18,000,000	0.21
9.	South Bay III LLC	Residence	17,823,347	0.21
10.	REG8 Plaza Hermosa LLC	Shopping Center	16,843,390	0.20
11.	Johnny and Elizabeth Lopez, Trustees	Residence	16,589,256	0.20
12.	Sepulveda Design Center LLC	Commercial	16,383,423	0.19
13.	Skechers USA Inc.	Residence	16,320,000	0.19
14.	IWF Hotel Hermosa LP	Hotel	16,193,963	0.19
15.	William Stirton	Residence	16,018,773	0.19
16.	Shay Properties LLC	Residence	15,646,088	0.19
17.	2200 Associates LLC	Office Building	15,478,687	0.18
18.	Kathy Ishii	Residence	15,016,093	0.18
19.	Boris LLC	Residence	14,760,575	0.18
20.	George H. Schuler	Office Building	<u>14,231,259</u>	<u>0.17</u>
			<u>\$484,203,337</u>	<u>5.76%</u>

[1] 2020-21 Local Secured Assessed Valuation: \$8,409,453,922.  
Source: California Municipal Statistics, Inc.

## Sales and Use Taxes

Sales and use taxes represent the second largest source of tax revenue to the City. The sales tax is an excise tax imposed on retailers for the privilege of selling or leasing tangible personal property. The use tax is an excise tax imposed for the storage, use, or other consumption of tangible personal property purchased from any retailer.

The sales tax rate for Los Angeles County is currently 9.5% distributed as follows: 6.25% State; Proposition A Transportation 0.5%; Proposition C Transportation 0.5%; Measure R Transportation 0.5%; Measure H (Los Angeles County Homeless Programs) 0.25%; Measure M (Los Angeles County Traffic Improvement Plan) 0.5%; City of Hermosa Beach 1% (or city point of sale, generally). This means that the City receives 1% of each dollar, or \$1 for each \$100 in sales that are taxable.

Collection of the sales and use tax is administered by the California State Board of Equalization. Under its procedures, the State Board of Equalization projects receipts of the sales and use tax on a quarterly basis and remits an advance of the receipts of the sales and use tax to the City on a monthly basis. The amount of each monthly advance is based upon the State Board of Equalization's quarterly projection. During the last month of each quarter, the State

Board of Equalization adjusts the amount remitted to reflect the actual receipts of the sales and use tax for the previous quarter. The State Board of Equalization receives an administrative fee based on the cost of services provided by the Board to the City in administering the City's sales tax, which is deducted from revenue generated by the sales and use tax before it is distributed to the City.

**Sales Tax Rates.** Currently, taxable transactions in the City are subject to the following sales and use tax, of which the City's share is only a portion. The State collects and administers the tax, and makes distributions on taxes collected within the City, as follows:

**TABLE 7**  
**CITY OF HERMOSA BEACH**  
**Sales Tax Rates**  
**As of July 1, 2020**

State	7.250%
County Measure H Homeless	0.250
County Traffic Improvement Plan	0.500
County Transportation Commission	1.000
County Metro Transportation Authority	<u>0.500</u>
Total	9.500%

*Source: California State Board of Equalization.*

**Application of Sales Tax.** Sales and use taxes are complementary taxes; when one applies, the other does not. In general, the statewide sales tax applies to gross receipts of retailers from the sale of tangible personal property in the State. The use tax is imposed on the purchase, for storage, use or other consumption in the State of tangible personal property from any retailer. The use tax generally applies to purchases of personal property from a retailer outside the State where the use will occur within the State. The sales tax is imposed upon the same transactions and items as the statewide sales tax and the statewide use tax.

Certain transactions are exempt from the State sales tax, including sales of the following products:

- food products for home consumption;
- prescription medicine;
- newspapers and periodicals;
- edible livestock and their feed;
- seed and fertilizer used in raising food for human consumption; and
- gas, electricity and water when delivered to consumers through mains, lines and pipes.

This is not an exhaustive list of exempt transactions. A comprehensive list can be found in the State Board of Equalization's March 2018 Publication No. 61 entitled "Sales and Use Taxes: Exemptions and Exclusions," which can be found on the State Board of Equalization's website at <http://www.boe.ca.gov/>.

***Sales Tax Collection Procedures.*** Collection of the sales and use tax is administered by the State Board of Equalization. According to the State Board of Equalization, it distributes quarterly tax revenues to cities, counties and special districts using the following method:

Using the prior year's like quarterly tax allocation as a starting point, the Board first eliminates nonrecurring transactions such as fund transfers, audit payments and refunds, and then adjusts for growth, in order to establish the estimated base amount. The State Board of Equalization disburses 90% to each local jurisdiction in three monthly installments (advances) prior to the final computation of the quarter's actual receipts. Ten percent is withheld as a reserve against unexpected occurrences that can affect tax collections (such as earthquakes, fire or other natural disaster) or distributions of revenue such as unusually large refunds or negative fund transfers. The first and second advances each represent 30% of the 90% distribution, while the third advance represents 40%. One advance payment is made each month, and the quarterly reconciliation payment (clean-up) is distributed in conjunction with the first advance for the subsequent quarter. Statements showing total collections, administrative costs, prior advances and the current advance are provided with each quarterly clean-up payment.

Under the Sales and Use Tax Law, all sales and use taxes collected by the State Board of Equalization under a contract with any city, city and county, redevelopment agency, or county are required to be transmitted by the State Board of Equalization to such city, city and county, redevelopment agency, or county periodically as promptly as feasible. These transmittals are required to be made at least twice in each calendar quarter.

Under its procedures, the State Board of Equalization projects receipts of the sales and use tax on a quarterly basis and remits an advance of the receipts of the sales and use tax to the City on a monthly basis. The amount of each monthly advance is based upon the State Board of Equalization's quarterly projection. During the last month of each quarter, the State Board of Equalization adjusts the amount remitted to reflect the actual receipts of the sales and use tax for the previous quarter.

The State Board of Equalization receives an administrative fee based on the cost of services provided by the Board to the City in administering the City's sales tax, which is deducted from revenue generated by the sales and use tax before it is distributed to the City.

***History of Taxable Transactions.*** Total taxable sales during calendar year 2019 in the City were reported to be \$263,126,807, a 1.5% decrease over the total taxable sales of \$265,920,080 reported during calendar year 2018. Summaries of historic taxable sales within the City and the County during the past five years in which data is available can be found in APPENDIX D.

## **Other Taxes and Revenues**

***Motor Vehicle In-Lieu Tax.*** The State imposes the vehicle license fee (the "VLF"), which is the fee paid annually in lieu of personal property taxes on a vehicle, and distributed to cities and counties. The vehicle license fee is based on vehicle value (originally in the amount of 2% of the market value of the vehicle) and declines as the vehicle ages. Since 1998 the fee has been incrementally reduced from 2% of a vehicle's current estimated value, but any such reductions were "backfilled" to local governments by the State from other sources. However, under the 2004-05 State Budget, the VLF was permanently reduced to 0.65% of the estimated value, and backfill by the State to local governments was eliminated, and instead will be met by an increased

property tax apportionment to cities and counties. This amounted to approximately \$2.7 million in 2019 as a revenue neutral swap for the City.

**Franchises.** Several State statutes provide cities with the authority to impose fees on privately-owned utility companies and other businesses for the privilege of using city right-of-way. The City collects franchise fees from gas and electric utilities, cable television and garbage franchises.

**Transient Occupancy Tax.** The transient occupancy tax, sometimes referred to as a hotel tax, is imposed on occupants for the privilege of occupying rooms in hotels, motels, inns and other taxed properties. The City's current transient occupancy tax is 14%.

**Utility User Tax.** Revenue for the Utility User Tax is estimated to be consistent with the 2019–20 Budget. The change in revenue for the past five years has been -2, -3%, -4%, -2%, and 0%, respectively.

## **State Budget**

Although the City does not receive a significant portion of its annual revenues directly from the State, the State's financial condition and budget policies affect communities and local public agencies throughout the State. At various times, the State has experienced significant financial and budgetary stress.

Recent State budgets have been balanced and balanced budgets are projected for the foreseeable future, but there can be no certainty that budget-cutting strategies such as those used in prior years will not be used in the future should the State budget again experience stresses. To the extent that the State budget process results in reduced revenues to the City in the future, the City could be required to make adjustments to its budget.

## **Outstanding General Fund Debt**

Although the City has a number of outstanding assessment district bonds, which are payable solely from assessments levied within the respective assessment district, the City has no General Fund outstanding long term debt other than the 2015 Bonds, which are anticipated to be defeased and refunded in full with the proceeds of the 2020 Bonds. See "FINANCING PLAN" and APPENDIX B.

## **Direct and Overlapping Bonded Debt**

Set forth following is a direct and overlapping debt report (the "**Debt Report**") prepared by California Municipal Statistics, Inc. and effective September 1, 2020. The Debt Report is included for general information purposes only. The City has not reviewed the Debt Report for completeness or accuracy and makes no representation in connection therewith.

The Debt Report generally includes long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of the City in whole or in part. Such long-term obligations generally are not payable from revenues of the City (except as indicated) nor are they necessarily obligations secured by land within the City. In many cases, long-term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency.

The contents of the Debt Report are as follows: (1) the first column indicates the public agencies which have outstanding debt as of the date of the Debt Report and whose territory overlaps the City; (2) the second column shows the percentage of the assessed valuation of the overlapping public agency identified in column 1 which is represented by property located within the City; and (3) the third column is an apportionment of the dollar amount of each public agency's outstanding debt (which amount is not shown in the table) to property in the City, as determined by multiplying the total outstanding debt of each agency by the percentage of the City's assessed valuation represented in column 2.

**TABLE 9**  
**CITY OF HERMOSA BEACH**  
**Statement of Direct and Overlapping Debt**  
**As of September 1, 2020**

**2020-21 Assessed Valuation:** \$8,459,798,643

<b><u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u></b>	<b><u>% Applicable</u></b>	<b><u>Debt 9/1/20</u></b>
Metropolitan Water District	0.259%	\$ 83,476
El Camino Community College District	6.661	25,873,010
Hermosa Beach City School District	100.000	50,503,699
City of Hermosa Beach 1915 Act Bonds	100.000	494,928
<b>TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT</b>		<b>\$76,955,113</b>
<b><u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u></b>		
Los Angeles County General Fund Obligations	0.495%	\$11,402,338
Los Angeles County Superintendent of Schools Certificates of Participation	0.495	22,599
<b>City of Hermosa Beach Lease Revenue Bonds</b>	<b>100.000</b>	<b>9,890,000<sup>(1)</sup></b>
Los Angeles County Sanitation District South Bay Cities Authority	17.171	270,251
<b>TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT</b>		<b>\$21,585,188</b>
<b>GROSS COMBINED TOTAL DEBT</b>		<b>\$98,540,301<sup>(2)</sup></b>

**Ratios to 2020-21 Assessed Valuation:**

**Combined Direct Debt (\$9,890,000)..... 0.12%**  
 Total Direct Overlapping Tax and Assessment Debt .... 0.91%  
 Combined Total Debt ..... 1.16%

(1) Excludes lease revenue bonds to be sold.

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Source: California Municipal Statistics, Inc.

## Employee Relations

The City has 134 authorized regular positions for Fiscal Year 2020-21, of which 10 positions have been frozen and intended to remain unfilled. Sworn public safety personnel represent approximately 28% of City employees.

All regular full-time City employees are covered under negotiated agreements and are represented by the labor groups set forth below. Each contract has an expiration date of June 30, 2022.

Labor Group
Hermosa Beach Police Officers' Association
Teamsters Union, Local 911
Professional and Administrative Employee Group
Hermosa Beach Management Association
Hermosa Beach Professional Engineers Bargaining Group
Unrepresented Employees

## Risk Management and Self-Insurance

The City maintains an internal service fund to account for the City's general liability and workers' compensation claims, automobile, property, and unemployment insurance.

The City is self-insured up to \$250,000 for liability claims. Through a blend of self-insurance and reinsurance, the City has excess coverage up to \$40 million obtained through the Independent Cities Risk Management Authority ("**ICRMA**"), a joint powers authority consisting of medium-sized California municipalities.

The City purchases workers' compensation coverage through a self-insured program available through ICRMA. The City maintains a \$500,000 self-insured retention limit and participates in a self-insured risk sharing pool through the ICRMA, with excess coverage through Safety National Casualty Co., providing coverage up to the statutory limits.

ICRMA is a joint exercise of powers authority organized and operating pursuant to the California Government Code and provides programs of risk sharing, insurance and risk management services in connection with liability, property, and workers' compensation claims. The City's premiums to ICRMA were \$978,317 for fiscal year 2018-19.

The workers' compensation and general liability claims payable of \$5,590,808 reported at June 30, 2019 includes the liability for claims in which it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

Detailed financial information may be obtained from the ICRMA Program Administrator located at 18201 Von Karman, Suite 200, Irvine, CA 92612.

## Employee Retirement System

*This caption contains certain information relating to California Public Employees' Retirement System ("**PERS**"). The information is primarily derived from information produced by PERS, its independent accountants and actuaries. The City has not independently verified the*

information provided by PERS and makes no representations and expresses no opinion as to the accuracy of the information provided by PERS.

The comprehensive annual financial reports of PERS are available on its Internet website at [www.calpers.ca.gov](http://www.calpers.ca.gov). The PERS website also contains PERS' most recent actuarial valuation reports and other information concerning benefits and other matters. Such information is not incorporated by reference in this Official Statement. None of the Authority, City or Underwriter can guarantee the accuracy of such information. Actuarial assessments are "forward-looking" statements that reflect the judgment of the fiduciaries of the pension plans, and are based upon a variety of assumptions, one or more of which may not materialize or may be changed in the future. Actuarial assessments will change with the future experience of the pension plans.

**Plan Description.** The City's defined benefit pension plans (Miscellaneous Plan, Safety Fire Plan and the Safety Police Plan) provide retirement and disability benefits which include annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Miscellaneous Plan, Safety Fire Plan, and the Safety Police Plan are part of the Public Agency portion of the PERS, an agent multiple-employer defined benefit pension plan administered by PERS, which acts a common investment and administrative agent for participating public employers within the State of California. State statutes within the Public Employees' Retirement Law establish a menu of benefit provisions as well as other requirements. The City selects optional benefit provisions from the benefit menu by contract with PERS and adopts those benefits through local ordinance. Copies of PERS' annual financial report are available from their Executive Office, 400 P Street, Sacramento, California 95814.

The City contracted with Los Angeles County for Fire Services (the "Fire District") on December 31, 2017. The City will continue to be responsible for paying the retirement costs for fire employees related to the value of past service benefits, referred to as the unfunded actuarial liability.

**PERS Contributions and Funding Policy.** The City now has three tiers of retirement for Safety-Police, Safety-Fire and Miscellaneous employees. The third tier resulted from the Public Employees' Pension Reform Act (PEPRA) effective January 1, 2013. The retirement received by employees is dependent on their date of hire and previous employment with PERS' reciprocal agencies, as shown in the tables below.

#### **Safety-Police**

	Tier I	Tier II	PEPRA Tier III
Benefit Formula	3% at 50	2% at 50	2.7% at 57
Final Average Compensation:	12 months	12 months	36 months
Applies to Employees	Hired before July 1, 2011	Hired before Jan. 1, 2013	Hired after Jan. 1, 2013
Employee Contribution	9%	9%	12.25%

#### **Safety-Fire**

	Tier I	Tier II	PEPRA Tier III
Benefit Formula:	3% at 55	2% at 50	2.7% at 57
Final Average Compensation:	12 months	12 months	36 months
Applies to Employees:	Hired before July 1, 2011	Hired before Jan. 1, 2013	Hired after Jan. 1, 2013
Employee Contribution:	9%	9%	12.25%



### **Miscellaneous**

	Tier I	Tier II	PEPRA Tier III
Benefit Formula:	2% at 55	2% at 55 or 2% at 60	2% at 62
Final Average Compensation:	12 months	12 months	36 months
Applies to Employees:	Hired before July 1, 2011	Hired before Jan. 1, 2013	Hired after 1/1/13
Employee Contribution:	7%	7%	6.25%

The City is required to contribute at an actuarially determined rate of annual covered payroll for normal cost and an actuarially determined dollar amount to amortize the unfunded liability. The actuarially determined rates and contribution amounts for each plan for the fiscal years ending June 30, 2020, through June 30, 2022, are as follows:

### **Safety-Police-Tier I**

Fiscal Year 2019-20		Fiscal Year 2020-21		Fiscal Year 2021-22	
Employer Normal Cost Rate	Employer Payment of Unfunded Liability	Employer Normal Cost Rate	Employer Payment of Unfunded Liability	Employer Normal Cost Rate	Employer Payment of Unfunded Liability
23.654%	\$1,377,189	25.540%	\$1,572,592	25.59%	\$1,836,201

Source: PERS Actuarial Reports Dated August 2018, July 2019 and July 2020.

### **Safety-Police-Tier II**

Fiscal Year 2019-20		Fiscal Year 2020-21		Fiscal Year 2021-22	
Employer Normal Cost Rate	Employer Payment of Unfunded Liability	Employer Normal Cost Rate	Employer Payment of Unfunded Liability	Employer Normal Cost Rate	Employer Payment of Unfunded Liability
19.231%	\$2,129	20.887%	\$3,884	20.94%	\$6,204

Source: PERS Actuarial Reports Dated August 2018, July 2019 and July 2020.

### **Safety-Police-PEPRA**

Fiscal Year 2019-20		Fiscal Year 2020-21		Fiscal Year 2021-22	
Employer Normal Cost Rate	Employer Payment of Unfunded Liability	Employer Normal Cost Rate	Employer Payment of Unfunded Liability	Employer Normal Cost Rate	Employer Payment of Unfunded Liability
13.786%	\$2,326	13.884%	\$4,708	13.98%	\$7,720

Source: PERS Actuarial Reports Dated August 2018, July 2019 and July 2020.

### **Safety-Fire Tier I**

Fiscal Year 2019-20		Fiscal Year 2020-21		Fiscal Year 2021-22	
Employer Normal	Employer Payment of	Employer Normal	Employer Payment of	Employer Normal	Employer Payment of

<u>Cost Rate</u>	<u>Unfunded Liability</u>	<u>Cost Rate</u>	<u>Unfunded Liability</u>	<u>Cost Rate</u>	<u>Unfunded Liability</u>
21.748%	\$605,215	0.0%	\$842,527	0.0%	\$970,185

Source: PERS Actuarial Reports Dated August 2018, July 2019 and July 2020.

### **Safety-Fire Tier II**

<u>Fiscal Year 2019-20</u>		<u>Fiscal Year 2020-21</u>		<u>Fiscal Year 2021-22</u>	
Employer Normal Cost Rate	Employer Payment of Unfunded Liability	Employer Normal Cost Rate	Employer Payment of Unfunded Liability	Employer Normal Cost Rate	Employer Payment of Unfunded Liability
19.231%	0.0	0.0%	\$0.0	0.0%	\$0.0

Source: PERS Actuarial Reports Dated August 2018, July 2019 and July 2020.

### **Safety-Fire PEPRA**

<u>Fiscal Year 2019-20</u>		<u>Fiscal Year 2020-21</u>		<u>Fiscal Year 2021-22</u>	
Employer Normal Cost Rate	Employer Payment of Unfunded Liability	Employer Normal Cost Rate	Employer Payment of Unfunded Liability	Employer Normal Cost Rate	Employer Payment of Unfunded Liability
13.786%	\$3,291	0.0%	\$3,586	0.0%	\$3,752

Source: PERS Actuarial Reports Dated August 2018, July 2019 and July 2020.

### **Miscellaneous-Tier I**

<u>Fiscal Year 2019-20</u>		<u>Fiscal Year 2020-21</u>		<u>Fiscal Year 2021-22</u>	
Employer Normal Cost Rate	Employer Payment of Unfunded Liability	Employer Normal Cost Rate	Employer Payment of Unfunded Liability	Employer Normal Cost Rate	Employer Payment of Unfunded Liability
10.221%	\$1,317,500	11.031%	\$940,059	10.88%	\$1,116,032

Source: PERS Actuarial Reports Dated August 2018, July 2019 and July 2020.

### **Miscellaneous-Tier II**

<u>Fiscal Year 2019-20</u>		<u>Fiscal Year 2020-21</u>		<u>Fiscal Year 2021-22</u>	
Employer Normal Cost Rate	Employer Payment of Unfunded Liability	Employer Normal Cost Rate	Employer Payment of Unfunded Liability	Employer Normal Cost Rate	Employer Payment of Unfunded Liability
8.563%	\$5,232	9.281%	\$17,423	9.13%	\$18,861

Source: PERS Actuarial Reports Dated August 2018, July 2019 and July 2020.

### **Miscellaneous-PEPRA**

<b>Fiscal Year 2019-20</b>		<b>Fiscal Year 2020-21</b>		<b>Fiscal Year 2021-22</b>	
Employer Normal Cost Rate	Employer Payment of Unfunded Liability	Employer Normal Cost Rate	Employer Payment of Unfunded Liability	Employer Normal Cost Rate	Employer Payment of Unfunded Liability
6.985%	\$12,229	7.732%	\$14,209	7.59%	\$17,359

*Source: PERS Actuarial Reports Dated August 2018, July 2019 and July 2020.*

The City recognized pension expense in the following amounts for fiscal years ended June 30, 2017, 2018, and 2019:

<u>Fiscal Year Ended June 30,</u>	<u>Total City Contribution</u>
2017	\$1,501,426
2018	5,956,899
2019	7,728,075

*Source: Comprehensive Annual Financial Reports for Fiscal Years Ending June 30, 2017, 2018 and 2019.*

**Funded Status.** The following tables sets forth the schedule of funding for the City's pension plans for the fiscal years ended June 30, 2016, 2017, and 2018.

### **Safety-Police-Tier I**

<u>Valuation Date (June 30)</u>	<u>Accrued Liability</u>	<u>Market Value of Assets</u>	<u>Unfunded Liability</u>	<u>Funded Ratio <sup>(1)</sup></u>	<u>Annual Covered Payroll</u>
2016	\$69,681,270	\$46,045,748	\$23,635,522	66.1%	\$2,714,523
2017	72,609,932	49,665,661	22,944,271	68.4	2,415,026
2018	77,467,175	52,834,880	24,632,295	68.2	2,435,923

(1) Based on the market value of assets.

*Source: CalPERS Actuarial Report Dated July 2019.*

### **Safety-Police-Tier II**

Valuation Date (June 30)	Accrued Liability	Market Value of Assets	Unfunded Liability	Funded Ratio <sup>(1)</sup>	Annual Covered Payroll
2016	\$443,997	\$397,644	\$46,353	89.6%	\$310,338
2017	599,122	553,879	45,243	92.4	343,598
2018	731,183	654,488	76,695	89.5	316,564

(1) Based on the market value of assets.  
Source: CalPERS Actuarial Report Dated July 2019.

### **Safety-Police-PEPRA**

Valuation Date (June 30)	Accrued Liability	Market Value of Assets	Unfunded Liability	Funded Ratio <sup>(1)</sup>	Annual Covered Payroll
2016	\$304,397	\$271,397	33,000	89.2%	\$562,745
2017	498,171	464,153	34,018	93.2	791,254
2018	903,532	825,760	77,772	91.4	1,021,241

(1) Based on the market value of assets.  
Source: CalPERS Actuarial Report Dated July 2019.

### **Safety-Fire-Tier I**

Valuation Date (June 30)	Accrued Liability	Market Value of Assets	Unfunded Liability	Funded Ratio <sup>(1)</sup>	Annual Covered Payroll
2016	\$34,499,456	\$24,657,399	\$9,842,057	71.5%	\$1,645,344
2017	37,252,699	27,719,590	9,533,109	74.4	1,632,823
2018	39,026,711	28,520,013	10,506,698	73.1	--

(1) Based on the market value of assets.  
Source: CalPERS Actuarial Report Dated July 2019.

### **Safety-Fire-Tier II**

Valuation Date (June 30)	Accrued Liability	Market Value of Assets	Unfunded Liability	Funded Ratio <sup>(1)</sup>	Annual Covered Payroll
2016	\$5,667	\$9,884	(\$4,217)	174.4%	--
2017	6,168	10,943	(4,775)	177.4	\$112,202
2018	33,355	35,982	(2,627)	107.9	--

(1) Based on the market value of assets.  
Source: CalPERS Actuarial Report Dated July 2019.

### **Safety-Fire-PEPRA**

Valuation Date (June 30)	Accrued Liability	Market Value of Assets	Unfunded Liability	Funded Ratio <sup>(1)</sup>	Annual Covered Payroll
2016	\$62,298	\$53,901	\$8,397	86.5%	\$109,987
2017	114,628	106,111	8,517	92.6	180,505
2018	121,418	105,413	16,005	86.8	--

(1) Based on the market value of assets.  
Source: CalPERS Actuarial Report Dated July 2019.

### **Miscellaneous-Tier I**

Valuation Date (June 30)	Accrued Liability	Market Value of Assets	Unfunded Liability	Funded Ratio <sup>(1)</sup>	Annual Covered Payroll
2016	\$48,052,141	\$34,244,391	\$13,807,750	71.3%	\$3,306,166
2017	49,840,639	36,390,200	13,450,439	73.0	3,130,078
2018	54,658,791	39,578,744	15,080,047	72.4	3,018,541

(1) Based on the market value of assets.  
Source: CalPERS Actuarial Report Dated July 2019.

### **Miscellaneous-Tier II**

Valuation Date (June 30)	Accrued Liability	Market Value of Assets	Unfunded Liability	Funded Ratio <sup>(1)</sup>	Annual Covered Payroll
2016	\$861,704	\$768,055	\$93,649	89.1%	\$1,289,100
2017	1,180,656	1,094,568	86,088	92.7	1,362,992
2018	1,580,141	1,428,210	151,931	90.4	1,009,239

(1) Based on the market value of assets.  
Source: CalPERS Actuarial Report Dated July 2019.

### **Miscellaneous-PEPRA**

Valuation Date (June 30)	Accrued Liability	Market Value of Assets	Unfunded Liability	Funded Ratio <sup>(1)</sup>	Annual Covered Payroll
2016	\$403,749	\$360,106	\$43,643	89.2%	\$1,945,603
2017	730,954	687,712	43,242	94.1	2,524,274
2018	1,320,351	1,208,811	111,540	91.6	3,048,562

(1) Based on the market value of assets.  
Source: CalPERS Actuarial Report Dated July 2019.

**Recent Actions Taken by PERS.** On February 18, 2014, the PERS Board (the “PERS Board”) approved new demographic actuarial assumptions based on a 2013 study of recent experience. The largest impact, applying to all benefit groups, is a new 20-year mortality projection reflecting longer life expectancies and that longevity will continue to increase. Because

retirement benefits will be paid out for more years, the cost of those benefits will increase as a result. The PERS Board also assumed earlier retirements for Police 3%@50, Fire 3%@55, and Miscellaneous 2.7%@55 and 3%@60, which will increase costs for those groups. As a result of these changes, rates increased beginning in fiscal year 2016-17 (based on the June 30, 2014 valuation) with full impact in fiscal year 2020-21.

On November 18, 2015, the PERS Board adopted a funding risk mitigation policy intended to incrementally lower its discount rate – its assumed rate of investment return – in years of good investment returns, help pay down the pension fund's unfunded liability, and provide greater predictability and less volatility in contribution rates for employers. The policy established a mechanism to reduce the discount rate by a minimum of 0.05 percentage points to a maximum of 0.25 percentage points in years when investment returns outperform the existing discount rate, currently 7.0%, by at least four percentage points. PERS staff modeling anticipates the policy will result in a lowering of the discount rate to 6.5% in about 21 years, improve funding levels gradually over time and cut risk in the pension system by lowering the volatility of investment returns.

In February 2017, the CalPERS Board revised the Funding Risk Mitigation Policy. The revisions include suspension of the policy until fiscal year 2020-21, and a decrease of the required first excess investment return threshold from 4% to 2%.

More information about the funding risk mitigation policy can be accessed through PERS' web site at the following website address:

<https://www.calpers.ca.gov/docs/funding-risk-mitigation-policy.pdf>

*The reference to this Internet website is provided for reference and convenience only. The information contained within the website may not be current, has not been reviewed by the City, and is not incorporated in this Official Statement by reference.*

On December 21, 2016, the PERS Board voted to lower its discount rate from 7.5% to 7.0% over three years according to the following schedule.

<u>Valuation Date</u>	<u>Fiscal Year Required Contribution</u>	<u>Discount Rate</u>
June 30, 2016	2018-19	7.375%
June 20, 2017	2019-20	7.250
June 30, 2018	2020-21	7.000

For public agencies like the City, the new discount rate began increasing contribution costs in fiscal year 2018-19. Lowering the discount rate means employers that contract with PERS to administer their pension plans will see increases in their normal costs and unfunded actuarial liabilities and that active members hired after January 1, 2013, under PEPRa will see their contribution rates rise.

On February 13, 2018, the PERS Board voted to shorten the period over which PERS will amortize actuarial gains and losses from 30 years to 20 years for new pension liabilities, effective for the June 30, 2019, actuarial valuations. Amortization payments for all unfunded accrued liability bases will be computed to remain a level dollar amount throughout the amortization period, and certain five-year ramp-up and ramp-down periods will be eliminated. As a result of the shorter amortization period, the contributions required to be made by employers may increase beginning in fiscal year 2021-22.

On July 15, 2020, PERS reported a preliminary 4.7% net return on investments for the 12-month period ended June 30, 2020.

### **Other Post Employment Benefits**

*This section is derived from the most recent audited financial statements of the City. See APPENDIX B.*

**Plan Description.** On June 12, 2007, the City Council adopted a resolution authorizing participation in a post retirement health care plan trust (the "**Plan**") to be administered by Public Agency Retirement Services ("**PARS**") and Union Bank of California. In July 2007, the City signed an agreement with PARS to create and administer an irrevocable trust fund for the payment of other postemployment benefits for city employees. Funds in the amount of \$1,401,000 that were previously set aside were forwarded to Union Bank pursuant to the agreement to establish the trust during the year ended June 30, 2008. Contributions are made on a monthly basis.

The Plan provides medical insurance benefits to eligible retirees, which is a single-employer defined benefit plan. PARS issues a publicly available financial report that includes financial statements and required supplementary information for the Plan. That report may be obtained by contacting the City at 1315 Valley Drive, Hermosa Beach, CA 90254.

The Plan is comprised of employees and retirees from several bargaining units, including General and Supervisory; Professional and Administrative Employees Association; Hermosa Beach Management Association; Police Management Association; Police Officers Association and Firefighters Association. The range of monthly benefits to be paid by the City ranges from \$40 to \$556 per month based on years of service from 10 years to 20 years provided to the City. The monthly benefits paid by the City are subject to change with increases provided based on age at retirement and years of service.

**Post-Retirement Health Care Coverage for Fire Employees.** As mentioned above, the City has contracted with the Fire District to pay the retirement costs for fire employees related to the value of past service benefits. The current vesting period is 10 years of Fire District service. Service with the City does not count towards coverage, only time actually worked in Fire District service counts towards the vesting period. Hermosa Beach Fire Association ("**HBFA**") members who transfer to the Fire District and who take a service retirement before reaching 10 years of Fire District service are ineligible for the Fire District's retiree health benefit.

For those HBFA members who have 19 plus years of service with the City at the time of transfer to Fire District employment and who take a service retirement from the Fire District prior to vesting in the Fire District's retiree health plan, the City agrees to create a new Tier to the City's retiree health program as follow: the retired HBFA member will be eligible to receive from the City the \$ 350 per month benefit set forth in Article 42(D) of the MOU. This benefit is limited to the first four HBFA members who qualify for the benefit.

All of the Plan's employees became participants in accordance with negotiated Memorandum of Understanding ("**MOU**") as negotiated by each group or bargaining unit. In order to receive benefits, eligible employees must meet the minimum requirements defined in their MOU. Membership of the plan as of the 2018-19 fiscal year consisted of 67 retirees, 4 retirees not receiving benefits and 126 active plan members.

Based on an actuarial valuation as of July 1, 2018, the City's total OPEB liability as of June 30, 2019, was \$10,926,306.

For the fiscal year ended June 30, 2019, the City recognized an OPEB expense of \$266,916.

For more information regarding the City's OPEB, see Note 10 of the City's Comprehensive Annual Financial Report, which is attached as APPENDIX B to the Official Statement.



## **CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS**

*The constitutional and statutory provisions discussed in this section have the potential to affect the ability of the City to levy taxes and spend tax proceeds for operating and other purposes.*

### **Article XIII A of the State Constitution**

On June 6, 1978, California voters approved Proposition 13, which added Article XIII A to the State Constitution. Article XIII A, as amended, limits the amount of any *ad valorem* tax on real property to one percent of the full cash value thereof, except that additional *ad valorem* taxes may be levied to pay debt service (i) on indebtedness approved by the voters prior to July 1, 1978, (ii) on bonded indebtedness approved by a two-thirds vote on or after July 1, 1978, for the acquisition or improvement of real property or (iii) bonded indebtedness incurred by a school district, community college district or county office of education for the construction, reconstruction, rehabilitation or replacement of school facilities, including the furnishing and equipping of school facilities or the acquisition or lease of real property for school facilities, approved by 55 percent of the voters voting on the proposition. Article XIII A defines full cash value to mean "the county assessor's valuation of real property as shown on the 1975-76 tax bill under "full cash value," or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment." This full cash value may be increased at a rate not to exceed two percent per year to account for inflation.

Article XIII A has subsequently been amended to permit reduction of the "full cash value" base in the event of declining property values caused by damage, destruction or other factors, to provide that there would be no increase in the "full cash value" base in the event of reconstruction of property damaged or destroyed in a disaster, and in other minor or technical ways.

### **Legislation Implementing Article XIII A**

Legislation has been enacted and amended a number of times since 1978 to implement Article XIII A. Under current law, local agencies are no longer permitted to levy directly any property tax (except to pay voter-approved indebtedness). The one percent property tax is automatically levied by the County and distributed according to a formula among taxing agencies. The formula apportions the tax roughly in proportion to the relative shares of taxes levied prior to 1989.

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the two percent annual adjustment are allocated among the various jurisdictions in the "taxing area" based upon their respective "situs." Any such allocation made to a local agency continues as part of its allocation in future years.

All taxable property is shown at full market value on the tax rolls. Consequently, the tax rate is expressed as \$1 per \$100 of taxable value. All taxable property value included in this Official Statement is shown at 100 percent of market value (unless noted differently) and all tax rates reflect the \$1 per \$100 of taxable value.

## Article XIII B of the State Constitution

In addition to the limits Article XIII A imposes on property taxes that may be collected by local governments, certain other revenues of the State and most local governments are subject to an annual “appropriations limit” imposed by Article XIII B which effectively limits the amount of such revenues those entities are permitted to spend. Article XIII B, approved by the voters in June 1979, was modified substantially by Proposition 111 in 1990. The appropriations limit of each government entity applies to “proceeds of taxes,” which consist of tax revenues, State subventions and certain other funds, including proceeds from regulatory licenses, user charges or other fees to the extent that such proceeds exceed “the cost reasonably borne by such entity in providing the regulation, product or service.” “Proceeds of taxes” excludes tax refunds and some benefit payments such as unemployment insurance. No limit is imposed on the appropriation of funds which are not “proceeds of taxes,” such as reasonable user charges or fees, and certain other non-tax funds. Article XIII B also does not limit appropriation of local revenues to pay debt service on Bonds existing or authorized by January 1, 1979, or subsequently authorized by the voters, appropriations required to comply with mandates of courts or the federal government, appropriations for qualified capital outlay projects, and appropriation by the State of revenues derived from any increase in gasoline taxes and motor vehicle weight fees above January 1, 1990, levels. The appropriations limit may also be exceeded in case of emergency; however, the appropriations limit for the next three years following such emergency appropriation must be reduced to the extent by which it was exceeded, unless the emergency arises from civil disturbance or natural disaster declared by the Governor, and the expenditure is approved by two-thirds of the legislative body of the local government.

The State and each local government entity has its own appropriations limit. Each year, the limit is adjusted to allow for changes, if any, in the cost of living, the population of the jurisdiction, and any transfer to or from another government entity of financial responsibility for providing services. Proposition 111 requires that each agency’s actual appropriations be tested against its limit every two years.

If the aggregate “proceeds of taxes” for the preceding two-year period exceeds the aggregate limit, the excess must be returned to the agency’s taxpayers through tax rate or fee reductions over the following two years.

The City has never exceeded its appropriations limit.

## Articles XIII C and XIII D of the State Constitution

**General.** On November 5, 1996, the voters of the State approved Proposition 218, known as the “Right to Vote on Taxes Act.” Proposition 218 adds Articles XIII C and XIII D to the California Constitution and contains a number of interrelated provisions affecting the ability of the City to levy and collect both existing and future taxes, assessments, fees and charges.

On November 2, 2010, California voters approved Proposition 26, entitled the “Supermajority Vote to Pass New Taxes and Fees Act.” Section 1 of Proposition 26 declares that Proposition 26 is intended to limit the ability of the State Legislature and local government to circumvent existing restrictions on increasing taxes by defining the new or expanded taxes as “fees.” Proposition 26 amended Articles XIII A and XIII C of the State Constitution. The amendments to Article XIII A limit the ability of the State Legislature to impose higher taxes (as defined in Proposition 26) without a two-thirds vote of the Legislature. The amendments to Article

XIIIC define “taxes” that are subject to voter approval as “any levy, charge, or exaction of any kind imposed by a local government,” with certain exceptions.

**Taxes.** Article XIIIC requires that all new local taxes be submitted to the electorate before they become effective. Taxes for general governmental purposes of the City (“general taxes”) require a majority vote; taxes for specific purposes (“special taxes”), even if deposited in the City’s General Fund, require a two-thirds vote.

**Property-Related Fees and Charges.** Article XIID also adds several provisions making it generally more difficult for local agencies to levy and maintain property-related fees, charges, and assessments for municipal services and programs. These provisions include, among other things, (i) a prohibition against assessments which exceed the reasonable cost of the proportional special benefit conferred on a parcel, (ii) a requirement that assessments must confer a “special benefit,” as defined in Article XIID, over and above any general benefits conferred, (iii) a majority protest procedure for assessments which involves the mailing of notice and a ballot to the record owner of each affected parcel, a public hearing and the tabulation of ballots weighted according to the proportional financial obligation of the affected party, and (iv) a prohibition against fees and charges which are used for general governmental services, including police, fire or library services, where the service is available to the public at large in substantially the same manner as it is to property owners.

**Reduction or Repeal of Taxes, Assessments, Fees and Charges.** Article XIIIC also removes limitations on the initiative power in matters of reducing or repealing local taxes, assessments, fees or charges. No assurance can be given that the voters of the City will not, in the future, approve an initiative or initiatives which reduce or repeal local taxes, assessments, fees or charges currently comprising a substantial part of the City’s General Fund. If such repeal or reduction occurs, the City’s ability to pay debt service on the 2020 Bonds could be adversely affected.

**Burden of Proof.** Article XIIIC provides that local government “bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor’s burdens on, or benefits received from, the governmental activity.” Similarly, Article XIID provides that in “any legal action contesting the validity of a fee or charge, the burden shall be on the agency to demonstrate compliance” with Article XIID.

**Judicial Interpretation of Proposition 218.** The interpretation and application of Articles XIIIC and XIID will ultimately be determined by the courts, and it is not possible at this time to predict with certainty the outcome of such determination.

**Impact on City’s General Fund.** The City does not believe that any material source of General Fund revenue is subject to challenge under Proposition 218 or Proposition 26.

The approval requirements of Articles XIIIC and XIID reduce the flexibility of the City to raise revenues for the General Fund, and no assurance can be given that the City will be able to impose, extend or increase the taxes, fees, charges or taxes in the future that it may need to meet increased expenditure needs.

## **Proposition 1A; Proposition 22**

**Proposition 1A.** Proposition 1A, proposed by the Legislature in connection with the State's Fiscal Year 2004-05 Budget, approved by the voters in November 2004 and generally effective in Fiscal Year 2006-07, provided that the State may not reduce any local sales tax rate, limit existing local government authority to levy a sales tax rate or change the allocation of local sales tax revenues, subject to certain exceptions. Proposition 1A generally prohibited the State from shifting to schools or community colleges any share of property tax revenues allocated to local governments for any Fiscal Year, as set forth under the laws in effect as of November 3, 2004. Any change in the allocation of property tax revenues among local governments within a county had to be approved by two-thirds of both houses of the Legislature.

**Proposition 22.** Proposition 22, entitled "The Local Taxpayer, Public Safety and Transportation Protection Act," was approved by the voters of the State in November 2010. Proposition 22 eliminates or reduces the State's authority to (i) temporarily shift property taxes from cities, counties and special districts to schools, (ii) use vehicle license fee revenues to reimburse local governments for State-mandated costs (the State will have to use other revenues to reimburse local governments), (iii) redirect property tax increment from redevelopment agencies to any other local government, (iv) use State fuel tax revenues to pay debt service on State transportation bonds, or (v) borrow or change the distribution of State fuel tax revenues.

## **Current Constitutional Initiatives Relating to Changes in Property Taxation**

There are currently two initiative measures that will be presented to State voters at the November 3, 2020, election that, if passed, will result in certain changes to Article XIII A and other State laws governing property taxation.

- Proposition 15 is a proposed State constitutional amendment entitled the "Tax on Commercial and Industrial Properties for Education and Local Government Funding Initiative," commonly known as the "split roll" initiative. If approved by State voters by majority vote, it would amend the State Constitution to change to a "split roll" approach to determine property values for purposes of property taxation, whereby certain commercial and industrial real properties will be reassessed at fair market value every three years (with certain exceptions for small businesses and personal property), overriding the current 2% limitation on annual assessed value increases until a property changes ownership. The resulting increases in property tax revenues would be allocated among local public agencies.

- Proposition 19 is a proposed State constitutional amendment that would change the manner of assessment of property when it is transferred between parents and children. Under current law, reassessment is not triggered by such transfers, but Proposition 19 generally would result in a reassessment.

There can be no assurance that either initiative measure will be approved and enacted. If approved, the City cannot predict the impacts either initiative measure might have on assessed values or property tax revenues in the City, the level of commercial building activity within the City and the relationship of the assessed value between land use types (i.e. residential versus commercial) in the City, or any other impacts on the local economy or the City's financial condition.

### **Possible Future Initiatives**

Articles XIII A, XIII B, XIII C and XIII D and Propositions 62, 111, 218 and 1A were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time other initiative measures could be adopted, further affecting revenues of the City or the City's ability to expend revenues. The nature and impact of these measures cannot be anticipated by the City.

## **BOND OWNERS' RISKS**

*The following describes certain special considerations and risk factors affecting the payment of and security for the 2020 Bonds. The following discussion is not meant to be an exhaustive list of the risks associated with the purchase of any 2020 Bonds and does not necessarily reflect the relative importance of the various risks. Potential investors in the 2020 Bonds are advised to consider the following special factors along with all other information in this Official Statement in evaluating the 2020 Bonds. There can be no assurance that other considerations will not materialize in the future.*

### **Potential Impact of COVID-19**

There can be no assurances that the spread of COVID-19 will not materially impact the local, state and national economies and, accordingly, materially adversely impact the City's General Fund. The COVID-19 public health emergency is altering the behavior of businesses and people in a manner that will have negative impacts on transient occupancy taxes and sales tax revenue, in particular, upon which the City relies significantly. The City's Fiscal Year 2020-21 General Fund budget has been prepared assuming the impacts of COVID-19 will persist through the end of 2020. Not assurance can be given that normal activities will resume in 2021. See "CITY FINANCIAL INFORMATION." The ultimate impact of COVID-19 on the City's operations and finances is unknown.

### **No Pledge of Taxes**

**General.** The obligation of the City to pay the Lease Payments and Additional Rental Payments does not constitute an obligation of the City for which the City is obligated to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation. The obligation of the City to pay Lease Payments and Additional Rental Payments does not constitute a debt or indebtedness of the City, the City, the State of California or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction.

The City is currently liable on other obligations payable from general revenues, which are described above under "CITY FINANCIAL INFORMATION – Outstanding General Fund Debt and Other Obligations."

**Limitations on Taxes and Fees.** Certain taxes, assessments, fees and charges presently imposed by the City could be subject to the voter approval requirements of Article XIII C and Article XIII D of the State Constitution. Based upon the outcome of an election by the voters, such fees, charges, assessments and taxes might no longer be permitted to be imposed, or may be reduced or eliminated and new taxes, assessments fees and charges may not be approved. The City has assessed the potential impact on its financial condition of the provisions of Article XIII C and Article XIII D of the State Constitution respecting the imposition and increase of taxes, fees, charges and assessments and does not believe that an election by the voters to reduce or eliminate the imposition of certain existing fees, charges, assessments and taxes would substantially affect its financial condition. However, the City believes that if the initiative power was exercised so that all local taxes, assessments, fees and charges that may be subject to Article XIII C and Article XIII D of the State Constitution are eliminated or substantially reduced, the financial condition of the City, including its General Fund, could be materially adversely affected.

Although the City does not currently anticipate that the provisions of Article XIII C and Article XIII D of the State Constitution would adversely affect its ability to pay Lease Payments and

its other obligations payable from the General Fund, no assurance can be given regarding the ultimate interpretation or effect of Article XIIC and Article XIID of the State Constitution on the City's finances. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS."

### **Additional Obligations of the City**

Following the issuance of the 2020 Bonds and the concurrent defeasance of the 2015 Bonds, the City will have no long-term lease obligations payable from its General Fund. See "FINANCING PLAN." However, the City is permitted to enter into other obligations which constitute additional charges against its revenues, including General Fund revenues, without the consent of Owners of the 2020 Bonds. To the extent that additional obligations are incurred by the City, the funds available to pay Lease Payments may be decreased.

The Lease Payments and other payments due under the Lease (including payment of costs of repair and maintenance of the Leased Property, taxes and other governmental charges levied against the Leased Property) are payable from funds lawfully available to the City. If the amounts that the City is obligated to pay in a fiscal year exceed the City's revenues for such year, the City may choose to make some payments rather than making other payments, including Lease Payments and Additional Rental Payments, based on the perceived needs of the City. The same result could occur if, because of California Constitutional limits on expenditures, the City is not permitted to appropriate and spend all of its available revenues or is required to expend available revenues to preserve the public health, safety and welfare.

### **No Reserve Fund**

No reserve fund will be established and maintained with respect to the 2020 Bonds. As a result, in the event on non-appropriation or non-payment of the Lease Payments in full when due, no other source of funds will be available to make payments of debt service Bonds while remedial actions are taken with respect to such non-appropriation or non-payment.

### **Default**

Whenever any event of default referred to in the Lease happens and continues, the Authority is authorized under the terms of the Lease to exercise any and all remedies available under law or granted under the Lease. See "APPENDIX A – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS" for a detailed description of available remedies in the case of a default under the Lease.

If a default occurs, there is no remedy of acceleration of the total Lease Payments due over the term of the Lease. The Trustee is not empowered to sell the Leased Property and use the proceeds of such sale to prepay the 2020 Bonds or pay debt service on the 2020 Bonds.

The City will be liable only for Lease Payments on an annual basis and, in the event of a default, the Trustee would be required to seek a separate judgment each year for that year's defaulted Lease Payments. Any such suit for money damages would be subject to limitations on legal remedies against municipalities in the State, including a limitation on enforcement of judgments against funds of a fiscal year other than the fiscal year in which the Lease Payments were due and against funds needed to serve the public welfare and interest.

## **Abatement**

Under certain circumstances related to damage, destruction, condemnation or title defects which cause a substantial interference with the use and possession of the Leased Property, the City's obligation to make Lease Payments will be subject to full or partial abatement and could result in the Trustee having inadequate funds to pay the principal and interest on the 2020 Bonds as and when due. See "SECURITY FOR THE 2020 BONDS – Abatement" and "APPENDIX A – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS."

Although the City is required under the Lease to maintain property and liability insurance with respect to the Leased Property, the required insurance coverage is subject to certain conditions and restrictions. See "SECURITY FOR THE 2020 BONDS – Property Insurance."

In addition, the City is required to use the proceeds of rental interruption insurance maintained under the Lease to make debt service payments on the 2020 Bonds during any period of abatement. See "SECURITY FOR THE 2020 BONDS – Property Insurance." However, there is no assurance that the City will receive proceeds of rental interruption insurance in time to make debt service payments on the 2020 Bonds when due.

## **Property Taxes**

***Levy and Collection.*** The City does not have any independent power to levy and collect property taxes. Any reduction in the tax rate or the implementation of any constitutional or legislative property tax decrease could reduce the City's property tax revenues, and accordingly, could have an adverse impact on the ability of the City to make Lease Payments. Likewise, delinquencies in the payment of property taxes could have an adverse effect on the City's ability to pay principal of and interest on the 2020 Bonds when due.

***Reduction in Inflationary Rate.*** Article XIII A of the California Constitution provides that the full cash value base of real property used in determining assessed value may be adjusted from year to year to reflect the inflationary rate, not to exceed a 2% increase for any given year, or may be reduced to reflect a reduction in the consumer price index or comparable local data. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS." Such measure is computed on a calendar year basis. Because Article XIII A limits inflationary assessed value adjustments to the lesser of the actual inflationary rate or 2%, there have been years in which the assessed values were adjusted by actual inflationary rates, which were less than 2%. Since Article XIII A was approved, the annual adjustment for inflation has fallen below the 2% limitation a limited number of times.

The City is unable to predict if any adjustments to the full cash value base of real property within the City, whether an increase or a reduction, will be realized in the future.

***Appeals of Assessed Values.*** There are two types of appeals of assessed values that could adversely impact property tax revenues:

***Proposition 8 Appeals.*** Most of the appeals that might be filed in the City would be based on Section 51 of the Revenue and Taxation Code, which requires that for each lien date the value of real property must be the lesser of its base year value annually adjusted by the inflation factor pursuant to Article XIII A of the State Constitution or its full cash value, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property or other factors causing a decline in value.



Under California law, property owners may apply for a reduction of their property tax assessment by filing a written application, in form prescribed by the State Board of Equalization, with the appropriate county board of equalization or assessment appeals board. In most cases, the appeal is filed because the applicant believes that present market conditions (such as residential home prices) cause the property to be worth less than its current assessed value. These market-driven appeals are known as Proposition 8 appeals.

Any reduction in the assessment ultimately granted as a Proposition 8 appeal applies to the year for which application is made and during which the written application was filed. These reductions are often temporary and are adjusted back to their original values when market conditions improve. Once the property has regained its prior value, adjusted for inflation, it once again is subject to the annual inflationary factor growth rate allowed under Article XIII A.

**Base Year Appeals.** A second type of assessment appeal is called a base year appeal, where the property owners challenge the original (basis) value of their property. Appeals for reduction in the “base year” value of an assessment, if successful, reduce the assessment for the year in which the appeal is taken and prospectively thereafter. The base year is determined by the completion date of new construction or the date of change of ownership. Any base year appeal must be made within four years of the change of ownership or new construction date.

No assurance can be given that property tax appeals in the future will not significantly reduce the City’s property tax revenues.

### **Limitations on Remedies Available to Bond Owners**

The ability of the City to comply with its covenants under the Lease may be adversely affected by actions and events outside of the control of the City, and may be adversely affected by actions taken (or not taken) by voters, property owners, taxpayers or payers of assessments, fees and charges. See “CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS” above. Furthermore, any remedies available to the owners of the 2020 Bonds upon the occurrence of an event of default under the Lease or the Indenture are in many respects dependent upon judicial actions, which are often subject to discretion and delay and could prove both expensive and time consuming to obtain.

In addition to the limitations on Bondowner remedies contained in the Lease and the Indenture, the rights and obligations under the 2020 Bonds, the Lease and the Indenture may be subject to the following: the United States Bankruptcy Code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors’ rights generally, now or hereafter in effect; usual equity principles which may limit the specific enforcement under State law of certain remedies; the exercise by the United States of America of the powers delegated to it by the Federal Constitution; and the reasonable and necessary exercise, in certain exceptional situations, of the police power inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose. Bankruptcy proceedings, or the exercise of powers by the federal or state government, if initiated, could subject the Owners of the 2020 Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation or modification of their rights.

The opinion to be delivered by Bond Counsel, concurrently with the issuance of the 2020 Bonds, will include a qualification that the rights of the owners of the 2020 Bonds and the enforceability of the 2020 Bonds and the Indenture, the Lease and the Site Lease may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and may also be subject to the exercise of judicial discretion in accordance with principles of equity or otherwise in appropriate cases. See "APPENDIX E — FORM OF OPINION OF BOND COUNSEL."

### **Loss of Tax-Exemption**

As discussed under the caption "TAX MATTERS," interest on the 2020 Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date the 2020 Bonds were issued, as a result of future acts or omissions of the City or the City in violation of their respective covenants in the Lease and the Indenture. Should such an event of taxability occur, the 2020 Bonds are not subject to special redemption and will remain Outstanding until maturity or until redeemed under other provisions set forth in the Indenture.

### **Potential Impact of Climate Change**

City finances may be negatively impacted by future sea level rise or other negative impacts resulting from climate change. These other impacts may include intensity of severe storms, intensity of flooding, and adverse effects on the City's beachfront that are a tourism attraction for visitors to the City. The overall impact of climate change on the City is not definitive, but particular parcels in the City could experience changes to local and regional weather patterns; rising ocean levels; increased risk of flooding; coastal erosion; and water restrictions. Any of these factors may adversely impact property values of homes and businesses in the City and therefore property taxes collected by the City, as well as sales taxes and TOT collected by the City from visitors.

### **Certain Risks Associated with Sales Tax and Other Local Tax Revenues**

Sales tax revenues are based upon the gross receipts of retail sales of tangible goods and products by retailers with taxable transactions in the City, which could be impacted by a variety of factors.

For example, in times of economic recession, the gross receipts of retailers often decline, and such a decline would cause the sales tax revenues received by the City to also decline. There has been tremendous volatility in the markets in the United States and globally associated with the COVID-19 outbreak, resulting in significant declines and speculation of a national and global recession.

In addition, changes or amendments in the laws applicable to the City's receipt of sales tax revenues or other local taxes, whether implemented by State legislative action or voter initiative, could have an adverse effect on sales tax revenues received by the City. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS — Proposition 218 — Article XIIC and Article XIID."

For example, many categories of transactions are exempt from the statewide sales tax, and additional categories could be added in the future. Currently, most sales of food products for human consumption are exempt; this exemption, however, does not apply to liquor or to restaurant meals. The rate of sales tax levied on taxable transactions in the City or the fee

charged by the California Department of Tax and Fee Administration for administering the City's sales tax could also be changed.

### **Cyber Security**

The City, like many other public and private entities, relies on computer and other digital networks and systems to conduct its operations. As a recipient and provider of personal, private or other sensitive electronic information, the City is potentially subject to multiple cyber threats, including without limitation hacking, viruses, ransomware, malware and other attacks. No assurance can be given that the City's efforts to manage cyber threats and attacks will be successful in all cases, or that any such attack will not materially impact the operations or finances of the City. The City is also reliant on other entities and service providers in connection with the administration of the 2020 Bonds, including without limitation the County tax collector for the levy and collection of property taxes, and the Trustee. No assurance can be given that the City and these other entities will not be affected by cyber threats and attacks in a manner that may affect the Bond owners.

### **Secondary Market for Bonds**

There can be no guarantee that there will be a secondary market for the 2020 Bonds or, if a secondary market exists, that any 2020 Bonds can be sold for any particular price. Occasionally, because of general market conditions or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices in connection with a particular issue are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then-prevailing circumstances. Such prices could be substantially different from the original purchase price.

### **IRS Audit of Tax-Exempt Bond Issues**

The Internal Revenue Service (the "IRS") has a program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the 2020 Bonds will be selected for audit by the IRS. It is also possible that the market value of such 2020 Bonds might be affected as a result of such an audit of such 2020 Bonds (or by an audit of similar bonds or securities).

### **Impact of Legislative Proposals, Clarifications of the Tax Code and Court Decisions on Tax Exemption**

Future legislative proposals, if enacted into law, clarification of the Tax Code (defined herein) or court decisions may cause interest on the 2020 Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent 2020 Bond owners from realizing the full current benefit of the tax status of such interest.

## TAX MATTERS

**Federal Tax Status.** In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to the qualifications set forth below, under existing law, the interest on the 2020 Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax.

The opinions set forth in the preceding paragraph are subject to the condition that the Authority comply with all requirements of the Internal Revenue Code of 1986, as amended (the "**Tax Code**") that must be satisfied subsequent to the issuance of the 2020 Bonds in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes. The Authority has made certain representations and covenants in order to comply with each such requirement. Inaccuracy of those representations, or failure to comply with certain of those covenants, may cause the inclusion of such interest in gross income for federal income tax purposes, which may be retroactive to the date of issuance of the 2020 Bonds.

**Tax Treatment of Original Issue Discount and Premium.** If the initial offering price to the public at which a 2020 Bond is sold is less than the amount payable at maturity thereof, then such difference constitutes "original issue discount" for purposes of federal income taxes and State of California personal income taxes. If the initial offering price to the public at which a 2020 Bond is sold is greater than the amount payable at maturity thereof, then such difference constitutes "bond premium" for purposes of federal income taxes and State of California personal income taxes.

Under the Tax Code, original issue discount is treated as interest excluded from federal gross income and exempt from State of California personal income taxes to the extent properly allocable to each owner thereof subject to the limitations described in the first paragraph of this section. The original issue discount accrues over the term to maturity of the 2020 Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). The amount of original issue discount accruing during each period is added to the adjusted basis of such 2020 Bonds to determine taxable gain upon disposition (including sale, redemption, or payment on maturity) of such 2020 Bond. The Tax Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of the 2020 Bonds who purchase the 2020 Bonds after the initial offering of a substantial amount of such maturity. Owners of such 2020 Bonds should consult their own tax advisors with respect to the tax consequences of ownership of 2020 Bonds with original issue discount, including the treatment of purchasers who do not purchase in the original offering to the public at the first price at which a substantial amount of such 2020 Bonds is sold to the public.

Under the Tax Code, bond premium is amortized on an annual basis over the term of the 2020 Bond (said term being the shorter of the 2020 Bond's maturity date or its call date). The amount of bond premium amortized each year reduces the adjusted basis of the owner of the 2020 Bond for purposes of determining taxable gain or loss upon disposition. The amount of bond premium on a 2020 Bond is amortized each year over the term to maturity of the 2020 Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). Amortized 2020 Bond premium is not deductible for federal income tax purposes. Owners of premium 2020 Bonds, including purchasers who do not purchase in the original offering, should consult their own tax advisors with respect to State of California personal income tax and federal income tax consequences of owning such 2020 Bonds.

**California Tax Status.** In the further opinion of Bond Counsel, interest on the 2020 Bonds is exempt from California personal income taxes.

**Other Tax Considerations.** Current and future legislative proposals, if enacted into law, clarification of the Tax Code or court decisions may cause interest on the 2020 Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals, clarification of the Tax Code or court decisions may also affect the market price for, or marketability of, the 2020 Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, such legislation would apply to bonds issued prior to enactment.

The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of such opinion, and Bond Counsel has expressed no opinion with respect to any proposed legislation or as to the tax treatment of interest on the 2020 Bonds, or as to the consequences of owning or receiving interest on the 2020 Bonds, as of any future date. Prospective purchasers of the 2020 Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

Owners of the 2020 Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the 2020 Bonds may have federal or state tax consequences other than as described above. Other than as expressly described above, Bond Counsel expresses no opinion regarding other federal or state tax consequences arising with respect to the 2020 Bonds, the ownership, sale or disposition of the 2020 Bonds, or the amount, accrual or receipt of interest on the 2020 Bonds.

## **CERTAIN LEGAL MATTERS**

Jones Hall, A Professional Law Corporation, Bond Counsel, will render an opinion with respect to the validity of the 2020 Bonds, the form of which is set forth in "APPENDIX E — FORM OF OPINION OF BOND COUNSEL." Certain legal matters will also be passed upon for the City and the Authority by Jones Hall, as Disclosure Counsel. Certain legal matters will be passed upon for the City by the City Attorney, and for the Underwriter by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California.

## **LITIGATION**

To the best knowledge of the City, there is no action, suit, proceeding, inquiry or investigation before or by any court or federal, state, municipal or other governmental authority pending and notice of which has been served on and received by the City or, to the knowledge of the City, threatened against or affecting the City or the assets, properties or operations of the City which, if determined adversely to the City or its interests, would have a material and adverse effect upon the consummation of the transactions contemplated by or the validity of the Lease, the Site Lease or the Indenture, or upon the financial condition, assets, properties or operations of the City, and the City is not in default with respect to any order or decree of any court or any order, regulation or demand of any federal, state, municipal or other governmental authority,

which default might have consequences that would materially adversely affect the consummation of the transactions contemplated by the Lease, the Site Lease or the Indenture, or the financial conditions, assets, properties or operations of the City, including but not limited to the payment and performance of the City's obligations under the Lease.

## **RATING**

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("**S&P**"), has assigned its municipal bond rating of "\_\_\_\_\_" to the 2020 Bonds.

This rating reflects only the views of S&P, and an explanation of the significance of this rating, and any outlook assigned to or associated with this rating, should be obtained from S&P.

Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. The City has provided certain additional information and materials to the rating agency (some of which does not appear in this Official Statement).

There is no assurance that this rating will continue for any given period of time or that this rating will not be revised downward or withdrawn entirely by the rating agency, if in the judgment of the rating agency, circumstances so warrant. Any such downward revision or withdrawal of any rating on the 2020 Bonds may have an adverse effect on the market price or marketability of the 2020 Bonds.

## **CONTINUING DISCLOSURE**

The City (on behalf of the Authority and itself) will covenant for the benefit of owners of the 2020 Bonds to provide certain financial information and operating data relating to the City (the "**Annual Report**") by not later than nine months after the end of the City's fiscal year (presently June 30), commencing March 31, 2021, with the report for the fiscal year ending June 30, 2020, and to provide notices of the occurrence of certain listed events.

These covenants have been made in order to assist the Underwriter in complying with Securities Exchange Commission Rule 15c2-12(b)(5), as amended (the "**Rule**"). The specific nature of the information to be contained in the Annual Report or the notices of listed events is set forth in "APPENDIX C — FORM OF CONTINUING DISCLOSURE CERTIFICATE."

The City has entered into a number of prior continuing disclosure undertakings under the Rule in connection with the issuance of long-term obligations, and has provided annual financial information and event notices in accordance with those undertakings. Based on a review of the City's continuing disclosure filings for the prior five years, the City has determined that \_\_\_\_\_ . [SUMMARY OF PRIOR CONTINUING DISCLOSURE COMPLIANCE TO COME]

The City has taken steps intended to ensure compliance with its continuing disclosure undertakings going forward.

## **MUNICIPAL ADVISOR**

The City and the Authority have retained NHA Advisors, LLC of San Rafael, California, as municipal advisor (the “Municipal Advisor”) in connection with the offering of the 2020 Bonds and the preparation of this Official Statement. The Municipal Advisor assisted in the preparation and review of this Official Statement. All financial and other information presented in this Official Statement has been provided by the City and the Authority from their records, except for information expressly attributed to other sources. The Municipal Advisor takes no responsibility for the accuracy or completeness of the data provided by the City, Authority or others and has not undertaken to make an independent verification or does not assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement. The fee of the Municipal Advisor is contingent upon the successful closing of the 2020 Bonds.

## **UNDERWRITING**

Stifel, Nicolaus & Company, Incorporated (the “Underwriter”), has entered into a Bond Purchase Agreement with the Authority under which it will purchase the 2020 Bonds at a purchase price of \$\_\_\_\_\_ (which is equal to the par amount of the 2020 Bonds, less an Underwriter’s discount of \$\_\_\_\_\_, and plus (less) a net original issue premium (discount) of \$\_\_\_\_\_).

The Underwriter will be obligated to take and pay for all of the 2020 Bonds if any are taken. The Underwriter intends to offer the 2020 Bonds to the public at the offering prices set forth on the inside cover page of this Official Statement. After the initial public offering, the public offering price may be varied from time to time by the Underwriter.

## **PROFESSIONAL SERVICES**

In connection with the issuance of the 2020 Bonds, fees payable to the following professionals involved in the offering are contingent upon the issuance and delivery of the 2020 Bonds: Jones Hall, A Professional Law Corporation, as Bond Counsel and Disclosure Counsel; NHA Advisors, LLC, San Rafael, California, as municipal advisor to the Authority and the City; and U.S. Bank National Association, as Trustee.

## EXECUTION

The execution of this Official Statement and its delivery have been authorized by the Board of the Authority and the City Council of the City.

HERMOSA BEACH PUBLIC FINANCING  
AUTHORITY

By: \_\_\_\_\_  
Chair

CITY OF HERMOSA BEACH

By: \_\_\_\_\_  
City Manager



## **APPENDIX A**

### **SUMMARY OF PRINCIPAL LEGAL DOCUMENTS**

The following is a brief summary of the provisions of the Site Lease, Lease and the Indenture of Trust relating to the 2020 Bonds. Such summary is not intended to be definitive, and reference is made to the complete documents for the complete terms thereof.

**APPENDIX B**

**AUDITED FINANCIAL STATEMENTS  
FOR FISCAL YEAR ENDING JUNE 30, 2019**

## APPENDIX C

### FORM OF CONTINUING DISCLOSURE CERTIFICATE

#### CONTINUING DISCLOSURE CERTIFICATE

\$ \_\_\_\_\_  
**HERMOSA BEACH PUBLIC FINANCING AUTHORITY**  
**2020 Refunding Lease Revenue Bonds**

This Continuing Disclosure Certificate (this “Disclosure Certificate”) is executed and delivered by the City of Hermosa Beach (the “City”), on behalf of the Hermosa Beach Public Financing Authority (the “Authority”) and itself, in connection with the issuance by the Authority of the bonds captioned above (the “Bonds”). The Bonds are being issued under an Indenture of Trust dated as of October 1, 2020 (the “Indenture”), by and between the Authority and U.S. Bank National Association, as trustee (the “Trustee”). The City hereby covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the City on behalf of itself and the Authority for the benefit of the holders and beneficial owners of the Bonds and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

Section 2. Definitions. In addition to the definitions set forth above and 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*” means any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“*Annual Report Date*” means March 31 of each year.

“*Dissemination Agent*” means Willdan Financial Services, or any successor Dissemination Agent designated in writing by the City and which has filed with the City a written acceptance of such designation.

“*Listed Events*” means any of the events listed in Section 5(a) of this Disclosure Certificate.

“*MSRB*” means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

“*Official Statement*” means the final official statement dated \_\_\_\_\_, 2020, executed by the City and the Authority in connection with the issuance of the Bonds.

“*Participating Underwriter*” means Stifel, Nicolaus & Company, Incorporated, the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“*Rule*” means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

### Section 3. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing March 31, 2021, with the report for the 2019-20 Fiscal Year, provide to the MSRB, in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than 15 Business Days prior to the Annual Report Date, the City shall provide the Annual Report to the Dissemination Agent (if other than the City). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the City) has not received a copy of the Annual Report, the Dissemination Agent shall contact the City to determine if the City is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the City may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date. If the City's Fiscal Year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c). The City shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the City hereunder.

(b) If the City does not provide (or cause the Dissemination Agent to provide) an Annual Report by the Annual Report Date, the City shall provide (or cause the Dissemination Agent to provide) a notice to the MSRB, in an electronic format as prescribed by the MSRB.

(c) With respect to each Annual Report, the Dissemination Agent shall:

(i) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and

(ii) if the Dissemination Agent is other than the City, file a report with the City certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, and stating the date it was provided.

Section 4. Content of Annual Reports. The City's Annual Report shall contain or incorporate by reference the following:

(a) Audited Financial Statements of the City prepared in accordance with Generally Accepted Accounting Principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the City's audited financial statements are not available by the Annual Report Date, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) The following information with respect to the City for the Fiscal Year to which the Annual Report relates, which information may be provided by its inclusion in the audited financial statements of the City for the prior Fiscal Year described in subsection (a) above:

(i) The principal amount of Bonds outstanding, including principal amounts and years of maturity of Bonds, if any, called for redemption in advance of maturity;

(ii) A table in the form of Table 4 in the Official Statement, entitled General Fund Tax Revenues By Source, updated for the most recently completed Fiscal Year.

(iii) A table in the form of Table 5 in the Official Statement, entitled Assessed Valuation, updated for the then-current Fiscal Year.

(iv) A table in the form of Table 6 in the Official Statement, entitled Top Twenty Local Secured Taxpayers, updated for the then-current Fiscal Year.

(c) In addition to any of the information expressly required to be provided under this Disclosure Certificate, the City shall provide such further material information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

(d) 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 City or related public entities, which are available to the public on the MSRB's Internet web site or filed with the Securities and Exchange Commission. The City shall clearly identify each such other document so included by reference.

#### Section 5. Reporting of Listed Events.

(a) The City shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the Bonds:

- (1) Principal and interest payment delinquencies.
- (2) Non-payment related defaults, if material.
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties.
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties.
- (5) Substitution of credit or liquidity providers, or their failure to perform.
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds.
- (7) Modifications to rights of security holders, if material.
- (8) Bond calls, if material, and tender offers.
- (9) Defeasances.

- (10) Release, substitution, or sale of property securing repayment of the securities, if material.
- (11) Rating changes (without any obligation to provide any notices of changes in the outlook assigned to or associated with any rating).
- (12) Bankruptcy, insolvency, receivership or similar event of the City.
- (13) The consummation of a merger, consolidation, or acquisition involving the City, or the sale of all or substantially all of the assets of the City (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, if material.
- (14) Appointment of a successor or additional Trustee or the change of name of the Trustee, if material.
- (15) Incurrence of a financial obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the City, any of which affect security holders, if material.
- (16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the City, any of which reflect financial difficulties.

(b) Upon the occurrence of a Listed Event, the City shall, or shall cause the Dissemination Agent (if not the City) to, file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 Business Days after the occurrence of the Listed Event. Notwithstanding the foregoing, notice of Listed Events described in subsection (a)(8) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds under the Indenture.

(c) The City acknowledges that the events described in subparagraphs (a)(2), (a)(7), (a)(8) (if the event is a bond call), (a)(10), (a)(13), (a)(14), and (a)(15) of this Section 5 contain the qualifier "if material" and that subparagraph (a)(6) also contains the qualifier "material" with respect to certain notices, determinations or other events affecting the tax status of the Bonds. The City shall cause a notice to be filed as set forth in paragraph (b) above with respect to any such event only to the extent that it determines the event's occurrence is material for purposes of U.S. federal securities law. Upon occurrence of any of these Listed Events, the City will as soon as possible determine if such event would be material under applicable federal securities law. If such event is determined to be material, the City will cause a notice to be filed as set forth in paragraph (b) above.

(d) For purposes of this Disclosure Certificate, any event described in paragraph (a)(12) above is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States 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 City, 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 City.

(e) For purposes of Section 5(a)(15) and (16), “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 Municipal Securities Rulemaking Board consistent with the Rule.

Section 6. Identifying Information for Filings with the MSRB. All documents provided to the MSRB under the Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The City’s obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the City shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 8. Dissemination Agent. The City 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 Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent will be Willdan Financial Services. Any Dissemination Agent may resign by providing 30 days’ written notice to the City.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the City may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by holders of the Bonds in the manner provided in the Indenture for amendments to the Indenture with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Bonds.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first annual financial information filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the City to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative.

A notice of any amendment made pursuant to this Section 9 shall be filed in the same manner as for a Listed Event under Section 5(c).

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the City 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 Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the City chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the City shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. In the event of a failure of the City to comply with any provision of this Disclosure Certificate, the Participating Underwriter or any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Certificate in the event of any failure of the City to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent.

(a) The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the City agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall have no duty or obligation to review any information provided to it hereunder and shall not be deemed to be acting in any fiduciary capacity for the City, the Bond owners or any other party. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

(b) The Dissemination Agent shall be paid compensation by the City for its services provided hereunder in accordance with its schedule of fees as amended from time to time, and shall be reimbursed for all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder.



Section 13. Notices. Any notice or communications to be among any of the parties to this Disclosure Certificate may be given as follows:

To the Issuer: Hermosa Beach Public Financing Authority  
c/o City of Hermosa Beach  
1315 Valley Drive  
Hermosa Beach, California 90254-3885

To the Dissemination Agent Willdan Financial Services  
27368 Via Industria, Suite 200  
Temecula, California 92590

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

Section 14. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriter and holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Section 15. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which shall be regarded as an original, and all of which shall constitute one and the same instrument.

Date: \_\_\_\_\_, 2020

CITY OF HERMOSA BEACH

By: \_\_\_\_\_  
City Manager

AGREED AND ACCEPTED:  
Willdan Financial Services,  
as Dissemination Agent

By: \_\_\_\_\_  
Title: \_\_\_\_\_

## APPENDIX D

### GENERAL INFORMATION ABOUT THE CITY OF HERMOSA BEACH AND THE COUNTY OF LOS ANGELES

*The following information concerning the City of Hermosa Beach (the “City”) and the County of Los Angeles (the “County”) is included only for the purpose of supplying general information regarding the area in and around the City. The 2020 Bonds are not a debt of the City, the County, the State of California (the “State”) or any of its political subdivisions (other than the Authority), and none of the City, the County, the State or any of its political subdivisions (other than the Authority) is liable therefor.*

#### General

**City of Hermosa Beach.** The City encompasses 1.4 square miles located within the southwest portion of the County on the Santa Monica Bay. Neighboring cities include Manhattan Beach (adjacent to the north), the City of Redondo Beach (adjacent to the south and east), Los Angeles (about 16 miles), Long Beach (about 18 miles), Santa Monica (about 18 miles) and Anaheim (about 29 miles).

The climate in the City is mild, tempered by cool sea breezes and typified by short, mild winters and long, dry summers. Fog is a common occurrence during the early summer. Temperatures average 70 degrees Fahrenheit in the summer and 58 degrees Fahrenheit in the winter; the annual average is 62 degrees Fahrenheit.

The City is a general law city, incorporated in January 14, 1907. The City Council consists of five members who are elected at large. Council members serve four-year, staggered terms, with an election every two years. One member is chosen by fellow members to serve as Mayor for a period of nine months; one is chosen to serve as Mayor Pro tem. The City Manager and City Attorney are hired by the City Council and the City Manager is responsible for the day-to-day operations of the city.

**Los Angeles County.** Located along the southern coast of California, the County covers about 4,080 square miles. It measures approximately 75 miles from north to south and 70 miles from east to west. The County includes Santa Catalina and San Clemente Islands and is bordered by the Pacific Ocean and Ventura, San Bernardino and Orange Counties. Almost half of the County is mountainous and some 14 percent is a coastal plain known as the Los Angeles Basin. The low Santa Monica mountains and Hollywood Hills run east and west and form the northern boundary of the Basin and the southern boundary of the San Fernando Valley. The San Fernando Valley terminates at the base of the San Gabriel Mountains whose highest peak is over 10,000 feet. Beyond this mountain range the rest of the county is a semi dry plateau, the beginning of the vast Mojave Desert. According to the Los Angeles County Regional Planning Commission, the 86 incorporated cities in the county covered about 1,344 square miles or 27 percent of the total county. About 16 percent of the land in the county is devoted to residential use and over two thirds of the land is open space and vacant.

## Population

The table below shows population estimates for the cities in the County and the State for the last five years, as of January 1.

### LOS ANGELES COUNTY AND THE STATE OF CALIFORNIA Population Estimates - Calendar Years 2016 through 2020

<u>Area</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
City of Hermosa Beach	19,796	19,687	19,650	19,641	19,614
Los Angeles County	10,158,196	10,193,753	10,209,676	10,184,378	10,172,951
State of California	39,131,307	39,398,702	39,586,646	39,695,376	39,782,870

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Source: State Department of Finance, Demographic Research.

## Employment and Industry

The seasonally adjusted unemployment rate in the County decreased over the month to 19.4% in June 2020, from a revised 21.1% in May 2020, and was above the rate of 4.4% one year ago. Civilian employment decreased by 242,000 to 3,981,000 in June 2020, while unemployment decreased by 43,000 to 956,000. The civilian labor force increased by 200,000 over the month to 4,937,000 in June 2020. (All of the above figures are seasonally adjusted.) The unadjusted unemployment rate for the County was 19.5% in June 2020.

The California seasonally adjusted unemployment rate was 14.9% in June 2020, 16.4% in May 2020, and 4.0% a year ago in June 2019. The comparable estimates for the nation were 11.1% in June 2020, 13.3% in May 2020, and 3.7% a year ago.

The table below lists employment by industry group for the County for the past five years for which data is available.

### LOS ANGELES-LONG BEACH-GLENDALE MD (LOS ANGELES COUNTY) Annual Average Civilian Labor Force, Employment and Unemployment, Employment by Industry (March 2019 Benchmark)

	2015	2016	2017	2018	2019
Civilian Labor Force	4,980,300	5,030,500	5,084,000	5,095,500	5,121,600
Employment	4,650,700	4,765,900	4,841,900	4,860,300	4,894,300
Unemployment	329,600	264,600	242,200	235,200	227,300
Unemployment Rate	6.6%	5.3%	4.8%	4.6%	4.4%
<u>Wage and Salary Employment: <sup>(1)</sup></u>					
Agriculture	5,000	5,300	5,700	4,600	4,500
Mining and Logging	2,900	2,400	2,000	1,900	1,900
Construction	126,100	134,000	138,700	146,300	149,300
Manufacturing	368,200	360,800	349,000	341,200	339,200
Wholesale Trade	222,400	222,100	221,500	223,200	220,500
Retail Trade	422,200	424,600	426,100	424,800	417,300
Trans., Warehousing, Utilities	177,600	188,900	198,200	203,600	213,800
Information	207,600	229,400	214,900	216,400	217,300
Financial and Insurance	135,600	138,100	137,500	136,500	135,500
Real Estate, Rental & Leasing	80,000	81,700	84,100	86,700	88,400
Professional and Business Services	593,800	603,000	612,100	630,400	642,800
Educational and Health Services	745,900	772,700	800,600	821,300	843,600
Leisure and Hospitality	486,600	510,000	524,600	536,500	544,700
Other Services	151,000	153,300	155,700	158,800	158,400
Federal Government	47,400	47,700	48,000	47,300	47,400
State Government	87,400	89,900	92,500	91,700	92,500
Local Government	433,700	439,100	445,600	451,600	454,300
Total All Industries <sup>(2)</sup>	4,293,500	4,403,000	4,456,700	4,522,700	4,571,400

(1) Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

(2) May not add due to rounding.

Source: State of California Employment Development Department.

## Largest Employers

The table below lists the larger employers in the County. Major private employers in the Los Angeles area include those in aerospace, health care, entertainment, electronics, retail and manufacturing. Major public sector employers include public universities and schools, the State, and the County.

### LOS ANGELES COUNTY Major Employers August 2020

Employer Name	Location	Industry
AHMC Healthcare Inc	Alhambra	Health Care Management
All Nations Church	Sylmar	Churches
Cedar-Sinai Medical Ctr	West Hollywood	Hospitals
Infineon Technologies Americas	El Segundo	Semiconductor Devices (mfrs)
JET Propulsion Laboratory	Pasadena	Research Service
Kaiser Permanente Los Angeles	Los Angeles	Hospitals
La County Office of Education	Downey	Educational Service-Business
LAC & USC Medical Ctr	Los Angeles	Hospitals
Long Beach City Hall	Long Beach	Government Offices-City/Village & Twp
Longshore Dispatch	Wilmington	Nonclassified Establishments
Los Angeles County Sheriff	Monterey Park	Government Offices-County
Los Angeles Intl Airport-Lax	Los Angeles	Airports
Los Angeles Medical Ctr	Los Angeles	Pathologists
Los Angeles Police Dept	Los Angeles	Police Departments
National Institutes of Health	Pasadena	Physicians & Surgeons
Northrop Grumman	Whittier	Engineers
Security Industry Specialist	Culver City	Security Systems Consultants
Six Flags Magic Mountain	Valencia	Amusement & Theme Parks
Sony Pictures Entertainment	Culver City	Motion Picture Producers & Studios
Space Exploration Tech Corp	Hawthorne	Aerospace Industries (mfrs)
University of Ca Los Angeles	Los Angeles	Schools-Universities & Colleges Academic
University of Ca Los Angeles	Los Angeles	University-College Dept/Facility/Office
Vxi Global Solutions	Los Angeles	Call Centers
Walt Disney Co	Burbank	Water Parks
Water Garden Management	Santa Monica	Office Buildings & Parks

Source: State of California Employment Development Department, extracted from The America's Labor Market Information System (ALMIS) Employer Database, 2020 1st Edition.

## Effective Buying Income

“Effective Buying Income” is defined as personal income less personal tax and nontax payments, a number often referred to as “disposable” or “after-tax” income. Personal income is the aggregate of wages and salaries, other labor-related income (such as employer contributions to private pension funds), proprietor’s income, rental income (which includes imputed rental income of owner-occupants of non-farm dwellings), dividends paid by corporations, interest income from all sources, and transfer payments (such as pensions and welfare assistance). Deducted from this total are personal taxes (federal, state and local), nontax payments (fines, fees, penalties, etc.) and personal contributions to social insurance. According to U.S. government definitions, the resultant figure is commonly known as “disposable personal income.”

The following table summarizes the median household effective buying income for the City, the County, the State and the United States for the period 2016 through 2020.

### CITY OF HERMOSA BEACH AND LOS ANGELES COUNTY Effective Buying Income Median Household 2016 through 2020

Year	Area	Total Effective Buying Income (000's Omitted)	Median Household Effective Buying Income
2016	City of Hermosa Beach	\$1,139,195	\$83,307
	Los Angeles County	231,719,110	48,950
	California	981,231,666	53,589
	United States	7,757,960,399	46,738
2017	City of Hermosa Beach	\$1,260,253	\$89,382
	Los Angeles County	243,502,324	50,236
	California	1,036,142,723	55,681
	United States	8,132,748,136	48,043
2018	City of Hermosa Beach	\$1,371,732	\$97,812
	Los Angeles County	261,119,300	54,720
	California	1,113,648,181	59,646
	United States	8,640,770,229	50,735
2019	City of Hermosa Beach	\$1,485,081	\$101,497
	Los Angeles County	271,483,825	56,831
	California	1,183,264,399	62,637
	United States	9,017,967,563	52,841
2020	City of Hermosa Beach	\$1,455,277	\$101,028
	Los Angeles County	281,835,290	60,174
	California	1,243,564,816	65,870
	United States	9,487,165,436	55,303

Source: The Nielsen Company (US), Inc for years 2016 through 2018; Claritas, LLC for 2019 and 2020.

## Commercial Activity

Summaries of historic taxable sales within the City and the County during the past five years in which data is available are shown in the following tables.

Total taxable sales during calendar year 2019 in the City were reported to be \$263,126,807, a 1.5% decrease over the total taxable sales of \$265,920,080 reported during calendar year 2018.

**CITY OF HERMOSA BEACH**  
**Taxable Transactions**  
**Number of Permits and Valuation of Taxable Transactions**  
**(Dollars in Thousands)**

	<b>Retail Stores</b>		<b>Total All Outlets</b>	
	<b>Number of Permits</b>	<b>Taxable Transactions</b>	<b>Number of Permits</b>	<b>Taxable Transactions</b>
2015 <sup>(1)</sup>	718	\$216,242	1,041	\$241,455
2016	714	216,758	1,059	245,582
2017	664	238,202	1,019	262,464
2018	675	246,328	1,051	265,920
2019	660	239,577	1,048	263,127

(1) Permit figures for calendar year 2015 are not comparable to that of prior years due to outlet counts in these reports including the number of outlets that were active during the reporting period. Retailers that operate part-time are now tabulated with store retailers.

Source: State Department of Tax and Fee Administration.

Total taxable sales during calendar year 2019 in the County were reported to be \$171,776,327,181, a 3.46% increase over the total taxable sales of \$166,023,795,826 reported during calendar year 2018.

**LOS ANGELES COUNTY**  
**Taxable Retail Sales**  
**Number of Permits and Valuation of Taxable Transactions**  
**(Dollars in Thousands)**

	<b>Retail Stores</b>		<b>Total All Outlets</b>	
	<b>Number of Permits</b>	<b>Taxable Transactions</b>	<b>Number of Permits</b>	<b>Taxable Transactions</b>
2015 <sup>(1)</sup>	112,657 <sup>(1)</sup>	\$108,147,021	310,063	\$151,033,781
2016	196,929	109,997,043	311,295	154,208,333
2017	197,452	113,280,347	313,226	159,259,356
2018	200,603	119,145,054	328,047	166,023,796
2019	206,732	122,137,664	342,359	171,776,327

(1) Permit figures for calendar year 2015 are not comparable to that of prior years due to outlet counts in these reports including the number of outlets that were active during the reporting period. Retailers that operate part-time are now tabulated with store retailers.

Source: State Department of Tax and Fee Administration.

## Construction Activity

Provided below are the building permits and valuations for the City and the County during the past five years in which data is available.

### CITY OF HERMOSA BEACH Total Building Permit Valuations (Valuations in Thousands) Calendar Years 2015 through 2019

	2015	2016	2017	2018	2019
<u>Permit Valuation</u>					
New Single-family	\$25,092.1	\$25,569.2	\$17,520.0	\$35,068.6	\$18,367.5
New Multi-family	5,807.3	5,621.9	1,985.4	4,488.4	2,372.2
Res. Alterations/Additions	<u>10,594.9</u>	<u>10,793.2</u>	<u>7,076.1</u>	<u>8,525.4</u>	<u>7,102.4</u>
Total Residential	41,494.30	41,984.30	26,581.50	48,082.40	27,842.10
 New Commercial	 853.0	 5,992.3	 1,580.1	 0.0	 13.0
New Industrial	0.0	0.0	0.0	0.0	0.0
New Other	749.7	1,704.2	737.1	743.5	389.4
Com. Alterations/Additions	<u>2,494.1</u>	<u>2,942.4</u>	<u>1,352.6</u>	<u>5,109.8</u>	<u>1,609.3</u>
Total Nonresidential	4,096.8	10,638.90	3,669.80	5,853.3	2,011.7
 <u>New Dwelling Units</u>					
Single Family	43	49	29	56	31
Multiple Family	<u>15</u>	<u>15</u>	<u>5</u>	<u>9</u>	<u>4</u>
TOTAL	58	64	34	65	35

Source: Construction Industry Research Board, Building Permit Summary.

### LOS ANGELES COUNTY Total Building Permit Valuations (Valuations in Thousands) Calendar Years 2015 through 2019

	2015	2016	2017	2018	2019
<u>Permit Valuation</u>					
New Single-family	\$1,897,829.7	\$2,162,018.2	\$2,352,614.8	\$2,277,101.5	\$1,967,219.3
New Multi-family	2,843,749.2	2,774,294.3	3,257,833.4	3,222,530.3	2,961,257.4
Res. Alterations/Additions	<u>1,641,457.3</u>	<u>1,639,294.3</u>	<u>1,757,904.1</u>	<u>1,941,369.5</u>	<u>1,625,839.3</u>
Total Residential	6,383,036.1	6,575,607.5	7,368,352.3	7,441,001.3	6,554,316.0
 New Commercial	 1,695,869.8	 1,728,443.4	 2,196,089.2	 2,844,173.0	 2,675,678.8
New Industrial	85,937.1	138,408.6	134,534.3	101,201.3	63,727.8
New Other	1,157,838.0	791,078.1	563,679.3	952,347.7	446,182.7
Com. Alterations/Additions	<u>2,705,727.5</u>	<u>2,880,916.6</u>	<u>3,143,200.2</u>	<u>2,796,375.3</u>	<u>3,404,012.4</u>
Total Nonresidential	5,645,372.4	2,657,930.1	6,037,503.0	6,694,097.3	6,589,601.7
 <u>New Dwelling Units</u>					
Single Family	4,487	4,780	5,456	6,070	5,738
Multiple Family	<u>18,405</u>	<u>15,589</u>	<u>17,023</u>	<u>17,152</u>	<u>15,884</u>
TOTAL	22,892	20,369	22,479	23,222	21,622

Source: Construction Industry Research Board, Building Permit Summary.



## **Transportation**

The County maintains more than 4,700 miles of major roads and local streets; operates and maintains hundreds of traffic control devices; administers and manages public transit services, such as shuttle buses and dial-a-ride services, in unincorporated areas; and owns and operates five local airports: Brackett Field Airport, Compton/Woodley Airport, San Gabriel Valley Airport, General Wm. J. Fox Airfield, Whiteman Airport and Department of Public Works - Los Angeles County Airports.

Los Angeles County Metropolitan Transportation Authority (Metro) is unique among the nation's transportation agencies. It serves as transportation planner and coordinator, designer, builder and operator for one of the Country's largest, most populous counties. More than 9.6 million people – nearly one-third of California's residents – live, work, and play within its 1,433-square-mile service area. Many of these transit services are provided in conjunction with the adjacent cities to expand the service areas. Metro provides bus stop amenities including shelters, benches, and trash receptacles at bus stops.

**APPENDIX E**  
**FORM OF OPINION OF BOND COUNSEL**

## APPENDIX F

### DTC AND THE BOOK-ENTRY ONLY SYSTEM

*The following description of the Depository Trust Company (“DTC”), the procedures and record keeping with respect to beneficial ownership interests in the 2020 Bonds, payment of principal, interest and other payments on the 2020 Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the 2020 Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.*

*Neither the issuer of the 2020 Bonds (the “Issuer”) nor the trustee, fiscal agent or paying agent appointed with respect to the 2020 Bonds (the “Agent”) take any responsibility for the information contained in this Appendix.*

*No assurances can be given that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the 2020 Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the 2020 Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the 2020 Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current “Rules” applicable to DTC are on file with the Securities and Exchange Commission and the current “Procedures” of DTC to be followed in dealing with DTC Participants are on file with DTC.*

1. The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the securities (the “Securities”). The Securities 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 Security certificate will be issued for each issue of the Securities, each in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. DTC, the world’s largest securities depository, 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. 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 Securities 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 its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com). *The information contained on this Internet site is not incorporated herein by reference.*

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("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 Securities 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 Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities 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 Securities 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 Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities 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.

5. 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. Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer 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 Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities 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 Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by 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 Participant and not of DTC, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, 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.

9. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

10. Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

11. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

**APPENDIX G**  
**INVESTMENT POLICY**



# City of Hermosa Beach

City Hall  
1315 Valley Drive  
Hermosa Beach, CA 90254

## Staff Report

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### Staff Report

REPORT 20-0610

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**Honorable Mayor and Members of the Hermosa Beach City Council  
Regular Meeting of September 22, 2020**

**RECEIVE REPORT ON EMERGENCY  
ENFORCEMENT MEASURES TO ENSURE  
COMPLIANCE WITH PANDEMIC-RELATED HEALTH  
ORDERS FROM BOTH THE CITY AND THE COUNTY  
OF LOS ANGELES HEALTH DEPARTMENT**

(City Manager Suja Lowenthal)

*(This will be a verbal report)*

**Recommended Action:**

DATE	ORDINANCE/RESOLUTION	EXPIRATION DATE
<a href="#"><u>March 16, 2020</u></a>	Proclamation of Local Emergency:	
March 16, 2020	<p>Pursuant to Section 5: Pursuant to the authority prescribed by Hermosa Beach Municipal Code Section 2.56.090, the City Council hereby orders as follows (the “Order”), to take effect immediately and remain in effect until March 28, 2020, unless extended by the City Council or City Manager:</p> <ul style="list-style-type: none"> <li>A. All restaurants, alcohol beverage establishments and snack shops in the City are hereby ordered closed to onsite patronage; <i>provided, however</i>, that take-out orders and delivery of meals are permitted provided that take-out orders are picked up by a single person and the establishment maintains social distance in any necessary queuing of patrons.</li> <li>B. All formal and informal organized and group activities, games and sports, with the exception of family outings, are hereby prohibited in all City parks and the beach;</li> <li>C. The City shall prohibit access to play structures at all City parks;</li> <li>D. The City shall post signs at all City parks advising that: <ul style="list-style-type: none"> <li>I. COVID-19 is known to survive on various surfaces such as children’s play equipment, bathroom surfaces, tables, benches, railings, and other fixtures, for 72 or more hours; and</li> <li>II. Park users shall maintain social distance as prescribed by Beach Cities Health District, as provided in Exhibit 1 attached hereto;</li> <li>III. Park users with symptoms consistent with COVID-19 infection are encouraged to isolate themselves at home and contact their health care provider or, if they do not have a health care provider, the Los Angeles</li> </ul> </li> </ul>	<p>Section 5 requirements: until <b>March 28, 2020</b>, unless extended by the City Council or City Manager.</p> <p>No expiration date set for Section 6 Measures.</p>



	<p>County Department of Health to assist with receiving prompt diagnosis and care.</p> <p>Pursuant to Section 6:</p> <p>Commercial landlords in the City are hereby prohibited from (I) charging rent and (II) evicting commercial tenants for nonpayment of rent with respect to tenants whose businesses are subject to the Order or are otherwise limited or closed (voluntarily or by mandate) to prevent or reduce the spread of COVID-19 and who demonstrate lost income and inability to pay rent as a result of such limitation or closure. A landlord knows of a tenant's lost income and inability to pay rent within the meaning of this Order if the tenant, within 30 days after the date rent is due, notifies the landlord in writing of the lost income and inability to pay rent due to a limitation or closure of the tenant's business related to COVID-19, with appropriate supporting documentation. If a tenant suffers only a partial loss of income, the tenant shall pay the pro-rated share of their rent that corresponds to the income they generated during the period of loss. For purposes of this Order, "in writing" includes email or text communications to a landlord or the landlord's representative with whom the tenant has previously corresponded by email or text. All financial information provided to the landlord shall be kept in confidence and only used for evaluating the tenant's claim or enforcing this provision.</p> <p>Residential landlords in the City are hereby prohibited from (I) charging rent and (II) evicting residential tenants for nonpayment of rent with respect to tenants whose income is reduced or eliminated as a result of efforts to prevent or reduce the spread of COVID-19 and who demonstrate lost income and inability to pay rent as a result of such loss. A landlord knows of a tenant's lost income and inability to pay rent within the meaning of this Order if the tenant, within 30 days after the date rent is due, notifies the landlord in writing of the lost income and inability to pay rent due to such loss, with appropriate supporting documentation. If a tenant suffers only a partial loss of income, the tenant shall pay the pro-rated share of their rent that corresponds to the income they generated during the period of loss. For purposes of this Order, "in writing" includes email or text communications to a landlord or the landlord's representative with whom the tenant has previously corresponded by email or text. All financial information provided to the landlord shall be kept in</p>	
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	confidence and only used for evaluating the tenant's claim or enforcing this provision.	
<a href="#"><u>March 24, 2020</u></a>	<p>Urgency Ordinance No. 20-1406U, Temporary Moratorium on Evictions for Nonpayment of Rent by Residential Tenants and Commercial Tenants, and Temporary Suspension on Residential and Commercial Foreclosures</p> <p>This Moratorium replaced the moratorium in Resolution No. 20-7230</p>	<b>May 31, 2020</b>
<a href="#"><u>April 14, 2020</u></a>	<p>Urgency Ordinance No. 20-1407U, to amend the temporary moratorium on foreclosures and evictions due to non-payment of rent by residential and commercial tenants impacted by COID-19.</p> <p>Amended the Eviction Moratorium in 20-1406U in its entirety in light of Governor Newsom's Financial Relief Package announced on March 25, 2020.</p>	<b>May 31, 2020</b>
April 22, 2020	<p>City Manager/Director of Emergency Services Executive Order No. 2020-01</p> <p>Pursuant to Section 2:</p> <ol style="list-style-type: none"> <li>1. Cancellation of non-essential large public events, senior and community programs, and limitations on public access to some City facilities (effective March 12, 2020).</li> <li>2. Cancellation of P.A.R.K. After School Program (effective March 13, 2020).</li> <li>3. Closure of City Hall (effective March 16, 2020).</li> <li>4. Cancellation of Wednesday Farmers Market (effective March 18, 2020) and Friday Farmers Market (effective March 20, 2020).</li> <li>5. Business License renewal dates extended to May 31, 2020 (effective March 25, 2020).</li> <li>6. Parking Permit renewal dates extended to May 31, 2020 (effective March 25, 2020).</li> </ol>	shall continue until the earlier to occur of: (1) the conclusion of the local emergency; (2) its termination is ordered by the City Manager/Director of Emergency Services; or (3) it is duly terminated by the City Council. The Order may also be superseded by a duly enacted ordinance or order of the City Council expressly superseding this Order.

	<ol style="list-style-type: none"> <li>7. Parking citation unbilled late fees delayed until May 31, 2020 (effective March 25, 2020).</li> <li>8. Parking citation DMV holds delayed until May 31, 2020 (effective March 25, 2020).</li> <li>9. Temporary banner permit requirements waived through May 31, 2020 (effective March 25, 2020).</li> <li>10. Closure of beach and Strand (effective March 27, 2020).</li> <li>11. Closure of City parks on Easter Sunday (effective April 9, 2020).</li> </ol>	
April 27, 2020	<p>City Manager/Director of Emergency Services Executive Order No. 2020-02</p> <p>Pursuant to section 2:</p> <p style="padding-left: 40px;">The ten cents (\$0.10) per recycled paper carryout bag charged to customers by affected retail establishments provided by Hermosa Beach Municipal Code Section 8.68.040 is hereby suspended.</p> <p>2. All restaurants, snack shops and similar businesses that serve food (and, optionally, groceries) and alcohol via delivery, pick-up or drive-thru shall not provide any alcohol to a customer prior to providing the entire food/meal order; i.e. all alcohol shall be provided to the customer concurrently with the delivery of food. All such establishments shall monitor customers waiting for food to ensure that no one is consuming alcohol on or adjacent to the premises.</p>	shall continue until the earlier to occur of: (1) the conclusion of the local emergency; (2) its termination is ordered by the City Manager/Director of Emergency Services; or (3) it is duly terminated by the City Council. The Order may also be superseded by a duly enacted ordinance or order of the City Council expressly superseding this Order.
May 14, 2020	<p>City Manager/Director of Emergency Services Executive Order No. 2020-03</p> <p>Pursuant to Section 2:</p> <p style="padding-left: 40px;">Consistent with the provisions of the County Health Officer's May 13, 2020 Revised Order, the beach will be open from 6:00 a.m. to 9:00 p.m. subject to the following:</p> <p style="padding-left: 40px;">a. Only the following limited activities are allowed:</p>	shall continue until the earlier to occur of: (1) the conclusion of the local emergency; (2) its termination is ordered by the City Manager/Director of Emergency Services; or (3) it is duly terminated by the City Council. The Order may also be

	<ul style="list-style-type: none"> <li>i. Individual or household ocean activities such as surfing, swimming, kayaking, paddle boarding, and body surfing.</li> <li>ii. Individual or household active recreation and exercise such as walking and running where the participants do not remain in a stationary location.</li> </ul> <p>b. The following activities are prohibited:</p> <ul style="list-style-type: none"> <li>i. Sunbathing, sitting, lying on the sand and other stationary activities (such as yoga, calisthenics, or meditation).</li> <li>ii. Picnicking.</li> <li>iii. Use of chairs, canopies or coolers.</li> <li>iv. Biking.</li> <li>v. Group or organized sports such as volleyball.</li> <li>vi. Gatherings or events.</li> <li>vii. Fishing.</li> </ul> <p>c. Individuals/households must exit the beach immediately after they recreate.</p> <p>d. All beachgoers must follow the following safety requirements:</p> <ul style="list-style-type: none"> <li>i. Maintain more than 6 feet physical distance from others at all times (except between members of same household).</li> <li>ii. Wear face coverings, when out of the water and around others (except for children under age 2 and children with breathing problems).</li> </ul> <p>2. All City parks and the beach are closed daily from 9:00 p.m. to 6:00 a.m.</p> <p>3. The Strand and Pier remain closed.</p>	<p>superseded by a duly enacted ordinance or order of the City Council expressly superseding this Order.</p>
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	<p>4. City parking facilities are subject to the following regulations, subject to further modification by the City Manager/Director of Emergency Services as may be required to maintain public safety and order and to enforce the City's emergency orders:</p> <ul style="list-style-type: none"><li>a. All, or parts of, Lot A, Lot B, Lot C, and Lot D will be closed.</li><li>b. Temporary short-term parking spaces will be established in Lot A and Lot D.</li><li>c. Monthly permit parking spaces will be provided in Lot D.</li><li>d. Temporary parking spaces will be designated at various locations on City streets.</li></ul> <p>5. Consistent with the provisions of the County Health Officer's May 13, 2020 Revised Order, all Lower Risk retail Businesses that sell goods and services to the public may only provide these goods and services to the public via curbside, doorside, or other outdoor or outside pickup, or via delivery. Members of the public are not permitted inside a retail Low-Risk Retail Business. Lower Risk Businesses may set up a table or shade structure in a manner to accommodate pickup, provided that patrons practice social distancing as provided in the May 13, 2020 Revised Order and provided that minimum 5-foot clearance is maintained along public walkways. Outdoor display of merchandise is prohibited.</p> <p>6. In addition to enforcement remedies available to the City as provided in the Hermosa Beach Municipal Code, emergency executive orders issued by the City Manager/Director of Emergency Services and emergency resolutions adopted by the City Council shall be enforceable by way of:</p> <ul style="list-style-type: none"><li>a. Imposing an administrative citation pursuant to HBMC Chapter 1.10.</li></ul>	
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	b. Prosecuting a misdemeanor, punishable by a fine of not to exceed one thousand (\$1,000) dollars or by imprisonment for not to exceed six months, or both.	
May 21, 2020	<p>City Manager/Director of Emergency Services Executive Order No. 2020-04</p> <p><u>Pursuant to Section 3.</u> the City Manager and Director of Emergency Services now seeks to extend the duration of the emergency orders listed in Section 5 of Resolution No. 20-7230, as revised and restated below. The following emergency orders are issued effective as of the date set forth below and shall supersede any previous emergency orders inconsistent herewith:</p> <p>A. All restaurants, alcohol beverage establishments and snack shops in the City are hereby ordered closed to onsite patronage; <i>provided, however</i>, that (i) take-out orders and delivery of meals are permitted, provided that take-out orders are picked up by way of a drive-through window or by a single person and the establishment maintains social distance in any necessary queuing of patrons, and (ii) outdoor dining will be permitted upon issuance of and as provided in Executive Order 2020-05.</p> <p>B. All gyms and fitness centers are hereby ordered closed in accordance with the March 16, 2020 Order of the Health Officer of the Los Angeles County Department of Public Health.</p> <p>C. All formal and informal organized and group activities of any size, including but not limited to all games and sports, with the exception of family outings and use of the City's tennis and pickleball courts in accordance with City regulations, are hereby prohibited in all City parks, the beach, Pier Plaza and other public spaces.</p> <p>D. Access to play structures and exercise equipment in all City parks, the beach, and the Greenbelt is hereby prohibited.</p> <p>E. The City shall post signs at all City parks, the Greenbelt, the beach, Pier Plaza and the Strand advising that:</p> <p>I. COVID-19 is known to survive on various surfaces such as children's play equipment, bathroom surfaces, tables, benches, railings and other fixtures, for 72 or more hours;</p>	The Order may be superseded by a duly enacted ordinance or order of the City Council expressly superseding this Order.

	<p>II. Users of public spaces shall maintain social distance as prescribed by Beach Cities Health District, as provided in Exhibit 1 attached hereto; and</p> <p>III. Users of public spaces with symptoms consistent with COVID-19 infection are encouraged to isolate themselves at home and contact their health care provider, or if they do not have a health care provider, the Los Angeles County Department of Health to assist with receiving prompt diagnosis and care.</p> <p><u>Pursuant to Section 4:</u></p> <p>In addition to the emergency orders listed in Section 3 above, the City Manager and Director of Emergency Services further orders that:</p> <p>A. The enforcement of City street sweeping restrictions suspended on March 16, 2020, as a part of the City's effort to combat COVID-19, shall resume on June 8, 2020.</p>	
May 21, 2020	<p>Resolution No. 7236, Rescinding Portions of Executive Order Nos. 2020-01 and 2020-03 to reopen the Strand:</p> <p><u>Pursuant to Section 2:</u>The Strand is re-open for public use effective 6:00 a.m. on Saturday, May 23, 2020; Section 2, paragraph 10 of Executive Order No. 2020-01 and Section 2, paragraph 3 of Executive Order No. 2020-03 are hereby rescinded.</p>	No expiration date stated.
May 26, 2020	<p>Urgency Ordinance No. 20-1409U, Extending the temporary moratorium on evictions</p> <p><u>Pursuant to Section 2:</u></p> <p>Ordinance No. 20-1407U will remain in effect until July 31, 2020. All other provisions of Ordinance No. 20-1407U remain the same</p>	<b>July 31, 2020.</b>

May 26, 2020	<p>Executive Order No. 2020-05, Implementing a temporary permit for outdoor dining/seating and outdoor retail display to assist in the reopening of restaurants, and food and retail establishments.</p> <p>Pursuant to Section 2:</p> <ul style="list-style-type: none"> <li>A. Established a temporary permit program for outdoor dining/seating.</li> <li>B. Established a temporary permit program to permit City businesses to display merchandise on the street.</li> <li>C. Provisions of HBMC §§ 17.26.050(B), (C), and 17.44.030.</li> </ul>	shall continue until the earlier to occur of: (1) the conclusion of the local emergency; (2) its termination is ordered by the City Manager/Director of Emergency Services; or (3) it is duly terminated by the City Council. The Order may also be superseded by a duly enacted ordinance or order of the City Council expressly superseding this Order.
<a href="#">June 9, 2020</a>	<p>Urgency Ordinance No. 1410U, Implementing a Temporary Permit for Outdoor Dining/Seating and Outdoor Retail Display to Assist in the Reopening of Restaurants, Food, and Retail:</p> <p>Section 2 reiterates subsection (A) and (C) in Executive Order No. 2020-05 above, and suspends these additional HBMC §§ 17.38.550(B), 12.16.090 and 12.16.100.</p>	No expiration date stated.
June 15, 2020	<p>City Manager/Director of Emergency Services Order No. 2020-06</p> <p><b>Pursuant to Section 2:</b> The following emergency order shall supersede Section 2, paragraphs 1 and 2 (only as applied to the beach) of Executive Order No. 2020-03:</p> <p>The beach will be open from 6:00 a.m. to 12:00 a.m. subject to the following:</p> <ul style="list-style-type: none"> <li>a. The following activities are allowed: <ul style="list-style-type: none"> <li>i. Individual or household ocean activities such as surfing, swimming, kayaking, paddle boarding, and body surfing.</li> <li>ii. Individual or household active recreation and exercise such as walking and running.</li> <li>iii. Sitting, lying, picnicking or otherwise congregating or engaging in stationary activities (such as yoga, calisthenics, or</li> </ul> </li> </ul>	shall continue until the earlier to occur of: (1) the conclusion of the local emergency; (2) its termination is ordered by the City Manager/Director of Emergency Services; or (3) it is duly terminated by the City Council. The Order may also be superseded by a duly enacted ordinance or order of the City Council expressly superseding this Order.



	<p>meditation on the sand individually or with members of the same household.</p> <p>iv. Use of chairs, canopies or coolers.</p> <p>b. The following activities are prohibited:</p> <p>v. Group or organized sports such as volleyball.</p> <p>vi. Gatherings or events.</p> <p>c. All beachgoers must follow the following safety requirements:</p> <p>i. Maintain more than 6 feet physical distance from others at all times (except between members of same household)</p> <p>ii. Wear face coverings, when out of the water and in contact with others who do not belong to the same household (except for children under age 2 and children with breathing problems).</p> <p><b>SECTION 3.</b> The following emergency order shall supersede Section 2, paragraph 3 of Executive Order No. 2020-03:</p> <p>The City Pier will re-open on June 15, 2020 for normal operational hours of 6:00 AM to 10:00 PM. Pier users must maintain physical distance, avoid gatherings and wear a face covering when physical distance cannot be maintained.</p> <p><b>SECTION 4.</b> To the extent inconsistent herewith, the following emergency order shall supersede Section 2, paragraph 5 of Executive Order No. 2020-03 and Section 3, paragraph A of Executive Order No. 2020-04:</p> <p>A. Lower risk retail businesses may open for business in accordance with Appendix B of the June 11 Revised Order.</p>	
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	<p>B. Non-retail lower risk manufacturing and logistics sector business that supply low-risk retail business may open for business in accordance with Appendix C of the June 11 Revised Order.</p> <p>C. Non-essential office-based businesses may open for business in accordance with Appendix D of the June 11 Revised Order.</p> <p>D. Hair salons and barbershops may open for business in accordance with Appendix H of the June 11 Revised Order.</p> <p>E. Art galleries and museums may open for business in accordance with Appendix M of the June 11 Revised Order.</p> <p><b>SECTION 5.</b> Section 3, Paragraph B of Executive Order No. 2020-04 pertaining to gyms and fitness centers is rescinded and those businesses may re-open in compliance with Gym and Fitness Establishments Protocols (Appendix L) of the June 11 Revised Order.</p> <p><b>SECTION 6.</b> Notwithstanding the provisions of Section 3, paragraph C of Executive Order No. 2020-04 to the contrary:</p> <p>A. <u>Day Camps and Camp Permits.</u> City run and City-permitted day camps are permitted to resume operations. Camp operators must comply with the Los Angeles County Health Department Day Camp Protocol (Appendix K) and submit the completed protocol checklist to the City prior to issuance of a permit.</p> <p>B. <u>Outdoor Fitness Permits.</u> Outdoor fitness instruction will be permitted to resume only for activities that are specifically allowed within the June 11 Revised Order. Operators must comply with the Los Angeles County Public Health Department Gym and Fitness Protocol (Appendix L) and submit the completed protocol checklist to the City prior to issuance of a permit.</p> <p><b>SECTION 7.</b> Notwithstanding the provisions of Section 2, paragraph 4 of Executive Order No. 2020-03 to the contrary:</p>	
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	<p>A. Parking Lot A is reopened for use for non-permit holders with a new time limit of 3 hours per day, and for use by monthly permit holders.</p> <p>B. Parking Lot B is reopened for use for non-permit holders.</p> <p>C. Parking Lot D temporary restrictions are removed.</p>	
June 24, 2020	<p>City Manager/Director of Emergency Services Executive Order No. 2020-07</p> <p>Pursuant to Section 2: The following emergency order shall supersede Section 3, paragraph A of Executive Order No. 2020-04:</p> <p>Bars, wineries and brewery tasting rooms may open for business in accordance with Appendix S of the County Health Officer's June 18, 2020 Revised Order.</p>	<p>shall continue until the earlier to occur of: (1) the conclusion of the local emergency; (2) its termination is ordered by the City Manager/Director of Emergency Services; or (3) it is duly terminated by the City Council. The Order may also be superseded by a duly enacted ordinance or order of the City Council expressly superseding this Order.</p>
June 29, 2020	<p>City Manager/Director of Emergency Services Executive Order No. 2020-08.</p> <p>Pursuant to Section 2:</p> <p>Bars, wineries, breweries and wine tasting rooms are closed in accordance with paragraph 7, subsections (b) and (c) of the Revised Order (Revised Order refers to LA County Health June 29, 2020 Health Order)</p> <p>Pursuant to Section 3:</p> <p>Restaurants and food facilities must abide by paragraph 18, subsection (l) of the County Health Officer's Revised Order and Appendix I, to establish a "reservation only" system to notify patrons of seating availability and to allow for the collection of contact information to be utilized for contact-tracing if needed.</p>	<p>shall continue until the earlier to occur of: (1) the conclusion of the local emergency; (2) its termination is ordered by the City Manager/Director of Emergency Services; or (3) it is duly terminated by the City Council. The Order may also be superseded by a duly enacted ordinance or order of the City Council expressly superseding this Order.</p>

<a href="#"><u>July 1, 2020</u></a>	<p>Resolution No. __, Temporarily Suspending for the Duration of the Fourth of July Holiday Weekend Specified City Manager Orders and City Council Resolutions</p> <p>Pursuant to Section 2:</p> <p style="padding-left: 40px;">A. Notwithstanding Section 2(4) of Executive Order No. 2020-03, the following City parking facilities are closed from 12:01 a.m. July 3, 2020 through 5:00 a.m. on the <b>morning of July 6, 2020:</b></p> <p style="padding-left: 80px;">a. Parking Lot A; and</p> <p style="padding-left: 80px;">b. Parking Lot B spaces will be reassigned for use by monthly permit holders only.</p> <p style="padding-left: 40px;">B. Notwithstanding Executive Order No. 2020-05 and any ordinance or permit entitlement to the contrary, all dine-in restaurants in the City shall close for business at 11:00 p.m. each evening until 5:00 a.m. the following morning from July 3, 2020 to and including <b>July 5, 2020.</b></p> <p style="padding-left: 40px;">C. Notwithstanding any ordinance or permit entitlement to the contrary, all off-sale alcohol establishments, including but not limited to liquor stores and grocery stores, shall cease all sales of alcoholic beverages at 11:00 p.m. each evening until 6:00 a.m. the following morning from July 3, 2020 to and including <b>July 5, 2020.</b></p> <p style="padding-left: 40px;">D. Lower Pier Plaza is closed from 12:01 a.m. through 5:00 a.m. the same morning from July 4, 2020 to and including <b>July 6, 2020.</b></p>	<p>These are temporary measures and shall expire on the <b>BOLD</b> dates to the left.</p>
<p>July 17, 2020</p>	<p>City Manager/Director of Emergency Services Executive Order No. 2020-09, Implementing Emergency Measures to Temporarily Permit Gyms, Fitness Facilities, Hair Salons and Barbershops to Operate Outdoors During the COVID-19 Crisis.</p> <p>Pursuant to Section 2:</p>	<p>shall continue until the earlier to occur of: (1) the conclusion of the local emergency; (2) its termination is ordered by the City Manager/Director of Emergency Services; or (3) it is duly</p>

	<ul style="list-style-type: none"> <li>Hermosa Beach Municipal Code sections 17.26.050(B), 17.44.030 and 17.38.550 are temporarily suspending <b>during the term of City State and LA County COVID-19 emergency orders</b> to temporarily permit gyms, fitness facilities, hair salons and barbershops to operate outdoors.</li> </ul>	<p>terminated by the City Council. The Order may also be superseded by a duly enacted ordinance or order of the City Council expressly superseding this Order.</p>
<a href="#">July 28, 2020</a>	<p>Urgency Ordinance No. 20-1415U Temporarily Suspending Local Zoning to Permit Specified Businesses to Operate Outdoors, Permit Certain Home occupations to Operate without a Commercial Business Location and Require Members of the Public to wear a Face Covering.</p> <p><u>Pursuant to Section 2.</u> Hermosa Beach Municipal Code Sections 17.26.050 (B), 17.44.030, 17.38.550(B) and 17.08.020(D)(14) regarding uses permitted within commercial zones, off-street parking requirements for commercial and business uses within commercial zones, and home occupation permits are temporarily suspended to allow for the implementation of items A and B below on a temporary basis during the term of the City, State and Los Angeles County COVID-19 emergency orders:</p> <p>A. Gyms, fitness centers, hair salons, barbershops and personal care establishments (to the extent permitted by the State Board of Barbering and Cosmetology) may operate outdoors to assist in their economic recovery in accordance with the “Outdoor Commercial Uses Operational Standards” attached hereto as Exhibit A and incorporated herein by reference.</p> <p>B. Consistent with the Los Angeles County Health Officer Reopening Protocol for Personal Care Establishment in Appendix R, “personal care services” shall include: nail salons, tanning salons, esthetician, skin care, cosmetology services and massage therapy (in a non-healthcare setting). Electrology, tattooing, microblading, permanent make-up and piercing may not operate outdoors because they are invasive procedures that require a controlled hygienic environment to be performed safely. Mobile or in-home personal care services are not allowed.</p>	<p>The measures adopted in Section 2, are temporary and shall continue during the term of the City, State and Los Angeles County COVID-19 emergency orders</p> <p>No specific expiration date set for Section 3.</p> <p>No specific expiration date set for Section 4.</p>

	<p>C. Professional offices, including but not limited to the healing arts, law, accounting, real estate, clergy, insurance and similar professional or semiprofessional offices may render their services from their residence with a home occupation permit regardless if they comply with Municipal Code section 17.08.020(D)(14), to allow them to continue to operate and pursue their livelihoods while complying with California and Los Angeles County Health orders in response to COVID-19.</p> <p><u>Pursuant to Section 3.</u> The following emergency measures are adopted:</p> <p>A. All persons shall wear a face covering over both the nose and mouth whenever they are present in the following locations within the City:</p> <ul style="list-style-type: none"> <li>a. The Beach.</li> <li>b. Downtown Hermosa Beach, defined as (i) the area bounded by the southerly edge of the 10th Street right-of-way on the south, the northerly edge of the 14th Street right-of-way on the north, the easterly edge of the Strand on the west and the easterly edge of the Hermosa Avenue right-of-way on the east, and (ii) Upper Pier Avenue (inclusive of sidewalks) from Hermosa Avenue to Valley Drive.</li> <li>c. The Greenbelt.</li> <li>d. All City parks.</li> <li>e. Pier Plaza.</li> <li>f. The Strand.</li> </ul> <p>B. All persons shall wear a face covering over both the nose and mouth whenever they leave their place of residence and are or can be in contact with or walking near or past others who are non-household members in both public and private places whether indoors or outdoors, in all locations in the City other than those locations described in and subject to the proscription set forth in paragraph A of this Section 3.</p> <p>C. Paragraphs A and B of this Section 3 shall not apply to:</p> <ul style="list-style-type: none"> <li>a. Persons younger than two years old;</li> </ul>	
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	<ul style="list-style-type: none"> <li>b. Persons who have been instructed by a medical provider not to wear a face covering due to a medical condition, mental health condition, or disability that prevents wearing a face covering;</li> <li>c. Persons who are hearing impaired, or communicating with a person who is hearing impaired, where the ability to see the mouth is essential for communication;</li> <li>d. Persons who are swimming or engaged in other water-based activities; and</li> <li>e. Healthcare workers, first responders, and others whose work requires close contact with people who are ill.</li> </ul> <p>D. For purposes of this Ordinance, “face covering” shall mean: fabric coverings, such as cloth masks, scarves, bandanas, tightly woven fabric such as cotton t-shirt, and some types of towels that cover the nose and mouth. Medical-grade masks and N-95 respirators are not required.</p> <p>E. Persons who are seated at a restaurant or other establishment that offers food or beverage service shall wear a cloth face covering over both the nose and mouth unless they are eating or drinking.</p> <p>F. With respect to persons on the beach, this Ordinance supersedes Section 2(c)(ii) of City Manager Executive Order No. 2020-06.</p> <p>G. The provisions of this Section 3 shall be enforced by way of issuance of administrative citations pursuant to HBMC Chapter 1.10.</p> <p><u>Pursuant to Section 4.</u> In addition to enforcement remedies available to the City as provided in the Hermosa Beach Municipal Code, emergency executive orders issued by the City Manager/Director of Emergency Services and confirmed by City Council, and emergency ordinances, orders and resolutions adopted by the City Council shall be enforceable by way of:</p> <p>A. Imposing an administrative citation pursuant to HBMC Chapter 1.10.</p>	
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	B. Prosecuting a misdemeanor, punishable by a fine of not to exceed one thousand (\$1,000) dollars or by imprisonment for not to exceed six months, or both.	
<a href="#"><u>July 28, 2020.</u></a>	<p>Urgency Ordinance No. 2020-1414U, Extending the Temporary Moratorium on Evictions During the COVID-19 Pandemic</p> <p><u>Pursuant to Section 2.</u> Paragraphs A, D, and F of Section 3 of Ordinance No. 20-1407U are amended to read as follows:</p> <p>A. During the moratorium period declared in response to COVID-19, no landlord shall endeavor to evict a tenant for nonpayment of rent if the tenant demonstrates that the tenant is unable to pay rent due to financial impacts related to COVID-19. The moratorium period is March 16, 2020 through <b>September 30, 2020.</b></p> <p>D. This ordinance applies to nonpayment eviction notices and unlawful detainer actions based on such notices, served or filed during the moratorium period.</p> <p>F. Nothing in this ordinance shall relieve the tenant of liability for the unpaid rent, which the landlord may seek after expiration of the moratorium period and the tenant must repay within six months of the expiration of the moratorium period. A landlord may not charge or collect a late fee or interest for rent that is delayed for the reasons stated in this ordinance; nor may a landlord seek rent that is delayed for the reasons stated in this ordinance through the eviction process. A landlord shall not commence an eviction during the six months after the end of the moratorium period so long as the tenant pays rent in a timely manner after the moratorium period and is repaying the past due rent that accrued during the moratorium period. Nonpayment of rent in accordance with the terms of this ordinance shall not be grounds for eviction of a tenant even after expiration of the moratorium period. To the extent it applies, this ordinance is intended to be more restrictive than Civil Code Section 1946.2 by further limiting the reasons for termination of a residential tenancy during the six month repayment period. Landlords are strongly encouraged to offer payment plans to tenants after the moratorium period, which may go beyond the six month repayment period upon mutual written agreement of the parties. If mutually agreed upon in writing between the parties, Tenants may draw down on a security deposit</p>	<b>September 30, 2020</b>



	<p>during the repayment period to pay back rent and such security deposit shall be replenished by the end of the six month repayment period or longer.</p> <p><u>Pursuant to Section 3.</u> Paragraphs A and D of Section 4 of Ordinance No. 20-1407U are amended to read as follows:</p> <p>A. During the moratorium period declared in response to COVID-19, no commercial landlord shall endeavor to evict a tenant for nonpayment of rent if the tenant demonstrates that the tenant's businesses is subject to the Orders referenced in Section 1 above or is otherwise limited or closed (voluntarily or by mandate) to prevent or reduce the spread of COVID-19 and the tenant demonstrates lost income and inability to pay rent as a result of such limitation or closure or other demonstrated financial impact related to COVID-19. The moratorium period is March 16, 2020 through <b>September 30, 2020</b>.</p> <p>D. Nothing in this ordinance shall relieve the tenant of liability for the unpaid rent, which the landlord may seek after the expiration of the moratorium period and the tenant must pay within six months of the expiration of the moratorium period. A landlord may not charge or collect a late fee or interest for rent that is delayed for the reasons stated in this ordinance; nor may a landlord seek rent that is delayed for the reasons stated in this ordinance, through the eviction process during or after the moratorium period. A landlord shall not commence an eviction during the six months after the end of the moratorium period for non-payment of rent, so long as the tenant pays rent in a timely manner after the moratorium period and is repaying the past due rent that accrued during the moratorium period. Nonpayment of rent in accordance with the terms of this ordinance shall not be grounds for eviction of a tenant even after expiration of the moratorium period. Landlords are strongly encouraged to offer payment plans to tenants after the period of local emergency, which may go beyond the six month repayment period upon mutual agreement of the parties.</p> <p><u>Pursuant to Section 4.</u> Paragraph A of Section 5 of Ordinance 1407U is amended to read as follows:</p>	
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	<p>A. For mortgagors that are not eligible for financial relief under Governor Newsom's Financial Relief Package found at: <a href="https://www.gov.ca.gov/2020/03/25/governor-gavin-newsom-announces-major-financial-relief-package-90-day-mortgage-payment-relief-during-covid-19-crisis/">https://www.gov.ca.gov/2020/03/25/governor-gavin-newsom-announces-major-financial-relief-package-90-day-mortgage-payment-relief-during-covid-19-crisis/</a>, no foreclosure action against a property owner shall be initiated or proceed during the moratorium period in the City of Hermosa Beach for any mortgagor with a demonstrated financial impact related to COVID-19. Nothing in this ordinance shall relieve the mortgagor of liability for any unpaid mortgage payments, which the mortgagee may seek after expiration of the moratorium period and the mortgagor must pay within six months of the expiration of the moratorium period unless a different time is agreed to between the parties. A mortgagee may not charge or collect a late fee or penalty for payments that are delayed for the reasons stated in this ordinance. The respective rights and obligations of the parties in any foreclosure proceeding shall be adjudicated in the appropriate court of law with jurisdiction over the matter at the conclusion of the moratorium period or rescission of this ordinance. The moratorium period is March 16, 2020 through September 30, 2020.</p> <p><u>Pursuant to Section 5.</u> Section 6 of Ordinance No. 1407U, which was further amended through Ordinance No. 1409U, is amended in its entirety to read as follows:</p> <p>In order to prevent inconsistencies, the Director of Emergency Services may suspend the effectiveness of any provision in this ordinance in the event that the President of the United States, Congress, Governor of the State of California or California State Legislature or other body with jurisdiction adopts an order or legislation that similarly prohibits evictions and foreclosures for failure to pay rent by individuals impacted by the COVID-19 crisis.</p>	
August 13, 2020	<p>City Manager\Director of Emergency Services Executive Order No. 2020-10, Implementing Emergency Measures to Temporarily Permit Places of Worship to Operate outdoor During the COVID-19 Pandemic.</p> <p><u>Pursuant to section 2.</u> The provisions of Hermosa Beach Municipal Code Sections</p>	<p>Shall continue until the earlier to occur of: (1) the conclusion of the local emergency; (2) its termination is ordered by the City Manager/Director of Emergency Services; or (3) it is duly terminated by the City Council.</p>

	<p>17.26.050 (B), 17.44.030, 17.38.550(B) and 17.40.020 regarding uses permitted within commercial zones, off-street parking requirements and uses for which a conditional use permit is required are hereby temporarily suspended, to the extent they conflict with this Order, to allow for the implementation of item A below on a temporary basis during the term of the City, State and Los Angeles County COVID-19 emergency orders:</p> <p>A. Places of worship and providers of religious services and cultural ceremonies (referred to collectively as “Places of Worship”), may operate outdoors in accordance with Appendix F of the County’s July 18th Order, as that protocol may be updated from time to time by the County Health Officer.</p>	<p>The Order may also be superseded by a duly enacted ordinance or order of the City Council expressly superseding this Order.</p>
<p>August 25, 2020</p> <p>(Not yet Agendized)</p>	<p>Urgency Ordinance No. __, to Temporarily Permit Places of Worship to Operate Outdoors During the COVID-19 Pandemic.</p> <p><u>Pursuant to section 2.</u> The provisions of Hermosa Beach Municipal Code Sections 17.26.050 (B), 17.44.030, 17.38.550(B) and 17.40.020 regarding uses permitted within commercial zones, off-street parking requirements and uses for which a conditional use permit is required are hereby temporarily suspended, to the extent they conflict with this Ordinance, to allow for the implementation of item A below on a temporary basis during the term of the City, State and Los Angeles County COVID-19 emergency orders:</p> <p>A. Places of worship and providers of religious services and cultural ceremonies (referred to collectively as “Places of Worship”), may operate outdoors in accordance with Appendix F of the County’s Health Officer Order, as that protocol may be updated from time to time by the County Health Officer.</p>	<p>On a temporary basis during the term of the City, State and Los Angeles County COVID-19 emergency orders:</p>

August 25, 2020	<p>City Manager Executive Order No. 2020-___, Implementing Temporary Lane Closures on Hermosa Ave. to Facilitate Outdoor Recreation and Economic Recovery in Accordance with Health officer Orders for Control of COVID-19</p> <ol style="list-style-type: none"> <li>1. Beginning August 20, 2020, the City in consultation with the City's traffic consultant, may temporarily close to vehicular traffic the northbound and southbound # 2 travel lanes (closest to the curb) on Hermosa Avenue from the 800 block at 8<sup>th</sup> Street to the 1300 block at 14<sup>th</sup> street. <b>Lane closures will continue for 6 months following the complete implementation of the traffic control measures approved by the City Council on Aug. 11, unless the closures are extended for a longer period or sooner terminated by the City Council or Director of Emergency Services.</b></li> <li>2. Beginning Aug. 20, 2020, the City in consultation with the City's traffic consultant, may temporarily close to vehicular traffic the right turn lanes from westbound Greenwich Village to northbound Hermosa Ave. and the part of Hermosa Ave. immediately adjacent to 2626 Hermosa Ave. The lanes may remain closed until <b>Jan 13, 2021, unless the closures are extended for a longer period or sooner terminated by the City Council.</b></li> <li>3. The City shall post signs giving notice of these temporary measures.</li> <li>4. Use of the closed lanes or parking spaces for any commercial purpose requires a Temporary Permit for Outdoor Dining/Seating and Outdoor Retail Display, as set out in the recitals of this Order.</li> </ol>	The duration of each measure is specified in <b>BOLD</b> to the left.
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## Staff Report

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### Staff Report

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Honorable Mayor and Members of the Hermosa Beach City Council  
Regular Meeting of September 22, 2020

**ADOPTION OF AN URGENCY ORDINANCE OF THE  
CITY OF HERMOSA BEACH, CALIFORNIA, CLARIFYING  
THE TEMPORARY MORATORIUM ON EVICTIONS DURING  
THE COVID-19 PANDEMIC TO REFLECT STATE LAW AND  
SETTING FORTH THE FACTS CONSTITUTING SUCH URGENCY**

(City Attorney Michael Jenkins)

(Assistant City Attorney Lauren Langer)

### **Recommended Action:**

Staff recommends that the City Council:

1. Adopt an Urgency Ordinance No. 20-1417U of the City of Hermosa Beach to clarify provisions of the moratorium on residential evictions to reflect state law; and
2. Extend the temporary moratorium on commercial evictions, setting forth the facts constituting such urgency (**Attachment 1**).

The urgency ordinance requires four-fifths vote of the City Council and if approved, will take effect immediately

### **Executive Summary**

The City Council adopted a moratorium on residential and commercial evictions and foreclosures related to COVID-19. The moratoria are set to expire on September 30, 2020. The state legislature recently adopted urgency legislation to provide residential eviction protections throughout the state (AB 3088).

Presented here for Council consideration is an urgency ordinance that clarifies the current residential eviction moratorium to incorporate and reflect the greater protections to tenants provided under the new state law; but retains the local provisions that provide the most protection for local renters. The proposed urgency ordinance also extends the moratorium on commercial evictions through January 31, 2021, to support businesses that must remain closed under government directives to prevent the spread of COVID-19.

### **Background:**

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### Residential & Commercial Eviction Protections During COVID-19 Emergency

On March 4, 2020, California Governor Gavin Newsom declared a State of Emergency to address the global pandemic caused by a respiratory disease which has been named “COVID-19”. On March 15, 2020, the Mayor of the City of Hermosa Beach (“City”), Mayor Mary Campbell, declared a state of local emergency. At a special meeting on March 16, 2020, the City Council approved and ratified the declaration of local emergency.

On March 24, 2020, the City passed an Urgency Ordinance, which instituted an eviction moratorium covering nonpayment of rent due to COVID-19 retroactive to March 16, 2020. The current moratorium allows commercial and residential tenants to avoid eviction for non-payment of rent due to financial impacts related to COVID-19 and ultimately, to defer paying that rent during the moratorium period. The moratorium is set to expire on September 30, 2020.

Effective April 6, 2020, the Judicial Council of California adopted emergency rules amending the California Rules of Court to effectively suspend all unlawful detainer (eviction) and foreclosure actions, unless necessary to protect public health and safety, until 90 days after the state’s declaration of emergency is lifted. The Judicial Council recently voted to sunset those rules on September 1, 2020.

### Assembly Bill 3088: New State Legislation Affecting Residential Eviction Moratorium

To prevent a wave of evictions with the sunset of the Judicial Council rules, Governor Newsom signed Assembly Bill 3088 (AB 3088) on August 31, 2020. The bill, which took immediate effect, enacted the COVID-19 Tenant Relief Act of 2020 (Act) to provide statewide eviction protections for residential tenants (including mobile home tenants) experiencing a financial hardship relating to COVID-19.

The Act prohibits residential tenants from being evicted for failure to pay rent due to a COVID-19-related hardship occurring between March 1 and August 31, 2020, so long as the tenant provides the landlord with a written declaration of hardship.

Residential tenants experiencing COVID-19-related financial hardships between September 1, 2020 and January 31, 2021 are also protected from eviction provided they pay at least 25 percent (25%) of the rent due during this period. In addition to providing a written declaration of hardship, tenants with a household income of not less than \$100,000 per year and whose household income is 130 percent (130%) of the county median household income, may be asked to submit additional documentation to support their hardship declarations.

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130 Percent (130%) Median Household Income  
Los Angeles County, 2020

Members in Household	Income Limit
1	\$102,570
2	\$117,130
3	\$131,820
4	\$146,380
5	\$158,210
6	\$169,910
7	\$181,610
8	\$193,310

Though nonpayment of rent due between March 1, 2020 through January 31, 2021 is not grounds for eviction for tenants who comply with the Act's preconditions for protection (timely returning signed hardship declarations and paying at least 25% of rent owed between September 1, 2020 and January 31, 2021), residential tenants are still obligated to pay back all rent accrued between March 1, 2020 through January 31, 2021. If a residential tenant fails to take the steps needed to qualify for eviction protection by January 31, 2021, the landlord may serve an eviction notice to file an unlawful detainer action to evict the tenant as early as February 1, 2021. The Act does not specify a specific repayment period (as the local eviction moratorium ordinances have done).

The Act allows landlords to start recovering deferred rent beginning March 1, 2021 by filing claims in small claims court. All existing local ordinances must also comply with the repayment time limits of the new state law.

Local ordinances with repayment periods that start on or before March 1, 2021, like Hermosa Beach's ordinance, may not be extended beyond the existing repayment start dates, and their repayment periods may not be altered. The City's current ordinance has a six-month repayment period, starting on October 1, 2020, and requires tenants to repay rent deferred between March 1, 2020 through September 30, 2020, in full, *before* April 1, 2021. Staff recommends keeping this repayment period in place, which is authorized by the bill.

As the City's eviction protections wind down, the state now provides uniform eviction protection through January 31, 2021. The new law introduces a requirement for tenants who seek eviction protection to pay at least 25% of rent beginning in September 2020 through January 31, 2021, to

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avoid eviction based on nonpayment of rent that came due during that period. The bill provides that the 25% of rent due for those covered months must be paid by January 31, 2021. Although not encouraged, a tenant could potentially wait until January 31, 2021 to pay 25% of five-months' worth of rent (i.e. one month and quarter of monthly rent). Since Hermosa Beach has an existing eviction moratorium that ends on September 30, 2020 (and that cannot be extended), the new state law eviction protection will be applicable to Hermosa Beach residents on October 1, 2020. This means that for the months of October, November, December and January, upon receipt of notice from their landlord, the tenants must provide a declaration and pay 25% of rent for those months, in total, to avoid eviction.

The law also makes it easier for tenants to obtain eviction protection in a different regard. As opposed to the current ordinance's documentation or explanation requirements, a tenant (other than a "high-income tenant") need only sign a declaration of hardship to avoid eviction moving forward for a given month of deferred rent. This also provides consistency and certainty for landlords on what documentation is required. To conform to the new law and ease documentation burdens on a majority of tenants, staff recommends amending select provisions of the local eviction moratorium ordinance to clarify when the new state law provisions take over, as described in more detail below.

Furthermore, any extension of a current ordinance or enactment of a new ordinance adopted in response to the COVID-19 pandemic to protect residential tenants from eviction for nonpayment of rent will have no effect "before February 1, 2021". This phrasing by the Act suggests that cities may revise ordinances to reflect the new state law for now and again adopt residential tenant protections for non-payment of rent beginning next February. We will monitor the state law and report back on any extensions of the schedule in the state law, or any renewed authorization to regulate locally. Accordingly, staff recommends ordinance revisions that implement the provisions of state eviction protection, while retaining the existing six-month repayment period (October 1, 2020-March 31, 2021). This approach seems to provide the best eviction protections while applying a more uniform and consistent set of rules throughout the state.

Finally, courts cannot process unlawful detainer (or eviction) actions until October 5, 2020, whether or not the action is based in whole or in part on nonpayment of rent or other charges. The Act does not affect the moratorium on commercial tenant evictions; but rather, sets forth a process for residential tenants who have been financially impacted by COVID-19 to avoid eviction for non-payment of rent.

### *Residential Landlord Foreclosure Protections Under AB 3088*

AB 3088 also enacted the COVID-19 Small Landlord and Homeowner Relief Act of 2020 (Homeowner Act). The Homeowner Act extends certain foreclosure protections to small landlords that would not otherwise apply to them under existing law. In general, a "small landlord" is a landlord that owns a residential property with no more than four dwelling units and that is occupied by one or more



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residential tenants. Among other protections created under the Homeowner Act, if a landlord has submitted a loan modification application to a lender, the lender cannot start or continue a foreclosure on a first lien mortgage or deed of trust that is secured by the landlord's residential real property if certain conditions are met. Those conditions require that the property be occupied by a tenant, contain no more than four dwelling units, and meet certain other criteria, including that the tenant occupying the property is unable to pay rent due to reduction in income resulting from COVID-19. These foreclosure protections will be in effect until January 1, 2023.

### Conclusion

AB 3088 has a preemptive effect on local ordinances, and the City's ordinance must be consistent with its provisions. The proposed Urgency Ordinance therefore clarifies the current residential eviction moratorium to incorporate and reflect the greater protections to tenants provided under the new state law; but retains the local provisions that provide the most protection for local renters. The ordinance also extends the moratorium on commercial evictions to support businesses that must remain closed under government directives to prevent the spread of COVID-19.

### Analysis

#### Proposed Urgency Ordinance

##### *Residential Eviction Moratorium for Non-Payment of Rent Due to COVID-19*

The proposed ordinance would clarify current local provisions governing the steps residential tenants must take to receive eviction protection for nonpayment of rent due to COVID-19. After September 30, 2020, when the city's eviction moratorium ends, these eviction protections are governed by the Act. This means that unless a tenant is a "high-income" tenant, the tenant no longer needs to provide documentation or detailed explanation of financial hardship caused by COVID-19. The Act instead requires tenants to return to their landlords a signed declaration of hardship within 15 days of receiving a notice of eviction from their landlords. High income tenants have additional documentation requirements. Tenants do not have to prepare this declaration. Landlords must provide a blank declaration to each tenant when serving a 15-day notice to pay rent.

Landlords will also not be able to recover rent from this period covered by the state law until at least March 1, 2021. For rent due between October 1, 2020 and January 31, 2021, tenants will have to sign hardship declarations and pay at least 25% of back-rent from that period by January 31, 2021 to avoid eviction. Per the Act, as long as the tenant complies with these procedures, a landlord cannot go to small claims court to recover back rent from tenants until March 1, 2021. Under Hermosa Beach's ordinance, while the Act authorizes landlords to recover deferred rent as early as March 1, 2021, the rent in Hermosa Beach will not be considered past due until after the six-month repayment period, beginning on October 1, 2020, ending on March 31, 2021. So landlords should not be recovering deferred rent as consumer debt until after that time.

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Residential landlords are still encouraged to offer payment plans to tenants, and the parties may still draw down on a security deposit to pay due or past-due rent, provided it is replenished by March 31, 2021 (the end of the repayment period under the current ordinance), or at a later date if mutually agreed upon in writing by the parties. Any agreements between landlords and tenants must not conflict with or waive provisions of the Act.

For clarity, the Ordinance would provide the following:

The City had an eviction moratorium in place from March 2020 through September 2020. Those procedures govern that time period and the repayment of rent that was deferred during that time period. The City's current ordinance has a six-month repayment period, starting on October 1, 2020, and requires tenants to repay rent deferred between March 1, 2020 through September 30, 2020, in full, before April 1, 2021.

1. Beginning October 1, 2020, a "high income tenant" must:
  - Return to the landlord a signed declaration of hardship within 15 days of receipt. A declaration must be signed each time one is provided by the landlord for the specified month or months.
  - If the landlord already has proof of the tenant's income on file, the tenant must also provide documentation of hardship if requested by the landlord in the 15-day notice.
  - Repayment obligations are as follows:
    - For rent that came due March 16, 2020 through September 30, 2020, the tenant must pay past due rent in full by the end of the repayment period (March 31, 2021).
    - For rent that comes due October 1, 2020 through January 31, 2021, the tenant must pay 25% of the total rent that came due during this period by January 31, 2021 to avoid eviction. The remaining rent must be paid by the end of the repayment period (March 31, 2021).
2. Beginning October 1, 2020, a tenant that is not a "high-income tenant" must:
  - Return to the landlord a signed declaration of hardship within 15 days of receipt. A declaration must be signed and returned each time one is provided by the landlord for the specified month or months. No documentation of COVID-19 related financial hardship is required.
  - Repayment obligations are as follows:
    - For rent that came due March 16, 2020 through September 30, 2020, the tenant

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must pay past due rent in full by the end of the repayment period (March 31, 2021).

- For rent that comes due October 1, 2020 through January 31, 2021, the tenant must pay 25% of the total rent that came due during this period by January 31, 2021 to avoid eviction. The remaining rent must be paid by the end of the repayment period (March 31, 2021).

3. Beginning October 1, 2020, a residential landlord is subject to the following:

- To evict a tenant, a landlord must serve a 15-day notice to pay rent or quit, which must be accompanied by an unsigned copy of a declaration of hardship. The notice must contain the text prescribed in the Act. If the landlord was required by law to provide a translation of the rental agreement in another language, a copy of the declaration form in that language must also be provided.
- A landlord may ask a “high-income tenant” to provide documentation of hardship in the 15-day notice only if the landlord already has proof of the tenant’s income on file. A landlord may not demand proof of income for any tenant.
- If a tenant fails to timely return a hardship declaration or fails to meet his or her repayment obligations by January 31, 2021, a landlord may file an eviction action on or after February 1, 2021.
- A landlord may not seek past due rent (March 2020-January 31, 2021) until the end of the repayment period (March 31, 2021).

In sum, the current Hermosa Beach moratorium period for nonpayment of rent ends September 30, 2020 and cannot be extended. Tenants who comply with Hermosa Beach’s ordinance through September 30 will be protected from eviction for nonpayment of rent due to COVID-19. The repayment period for deferred rent begins October 1, 2020 and runs through March 31, 2021. For the period of time of October 1, 2020 through January 31, 2021, tenants shall follow the preconditions for eviction protection under the Act to receive eviction protection. Tenants shall pay the remaining rent due from this period by the end of the repayment period.

The City can revisit new, additional or expanded protections in February 2021, if still warranted.

### *Commercial Eviction Moratorium*

If the proposed Urgency Ordinance is adopted, commercial tenant eviction protections would remain unchanged and extended through January 31, 2021. Until now, the City’s eviction ordinances have tracked with the Governor’s Orders concerning eviction protection. The Governor’s most recent Order on this topic has not been extended as of the time of writing this report and it is not clear if the Order

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will be extended, given the residential moratorium under AB 3088. Accordingly, this proposed date tracks the residential eviction moratorium under state law for consistency.

Commercial tenants would continue to provide documentation of COVID-related financial hardship to receive protection under the City's moratorium, and pay a pro-rated share of their rent if they suffered only a partial loss of net income. The amount of time to repay rent in arrears would continue to be six months after the end of the moratorium period, and landlords would not be allowed to evict a tenant during that six-month period if the tenant is paying rent that is due in a timely manner and repaying past due rent.

Alternatively, should the Council decide not to extend above-described commercial protections, the commercial eviction protections provided under the Los Angeles County Eviction Moratorium would apply to City residents. The County extended its eviction protections for all incorporated cities within the County that do not have their own eviction moratorium. The County's eviction moratorium lasts through October 31, 2020, and the Board of Supervisors is currently reviewing the moratorium on a monthly basis.

The County's commercial eviction moratorium provides that commercial property owners shall not evict a commercial tenant for nonpayment of rent, late charges, interest, or any other fees accrued if the tenant demonstrates an inability to pay rent and/or a related charge due to financial impacts related to COVID-19. The tenant must generally provide notice to the landlord within seven days after the date that rent is due. The County's commercial eviction moratorium provides that commercial tenants with nine or less employees have 12 months to repay landlords for outstanding rent amounts, while commercial tenants with 10 to 99 employees have six months to repay their landlords. The repayment period begins at the conclusion of the moratorium period.

### *Mortgage Foreclosure Moratorium*

The proposed urgency ordinance would not extend the foreclosure moratorium, which will expire automatically on September 30, 2020. After that date, AB 3088 and other applicable laws and federal and state relief programs would govern foreclosure protections available to Hermosa Beach residents.

### *Other Considerations to Justify Proposed Urgency Ordinance*

Eviction protections are still very much warranted and an important part of slowing the spread of COVID-19, and recovery from this global health pandemic. Effective August 31, 2020, Governor Newsom's "Blueprint for a Safer Economy" replaced the County Data Monitoring List that had been used to regulate permitted activities at the county level. Under the new framework, every county is assigned to a tier based on its COVID-19 adjusted case rate and test positivity from the last two

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weeks. Counties can progress through four tiers, ranging from “widespread” (Purple Tier 1) to “minimal” (Yellow Tier 4) community disease transmission. Los Angeles County is assigned to Tier 1, which has the strictest limitations on activities. Tier 1 mandates all bars and nightclubs where no meals are provided to remain closed, and prohibits restaurants from offering indoor dining.

As of September 7, 2020 (Labor Day), there were 248,822 confirmed cases and 6,030 deaths in Los Angeles County. The County Public Health Department saw rapid increases of COVID-19 cases in the weeks following Memorial Day and the Fourth of July, which lead to the closures of many businesses. The Department urged the public to take measures over the Labor Day weekend to prevent this from happening again. While the effects from the holiday weekend will not be known for some weeks, local businesses may again take a financial hit due to more closures and reduced sales.

The degree of the health and economic impact of the pandemic is unprecedented and unknown. Millions of people have filed for unemployment, further fueling a decline in business revenues. Despite the passage of AB 3088, many of the recitals and findings for the City’s prior urgency ordinances remain applicable here.

During this period of continued eviction protection, City staff will explore the need for further changes or revisions to the moratoria to the extent permitted by the Tenant Relief Act of 2020. As the epidemic proceeds for longer periods of time and certain economic sectors open, the City will need to reassess whether the same factors exists that warrant keeping the moratoria in place or whether their terms should be modified. For the time being, so long as the health officer’s order instructs residents to remain in their residences as much as practicable and sectors of the economy remain closed, then the stated justifications for preventing mass commercial and residential evictions remain applicable.

The CDC has also issued a federal eviction moratorium. The Governor's office has stated that the CDC moratorium does not apply to California because AB 3088 offers more protection.

In light of the foregoing, the proposed ordinance should be adopted on an urgency basis to reflect new state law and extend the moratorium on commercial evictions, taking effect immediately pursuant to Government Code section 36937, for the preservation of the public peace, health, and safety of residents living within the City, based on the facts described herein and set forth in the Urgency Ordinance.

Alternatively, the City Council may decline to extend the commercial eviction moratorium by rejecting Section 2 of the proposed ordinance and allow the provisions to expire on September 30, in which case the Los Angeles County Eviction Moratorium would then control.

### **Fiscal Impact:**

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The City of Hermosa Beach initially incurs all costs related to the City's response to the COVID-19 Pandemic, but will submit requests for cost recovery to the California Office of Emergency Services (CalOES), either directly, or through the Los Angeles County Office of Emergency Management, (LACoOEM), the local reporting agent.

### **Attachments:**

1. Urgency Ordinance No. 20-1417U to clarify provisions of the moratorium on residential evictions to reflect state law and extend the temporary moratorium on commercial evictions, setting forth the facts constituting such urgency.

**Respectfully Submitted by:** Michael Jenkins, City Attorney

**Legal Review:** Lauren Langer, Assistant City Attorney

**Approved:** Suja Lowenthal, City Manager

## **ORDINANCE NO. 20-1417U**

### **AN URGENCY ORDINANCE OF THE CITY OF HERMOSA BEACH CLARIFYING THE TEMPORARY MORATORIUM ON EVICTIONS DURING THE COVID-19 PANDEMIC TO REFLECT STATE LAW AND SETTING FORTH THE FACTS CONSTITUTING SUCH URGENCY**

The City Council of the City of Hermosa Beach does ordain as follows:

#### **SECTION 1. Findings.**

- A. The findings set forth in Ordinance No. 20-1407U, 20-1409U, and 20-0414U are still applicable and incorporated herein by reference.
- B. The City Council desires to prevent the spread of COVID-19, prevent homelessness and avoid displacement during safer at home orders and during the COVID-19 pandemic and to provide clear and limited bases on which a landlord may endeavor to evict a tenant consistent with state law.
- C. On March 27, 2020 Governor Gavin Newsom issued Executive Order N-37-20, which provides a 60-day extension for tenants to respond to an eviction complaint based on nonpayment of rent. As another indicator of the critical need for residents to remain at home, this order expressly preserves local authority to enact any public health measure that may compel an individual to remain physically present in any particular residential property.
- D. On May 13, 2020, Los Angeles County Department of Public Health issued a new Safer at Home Order for Control of COVID-19, which extended the order for people to remain in their residences except for essential business and requires all persons to practice physical distancing of at least six feet apart and wear a cloth face covering whenever they may have contact with people outside their household. On July 4, 2020, given the surge in COVID-19 cases in Los Angeles County, the Department issued a revised order urging residents to remain in their homes as much as practicable. The status of county and state health orders are still evolving daily.
- E. On June 30, 2020 Governor Newsom issued Executive Order N-71-20 extending the authorization for local governments to halt evictions of renters impacted by the COVID-19 pandemic through September 30, 2020.
- F. Effective April 6, 2020, the California Judicial Council approved temporary emergency rules, which suspends the processing of all eviction and foreclosure complaints until 90 days after the state's emergency declaration is lifted, unless necessary to protect public health and safety. The Judicial Council recently voted to sunset those rules on September 1, 2020.
- G. On September 1, 2020 Governor Newsom signed Assembly Bill 3088 (AB 3088), which enacted the COVID-19 Tenant Relief Act of 2020 ("the Act"). Among other things, this law supersedes portions of the City's temporary moratorium on residential evictions for nonpayment of rent and adopts a moratorium through January 31, 2021 so long as tenants

comply with the Act's requirements. The Act provides specific provisions for cities with existing moratorium ordinances. As a result, the City is restating its urgency ordinance for the purpose of conforming to the new state law.

- H. The intent of this Ordinance is to restate the most current provisions governing eviction protection in one consolidated ordinance, and to amend the existing ordinance to be consistent with the provisions of AB 3088. The City of Hermosa Beach has had a residential eviction moratorium in place since March 2020 and as of August 19, 2020, the repayment period was set by the new state law to start on October 1, 2020. AB 3088 allows the City to retain its six-month existing repayment period through March 31, 2021 under California Code of Civil Procedure Section 1179.05(a)(2)(C). To the extent any provisions of the City's current ordinance relating to residential eviction or foreclosure protections expire, they are to be replaced by AB 3088 and not the eviction protections set out by the County of Los Angeles that are applicable in cities without local eviction protection ordinances.
- I. This Ordinance is adopted pursuant to the City's police powers and powers afforded to the City in the time of a national, state, county and local emergency during an unprecedented health pandemic, such powers being afforded by the State Constitution, State law and HBMC Chapter 2.56 to protect the peace, health, and safety of the public. The Hermosa Beach City Council finds that this ordinance is necessary for the preservation of the public peace, health, and safety of residents living within the City and finds urgency to approve this ordinance immediately based on the facts described herein and detailed in the staff report. Under Government Code Section 8634, this ordinance is necessary to provide for the protection of health, life and property.

**SECTION 2.** The Temporary Moratorium on Evictions for Non-Payment of Rent by Commercial Tenants Impacted by the COVID-19 Crisis, as most recently amended in Urgency Ordinance No. 20-144U, is amended and restated in full as follows:

A. During the moratorium period declared in response to COVID-19, no commercial landlord shall endeavor to evict a tenant for nonpayment of rent if the tenant demonstrates that the tenant's businesses is subject to the Orders referenced in Section 1 above or is otherwise limited or closed (voluntarily or by mandate) to prevent or reduce the spread of COVID-19 and the tenant demonstrates lost income and inability to pay rent as a result of such limitation or closure or other demonstrated financial impact related to COVID-19. For purposes of this Section 2, the moratorium period is March 16, 2020 through January 31, 2021.

B. A landlord knows of a tenant's lost income and inability to pay rent within the meaning of this Section 2 if the tenant, within 30 days after the date rent is due, notifies the landlord in writing of the lost income and inability to pay rent due to a limitation or closure of the tenant's business related to COVID-19, and provides appropriate supporting documentation within 30 days of providing the notice. If a tenant suffers only a partial loss of net income, the tenant shall pay the pro-rated share of their rent that corresponds to the net income they generated during the period of loss. For purposes of this Section 2, "in writing" includes email or text communications to a landlord or the landlord's representative with whom the tenant has previously corresponded by



email or text. All financial information provided to the landlord shall be kept in confidence and only used for evaluating the tenant's claim or enforcing this provision.

C. This Section 2 grants a defense in the event that an unlawful detainer action is commenced in violation of this ordinance. Violation of this ordinance shall be punishable as set forth in Chapter 2.56 of the Hermosa Beach Municipal Code.

D. Nothing in this Section 2 shall relieve the tenant of liability for the unpaid rent, which the landlord may seek after expiration of the moratorium period, and which tenant must pay within six months of the expiration of the moratorium period (i.e. no later than July 31, 2021). A landlord may not charge or collect a late fee or interest for rent that is delayed for the reasons stated in this Section 2; nor may a landlord seek rent that is delayed for the reasons stated in this Section 2, through the eviction process during or after the moratorium period. A landlord shall not commence an eviction during the six months after the end of the moratorium period for non-payment of rent, so long as the tenant pays rent in a timely manner after the moratorium period and is repaying the past due rent that accrued during the moratorium period. Nonpayment of rent in accordance with the terms of this Section shall not be grounds for eviction of a commercial tenant even after expiration of the moratorium period. Landlords are strongly encouraged to offer payment plans to tenants after the period of local emergency, which may go beyond the six-month repayment period upon mutual agreement of the parties. The security deposit may be used at any time, including during the repayment period, to pay back rent and such security deposit shall be replenished by the end of the repayment period or longer if mutually agreed upon in writing between the parties.

E. No other legal remedies available to a commercial landlord are affected by this ordinance.

**SECTION 3.** The Temporary Moratorium on Evictions for Non-Payment of Rent by Residential Tenants Impacted by the COVID-19 Crisis, as most recently amended in Urgency Ordinance No. 20-144U, is clarified as needed to comport with state law and restated in full as follows:

A. With respect to residential evictions for non-payment of rent due to financial impacts from COVID-19, the following applies:

1. The "repayment period" for deferred rent that came or will come due between March 1, 2020 through January 31, 2021 (defined under the Act as "COVID-19 rental debt"), inclusive, is October 1, 2020 through March 31, 2021.

2. For the period of time of March 16, 2020 through September 30, 2020 (the "moratorium period"), no residential landlord shall endeavor to evict a tenant for nonpayment of rent, if the tenant demonstrates that the tenant is unable to pay rent due to financial impacts related to COVID-19, subject to subparagraphs (a) and (b) below. A landlord shall not commence an eviction during the six months after the end of the moratorium period, so long as the tenant pays rent in a timely manner after the moratorium period and is repaying the past due rent that accrued during the moratorium period. A landlord may not charge or collect a late fee or interest for rent that is delayed for the reasons stated in this Paragraph 2. The parties may agree in writing to a longer repayment plan or reduced rental obligation in accordance with the Act.

(a) A landlord who knows that a tenant cannot pay some or all of the rent temporarily due to financial impacts related to COVID-19 shall not serve a notice pursuant to CCP 1161(2), file or prosecute an unlawful detainer action based on a 3-day pay or quit notice, or otherwise seek to evict for nonpayment of rent. A landlord knows of a tenant's inability to pay rent within the meaning of this ordinance if the tenant, within 30 days after the date that rent is due, notifies the landlord in writing of lost income and inability to pay full rent due to financial impacts related to COVID-19, and provides documentation or an explanation within 30 days of the notice to support the claim. For purposes of this ordinance, "in writing" includes email or text communications to a landlord or the landlord's representative with whom the tenant has previously corresponded by email or text. Any medical or financial information provided to the landlord shall be held in confidence, and only used for evaluating the tenant's claim.

(b) For purposes of this Paragraph 2, "financial impacts related to COVID-19" include, but are not limited to, tenant lost household income as a result of any of the following: (1) being sick with COVID-19, or caring for a household or family member who is sick with COVID-19; (2) lay-off, loss of hours, or other income reduction resulting from business closure or other economic or employer impacts of COVID-19; (3) compliance with a recommendation from a government health authority to stay home, self-quarantine, or avoid congregating with others during the state of emergency; (4) extraordinary out-of-pocket medical expenses; or (5) child care needs arising from school closures related to COVID-19.

(c) Other legal remedies available to landlords are not affected by this Paragraph 2.

3. For the period of time of October 1, 2020 through January 31, 2021, tenants shall follow the preconditions for eviction protection under the Act to receive eviction protection, which include providing a declaration of hardship to their landlord within 15 days of receipt of an eviction notice and payment of partial rent (25% of all rent that came due from October 1, 2020 through January 31, 2021). Tenants shall repay the remaining rent due by the end of the repayment period.

4. Landlords are encouraged to offer payment plans to tenants, and any agreement between landlord and tenant to allow longer repayment periods or reduced rental obligations shall be in compliance with the Act.

5. Tenants may draw down on a security deposit at any time to pay back rent and such security deposit shall be replenished by the end of the repayment period on March 31, 2021 upon mutual agreement of the parties.

6. In accordance with the Act, tenants that comply with the terms of this ordinance have a defense from eviction and the corresponding rental obligations will not be deemed past due until the close of the repayment period set out above.

**SECTION 4.** In order to prevent inconsistencies, the Director of Emergency Services may suspend the effectiveness of any provision in this ordinance in the event that the President of the United States, Congress, Governor of the State of California or California State Legislature or other body with jurisdiction adopts an order or legislation that similarly prohibits evictions and foreclosures for

failure to pay rent by individuals impacted by the COVID-19 crisis.

#### **SECTION 5. Severability.**

If any section, subsection, sentence, clause, phrase or word of this ordinance is found to be unconstitutional or otherwise invalid by any court of competent jurisdiction, such decision shall not affect the remaining provisions of this Ordinance.

#### **SECTION 6. Environmental Review.**

The City Council finds that adoption and implementation of this ordinance is not a “project” for purposes of the California Environmental Quality Act (CEQA), as that term is defined by CEQA guidelines (Guidelines) sections 15061(b)(3), and 15378(b)(5). The effect of the proposed amendment will be to maintain the status quo and extend the existing urgency ordinance for an additional period of time. No new development will result from the proposed action. No impact to the physical environment will result. The City Council also alternatively finds that the adoption and implementation of this ordinance is exempt from the provisions of CEQA as an administrative activity by the City of Hermosa Beach, in furtherance of its police power, that will not result in any direct or indirect physical change in the environment, per sections 15061(b)(3), and 15378(b)(5) of the CEQA Guidelines, as well as CEQA Guidelines section 15064(e) (economic regulations).

#### **SECTION 7. Urgency Declaration; Effective Date.**

The City Council finds and declares that the adoption and implementation of this ordinance is necessary for the immediate preservation and protection of the public peace, health and safety as detailed above and as the City and public would suffer potentially irreversible displacement of commercial and residential tenants resulting from evictions for failure to pay rent during the COVID-19 crisis. During this local emergency, and in the interest of protecting the public health and preventing transmission of COVID-19, it is essential to avoid unnecessary housing displacement, to protect the City’s affordable housing stock, and to prevent housed individuals from falling into homelessness, especially given state and county directives to stay at home. Promoting stability amongst commercial tenancies is also conducive to public health, allowing businesses to follow the advice and directives of public health officials to close and allowing employees to avoid public contact during times of a public health crisis without fear of imminent eviction or foreclosure. Loss of income as a result of COVID-19 may inhibit City residents and businesses from fulfilling their financial obligations, including payment of rent. This ordinance reflects the statewide approach to residential eviction protection, while maintaining important and impactful local provisions. The City’s existing residential moratorium period expires on September 30<sup>th</sup> and must be made to conform with state law before that date. This urgency ordinance is needed during the emergency in the interest of protecting the public health and preventing transmission of COVID-19, to avoid unnecessary housing displacement, to protect the City’s affordable housing stock, and to prevent housed individuals from falling into homelessness, especially given state and county directives to stay at home. Under Government Code Section 8634 and HBMC Chapter 2.56, this ordinance is necessary to provide for the protection of life and property for the reasons set out herein. The Council therefore finds and determines that the immediate preservation of the public peace, health and safety, and protection of life and property, require that this Ordinance be enacted

as an urgency ordinance pursuant to Government Code section 36937 and take effect immediately upon adoption by four-fifths of the City Council

**SECTION 8. Certification.**

The City Clerk shall certify to the passage and adoption of this Ordinance and shall cause the same, or the summary thereof, to be published or posted in the manner required by law.

**PASSED, APPROVED AND ADOPTED** this \_\_\_\_ day of September 2020.

\_\_\_\_\_  
Mayor

ATTEST:

\_\_\_\_\_  
City Clerk  
(seal)

Date: \_\_\_\_\_

APPROVED AS TO FORM:

\_\_\_\_\_  
City Attorney

DATE	ORDINANCE/RESOLUTION	EXPIRATION DATE
<a href="#"><u>March 16, 2020</u></a>	Proclamation of Local Emergency:	
March 16, 2020	<p>Pursuant to Section 5: Pursuant to the authority prescribed by Hermosa Beach Municipal Code Section 2.56.090, the City Council hereby orders as follows (the “Order”), to take effect immediately and remain in effect until March 28, 2020, unless extended by the City Council or City Manager:</p> <ul style="list-style-type: none"> <li>A. All restaurants, alcohol beverage establishments and snack shops in the City are hereby ordered closed to onsite patronage; <i>provided, however</i>, that take-out orders and delivery of meals are permitted provided that take-out orders are picked up by a single person and the establishment maintains social distance in any necessary queuing of patrons.</li> <li>B. All formal and informal organized and group activities, games and sports, with the exception of family outings, are hereby prohibited in all City parks and the beach;</li> <li>C. The City shall prohibit access to play structures at all City parks;</li> <li>D. The City shall post signs at all City parks advising that: <ul style="list-style-type: none"> <li>I. COVID-19 is known to survive on various surfaces such as children’s play equipment, bathroom surfaces, tables, benches, railings, and other fixtures, for 72 or more hours; and</li> <li>II. Park users shall maintain social distance as prescribed by Beach Cities Health District, as provided in Exhibit 1 attached hereto;</li> <li>III. Park users with symptoms consistent with COVID-19 infection are encouraged to isolate themselves at home and contact their health care provider or, if they do not have a health care provider, the Los Angeles</li> </ul> </li> </ul>	<p>Section 5 requirements: until <b>March 28, 2020</b>, unless extended by the City Council or City Manager.</p> <p>No expiration date set for Section 6 Measures.</p>

	<p>County Department of Health to assist with receiving prompt diagnosis and care.</p> <p>Pursuant to Section 6:</p> <p>Commercial landlords in the City are hereby prohibited from (I) charging rent and (II) evicting commercial tenants for nonpayment of rent with respect to tenants whose businesses are subject to the Order or are otherwise limited or closed (voluntarily or by mandate) to prevent or reduce the spread of COVID-19 and who demonstrate lost income and inability to pay rent as a result of such limitation or closure. A landlord knows of a tenant's lost income and inability to pay rent within the meaning of this Order if the tenant, within 30 days after the date rent is due, notifies the landlord in writing of the lost income and inability to pay rent due to a limitation or closure of the tenant's business related to COVID-19, with appropriate supporting documentation. If a tenant suffers only a partial loss of income, the tenant shall pay the pro-rated share of their rent that corresponds to the income they generated during the period of loss. For purposes of this Order, "in writing" includes email or text communications to a landlord or the landlord's representative with whom the tenant has previously corresponded by email or text. All financial information provided to the landlord shall be kept in confidence and only used for evaluating the tenant's claim or enforcing this provision.</p> <p>Residential landlords in the City are hereby prohibited from (I) charging rent and (II) evicting residential tenants for nonpayment of rent with respect to tenants whose income is reduced or eliminated as a result of efforts to prevent or reduce the spread of COVID-19 and who demonstrate lost income and inability to pay rent as a result of such loss. A landlord knows of a tenant's lost income and inability to pay rent within the meaning of this Order if the tenant, within 30 days after the date rent is due, notifies the landlord in writing of the lost income and inability to pay rent due to such loss, with appropriate supporting documentation. If a tenant suffers only a partial loss of income, the tenant shall pay the pro-rated share of their rent that corresponds to the income they generated during the period of loss. For purposes of this Order, "in writing" includes email or text communications to a landlord or the landlord's representative with whom the tenant has previously corresponded by email or text. All financial information provided to the landlord shall be kept in</p>	
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	confidence and only used for evaluating the tenant's claim or enforcing this provision.	
<a href="#"><u>March 24, 2020</u></a>	<p>Urgency Ordinance No. 20-1406U, Temporary Moratorium on Evictions for Nonpayment of Rent by Residential Tenants and Commercial Tenants, and Temporary Suspension on Residential and Commercial Foreclosures</p> <p>This Moratorium replaced the moratorium in Resolution No. 20-7230</p>	<b>May 31, 2020</b>
<a href="#"><u>April 14, 2020</u></a>	<p>Urgency Ordinance No. 20-1407U, to amend the temporary moratorium on foreclosures and evictions due to non-payment of rent by residential and commercial tenants impacted by COID-19.</p> <p>Amended the Eviction Moratorium in 20-1406U in its entirety in light of Governor Newsom's Financial Relief Package announced on March 25, 2020.</p>	<b>May 31, 2020</b>
April 22, 2020	<p>City Manager/Director of Emergency Services Executive Order No. 2020-01</p> <p>Pursuant to Section 2:</p> <ol style="list-style-type: none"> <li>1. Cancellation of non-essential large public events, senior and community programs, and limitations on public access to some City facilities (effective March 12, 2020).</li> <li>2. Cancellation of P.A.R.K. After School Program (effective March 13, 2020).</li> <li>3. Closure of City Hall (effective March 16, 2020).</li> <li>4. Cancellation of Wednesday Farmers Market (effective March 18, 2020) and Friday Farmers Market (effective March 20, 2020).</li> <li>5. Business License renewal dates extended to May 31, 2020 (effective March 25, 2020).</li> <li>6. Parking Permit renewal dates extended to May 31, 2020 (effective March 25, 2020).</li> </ol>	shall continue until the earlier to occur of: (1) the conclusion of the local emergency; (2) its termination is ordered by the City Manager/Director of Emergency Services; or (3) it is duly terminated by the City Council. The Order may also be superseded by a duly enacted ordinance or order of the City Council expressly superseding this Order.

	<ol style="list-style-type: none"> <li>7. Parking citation unbilled late fees delayed until May 31, 2020 (effective March 25, 2020).</li> <li>8. Parking citation DMV holds delayed until May 31, 2020 (effective March 25, 2020).</li> <li>9. Temporary banner permit requirements waived through May 31, 2020 (effective March 25, 2020).</li> <li>10. Closure of beach and Strand (effective March 27, 2020).</li> <li>11. Closure of City parks on Easter Sunday (effective April 9, 2020).</li> </ol>	
April 27, 2020	<p>City Manager/Director of Emergency Services Executive Order No. 2020-02</p> <p>Pursuant to section 2:</p> <p style="padding-left: 40px;">The ten cents (\$0.10) per recycled paper carryout bag charged to customers by affected retail establishments provided by Hermosa Beach Municipal Code Section 8.68.040 is hereby suspended.</p> <p>2. All restaurants, snack shops and similar businesses that serve food (and, optionally, groceries) and alcohol via delivery, pick-up or drive-thru shall not provide any alcohol to a customer prior to providing the entire food/meal order; i.e. all alcohol shall be provided to the customer concurrently with the delivery of food. All such establishments shall monitor customers waiting for food to ensure that no one is consuming alcohol on or adjacent to the premises.</p>	shall continue until the earlier to occur of: (1) the conclusion of the local emergency; (2) its termination is ordered by the City Manager/Director of Emergency Services; or (3) it is duly terminated by the City Council. The Order may also be superseded by a duly enacted ordinance or order of the City Council expressly superseding this Order.
May 14, 2020	<p>City Manager/Director of Emergency Services Executive Order No. 2020-03</p> <p>Pursuant to Section 2:</p> <p style="padding-left: 40px;">Consistent with the provisions of the County Health Officer's May 13, 2020 Revised Order, the beach will be open from 6:00 a.m. to 9:00 p.m. subject to the following:</p> <p style="padding-left: 40px;">a. Only the following limited activities are allowed:</p>	shall continue until the earlier to occur of: (1) the conclusion of the local emergency; (2) its termination is ordered by the City Manager/Director of Emergency Services; or (3) it is duly terminated by the City Council. The Order may also be



	<ul style="list-style-type: none"> <li>i. Individual or household ocean activities such as surfing, swimming, kayaking, paddle boarding, and body surfing.</li> <li>ii. Individual or household active recreation and exercise such as walking and running where the participants do not remain in a stationary location.</li> </ul> <p>b. The following activities are prohibited:</p> <ul style="list-style-type: none"> <li>i. Sunbathing, sitting, lying on the sand and other stationary activities (such as yoga, calisthenics, or meditation).</li> <li>ii. Picnicking.</li> <li>iii. Use of chairs, canopies or coolers.</li> <li>iv. Biking.</li> <li>v. Group or organized sports such as volleyball.</li> <li>vi. Gatherings or events.</li> <li>vii. Fishing.</li> </ul> <p>c. Individuals/households must exit the beach immediately after they recreate.</p> <p>d. All beachgoers must follow the following safety requirements:</p> <ul style="list-style-type: none"> <li>i. Maintain more than 6 feet physical distance from others at all times (except between members of same household).</li> <li>ii. Wear face coverings, when out of the water and around others (except for children under age 2 and children with breathing problems).</li> </ul> <p>2. All City parks and the beach are closed daily from 9:00 p.m. to 6:00 a.m.</p> <p>3. The Strand and Pier remain closed.</p>	superseded by a duly enacted ordinance or order of the City Council expressly superseding this Order.
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	<p>4. City parking facilities are subject to the following regulations, subject to further modification by the City Manager/Director of Emergency Services as may be required to maintain public safety and order and to enforce the City's emergency orders:</p> <ul style="list-style-type: none"><li>a. All, or parts of, Lot A, Lot B, Lot C, and Lot D will be closed.</li><li>b. Temporary short-term parking spaces will be established in Lot A and Lot D.</li><li>c. Monthly permit parking spaces will be provided in Lot D.</li><li>d. Temporary parking spaces will be designated at various locations on City streets.</li></ul> <p>5. Consistent with the provisions of the County Health Officer's May 13, 2020 Revised Order, all Lower Risk retail Businesses that sell goods and services to the public may only provide these goods and services to the public via curbside, doorside, or other outdoor or outside pickup, or via delivery. Members of the public are not permitted inside a retail Low-Risk Retail Business. Lower Risk Businesses may set up a table or shade structure in a manner to accommodate pickup, provided that patrons practice social distancing as provided in the May 13, 2020 Revised Order and provided that minimum 5-foot clearance is maintained along public walkways. Outdoor display of merchandise is prohibited.</p> <p>6. In addition to enforcement remedies available to the City as provided in the Hermosa Beach Municipal Code, emergency executive orders issued by the City Manager/Director of Emergency Services and emergency resolutions adopted by the City Council shall be enforceable by way of:</p> <ul style="list-style-type: none"><li>a. Imposing an administrative citation pursuant to HBMC Chapter 1.10.</li></ul>	
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	b. Prosecuting a misdemeanor, punishable by a fine of not to exceed one thousand (\$1,000) dollars or by imprisonment for not to exceed six months, or both.	
May 21, 2020	<p>City Manager/Director of Emergency Services Executive Order No. 2020-04</p> <p><u>Pursuant to Section 3.</u> the City Manager and Director of Emergency Services now seeks to extend the duration of the emergency orders listed in Section 5 of Resolution No. 20-7230, as revised and restated below. The following emergency orders are issued effective as of the date set forth below and shall supersede any previous emergency orders inconsistent herewith:</p> <p>A. All restaurants, alcohol beverage establishments and snack shops in the City are hereby ordered closed to onsite patronage; <i>provided, however</i>, that (i) take-out orders and delivery of meals are permitted, provided that take-out orders are picked up by way of a drive-through window or by a single person and the establishment maintains social distance in any necessary queuing of patrons, and (ii) outdoor dining will be permitted upon issuance of and as provided in Executive Order 2020-05.</p> <p>B. All gyms and fitness centers are hereby ordered closed in accordance with the March 16, 2020 Order of the Health Officer of the Los Angeles County Department of Public Health.</p> <p>C. All formal and informal organized and group activities of any size, including but not limited to all games and sports, with the exception of family outings and use of the City's tennis and pickleball courts in accordance with City regulations, are hereby prohibited in all City parks, the beach, Pier Plaza and other public spaces.</p> <p>D. Access to play structures and exercise equipment in all City parks, the beach, and the Greenbelt is hereby prohibited.</p> <p>E. The City shall post signs at all City parks, the Greenbelt, the beach, Pier Plaza and the Strand advising that:</p> <p>I. COVID-19 is known to survive on various surfaces such as children's play equipment, bathroom surfaces, tables, benches, railings and other fixtures, for 72 or more hours;</p>	The Order may be superseded by a duly enacted ordinance or order of the City Council expressly superseding this Order.

	<p>II. Users of public spaces shall maintain social distance as prescribed by Beach Cities Health District, as provided in Exhibit 1 attached hereto; and</p> <p>III. Users of public spaces with symptoms consistent with COVID-19 infection are encouraged to isolate themselves at home and contact their health care provider, or if they do not have a health care provider, the Los Angeles County Department of Health to assist with receiving prompt diagnosis and care.</p> <p><u>Pursuant to Section 4:</u></p> <p>In addition to the emergency orders listed in Section 3 above, the City Manager and Director of Emergency Services further orders that:</p> <p>A. The enforcement of City street sweeping restrictions suspended on March 16, 2020, as a part of the City's effort to combat COVID-19, shall resume on June 8, 2020.</p>	
May 21, 2020	<p>Resolution No. 7236, Rescinding Portions of Executive Order Nos. 2020-01 and 2020-03 to reopen the Strand:</p> <p><u>Pursuant to Section 2:</u>The Strand is re-open for public use effective 6:00 a.m. on Saturday, May 23, 2020; Section 2, paragraph 10 of Executive Order No. 2020-01 and Section 2, paragraph 3 of Executive Order No. 2020-03 are hereby rescinded.</p>	No expiration date stated.
May 26, 2020	<p>Urgency Ordinance No. 20-1409U, Extending the temporary moratorium on evictions</p> <p><u>Pursuant to Section 2:</u></p> <p>Ordinance No. 20-1407U will remain in effect until July 31, 2020. All other provisions of Ordinance No. 20-1407U remain the same</p>	<b>July 31, 2020.</b>

May 26, 2020	<p>Executive Order No. 2020-05, Implementing a temporary permit for outdoor dining/seating and outdoor retail display to assist in the reopening of restaurants, and food and retail establishments.</p> <p>Pursuant to Section 2:</p> <ul style="list-style-type: none"> <li>A. Established a temporary permit program for outdoor dining/seating.</li> <li>B. Established a temporary permit program to permit City businesses to display merchandise on the street.</li> <li>C. Provisions of HBMC §§ 17.26.050(B), (C), and 17.44.030.</li> </ul>	shall continue until the earlier to occur of: (1) the conclusion of the local emergency; (2) its termination is ordered by the City Manager/Director of Emergency Services; or (3) it is duly terminated by the City Council. The Order may also be superseded by a duly enacted ordinance or order of the City Council expressly superseding this Order.
<a href="#">June 9, 2020</a>	<p>Urgency Ordinance No. 1410U, Implementing a Temporary Permit for Outdoor Dining/Seating and Outdoor Retail Display to Assist in the Reopening of Restaurants, Food, and Retail:</p> <p>Section 2 reiterates subsection (A) and (C) in Executive Order No. 2020-05 above, and suspends these additional HBMC §§ 17.38.550(B), 12.16.090 and 12.16.100.</p>	No expiration date stated.
June 15, 2020	<p>City Manager/Director of Emergency Services Order No. 2020-06</p> <p><b>Pursuant to Section 2:</b> The following emergency order shall supersede Section 2, paragraphs 1 and 2 (only as applied to the beach) of Executive Order No. 2020-03:</p> <p>The beach will be open from 6:00 a.m. to 12:00 a.m. subject to the following:</p> <ul style="list-style-type: none"> <li>a. The following activities are allowed: <ul style="list-style-type: none"> <li>i. Individual or household ocean activities such as surfing, swimming, kayaking, paddle boarding, and body surfing.</li> <li>ii. Individual or household active recreation and exercise such as walking and running.</li> <li>iii. Sitting, lying, picnicking or otherwise congregating or engaging in stationary activities (such as yoga, calisthenics, or</li> </ul> </li> </ul>	shall continue until the earlier to occur of: (1) the conclusion of the local emergency; (2) its termination is ordered by the City Manager/Director of Emergency Services; or (3) it is duly terminated by the City Council. The Order may also be superseded by a duly enacted ordinance or order of the City Council expressly superseding this Order.

	<p>meditation on the sand individually or with members of the same household.</p> <p>iv. Use of chairs, canopies or coolers.</p> <p>b. The following activities are prohibited:</p> <p>v. Group or organized sports such as volleyball.</p> <p>vi. Gatherings or events.</p> <p>c. All beachgoers must follow the following safety requirements:</p> <p>i. Maintain more than 6 feet physical distance from others at all times (except between members of same household)</p> <p>ii. Wear face coverings, when out of the water and in contact with others who do not belong to the same household (except for children under age 2 and children with breathing problems).</p> <p><b>SECTION 3.</b> The following emergency order shall supersede Section 2, paragraph 3 of Executive Order No. 2020-03:</p> <p>The City Pier will re-open on June 15, 2020 for normal operational hours of 6:00 AM to 10:00 PM. Pier users must maintain physical distance, avoid gatherings and wear a face covering when physical distance cannot be maintained.</p> <p><b>SECTION 4.</b> To the extent inconsistent herewith, the following emergency order shall supersede Section 2, paragraph 5 of Executive Order No. 2020-03 and Section 3, paragraph A of Executive Order No. 2020-04:</p> <p>A. Lower risk retail businesses may open for business in accordance with Appendix B of the June 11 Revised Order.</p>	
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	<p>B. Non-retail lower risk manufacturing and logistics sector business that supply low-risk retail business may open for business in accordance with Appendix C of the June 11 Revised Order.</p> <p>C. Non-essential office-based businesses may open for business in accordance with Appendix D of the June 11 Revised Order.</p> <p>D. Hair salons and barbershops may open for business in accordance with Appendix H of the June 11 Revised Order.</p> <p>E. Art galleries and museums may open for business in accordance with Appendix M of the June 11 Revised Order.</p> <p><b>SECTION 5.</b> Section 3, Paragraph B of Executive Order No. 2020-04 pertaining to gyms and fitness centers is rescinded and those businesses may re-open in compliance with Gym and Fitness Establishments Protocols (Appendix L) of the June 11 Revised Order.</p> <p><b>SECTION 6.</b> Notwithstanding the provisions of Section 3, paragraph C of Executive Order No. 2020-04 to the contrary:</p> <p>A. <u>Day Camps and Camp Permits.</u> City run and City-permitted day camps are permitted to resume operations. Camp operators must comply with the Los Angeles County Health Department Day Camp Protocol (Appendix K) and submit the completed protocol checklist to the City prior to issuance of a permit.</p> <p>B. <u>Outdoor Fitness Permits.</u> Outdoor fitness instruction will be permitted to resume only for activities that are specifically allowed within the June 11 Revised Order. Operators must comply with the Los Angeles County Public Health Department Gym and Fitness Protocol (Appendix L) and submit the completed protocol checklist to the City prior to issuance of a permit.</p> <p><b>SECTION 7.</b> Notwithstanding the provisions of Section 2, paragraph 4 of Executive Order No. 2020-03 to the contrary:</p>	
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	<p>A. Parking Lot A is reopened for use for non-permit holders with a new time limit of 3 hours per day, and for use by monthly permit holders.</p> <p>B. Parking Lot B is reopened for use for non-permit holders.</p> <p>C. Parking Lot D temporary restrictions are removed.</p>	
June 24, 2020	<p>City Manager/Director of Emergency Services Executive Order No. 2020-07</p> <p>Pursuant to Section 2: The following emergency order shall supersede Section 3, paragraph A of Executive Order No. 2020-04:</p> <p>Bars, wineries and brewery tasting rooms may open for business in accordance with Appendix S of the County Health Officer's June 18, 2020 Revised Order.</p>	<p>shall continue until the earlier to occur of: (1) the conclusion of the local emergency; (2) its termination is ordered by the City Manager/Director of Emergency Services; or (3) it is duly terminated by the City Council. The Order may also be superseded by a duly enacted ordinance or order of the City Council expressly superseding this Order.</p>
June 29, 2020	<p>City Manager/Director of Emergency Services Executive Order No. 2020-08.</p> <p>Pursuant to Section 2:</p> <p>Bars, wineries, breweries and wine tasting rooms are closed in accordance with paragraph 7, subsections (b) and (c) of the Revised Order (Revised Order refers to LA County Health June 29, 2020 Health Order)</p> <p>Pursuant to Section 3:</p> <p>Restaurants and food facilities must abide by paragraph 18, subsection (l) of the County Health Officer's Revised Order and Appendix I, to establish a "reservation only" system to notify patrons of seating availability and to allow for the collection of contact information to be utilized for contact-tracing if needed.</p>	<p>shall continue until the earlier to occur of: (1) the conclusion of the local emergency; (2) its termination is ordered by the City Manager/Director of Emergency Services; or (3) it is duly terminated by the City Council. The Order may also be superseded by a duly enacted ordinance or order of the City Council expressly superseding this Order.</p>



<a href="#"><u>July 1, 2020</u></a>	<p>Resolution No. __, Temporarily Suspending for the Duration of the Fourth of July Holiday Weekend Specified City Manager Orders and City Council Resolutions</p> <p>Pursuant to Section 2:</p> <p style="padding-left: 40px;">A. Notwithstanding Section 2(4) of Executive Order No. 2020-03, the following City parking facilities are closed from 12:01 a.m. July 3, 2020 through 5:00 a.m. on the <b>morning of July 6, 2020:</b></p> <p style="padding-left: 80px;">a. Parking Lot A; and</p> <p style="padding-left: 80px;">b. Parking Lot B spaces will be reassigned for use by monthly permit holders only.</p> <p style="padding-left: 40px;">B. Notwithstanding Executive Order No. 2020-05 and any ordinance or permit entitlement to the contrary, all dine-in restaurants in the City shall close for business at 11:00 p.m. each evening until 5:00 a.m. the following morning from July 3, 2020 to and including <b>July 5, 2020.</b></p> <p style="padding-left: 40px;">C. Notwithstanding any ordinance or permit entitlement to the contrary, all off-sale alcohol establishments, including but not limited to liquor stores and grocery stores, shall cease all sales of alcoholic beverages at 11:00 p.m. each evening until 6:00 a.m. the following morning from July 3, 2020 to and including <b>July 5, 2020.</b></p> <p style="padding-left: 40px;">D. Lower Pier Plaza is closed from 12:01 a.m. through 5:00 a.m. the same morning from July 4, 2020 to and including <b>July 6, 2020.</b></p>	<p>These are temporary measures and shall expire on the <b>BOLD</b> dates to the left.</p>
<p>July 17, 2020</p>	<p>City Manager/Director of Emergency Services Executive Order No. 2020-09, Implementing Emergency Measures to Temporarily Permit Gyms, Fitness Facilities, Hair Salons and Barbershops to Operate Outdoors During the COVID-19 Crisis.</p> <p>Pursuant to Section 2:</p>	<p>shall continue until the earlier to occur of: (1) the conclusion of the local emergency; (2) its termination is ordered by the City Manager/Director of Emergency Services; or (3) it is duly</p>

	<ul style="list-style-type: none"> <li>Hermosa Beach Municipal Code sections 17.26.050(B), 17.44.030 and 17.38.550 are temporarily suspending <b>during the term of City State and LA County COVID-19 emergency orders</b> to temporarily permit gyms, fitness facilities, hair salons and barbershops to operate outdoors.</li> </ul>	<p>terminated by the City Council. The Order may also be superseded by a duly enacted ordinance or order of the City Council expressly superseding this Order.</p>
<a href="#">July 28, 2020</a>	<p>Urgency Ordinance No. 20-1415U Temporarily Suspending Local Zoning to Permit Specified Businesses to Operate Outdoors, Permit Certain Home occupations to Operate without a Commercial Business Location and Require Members of the Public to wear a Face Covering.</p> <p><u>Pursuant to Section 2.</u> Hermosa Beach Municipal Code Sections 17.26.050 (B), 17.44.030, 17.38.550(B) and 17.08.020(D)(14) regarding uses permitted within commercial zones, off-street parking requirements for commercial and business uses within commercial zones, and home occupation permits are temporarily suspended to allow for the implementation of items A and B below on a temporary basis during the term of the City, State and Los Angeles County COVID-19 emergency orders:</p> <p>A. Gyms, fitness centers, hair salons, barbershops and personal care establishments (to the extent permitted by the State Board of Barbering and Cosmetology) may operate outdoors to assist in their economic recovery in accordance with the “Outdoor Commercial Uses Operational Standards” attached hereto as Exhibit A and incorporated herein by reference.</p> <p>B. Consistent with the Los Angeles County Health Officer Reopening Protocol for Personal Care Establishment in Appendix R, “personal care services” shall include: nail salons, tanning salons, esthetician, skin care, cosmetology services and massage therapy (in a non-healthcare setting). Electrology, tattooing, microblading, permanent make-up and piercing may not operate outdoors because they are invasive procedures that require a controlled hygienic environment to be performed safely. Mobile or in-home personal care services are not allowed.</p>	<p>The measures adopted in Section 2, are temporary and shall continue during the term of the City, State and Los Angeles County COVID-19 emergency orders</p> <p>No specific expiration date set for Section 3.</p> <p>No specific expiration date set for Section 4.</p>

	<p>C. Professional offices, including but not limited to the healing arts, law, accounting, real estate, clergy, insurance and similar professional or semiprofessional offices may render their services from their residence with a home occupation permit regardless if they comply with Municipal Code section 17.08.020(D)(14), to allow them to continue to operate and pursue their livelihoods while complying with California and Los Angeles County Health orders in response to COVID-19.</p> <p><u>Pursuant to Section 3.</u> The following emergency measures are adopted:</p> <p>A. All persons shall wear a face covering over both the nose and mouth whenever they are present in the following locations within the City:</p> <ul style="list-style-type: none"> <li>a. The Beach.</li> <li>b. Downtown Hermosa Beach, defined as (i) the area bounded by the southerly edge of the 10th Street right-of-way on the south, the northerly edge of the 14th Street right-of-way on the north, the easterly edge of the Strand on the west and the easterly edge of the Hermosa Avenue right-of-way on the east, and (ii) Upper Pier Avenue (inclusive of sidewalks) from Hermosa Avenue to Valley Drive.</li> <li>c. The Greenbelt.</li> <li>d. All City parks.</li> <li>e. Pier Plaza.</li> <li>f. The Strand.</li> </ul> <p>B. All persons shall wear a face covering over both the nose and mouth whenever they leave their place of residence and are or can be in contact with or walking near or past others who are non-household members in both public and private places whether indoors or outdoors, in all locations in the City other than those locations described in and subject to the proscription set forth in paragraph A of this Section 3.</p> <p>C. Paragraphs A and B of this Section 3 shall not apply to:</p> <ul style="list-style-type: none"> <li>a. Persons younger than two years old;</li> </ul>	
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	<p>b. Persons who have been instructed by a medical provider not to wear a face covering due to a medical condition, mental health condition, or disability that prevents wearing a face covering;</p> <p>c. Persons who are hearing impaired, or communicating with a person who is hearing impaired, where the ability to see the mouth is essential for communication;</p> <p>d. Persons who are swimming or engaged in other water-based activities; and</p> <p>e. Healthcare workers, first responders, and others whose work requires close contact with people who are ill.</p> <p>D. For purposes of this Ordinance, “face covering” shall mean: fabric coverings, such as cloth masks, scarves, bandanas, tightly woven fabric such as cotton t-shirt, and some types of towels that cover the nose and mouth. Medical-grade masks and N-95 respirators are not required.</p> <p>E. Persons who are seated at a restaurant or other establishment that offers food or beverage service shall wear a cloth face covering over both the nose and mouth unless they are eating or drinking.</p> <p>F. With respect to persons on the beach, this Ordinance supersedes Section 2(c)(ii) of City Manager Executive Order No. 2020-06.</p> <p>G. The provisions of this Section 3 shall be enforced by way of issuance of administrative citations pursuant to HBMC Chapter 1.10.</p> <p><u>Pursuant to Section 4.</u> In addition to enforcement remedies available to the City as provided in the Hermosa Beach Municipal Code, emergency executive orders issued by the City Manager/Director of Emergency Services and confirmed by City Council, and emergency ordinances, orders and resolutions adopted by the City Council shall be enforceable by way of:</p> <p>A. Imposing an administrative citation pursuant to HBMC Chapter 1.10.</p>	
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	B. Prosecuting a misdemeanor, punishable by a fine of not to exceed one thousand (\$1,000) dollars or by imprisonment for not to exceed six months, or both.	
<a href="#">July 28, 2020.</a>	<p>Urgency Ordinance No. 2020-1414U, Extending the Temporary Moratorium on Evictions During the COVID-19 Pandemic</p> <p><u>Pursuant to Section 2.</u> Paragraphs A, D, and F of Section 3 of Ordinance No. 20-1407U are amended to read as follows:</p> <p>A. During the moratorium period declared in response to COVID-19, no landlord shall endeavor to evict a tenant for nonpayment of rent if the tenant demonstrates that the tenant is unable to pay rent due to financial impacts related to COVID-19. The moratorium period is March 16, 2020 through <b>September 30, 2020.</b></p> <p>D. This ordinance applies to nonpayment eviction notices and unlawful detainer actions based on such notices, served or filed during the moratorium period.</p> <p>F. Nothing in this ordinance shall relieve the tenant of liability for the unpaid rent, which the landlord may seek after expiration of the moratorium period and the tenant must repay within six months of the expiration of the moratorium period. A landlord may not charge or collect a late fee or interest for rent that is delayed for the reasons stated in this ordinance; nor may a landlord seek rent that is delayed for the reasons stated in this ordinance through the eviction process. A landlord shall not commence an eviction during the six months after the end of the moratorium period so long as the tenant pays rent in a timely manner after the moratorium period and is repaying the past due rent that accrued during the moratorium period. Nonpayment of rent in accordance with the terms of this ordinance shall not be grounds for eviction of a tenant even after expiration of the moratorium period. To the extent it applies, this ordinance is intended to be more restrictive than Civil Code Section 1946.2 by further limiting the reasons for termination of a residential tenancy during the six month repayment period. Landlords are strongly encouraged to offer payment plans to tenants after the moratorium period, which may go beyond the six month repayment period upon mutual written agreement of the parties. If mutually agreed upon in writing between the parties, Tenants may draw down on a security deposit</p>	<b>September 30, 2020</b>

	<p>during the repayment period to pay back rent and such security deposit shall be replenished by the end of the six month repayment period or longer.</p> <p><u>Pursuant to Section 3.</u> Paragraphs A and D of Section 4 of Ordinance No. 20-1407U are amended to read as follows:</p> <p>A. During the moratorium period declared in response to COVID-19, no commercial landlord shall endeavor to evict a tenant for nonpayment of rent if the tenant demonstrates that the tenant's businesses is subject to the Orders referenced in Section 1 above or is otherwise limited or closed (voluntarily or by mandate) to prevent or reduce the spread of COVID-19 and the tenant demonstrates lost income and inability to pay rent as a result of such limitation or closure or other demonstrated financial impact related to COVID-19. The moratorium period is March 16, 2020 through <b>September 30, 2020</b>.</p> <p>D. Nothing in this ordinance shall relieve the tenant of liability for the unpaid rent, which the landlord may seek after the expiration of the moratorium period and the tenant must pay within six months of the expiration of the moratorium period. A landlord may not charge or collect a late fee or interest for rent that is delayed for the reasons stated in this ordinance; nor may a landlord seek rent that is delayed for the reasons stated in this ordinance, through the eviction process during or after the moratorium period. A landlord shall not commence an eviction during the six months after the end of the moratorium period for non-payment of rent, so long as the tenant pays rent in a timely manner after the moratorium period and is repaying the past due rent that accrued during the moratorium period. Nonpayment of rent in accordance with the terms of this ordinance shall not be grounds for eviction of a tenant even after expiration of the moratorium period. Landlords are strongly encouraged to offer payment plans to tenants after the period of local emergency, which may go beyond the six month repayment period upon mutual agreement of the parties.</p> <p><u>Pursuant to Section 4.</u> Paragraph A of Section 5 of Ordinance 1407U is amended to read as follows:</p>	
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	<p>A. For mortgagors that are not eligible for financial relief under Governor Newsom's Financial Relief Package found at: <a href="https://www.gov.ca.gov/2020/03/25/governor-gavin-newsom-announces-major-financial-relief-package-90-day-mortgage-payment-relief-during-covid-19-crisis/">https://www.gov.ca.gov/2020/03/25/governor-gavin-newsom-announces-major-financial-relief-package-90-day-mortgage-payment-relief-during-covid-19-crisis/</a>, no foreclosure action against a property owner shall be initiated or proceed during the moratorium period in the City of Hermosa Beach for any mortgagor with a demonstrated financial impact related to COVID-19. Nothing in this ordinance shall relieve the mortgagor of liability for any unpaid mortgage payments, which the mortgagee may seek after expiration of the moratorium period and the mortgagor must pay within six months of the expiration of the moratorium period unless a different time is agreed to between the parties. A mortgagee may not charge or collect a late fee or penalty for payments that are delayed for the reasons stated in this ordinance. The respective rights and obligations of the parties in any foreclosure proceeding shall be adjudicated in the appropriate court of law with jurisdiction over the matter at the conclusion of the moratorium period or rescission of this ordinance. The moratorium period is March 16, 2020 through September 30, 2020.</p> <p><u>Pursuant to Section 5.</u> Section 6 of Ordinance No. 1407U, which was further amended through Ordinance No. 1409U, is amended in its entirety to read as follows:</p> <p>In order to prevent inconsistencies, the Director of Emergency Services may suspend the effectiveness of any provision in this ordinance in the event that the President of the United States, Congress, Governor of the State of California or California State Legislature or other body with jurisdiction adopts an order or legislation that similarly prohibits evictions and foreclosures for failure to pay rent by individuals impacted by the COVID-19 crisis.</p>	
August 13, 2020	<p>City Manager\Director of Emergency Services Executive Order No. 2020-10, Implementing Emergency Measures to Temporarily Permit Places of Worship to Operate outdoor During the COVID-19 Pandemic.</p> <p><u>Pursuant to section 2.</u> The provisions of Hermosa Beach Municipal Code Sections</p>	<p>Shall continue until the earlier to occur of: (1) the conclusion of the local emergency; (2) its termination is ordered by the City Manager/Director of Emergency Services; or (3) it is duly terminated by the City Council.</p>

	<p>17.26.050 (B), 17.44.030, 17.38.550(B) and 17.40.020 regarding uses permitted within commercial zones, off-street parking requirements and uses for which a conditional use permit is required are hereby temporarily suspended, to the extent they conflict with this Order, to allow for the implementation of item A below on a temporary basis during the term of the City, State and Los Angeles County COVID-19 emergency orders:</p> <p>A. Places of worship and providers of religious services and cultural ceremonies (referred to collectively as “Places of Worship”), may operate outdoors in accordance with Appendix F of the County’s July 18th Order, as that protocol may be updated from time to time by the County Health Officer.</p>	<p>The Order may also be superseded by a duly enacted ordinance or order of the City Council expressly superseding this Order.</p>
<p>August 25, 2020</p> <p>(Not yet Agendized)</p>	<p>Urgency Ordinance No. __, to Temporarily Permit Places of Worship to Operate Outdoors During the COVID-19 Pandemic.</p> <p><u>Pursuant to section 2.</u> The provisions of Hermosa Beach Municipal Code Sections 17.26.050 (B), 17.44.030, 17.38.550(B) and 17.40.020 regarding uses permitted within commercial zones, off-street parking requirements and uses for which a conditional use permit is required are hereby temporarily suspended, to the extent they conflict with this Ordinance, to allow for the implementation of item A below on a temporary basis during the term of the City, State and Los Angeles County COVID-19 emergency orders:</p> <p>A. Places of worship and providers of religious services and cultural ceremonies (referred to collectively as “Places of Worship”), may operate outdoors in accordance with Appendix F of the County’s Health Officer Order, as that protocol may be updated from time to time by the County Health Officer.</p>	<p>On a temporary basis during the term of the City, State and Los Angeles County COVID-19 emergency orders:</p>



August 25, 2020	<p>City Manager Executive Order No. 2020-___, Implementing Temporary Lane Closures on Hermosa Ave. to Facilitate Outdoor Recreation and Economic Recovery in Accordance with Health officer Orders for Control of COVID-19</p> <ol style="list-style-type: none"> <li>1. Beginning August 20, 2020, the City in consultation with the City's traffic consultant, may temporarily close to vehicular traffic the northbound and southbound # 2 travel lanes (closest to the curb) on Hermosa Avenue from the 800 block at 8<sup>th</sup> Street to the 1300 block at 14<sup>th</sup> street. <b>Lane closures will continue for 6 months following the complete implementation of the traffic control measures approved by the City Council on Aug. 11, unless the closures are extended for a longer period or sooner terminated by the City Council or Director of Emergency Services.</b></li> <li>2. Beginning Aug. 20, 2020, the City in consultation with the City's traffic consultant, may temporarily close to vehicular traffic the right turn lanes from westbound Greenwich Village to northbound Hermosa Ave. and the part of Hermosa Ave. immediately adjacent to 2626 Hermosa Ave. The lanes may remain closed until <b>Jan 13, 2021, unless the closures are extended for a longer period or sooner terminated by the City Council.</b></li> <li>3. The City shall post signs giving notice of these temporary measures.</li> <li>4. Use of the closed lanes or parking spaces for any commercial purpose requires a Temporary Permit for Outdoor Dining/Seating and Outdoor Retail Display, as set out in the recitals of this Order.</li> </ol>	The duration of each measure is specified in <b>BOLD</b> to the left.
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## Staff Report

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### Staff Report

REPORT 20-0601

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**Honorable Mayor and Members of the Hermosa Beach City Council  
Regular Meeting of September 22, 2020**

**DESIGNATION OF VOTING DELEGATE & ALTERNATE FOR THE  
LEAGUE OF CALIFORNIA CITIES 2020 ANNUAL CONFERENCE  
AND CONSIDERATION OF THE LEAGUE OF CALIFORNIA  
CITIES ANNUAL CONFERENCE RESOLUTION  
(Assistant to the City Manager Nico De Anda-Scaia)**

#### **Recommended Action:**

Staff recommends that City Council:

1. Designate a Voting Delegate and an alternate for the League of California Cities Annual Business Meeting scheduled for Friday, October 9; and
2. Concur with staff's position and authorize the City Council's Voting Delegate to support the League of California Cities General Assembly Resolution.

#### **Executive Summary:**

This agenda matter is a standard item that goes before interested City Councils each year in anticipation of the League of California Cities' annual conference. Attached to this report is a copy of the 2020 Resolution Packet, which contains the proposed resolution(s), background materials supplied by the sponsors, supporting letters from cities and city officials, and League staff analysis for the resolution(s).

This year, one resolution has been introduced for consideration at the Annual Conference and referred to League policy committees. In order to vote on this resolution, City Council must take a majority position on the resolution and designate a voting delegate to represent the City's position at the League's General Assembly meeting.

#### **Background:**

The League of California Cities Annual Conference is scheduled from October 7 through October 9, 2020. Due to precautionary health measures associated with the ongoing pandemic, this year's conference will be held virtually. Each year, the Conference includes an Annual Business Meeting, where the League membership considers and acts on resolutions that establish League Policy.

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## Staff Report

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The League's bylaws stipulate that each city is entitled to one vote on matters affecting municipal or League policy. Therefore, in order to vote at the Annual Business Meeting, the League has requested cities to designate by City Council approval a voting delegate and up to two alternates to represent their respective cities. In addition, proof of designation which reflects the action taken by council is required.

The City Council is also encouraged to review annual League of CA Cities conference resolution(s) and determine a City position so that the designated Voting Delegate may most effectively represent and convey the City's position on these matters.

### **Analysis:**

Policy development is a vital and ongoing process within the League. The principal means for deciding policy on the important issues facing cities and the League are through the League's eight standing Policy Committees and the Board of Directors. The process allows for timely consideration of issues in a changing environment and assures city officials the opportunity to both initiate and influence policy decisions. Annual conference resolutions constitute an additional way to develop League policy, and help guide cities and the League in its efforts to improve the quality, responsiveness, and vitality of local government in California.

This year there is only one resolution for consideration by the League's membership. The Resolution has been reviewed by staff to identify potential impacts upon the City. A brief summary of this resolution along with a staff recommendation is provided below. A full description and formal analysis of the resolution by League staff and the respective sponsors can be found in the Annual Conference Resolutions Packet (See **Attachment 1**).

#### 1. A RESOLUTION OF THE GENERAL ASSEMBLY OF THE LEAGUE OF CALIFORNIA CITIES CALLING FOR AN AMENDMENT OF SECTION 230 OF THE COMMUNICATIONS DECENCY ACT OF 1996 TO REQUIRE SOCIAL MEDIA COMPANIES TO REMOVE MATERIALS WHICH PROMOTE CRIMINAL ACTIVITIES

This resolution states that the League of California Cities should urge Congress to amend Section 230 of the federal Communications Decency Act of 1996 (CDA) to limit the immunity provided to online platforms where their forums enable criminal activity to be promoted.

Ultimately, the policy objectives proposed under this resolution, if enacted, would incentivize social media companies to establish and implement a reasonable program to identify and remove content that solicits criminal activity.

The City of Cerritos is sponsoring this resolution in reaction to events whereby persons, using social media platforms to coordinate locations, dates, and times for their planned criminal activity, have

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## Staff Report

REPORT 20-0601

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committed acts of looting and vandalism resulting in both actual economic harm for targeted businesses, and pecuniary loss to cities who used resources to prevent such acts from occurring when such plans are discovered.

For example, just days after the Lakewood Mall had been looted, the City of Cerritos uncovered online communications via social media that persons were planning to target the nearby Cerritos Mall. Consequently, the city felt compelled to undertake measures to protect the Cerritos Mall, costing the city thousands of dollars to guard against what officials believed to be a credible threat.

At its core, Section 230(c)(1) of the Communications Decency Act (CDA) provides immunity from liability for providers and users of an “interactive computer service” who publish information provided by third-party users. Essentially, this protects websites from lawsuits if a user posts something illegal (although there are a few exceptions).

Protections from Section 230 have come under more recent scrutiny on issues related to hate speech and ideological biases in relation to the influence technology companies can hold on political discussions.

For a full analysis on Resolution No. 1 by the League of California Cities, including a social media industry perspective, data storage and usage considerations, fiscal impact, and related constitutional concerns, see **Attachment 1**.

### Questions to Consider:

If such changes were actually passed by Congress, it would force social media to essentially police conversations on stakeholders’ respective platforms, putting immense pressure on the industry to make subjective determinations about what conversations are appropriate and what are unacceptable.

At the end of the day, there are a few questions to consider in assessing this proposed resolution:

1. *What would this resolution’s impact be on free speech and government censorship?*
2. *What are the expectations for cities when they receive information from a social media platform about a potentially credible threat in their respective communities? Does a city become liable for having information from a social media platform and the threat occurs?*
3. *What would the costs be to develop and maintain new data governance policies, including data infrastructure, to store this information?*
4. *What is the role of the League in engaging issues relating to someone’s privacy?*

**Concurring Cities:** Lakewood, Hawaiian Gardens, Ontario, Rancho Cucamonga, Roseville.

**League of CA Cities Policy Committees Assigned:**

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## Staff Report

REPORT 20-0601

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- Governance, Transparency and Labor Relations Committee
- Public Safety Policy Committee

### **Staff's Recommendation:** *Support*

*While the League's report does a good job of explaining the competing positions in the proposal, it does not come to a definitive conclusion as to whether the proposal would violate the first amendment. In the final analysis, it is staff's recommendation that the City Council determine whether the proposal represents good public policy by weighing the incursion on speech against the increasing use of social media for diabolical purposes.*

### **General Plan Consistency:**

This report and associated recommendation have been evaluated for their consistency with the City's General Plan. Relevant Policies are listed below:

#### **Governance Element:**

*1.6 Long-term Considerations. Prioritize decisions that provide long-term community benefit and discourage decisions that provide short-term community benefit but reduce long-term opportunities.*

*4.1 Regional Governance. Play an active role in the South Bay Cities Council of Governments, the Southern California Association of Governments and other regional agencies to protect and promote the interests of the City.*

*4.3 Collaboration with Adjacent Jurisdictions. Maintain strong collaborative relationships with adjacent jurisdictions and work together on projects of mutual interest and concern.*

### **Fiscal Implications:**

No fiscal implications to the City at this time. Adequate funds are available in the FY2019-2020 budget for conference travel and related expenses.

### **Attachments:**

1. 2020 League Annual Conference Resolutions Packet

**Respectfully Submitted by:** Nico De Anda-Scaia, Assistant to the City Manager

**Noted for Fiscal Impact:** Viki Copeland, Finance Director

**Legal Review:** Michael Jenkins, City Attorney

**Approved:** Suja Lowenthal, City Manager



**August 21, 2020**

**To: Mayors, City Managers and City Clerks**

**From: Melanie Perron, Deputy Executive Director, Advocacy and Public Affairs**

**Re: League's 2020 Annual Conference Resolution Packet**

Please find an enclosed copy of the 2020 Resolution Packet for the League of California Cities' 2020 Annual Conference and Expo being held virtually October 7 – 8. The conference announcement has previously been sent to all cities and we hope that you and your colleagues will be able to join us. More information about the conference is available on the League's Web site at [www.cacities.org/ac](http://www.cacities.org/ac).

One resolution has been submitted. The attached packet contains the proposed resolution, background materials supplied by the sponsors, supporting letters from cities and city officials, and League staff analyses for the resolution. The packet also includes detailed information on the League's resolution process. A copy of the resolution packet is posted on the League's website for your convenience: [www.cacities.org/resolutions](http://www.cacities.org/resolutions).

**Voting Delegates:** In order to vote during the General Assembly, your city council must designate a voting delegate. Your city may also appoint up to two alternate voting delegates, one of whom may vote in the event that the designated voting delegate is unable to serve in that capacity. If your city has not already done so, *Please complete the Voting Delegate form and return it to the League's office no later than Wednesday, September 30.* This will allow us time to establish voting delegate/alternate records prior to the conference. The General Assembly will be held virtually on Friday, October 9 at 11:00 a.m. (subject to change).

We encourage each city council to consider the resolution and to determine a city position so that your voting delegate can represent your city's position on the resolution. Should you have any questions regarding the attached material, please contact Meg Desmond at [mdesmond@cacities.org](mailto:mdesmond@cacities.org) or by phone 916-837-6822.



*Annual Conference  
Resolutions Packet*

*2020 Annual Conference Resolutions*



*October 7 – 9, 2020*

## INFORMATION AND PROCEDURES

**RESOLUTIONS CONTAINED IN THIS PACKET:** The League bylaws provide that resolutions shall be referred by the president to an appropriate policy committee for review and recommendation. Resolutions with committee recommendations shall then be considered by the General Resolutions Committee at the Annual Conference.

This year, one resolution has been introduced for consideration at the Annual Conference and referred to League policy committees.

**POLICY COMMITTEES:** Two policy committees will meet virtually at the Annual Conference to consider and take action on the resolution referred to them. The committees are: Governance, Transparency & Labor Relations and Public Safety. These committees will meet virtually on Tuesday, September 29, with the Governance, Transparency and Labor Relations Policy Committee meeting from 9:30 – 11:30 a.m. and the Public Safety Policy Committee meeting from 1:00 – 3:00 p.m. The sponsor of the resolution has been notified of the time and location of the meeting.

**GENERAL RESOLUTIONS COMMITTEE:** This committee will meet virtually at 1:00 p.m. on Thursday, October 8, to consider the reports of the policy committees regarding the resolutions. This committee includes one representative from each of the League's regional divisions, functional departments and standing policy committees, as well as other individuals appointed by the League president.

**GENERAL ASSEMBLY:** This meeting will be held virtually at 11:00 a.m. on Friday, October 9.

**PETITIONED RESOLUTIONS:** For those issues that develop after the normal 60-day deadline, a resolution may be introduced at the Annual Conference with a petition signed by designated voting delegates of 10 percent of all member cities (48 valid signatures required) and presented to the Voting Delegates Desk at least 24 hours prior to the time set for convening the Annual Business Meeting of the General Assembly. This year, that deadline is 12:30 p.m., Thursday, October 8.

Any questions concerning the resolutions procedures may be directed to Meg Desmond at the League office: [mdesmond@cacities.org](mailto:mdesmond@cacities.org) or (916) 658-8224



## **GUIDELINES FOR ANNUAL CONFERENCE RESOLUTIONS**

Policy development is a vital and ongoing process within the League. The principal means for deciding policy on the important issues facing cities is through the League's seven standing policy committees and the board of directors. The process allows for timely consideration of issues in a changing environment and assures city officials the opportunity to both initiate and influence policy decisions.

Annual conference resolutions constitute an additional way to develop League policy. Resolutions should adhere to the following criteria.

### **Guidelines for Annual Conference Resolutions**

1. Only issues that have a direct bearing on municipal affairs should be considered or adopted at the Annual Conference.
2. The issue is not of a purely local or regional concern.
3. The recommended policy should not simply restate existing League policy.
4. The resolution should be directed at achieving one of the following objectives:
  - (a) Focus public or media attention on an issue of major importance to cities.
  - (b) Establish a new direction for League policy by establishing general principals around which more detailed policies may be developed by policy committees and the board of directors.
  - (c) Consider important issues not adequately addressed by the policy committees and board of directors.
  - (d) Amend the League bylaws (requires 2/3 vote at General Assembly).

## KEY TO ACTIONS TAKEN ON RESOLUTIONS

Resolutions have been grouped by policy committees to which they have been assigned.

Number	Key Word Index	Reviewing Body Action		
		1	2	3
		1 - Policy Committee Recommendation to General Resolutions Committee		
		2 - General Resolutions Committee		
		3 - General Assembly		

### GOVERNANCE, TRANSPARENCY & LABOR RELATIONS POLICY COMMITTEE

		1	2	3
1	Amendment to Section 230 of The Communications Decency Act of 1996			

### PUBLIC SAFETY POLICY COMMITTEE

		1	2	3
1	Amendment to Section 230 of The Communications Decency Act of 1996			

## KEY TO ACTIONS TAKEN ON RESOLUTIONS *(Continued)*

Resolutions have been grouped by policy committees to which they have been assigned.

### KEY TO REVIEWING BODIES

1. Policy Committee
2. General Resolutions Committee
3. General Assembly

### KEY TO ACTIONS TAKEN

- |     |   |
|-----|---|
| A   | Approve   |
| D   | Disapprove  |
| N   | No Action   |
| R   | Refer to appropriate policy committee for study             |
| a   | Amend+  |
| Aa  | Approve as amended+   |
| Aaa | Approve with additional amendment(s)+                       |
| Ra  | Refer as amended to appropriate policy committee for study+ |
| Raa | Additional amendments and refer+                            |
| Da  | Amend (for clarity or brevity) and Disapprove+              |
| Na  | Amend (for clarity or brevity) and take No Action+          |
| W   | Withdrawn by Sponsor  |

### ACTION FOOTNOTES

- \* Subject matter covered in another resolution
- \*\* Existing League policy
- \*\*\* Local authority presently exists

### Procedural Note:

The League of California Cities resolution process at the Annual Conference is guided by the League Bylaws. A helpful explanation of this process can be found on the League's website by clicking on this link: [Resolution Process](#).

**1. A RESOLUTION OF THE GENERAL ASSEMBLY OF THE LEAGUE OF CALIFORNIA CITIES CALLING FOR AN AMENDMENT OF SECTION 230 OF THE COMMUNICATIONS DECENCY ACT OF 1996 TO REQUIRE SOCIAL MEDIA COMPANIES TO REMOVE MATERIALS WHICH PROMOTE CRIMINAL ACTIVITIES**

Source: City of Cerritos

Concurrence of five or more cities/city officials

Cities: City of Hawaiian Gardens, City of Lakewood, City of Ontario, City of Rancho Cucamonga, City of Roseville

Referred to: Governance, Transparency and Labor Relations and Public Safety Policy Committees

**WHEREAS**, local law enforcement agencies seek to protect their communities' residents, businesses, and property owners from crime; and

**WHEREAS**, increasingly, criminals use social media platforms to post notices of places, dates and times for their followers to meet to commit crimes; and

**WHEREAS**, Section 230 of the Communications Decency Act of 1996 currently provides online platforms (including social media platforms) immunity from civil liability based on third-party content and for the removal of content; and

**WHEREAS**, in the 25 years since Section 230's enactment, online platforms no longer function simply as forums for the posting of third-party content but rather use sophisticated algorithms to promote content and to connect users; and

**WHEREAS**, the United States Department of Justice, in its June 2020 report, "Section 230 — Nurturing Innovation or Fostering Unaccountability?," concluded the expansive interpretation courts have given Section 230 has left online platforms immune from a wide array of illicit activity on their services, with little transparency or accountability, noting it "makes little sense" to immunize from civil liability an online platform that purposefully facilitates or solicits third-party content or activity that violates federal criminal law; and

**WHEREAS**, current court precedent interpreting Section 230 also precludes state and local jurisdictions from enforcing criminal laws against such online platforms that, while not actually performing unlawful activities, facilitate them; and

**WHEREAS**, amendment of Section 230 is necessary to clarify that online platforms are not immune from civil liability for promoting criminal activities; and

**NOW, THEREFORE, BE IT RESOLVED** at the League General Assembly, assembled at the League Annual Conference on October 9, 2020 in Long Beach, California, that the League calls upon the U.S. Congress to amend Section 230 of the Communications Decency Act of 1996 to condition immunity from civil liability on the following:

1. Online platforms must establish and implement a reasonable program to identify and take down content which solicits criminal activity; and
2. Online platforms must provide to law enforcement information which will assist in the identification and apprehension of persons who use the services of the platform to solicit and to engage in criminal activity; and
3. An online platform that willfully or negligently fails in either of these duties is not immune from enforcement of state and local laws which impose criminal or civil liability for such failure.

## **Background Information to Resolution**

**Source:** City of Cerritos

### **Background:**

Social media platforms are now used as a primary means of communication, including by criminals who use them to advertise locations, dates, and times where the criminal acts will take place. Such communications, because they occur online, render the online platform immune from any civil liability for the costs incurred by law enforcement agencies that respond under Section 230 of the Communications Decency Act of 1996. Immunity from civil liability extends even to injunctive relief, thus preventing local governments from merely seeking an injunction against the online platform to have such a post removed.

The City of Cerritos supports the rights of free speech and assembly guaranteed under the First Amendment, but believes cities should have the ability to hold social media companies liable for their role in promoting criminal acts. Recently, the City suffered thousands of dollars in damages to respond to online threats that the Cerritos Mall would be looted. Anonymous posts on Instagram.com invited followers to “work together to loot Cerritos [M]all” only several days after the Lakewood Mall had been looted, causing thousands of dollars in damages. The posts were made under the names “cerritosmalllooting” and “cantstopusall,” among others. The City of Cerritos had no choice but to initiate response to protect the Mall and the public from this credible threat.

At the same time local governments face historic shortfalls owing to the economic effects of COVID-19, the nation’s social media platforms are seeing a record rise in profits. The broad immunity provided by Section 230 is completely untenable. Online platforms should be held responsible—and liable—for the direct harm they facilitate. Local governments are in no position to bear the costs of the crimes facilitated by these companies alone.

Congress is currently reviewing antitrust legislation and by extension, Section 230’s immunity provisions. The League urges Congress to amend Section 230 to limit the immunity provided to online platforms when they promote criminal activity to provide local governments some measurable form of relief.

## **League of California Cities Staff Analysis on Resolution No. 1**

Staff: Charles Harvey, Legislative Representative  
Bijan Mehryar, Legislative Representative  
Caroline Cirrincione, Policy Analyst  
Johnnie Piña, Policy Analyst

Committees: Governance, Transparency and Labor Relations  
Public Safety

### **Summary:**

This resolution states that the League of California Cities should urge Congress to amend Section 230 of the federal Communications Decency Act of 1996 (CDA) to limit the immunity provided to online platforms where their forums enable criminal activity to be promoted.

Ultimately, the policy objectives proposed under this resolution, if enacted, would incentivize social media companies to establish and implement a reasonable program to identify and remove content that solicits criminal activity.

### **Background:**

The City of Cerritos is sponsoring this resolution in reaction to events whereby persons, using social media platforms to coordinate locations, dates, and times for their planned criminal activity, have committed acts of looting and vandalism resulting in both actual economic harm for targeted businesses, and pecuniary loss to cities who used resources to prevent such acts from occurring when such plans are discovered.

For example, just days after the Lakewood Mall had been looted, the City of Cerritos uncovered online communications via social media that persons were planning to target the nearby Cerritos Mall. Consequently, the city felt compelled to undertake measures to protect the Cerritos Mall, costing the city thousands of dollars to guard against what officials believed to be a credible threat.

### **Staff Comments:**

#### **Overview:**

While there is certainly an argument to substantiate concerns around censorship, the use of social media as a tool for organizing violence is equally disturbing.

Throughout much of the 2020 Summer, there have been many reports of looting happening across the country during what were otherwise mostly peaceful demonstrations. Combined with the speculation of who is really behind the looting and why, the mayhem has usurped the message of peaceful protestors, causing a great deal of property damage in the process. Likewise, these criminal actions have upended the livelihood of some small business owners, many of whom were already reeling in the wake of the COVID-19 pandemic.

While social media allows people to connect in real time with others all over the world, organized illegal activity using social media is made easier by the anonymous nature of virtual interactions.

#### Nation's Reaction to the Murder of George Floyd:

Shortly after the senseless killing of George Floyd by law enforcement on May 26, 2020, civil unrest began as local protests in the Minneapolis–Saint Paul metropolitan area of Minnesota before quickly spreading nationwide to more than 2,000 cities and towns across the United States, and in approximately 60 countries in support of the Black Lives Matter movement. Protests unfolded across the country throughout the entire month of June and into July, and persisted in a handful of cities such as Portland and Seattle into the month of August.

Although the majority of protests were peaceful, some demonstrations in cities escalated into riots, looting, and street skirmishes with police. While much of the nation's focus has been on addressing police misconduct, police brutality, and systemic racism, some have used demonstrators' peaceful protests on these topics as opportunities to loot and/or vandalize businesses, almost exclusively under the guise of the "Black Lives Matter" movement. It has been uncovered that these "flash robs"<sup>1</sup> were coordinated through the use of social media. The spontaneity and speed of the attacks enabled by social media make it challenging for the police to stop these criminal events as they are occurring, let alone prevent them from commencing altogether.

As these events started occurring across the country, investigators quickly began combing through Facebook, Twitter, and Instagram seeking to identify potentially violent extremists, looters, and vandals and finding ways to charge them after — and in some cases before — they sow chaos. While this technique has alarmed civil liberties advocates, who argue the strategy could negatively impact online speech, law enforcement officials claim it aligns with investigation strategies employed in the past.

#### Section 230 and other Constitutional Concerns

At its core, Section 230(c)(1) of the CDA provides immunity from liability for providers and users of an "interactive computer service" who publish information provided by third-party users. Essentially, this protects websites from lawsuits if a user posts something illegal, although there are exceptions for copyright violations, sex work-related material, and violations of federal criminal law.

Protections from Section 230 have come under more recent scrutiny on issues related to hate speech and ideological biases in relation to the influence technology companies can hold on political discussions.

Setting aside Section 230, there are some potential constitutional issues one could raise, should there be an attempt to implement such a resolution into statute.

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<sup>1</sup> The "flash robs" phenomenon—where social media is used to organize groups of teens and young adults to quickly ransack and loot various retail stores—began to occur sporadically throughout the United States over the past ten years.



In the United States, the First Amendment prohibits the government from restricting most forms of speech, which would include many proposals to force tech companies to moderate content. While “illegal” types of speech enjoy limited or no First Amendment protection, the line for delineating between “legal” and “illegal” speech is very difficult to determine. Consequently, one would expect online platforms to push back on whether there is a constitutionally feasible way for them to “identify” protected speech versus unprotected speech, or whether there is a feasible way to define “content which solicits criminal activity.” A law requiring companies to moderate content based on the political viewpoint it expresses, for example, would likely be struck down as unconstitutional.

Nonetheless, private companies can create rules to restrict speech if they so choose. Online platforms sometimes argue they have constitutionally-protected First Amendment rights in their “editorial activity,” and therefore, it violates their constitutional rights to require them to monitor (i.e., “identify and take down”) content that may be protected under the First Amendment. They may also argue, along the same lines, that the government may not condition the granting of a privilege (i.e., immunity) on doing things that amount to a violation of their first amendment rights. This is why Facebook and Twitter ban hate speech and other verifiably false information, for example, even though such speech is permitted under the First Amendment.

With respect to privacy and the Fourth Amendment, online platforms may argue that requiring them to “provide to law enforcement information that will assist in the identification and apprehension of persons who use the services of the platform to solicit and to engage in criminal activity,” turns them into government actors that search users’ accounts without a warrant based on probable cause, in violation of the Fourth Amendment.

#### Industry Perspective

Unsurprisingly, industry stakeholders have strong opinions for what such changes could mean for their respective business models.

For instance, a Facebook spokesperson recently noted in a Fortune article that, “By exposing companies to potential liability for everything that billions of people around the world say, this would penalize companies that choose to allow controversial speech and encourage platforms to censor anything that might offend anyone.”

The article acknowledges that in recent years, both political parties have put social media companies under increased scrutiny, but they are not unified in their stated concerns. While Republicans accuse the companies of unfairly censoring their post, Democrats complain that these companies fail to do enough to block misinformation, violent content, and hate speech.

The article concludes that there is no way companies like Facebook and Twitter could operate without Section 230, and that the removal of this section would thereby “eliminate social media as we know it.”

#### Recent Federal Action on Social Media

The President recently issued an *Executive Order on Preventing Online Censorship*. In it, he notes the following:

“The growth of online platforms in recent years raises important questions about applying the ideals of the First Amendment to modern communications technology. Today, many Americans follow the news, stay in touch with friends and family, and share their views on current events through social media and other online platforms. As a result, these platforms function in many ways as a 21st century equivalent of the public square.

Twitter, Facebook, Instagram, and YouTube wield immense, if not unprecedented, power to shape the interpretation of public events; to censor, delete, or disappear information; and to control what people see or do not see.”

Ultimately the President implores the U.S. Attorney General to develop a proposal for federal legislation that “would be useful to promote the policy objectives of this order.” The President is not subtle in communicating his desire to ultimately see legislation heavily slanted toward the preservation of free speech on social media, which some interpret as a maneuver to preempt Twitter and Facebook from regulating speech they otherwise deem as hateful or demonstrably false.

#### Considerations for Congress

Courts have generally construed Section 230 to grant internet service providers broad immunity for hosting others’ content. Many have claimed that Section 230’s immunity provisions were critical to the development of the modern internet, and some continue to defend Section 230’s broad scope. But simultaneously, a variety of commentators and legislators have questioned whether those immunity provisions should now be narrowed, given that the internet looks much different today than it did in 1996 when Section 230 was first enacted.

One way for Congress to narrow Section 230’s liability shield would be to create additional exceptions, as it did with FOSTA and SESTA<sup>2</sup>. If a lawsuit does not fall into one of the express exceptions contained in Section 230(e)<sup>3</sup>, courts may have to engage in a highly fact-specific inquiry to determine whether Section 230 immunity applies: Section 230(c)(1) immunity will be inapplicable if the provider itself has developed or helped to develop the disputed content, while Section 230(c)(2) immunity may not apply if a service provider’s decision to restrict access to content was not made in good faith.

#### Date Storage and Usage Considerations for Cities

Section 2 of the conditions the resolution applies to civil immunity requires that online platforms provide relevant information to law enforcement to assist in the identification and apprehension of persons who use the services of the platform to solicit and to engage in criminal activity. This section would most likely require the development of new procedures and protocols that govern law enforcements usage and retention of such information. Those new policies and procedures would undoubtedly raise privacy concerns depending on how wide the latitude is for law

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<sup>2</sup> The Fight Online Sex Trafficking Act (FOSTA) and the Stop Enabling Sex Traffickers Act (SESTA) create an exception to Section 230 that means website publishers *would* be responsible if third parties are found to be posting ads for prostitution — including consensual sex work — on their platforms.

<sup>3</sup> Section 230(e) says that Section 230 will not apply to: (1) federal criminal laws; (2) intellectual property laws; (3) any state law that is “consistent with” Section 230; (4) the Electronic Communications Privacy Act of 1986; and (5) civil actions or state prosecutions where the underlying conduct violates federal law prohibiting sex trafficking.

enforcement to request such information. In those circumstances cities could end up themselves incurring new liability for the governance of data that could either violate certain privacy rules or increase their data governance costs.

#### **Fiscal Impact:**

Unlike the costly resources needed to support or oppose a ballot measure, a federal resolution from the League of California Cities that simply urges Congress to undertake certain action should have a negligible fiscal impact, if any monetary impact at all.

Regarding cities, if social media had no immunity for its failure to police content that solicits criminal activity, then an individual city could theoretically save thousands if not millions of dollars, depending on its size and other subjective circumstances. Collectively, cities across the country could potentially save at least hundreds of millions between redress for actual economic harm suffered and/or the cost of preventative measures taken to stop criminal activity from occurring in the first place.

Conversely, if social media platforms were to shut down, due to an inability to comply with a policy requirement to regulate speech on the internet, it is unclear on how cities might be impacted from a fiscal standpoint.

#### **Existing League Policy:**

##### **Public Safety:**

##### *Law Enforcement*

The League supports the promotion of public safety through:

- Stiffer penalties for violent offenders, and
- Protecting state Citizens' Option for Public Safety (COPS) and federal Community Oriented Police Services (COPS) funding and advocating for additional funding for local agencies to recoup the costs of crime and increase community safety.

##### *Violence*

The League supports the reduction of violence through strategies that address gang violence, domestic violence, and youth access to tools of violence, including but not limited to firearms, knives, etc.

The League supports the use of local, state, and federal collaborative prevention and intervention methods to reduce youth and gang violence.

#### **Governance, Transparency & Labor Relations:**

##### *Private Sector Liability*

The League will work closely with private sector representatives to evaluate the potential for League support of civil justice reform measures designed to improve the business climate in California. These measures should be evaluated on a case-by-case basis through the League police process.

**Questions to Consider:**

Many cities obviously believe that creating civil liability for social media platforms—due to their role in providing the communication mediums for those who organize looting attacks— is key to deterring this organized criminal activity.

If such a change was actually passed by Congress, it would force social media to essentially police every conversation on stakeholders' respective platforms, putting immense pressure on the industry to make subjective determinations about what conversations are appropriate and what are unacceptable.

At the end of the day, there are a few questions to consider in assessing this proposed resolution:

- 1) *What would this resolution's impact be on free speech and government censorship?*
- 2) *What are the expectations for cities when they receive information from a social media platform about a potentially credible threat in their respective communities? Does a city become liable for having information from a social media platform and the threat occurs?*
- 3) *What would the costs be to develop and maintain new data governance policies, including data infrastructure, to store this information?*
- 4) *What is the role of the League in engaging in issues relating to someone's privacy?*

**Support:**

The following letters of concurrence were received:

City of Hawaiian Gardens

City of Lakewood

City of Ontario

City of Rancho Cucamonga

City of Roseville

# **LETTERS OF CONCURRENCE**

## **Resolution No. 1**

**Amendment to Section 230 of the Communications  
Decency Act of 1996**



# CITY OF HAWAIIAN GARDENS

*"Our Youth - Our Future"*

August 7, 2020

John Dunbar, President  
[jdunbar@yville.com](mailto:jdunbar@yville.com)  
League of California Cities  
1400 K Street, Suite 400  
Sacramento, CA 95814

Dear President Dunbar:

On August 3, 2020, the Cerritos City Council approved to sponsor a **Resolution of the City Council of the City of Cerritos Submitting to the League of California Cities General Assembly a Proposed Resolution Regarding Support of Legislation Related to Social Media Platform Accountability for Promotion of Criminal Acts.**

This proposed resolution with the required background information will be submitted to the League of California Cities for consideration by the General Assembly at the Annual Conference on October 9, 2020. (Attachments 1 and 2) The intent of the resolution is to address the use of social medial platforms for posting information that leads followers to meet and commit crimes and to also hold these platforms and the persons who post said information civilly and criminally accountable for all costs incurred by the local jurisdictions where the crimes occurred.

The public safety efforts in the City of Hawaiian Gardens would certainly benefit from such legislation. This letter serves to support the City of Cerritos in their efforts to submit of the above mentioned resolution to the League of California Cities for consideration at the 2020 Annual Conference.

Sincerely,



Ernie Hernandez  
City Manager

cc Blanca Pacheco, President, LA County Division/League of California Cities - [bpacheco@downeyca.org](mailto:bpacheco@downeyca.org)  
Meg Desmond, League of California Cities - [mdesmond@cacities.org](mailto:mdesmond@cacities.org)  
Kristine Guerrero, LA County Division/League of California Cities - [kguerrero@cacities.org](mailto:kguerrero@cacities.org)  
Kathy Matsumoto, Assistant City Manager, City of Cerritos - [kmatsumoto@cerritos.us](mailto:kmatsumoto@cerritos.us)

Jeff Wood  
Vice Mayor

Steve Clark  
Council Member



Todd Rogers  
Mayor

Ariel P.  
Council Member

Diane DuBois  
Council Member

August 5, 2020

John Dunbar, President  
[jdunbar@yville.com](mailto:jdunbar@yville.com)  
League of California Cities  
1400 K Street, Suite 400  
Sacramento, CA 95814

Dear President Dunbar:

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This letter serves to support the City of Cerritos in their efforts to submit the above mentioned resolution to the League of California Cities for consideration at the 2020 Annual Conference.

Sincerely,

Todd Rogers  
Mayor

cc: Blanca Pacheco, President, LA County Division/League of California Cities - [bpacheco@downeyca.org](mailto:bpacheco@downeyca.org)  
Meg Desmond, League of California Cities - [mdesmond@cacities.org](mailto:mdesmond@cacities.org)  
Kristine Guerrero, LA County Division/League of California Cities - [kguerrero@cacities.org](mailto:kguerrero@cacities.org)  
Kathy Matsumoto, Assistant City Manager, City of Cerritos - [kmatsumoto@cerritos.us](mailto:kmatsumoto@cerritos.us)

# Lakewood

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CITY OF

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ALAN D. WAPNER  
JIM W. BOWMAN  
RUBEN VALENCIA  
COUNCIL MEMBERS

JAMES R. MILHISER  
TREASURER

August 6, 2020

John Dunbar, President  
[jdunbar@yville.com](mailto:jdunbar@yville.com)  
League of California Cities  
1400 K Street, Suite 400  
Sacramento, CA 95814

Dear President Dunbar:

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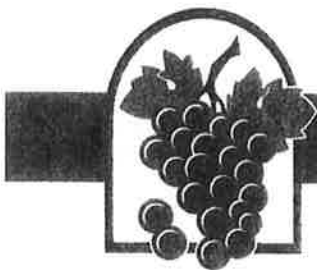
This letter serves to support the City of Cerritos in their efforts to submit the above-mentioned resolution to the League of California Cities for consideration at the 2020 Annual Conference.

Sincerely,

Alan D. Wapner  
Council Member  
League of California Cities Board Member

c: Blanca Pacheco, President, LA County Division/League of California Cities - [bpacheco@downeyca.org](mailto:bpacheco@downeyca.org)  
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Kathy Matsumoto, Assistant City Manager, City of Cerritos - [kmatsumoto@cerritos.us](mailto:kmatsumoto@cerritos.us)





## CITY OF RANCHO CUCAMONGA

10500 Civic Center Drive | Rancho Cucamonga, CA 91730 | 909.477.2700 | [www.CityofRC.us](http://www.CityofRC.us)

August 6, 2020

John Dunbar, President  
[jdunbar@yville.com](mailto:jdunbar@yville.com)  
League of California Cities  
1400 K Street, Suite 400  
Sacramento, CA 95814

Dear President Dunbar:

On August 3, 2020, the Cerritos City Council approved to sponsor a **Resolution of the City Council of the City of Cerritos Submitting to the League of California Cities General Assembly a Proposed Resolution Regarding Support of Legislation Related to Social Media Platform Accountability for Promotion of Criminal Acts.**

This proposed resolution with the required background information will be submitted to the League of California Cities for consideration by the General Assembly at the Annual Conference on October 9, 2020. (Attachments 1 and 2) The intent of the resolution is to address the use of social media platforms for posting information that leads followers to meet and commit crimes and to also hold these platforms and the persons who post said information civilly and criminally accountable for all costs incurred by the local jurisdictions where the crimes occurred.

On behalf of the City of Rancho Cucamonga, this letter serves to support the City of Cerritos in their efforts to submit the above mentioned resolution to the League of California Cities for consideration at the 2020 Annual Conference.

Sincerely,

L. Dennis Michael  
Mayor

cc: Blanca Pacheco, President, LA County Division/League of California Cities - [bpacheco@downeyca.org](mailto:bpacheco@downeyca.org)  
Meg Desmond, League of California Cities - [mdesmond@cacities.org](mailto:mdesmond@cacities.org)  
Kristine Guerrero, LA County Division/League of California Cities - [kguerrero@cacities.org](mailto:kguerrero@cacities.org)  
Kathy Matsumoto, Assistant City Manager, City of Cerritos - [kmatsumoto@cerritos.us](mailto:kmatsumoto@cerritos.us)



**City Council**  
311 Vernon Street  
Roseville, California 95678

August 7, 2020

John Dunbar, President  
[jdunbar@yville.com](mailto:jdunbar@yville.com)  
League of California Cities  
1400 K Street, Suite 400  
Sacramento, CA 95814

Dear President Dunbar:

On August 3, 2020, the Cerritos City Council approved to sponsor a **Resolution of the City Council of the City of Cerritos Submitting to the League of California Cities General Assembly a Proposed Resolution Regarding Support of Legislation Related to Social Media Platform Accountability for Promotion of Criminal Acts.**

This proposed resolution with the required background information will be submitted to the League of California Cities for consideration by the General Assembly at the Annual Conference on October 9, 2020. (Attachments 1 and 2) The intent of the resolution is to address the use of social media platforms for posting information that leads followers to meet and commit crimes and to also hold these platforms and the persons who post said information civilly and criminally accountable for all costs incurred by the local jurisdictions where the crimes occurred.

On behalf of the City of Roseville, this letter serves to support the City of Cerritos in their efforts to submit the above mentioned resolution to the League of California Cities for consideration at the 2020 Annual Conference.

Sincerely,

A handwritten signature in black ink, appearing to read "John B. Allard II", written over a horizontal line.

John B. Allard II,  
Mayor

Cc: Blanca Pacheco, President, LA County Division/League of California Cities - [bpacheco@downeyca.org](mailto:bpacheco@downeyca.org)  
Meg Desmond, League of California Cities - [mdesmond@cacities.org](mailto:mdesmond@cacities.org)  
Kristine Guerrero, LA County Division/League of California Cities - [kguerrero@cacities.org](mailto:kguerrero@cacities.org)  
Kathy Matsumoto, Assistant City Manager, City of Cerritos - [kmatsumoto@cerritos.us](mailto:kmatsumoto@cerritos.us)  
Jason Gonsalves, Joe A. Gonsalves and Son



## Staff Report

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### Staff Report

REPORT 20-0627

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### Honorable Mayor and Members of the Hermosa Beach City Council Regular Meeting of September 22, 2020

#### CITY COUNCIL COMMITTEE LIST UPDATE

(City Clerk Eduardo Sarmiento)

#### **Recommended Action:**

Staff recommends that the City Council:

1. Approve retiring the Compact Committee and allowing the City-School District Partnership to continue with the Mayor and School Board President meeting informally as needed; and
2. Provide direction on new target decommission dates for the City Council temporary subcommittees.

#### **Executive Summary:**

A request has been made by the School District to reduce the City-School District Partnership (Compact Committee) delegates to only the School Board President and the Mayor. The projected end dates for a majority of the temporary City Council subcommittees have also passed and may be considered for extension.

#### **Background:**

The City Council last reorganized their Committee List at the December 17, 2019 meeting. Since then, an Economic Development Committee was formed on April 28, 2020 consisting of Mayor Campbell, Councilmember Detoy, Planning Commission Chairperson Hoffman and Planning Commissioner Pedersen. The Fire Station Remodel Project was also completed on September 1, 2020, therefore the Fire Station Remodel Subcommittee consisting of Mayor Campbell and Mayor Pro Tem Massey has been decommissioned. The City Council Committee list has been updated to reflect these changes (**Attachment 1**).

#### **Discussion:**

The City-School District Partnership (Compact Committee) was formed in 1998 and has consisted of two members of the School Board and two members of the City Council. Due to the difficulty of scheduling four elected officials for meetings, a request has been made by the School District to reduce the committee delegates to only the School Board President and the Mayor. If the meetings only consist of one member of the School Board and one member of the City Council, the Compact

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## Staff Report

REPORT 20-0627

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Committee could be retired and the School Board President and Mayor could meet informally as needed, with or without staff.

Temporary subcommittees are not subject to the Brown Act but must have an end date. The projected end dates for a majority of the temporary City Council subcommittees have passed and may be considered for extension.

Temporary City Council Subcommittee	Current Target Decommission Date
Downtown task Force	March 31, 2020
Summer Beach Concerts	Summer 2020
North School Reconstruction Project	January 2021
Storm Water Infiltration Project	March 31, 2020
Community Garden Dedication	June 30, 2020

### **General Plan Consistency:**

This report and associated recommendation have been evaluated for their consistency with the City's General Plan. Relevant Policies are listed below:

#### *Governance Element*

#### **Goal 4. A leader and partner in the region.**

Policies:

- **4.1 Regional governance.** Play an active role in the South Bay Cities Council of Governments, the Southern California Association of Governments and other regional agencies to protect and promote the interests of the City.
- **4.2 Leadership in sustainability.** Establish the City as a regional leader in sustainable development and encourage compact, walkable development patterns that conserve land resources, supports active transportation, reduces vehicle trips, improves air quality, and conserves energy and water.
- **4.3 Collaboration with Adjacent Jurisdictions.** Maintain strong collaborative relationships with adjacent jurisdictions and work together on projects of mutual interest and concern.

#### **Goal 6. A broad-based and long-term economic development strategy for Hermosa Beach that supports existing businesses while attracting new business and tourism.**

Policies:

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## Staff Report

REPORT 20-0627

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- **6.1 Long-term economic development.** Support the development and implementation of long-term economic development strategies that seek to establish and keep new businesses and a strong middle class in Hermosa Beach over the decades to come.
- **6.2 Regional presence.** Encourage economic development strategies that will make Hermosa Beach a driving force and jobs center behind the regional economy of the South Bay region.
- **6.3 Diversified economy.** Encourage economic development strategies that allow the city to move beyond reliance on its two main industries - accommodation and food service and retail trade- and transform itself to a mature mix of economic activity and job opportunities.
- **6.4 Business support.** Support the Chamber of Commerce, retailers, tourist service businesses, artists, and other agencies to develop an aggressive marketing strategy with implementation procedures.
- **6.5 Creative economy.** Prioritize strategies that will create an economy full of diverse talents, trades and goods for the city. For long lasting economic success, a range of services, arts, entertainment and retail should be supported on all scales of the city's economy.
- **6.6 Pop-up shops.** Develop plans and programs for underutilized spaces, such as vacant buildings, utility corridors, parkways, etc., for temporary retail, restaurant, and community promoting uses.
- **6.7 Retail base.** Encourage economic development reflective of the character of Hermosa Beach with small and medium scale retail development within Hermosa Beach in order to create a stronger tax base and increase the City's tax revenue.

### **Fiscal Impact:**

There is no fiscal impact associated with the recommended actions.

### **Attachments:**

1. Council Committee List as of September 1, 2020

**Respectfully Submitted by:** Ann Yang, Executive Assistant

**Concur:** Eduardo Sarmiento, City Clerk

**Legal Review:** Mike Jenkins, City Attorney

**Approved:** Suja Lowenthal, City Manager

# CITY OF HERMOSA BEACH

## REORGANIZATION OF CITY COUNCIL COMMITTEE DELEGATE AND ALTERNATE APPOINTMENTS

### Beach Cities Health District

Delegate Detoy

### California Contract Cities Association

Delegate Fangary (Board members meet 2nd Thurs. at  
700 N. Alameda St., Los Angeles)

Alternate Detoy

### City-School District Partnership (Compact Committee), formed 05/28/98

Delegate Massey (Meets quarterly or as needed)

Delegate Campbell

### Economic Development Committee, formed 04/28/00

Delegate Campbell (Meets first Monday of each month at 6:00 p.m.)

Delegate Detoy

### Hermosa Beach Sister City Association

Delegate Detoy (1st Mon. – 7 p.m., Community Center, Room 9)

Alternate Campbell

### Independent Cities Association

Delegate Armato (Annual winter and summer seminars for delegates)

Alternate Campbell [Board members meet 2nd Thursday,  
7:00-8:30pm, Location varies each month]

### Independent Cities Risk Management Association

Delegate (staff) Godinez (Bimonthly - Downey)

Alternate (staff) Bagnara RESOLUTION NO. 16-7035

# CITY OF HERMOSA BEACH

## REORGANIZATION OF CITY COUNCIL COMMITTEE DELEGATE AND ALTERNATE APPOINTMENTS

### KHHR Communities Network Committee

Delegate	<a href="#">Armato</a>	(2nd Wed. in Jan, Apr, Jul, Oct, 6:00 p.m., Hawthorne Memorial Center or Hawthorne Municipal Airport)
Alternate	<a href="#">Campbell</a>	

### League of California Cities – L.A. County Division

Delegate	<a href="#">Campbell</a>	(1st Thurs. Jan./March/May - 6 p.m., locations vary, but usually Luminarias Restaurant - Monterey Park, other League/Division/committee events as called)
Alternate	<a href="#">Massey</a>	

### Los Angeles County/City Selection Committee

Delegate (Mayor)	<a href="#">Campbell</a>	(As called. Mayor must appoint alternate separately, each time, when unable to attend meeting)
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### Los Angeles County West Vector and Vector-Borne Control District Board

Delegate	<a href="#">Jim Fasola</a>	(2nd Thurs. of odd numbered months, 7:30 p.m., 6750 Centinela Ave., Culver City)
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### Los Angeles International Airport Community Noise Roundtable

Delegate	<a href="#">Armato</a>	(2nd Wed. of odd numbered months, 6:30 p.m., LAX)
Alternate	<a href="#">Campbell</a>	

### Metropolitan Transportation Authority City Selection Committee

Delegate	<a href="#">Massey</a>	(as called)
Alternate	<a href="#">Detoy</a>	

### South Bay Cities Council of Governments (SBCCOG)

Delegate	<a href="#">Massey</a>	(4th Thurs., 6 p.m., 20285 Western Ave., Torrance)
Alternate	<a href="#">Armato</a>	RESOLUTION NO. 20-7224

### SBCCOG Steering Committee

Delegate/Alternate	<a href="#">See above</a>	(2nd Mon., 12 p.m., 20285 Western Ave., Torrance)
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# CITY OF HERMOSA BEACH

## REORGANIZATION OF CITY COUNCIL COMMITTEE DELEGATE AND ALTERNATE APPOINTMENTS

### South Bay Cities Sanitation District (County Sanitation Districts of Los Angeles)

Delegate (Mayor) Campbell (3rd Wed. – 1:30 p.m., Torrance City Hall)

Alternate Massey

### Southern California Association of Governments

Delegate Massey (Annual, as called)

### Watershed Advisory Council of Santa Monica Bay Restoration Commission

Delegate Detoy (Meetings at least once a year, as called,

usually afternoons at Dockweiler Youth Center, 12505 Vista del Mar, Los Angeles)

Alternate Fangary

### West Basin Water Association

Delegate Massey (1st Tues., 11:30 a.m., Carson Community Center)

Alternate Detoy

## APPOINTMENT BY L.A. COUNTY BOARD OF SUPERVISORS

### Safe Clean Water Program, South Santa Monica Bay Watershed Area

Steering Committee [October 2019].....(Fangary)



# CITY OF HERMOSA BEACH

## REORGANIZATION OF CITY COUNCIL COMMITTEE DELEGATE AND ALTERNATE APPOINTMENTS

### TEMPORARY CITY COUNCIL SUB-COMMITTEES

**Downtown Task Force** [Formed 11/22/16].....(Armato, Massey)  
**Target Decommission Date: March 31, 2020**

The Downtown Subcommittee was established after a high profile incident occurred on the plaza that resulted in injury to three Hermosa Beach Police Officers. Following that incident, a security company was brought in to supplement the police presence on the plaza. The incident highlighted the finite number of City employees available to interact with and control the often rowdy and intoxicated patrons regularly found in the downtown area during late night hours. A more comprehensive solution needed to be developed, so the Subcommittee has embarked on a review of prior strategies employed downtown and is tasked with identifying and expanding what works, developing new ideas and strategies to enhance the environment and leveraging technology where appropriate to assist with enhancing safety and security.

At the April 10, 2018 meeting, City Council modified the Downtown Enhancement Subcommittee's role to include collaborating with local stakeholders in identifying opportunities to increase daytime patronage and economic vitality throughout the downtown. At the April 28, 2020 Council meeting, this role was transferred to the newly formed Economic Development Committee.

**Summer Beach Concerts** [Formed 03/27/18].....(Armato, Campbell)  
**Target Decommission Date: Summer 2020 (after Summer Series)**

The Subcommittee was formed in March 2018 to review the terms of the Summer Beach Concert series agreement and determine next steps. The current goal is to assure that the new Summer Series is thriving.

**North School Reconstruction Project** [Formed 01/31/19].....(Armato, Massey)  
**Target Decommission Date: January 2021**

The Subcommittee represents the City on the joint City and Hermosa Beach City School District collaborative to negotiate elements of a Memorandum of Understanding (MOU) between the two parties delineating mutually agreed upon outcomes through the North School Reconstruction Project. The Subcommittee is further charged with overseeing the fulfillment of the North School Reconstruction Project Memorandum of Understanding which was executed on February 27, 2019. The anticipated school opening date is December 2020. The anticipated adoption of the NTMP is March 2020 with implementation from March-December 2020.

**Storm Water Infiltration Project** [Formed 04/09/19].....(Armato, Massey)  
**Target Decommission Date: March 31, 2020**

Due to the Redondo Beach Development Subcommittee's (Armato and Fangary) long-standing good relationship with counter parts in Redondo Beach, the Subcommittee's role was modified at the meeting of October 9, 2018 to include issues related to the Storm Water Infiltration Project. The City Council directed the Subcommittee and staff to jointly engage our counterparts in Redondo Beach, and perhaps Torrance, to site the project in Redondo and/or Torrance, at its current volume, or as divided into multiple projects totaling a similar volume. Division of projects may include a project in Hermosa, and/or an expansion of the Hermosa Infiltration Project, which is in the Enhanced Watershed Management Plan. City Council also directed the Subcommittee and staff to report back with progress on that engagement.

# CITY OF HERMOSA BEACH

## REORGANIZATION OF CITY COUNCIL COMMITTEE DELEGATE AND ALTERNATE APPOINTMENTS

On April 9, 2019, Councilmember Fangary suggested that Councilmember Massey take over his roll on the Subcommittee due to Councilmember Massey's intensive knowledge and experience with groundwater. The Subcommittee consisting of Armato and Massey was named the Storm Water Infiltration Project Subcommittee and tasked with developing a new MOU.

**Community Garden Dedication** [Formed 12/17/19].....(Armato, Campbell)

**Target Decommission Date: June 30, 2020**

At its meeting of November 18, 2019, the City Council unanimously supported to consider dedicating the Hermosa Beach Community Garden in former Mayor/Councilmember Jeff Duclos' name. The City does not currently have a formal process for naming a place after someone. Therefore, staff recommended that Council form a Sub-committee to work with a Sub-committee of the Parks & Recreation Commission on the dedication process.



## Staff Report

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### Staff Report

REPORT 20-0632

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**Honorable Mayor and Members of the Hermosa Beach City Council  
Regular Meeting of September 22, 2020**

**ESTABLISHMENT OF A POLICY FOR THE SELECTION  
OF THE CITY'S MAYOR AND MAYOR PRO TEMPORE**  
(City Attorney Michael Jenkins)

**Recommended Action:**

Staff recommends that the City Council consider adoption of a formal policy governing selection of the Mayor and Mayor Pro Tempore.

**Background:**

California Government Code Section 36801 provides as follows:

“The city council shall meet at the meeting at which the declaration of the election results for a general municipal elections is made. . . and, following the declaration of the election results and the installation of elected officials, choose one of its number as mayor and one of its number as mayor pro tempore.”

A city council may select any of its members to serve as mayor and mayor pro tempore. The mayor and mayor pro tempore of a general law city serve at the pleasure of the city council and may be replaced at any time. Otherwise, State law does not prescribe a particular method or criteria for selection of a mayor and mayor pro tempore; these are entirely within the discretion of the City Council.

The City has typically followed a nonbinding practice regarding rotation of the Mayor and Mayor Pro Tempore positions. It has been asserted that a written policy exists, but none has been located by the City Clerk. The City Council has from time-to-time deviated from that practice. The deviation from that practice in November 2019 has been raised in the lawsuit entitled *Fangary v. City of Hermosa Beach, et al.*

At the Council regular meeting of September 8, 2020, under “Future Agenda Items” Council directed the City Attorney to return to Council with a proposed policy governing selection of the mayor and mayor pro tempore.

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## Staff Report

REPORT 20-0632

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The City Council is scheduled to conduct its annual reorganization in November 2020. If a policy is adopted, it will govern selection of the mayor and mayor pro tem at the November reorganization.

### **Analysis:**

Attached to this staff report is a resolution setting forth a proposed policy governing the selection of the mayor and mayor pro tempore. The proposed policy includes the following elements:

1. Pursuant to Section 36801, the City Council may in its sole discretion and by majority vote of those Councilmembers present and voting appoint from among its membership a mayor and mayor pro tempore. The mayor and the mayor pro tempore shall serve at the pleasure of the City Council and may be replaced at any time during their respective terms.
2. Until the year 2022, the term of the mayor and mayor pro tempore is one year. Thereafter, the mayor and mayor pro tempore will serve a term of 9.6 months, as in the past, to allow each member of the Council an opportunity to serve during their term of office.
3. Selection of the mayor and mayor pro tempore is a legislative action that is entirely within the Council's discretion. The Council may by majority vote of those members present and voting select any of its members for both positions.
4. The proposed policy lists a number of optional factors that Council may, in its discretion, consider when selecting a mayor and mayor pro tempore. The Council may choose to consider any, all or none of the criteria and need not make findings when making its selection. The criteria are as follows:
  - (i). The mayor pro tempore may next succeed the incumbent Mayor.
  - (ii). Each Councilmember may be afforded the opportunity to serve as mayor pro tempore and mayor during his or her term of office.
  - (iii). A Councilmember should generally serve one full year on Council before selection as mayor or mayor pro tempore.
  - (iv). Priority for selection of mayor pro tempore may be given to a member who has not previously served as mayor and thereafter to the member with the longest continuous service since last serving as mayor pro tempore and mayor.
  - (v). A member serving as mayor or mayor pro tem should generally not serve multiple consecutive terms.
  - (vi). The member selected to serve as Mayor should be able to preside over City Council meetings, facilitate fair debate, work effectively with City staff and

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## Staff Report

REPORT 20-0632

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respect and adhere to City policies, the 2016 Hermosa Beach Leadership Guide and the City Manager form of government.

The proposed policy would be adopted by resolution of the City Council and would rescind, replace and supersede any and all previous practices and policies, written or unwritten, pertaining to selection of the mayor and mayor pro tempore. The policy may be amended by resolution from time to time in the Council's discretion.

### **Attachments:**

Resolution No. 20-7257, A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF HERMOSA BEACH REGARDING APPOINTMENT OF THE MAYOR AND MAYOR PRO TEMPORE

**Respectfully Submitted by:** Michael Jenkins, City Attorney

**Concur:**

**Legal Review:** Michael Jenkins, City Attorney

**Approved:** Suja Lowenthal, City Manager



# City of Hermosa Beach

City Hall  
1315 Valley Drive  
Hermosa Beach, CA 90254

## Staff Report

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### Staff Report

20-0611

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**Honorable Mayor and Members of the Hermosa Beach City Council  
Regular Meeting of September 8, 2020**

### **TENTATIVE FUTURE AGENDA ITEMS**

Attached is the current list of tentative future agenda items for Council's information.

### **Attachments:**

Tentative Future Agenda Items

**TENTATIVE FUTURE AGENDA ITEMS**

**TUESDAY, SEPTEMBER 29, 2020 @ 6:00 P.M.**

**JOINT CITY COUNCIL AND PARKS & RECREATION COMMISSION STUDY SESSION:  
COMMUNITY THEATRE NEEDS ASSESSMENT**

**WEDNESDAY, OCTOBER 7, 2020**

**NO STUDY SESSION**

**SATURDAY, OCTOBER 10, 2020 @ 8:00 A.M.**

**VIRTUAL CITY COUNCIL RETREAT**

OCTOBER 13, 2020 @ 5:00 PM		INITIAL DATE
CLOSED SESSION		
OCTOBER 13, 2020 @ 6:00 PM		
PRESENTATIONS		
COVID-19 HEALTH UPDATE FROM BEACH CITIES HEALTH DISTRICT		
CITY MANAGER REPORTS		
COVID-19 Update		
Quarterly Strand Enforcement Update		
CITY COUNCILMEMBER COMMENTS		
Updates from City Council Ad Hoc Subcommittees and Standing Committee Delegates/Alternates		
CONSENT CALENDAR		
City Council Minutes	City Clerk	Ongoing
Check Registers	Finance Director	Ongoing
Recommendation to receive and file the action minutes of the Parks, Recreation and Community Resources Advisory Commission meeting of August 4 and September 1, 2020	Community Resources Manager	Ongoing
Los Angeles Fire Services and McCormick Ambulance Monthly Report for July and August 2020	Emergency Management Coordinator	Ongoing
MOU between the Beach Cities Watershed Group to Update the Enhanced Watershed Management Plan (EWMP) <i>(Continued from meeting of September 8, 2020)</i>	Environmental Programs Manager	Staff Request Jun 1, 2020
MOU between the Beach Cities Watershed Group to continue the Coordinated Integrated Monitoring Plan (CIMP)	Environmental Programs Manager	Staff Request Jun 1, 2020
PUBLIC HEARINGS – 6:30 PM		
Ballot count for formation of Greenwich Village North Underground Utilities Assessment District	Public Works Director	Staff Request Aug. 25, 2020
MUNICIPAL MATTERS		
Receive report on emergency enforcement measures to ensure restaurants and alcohol serving establishments comply with LA County physical distancing and safety orders as they continue to reopen <i>(verbal report)</i>	Police Chief/Community Development Director	Council Direction June 23, 2020
North School Transportation Management Plan	Environmental Analyst	Council Direction
Response to Grand Jury on Organic Waste	Environmental Programs Manager	Staff Request July 20, 2020
2020 Local Agency Biennial Notice regarding the City’s Conflict of Interest Code	City Clerk	Biennial
Vacancies – Public Works Commission Term Expirations: Recommendation to schedule applicant interviews for a time certain prior to the regular meeting of November 10, 2020 with appointments to follow the regular meeting to fill three Public Works Commission terms that will expire October 31, 2020	City Clerk	4-year terms
FUTURE AGENDA ITEMS		
Tentative Future Agenda Items	City Manager	Ongoing

OCTOBER 27, 2020 @ 5:00 PM		INITIAL DATE
CLOSED SESSION		
OCTOBER 27, 2020 @ 6:00 PM		
PRESENTATIONS		
COVID-19 HEALTH UPDATE FROM BEACH CITIES HEALTH DISTRICT		
CITY MANAGER REPORTS		
COVID-19 Update		
CITY COUNCILMEMBER COMMENTS		
Updates from City Council Ad Hoc Subcommittees and Standing Committee Delegates/Alternates		
CONSENT CALENDAR		
City Council Minutes	City Clerk	Ongoing
Check Registers	Finance Director	Ongoing
Revenue Report, Expenditure Report and CIP Report by Project	Finance Director	Ongoing
City Treasurer’s Report and Cash Balance Report	City Treasurer	Ongoing
Cancellation of Certain Checks	City Treasurer	Ongoing
Public Works Project Status Report	Public Works Director	Ongoing
Recommendation to receive and file the action minutes of the Planning Commission meeting of October 20, 2020.	Community Development Director	Ongoing
Planning Commission Tentative Future Agenda Items	Community Development Director	Ongoing
FUTURE AGENDA ITEMS		
Tentative Future Agenda Items	City Manager	Ongoing



**WEDNESDAY, NOVEMBER 4, 2020**  
**STUDY SESSION**

***TENTATIVE - NOVEMBER 10, 2020 @ 4:00 PM***  
**PUBLIC WORKS APPLICANT INTERVIEWS**

NOVEMBER 10, 2020 @ 5:00 PM		INITIAL DATE
CLOSED SESSION		
NOVEMBER 10, 2020 @ 6:00 PM		
PRESENTATIONS		
COVID-19 HEALTH UPDATE FROM BEACH CITIES HEALTH DISTRICT		
CITY MANAGER REPORTS		
COVID-19 Update		
CITY COUNCILMEMBER COMMENTS		
Updates from City Council Ad Hoc Subcommittees and Standing Committee Delegates/Alternates		
CONSENT CALENDAR		
City Council Minutes	City Clerk	Ongoing
Check Registers	Finance Director	Ongoing
Recommendation to receive and file the action minutes of the Parks, Recreation and Community Resources Advisory Commission meeting of October 6, 2020	Community Resources Manager	Ongoing
Los Angeles Fire Services and McCormick Ambulance Monthly Report for September 2020	Emergency Management Coordinator	Ongoing
Request for approval of sponsorship donation to the Beach Cities Health District's 22 <sup>nd</sup> Annual Holiday Gift Bag Project	City Manager	Annual
Request to Renew the Agreement to Purchase Parking Meter Equipment and Related Services	Police Chief	Staff Request Aug. 11, 2020
MUNICIPAL MATTERS		
Board/Commission Expiration of terms – Public Works Commission Appointments to fill three expired terms. All appointments are for four-year terms ending October 31, 2024	City Clerk	4-year terms
FUTURE AGENDA ITEMS		
Tentative Future Agenda Items	City Manager	Ongoing

**THURSDAY, NOVEMBER 12, 2020 @ 6:00 P.M.**  
**MAYORAL TRANSITION CEREMONY**

NOVEMBER 24, 2020 @ 5:00 PM		INITIAL DATE
CLOSED SESSION		
NOVEMBER 24, 2020 @ 6:00 PM		
PRESENTATIONS		
COVID-19 HEALTH UPDATE FROM BEACH CITIES HEALTH DISTRICT		
CITY MANAGER REPORTS		
COVID-19 Update		
Update from Jim Fasola - City Delegate to the Los Angeles County West Vector & Vector-Borne Disease Control District Board of Trustees		
CITY COUNCILMEMBER COMMENTS		
Updates from City Council Ad Hoc Subcommittees and Standing Committee Delegates/Alternates		
CONSENT CALENDAR		
City Council Minutes	City Clerk	Ongoing
Check Registers	Finance Director	Ongoing
Revenue Report, Expenditure Report and CIP Report by Project	Finance Director	Ongoing
City Treasurer’s Report and Cash Balance Report	City Treasurer	Ongoing
Cancellation of Certain Checks	City Treasurer	Ongoing
Recommendation to receive and file the action minutes of the Public Works Commission meeting of September 16, 2020.	Public Works Director	Ongoing
Public Works Project Status Report	Public Works Director	Ongoing
Recommendation to receive and file the action minutes of the Planning Commission meeting of November 17, 2020.	Community Development Director	Ongoing
Planning Commission Tentative Future Agenda Items	Community Development Director	Ongoing
South Bay Workforce Investment Board Quarterly Summary	City Manager	Quarterly
List of Regular and Ongoing City Board and Commission Appointive Terms that will expire during the 2021 Calendar Year	City Clerk	Annual
MUNICIPAL MATTERS		
Los Angeles County West Vector and Vector-Borne Control District Board Recruitment status for upcoming two-year term and schedule applicant interviews with appointment on January 12, 2021	City Clerk	Biennial
FUTURE AGENDA ITEMS		
Tentative Future Agenda Items	City Manager	Ongoing

PENDING STRATEGIC PLAN ITEMS		STATUS / TENTATIVE MEETING DATE
Update Personnel Policies	Human Resources Manager	
Beach Policy/Regulations ( <i>Continued from meeting of October 27, 2016</i> )	Community Resources Manager	On hold by Council
Alternative Fuel Transportation Report, <i>Nov. 2016</i>	Environmental Analyst	
CCA Direction, <i>Dec. 2016</i>	Environmental Analyst	
PENDING NEW ITEMS		STATUS / TENTATIVE MEETING DATE
Consideration of re-establishing, on an as needed basis, both funding and discretion for the director of Public Works to contract services to pump major beach storm outfalls drains prior to anticipated major storm events (supported by Duclos, Armato and Petty) <i>Initiated by: Other Matters Feb. 14, 2017</i>	Public Works Director	Staff to provide an update on storm drain maintenance and provide details on hydrodynamic separators (CIP 435) at the following CIP study session
Policy discussion regarding city responsibilities and expectations when donations are made to city <i>Initiated by: Council Direction May 24, 2017</i>	Finance Director	Will be discussed at the Revenue Strategy Study Session
Approval of the Municipal Lease Policy <i>Initiated by: Staff Request Jun. 12, 2018</i>	Community Resources Manager	
Document Retention Policy <i>Initiated by: Staff Request Nov. 28, 2018</i>	City Clerk	Pending City Clerk Appointment
Consent for use of "Lot B" for construction staging area for Pier/Strand project <i>Initiated by: Staff Request Dec. 17, 2018</i>	Community Development Director	On hold per developer
Landscape and Street Lighting District Assessment Adjustment (mail-in election authorization) <i>Initiated by: Council Direction Jul. 9, 2019</i>	Public Works Director	Add to Revenue Strategy Study Session
Final Parcel Map No. 82295 for a two-unit residential condominium project at 1602 Loma Drive. <i>Initiated by: Staff Request Oct. 10, 2019</i>	Community Development Director	Pending Coastal Development Permit
Public Records Request Guidelines <i>Initiated by: Staff Request Oct. 14, 2019</i>	City Clerk/Assistant to the City Manager	Pending City Clerk Appointment
Emergency Services Municipal Code Chapter 2.56 Update <i>Initiated by: Staff Request Jan. 15, 2020</i>	Emergency Management Coordinator	Waiting for State to review proposed language changes
Return to Council to discuss a full ban on tobacco sales and to include all available data related to other communities who have adopted complete bans. <i>Initiated by: Council Direction Jan. 28, 2020</i>	Community Development Director	Council directed staff to bring item back in June 2021
Consideration of licensing agreement/fees for use of City logo <i>Initiated by: Council Direction Jun. 9, 2020</i>	City Attorney	
Discussion on Potential Establishment of a City Council Subcommittee Regarding City Finances ( <i>supported by Detoy, Armato, Fangary</i> ) <i>Initiated by: Other Matters Jun. 9, 2020</i>	Finance Director/Assistant to the City Manager	
Electric Charging Stations Maintenance Contract <i>Initiated by: Staff Request Jun. 15, 2020</i>	Environmental Programs Manager	
Follow-up on Mayor's Pledge <i>Initiated by: Council Direction August 25, 2020</i>	City Manager's Office/Police Chief	