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.*

MATURITY SCHEDULE*

$__________ Serial Bonds
(Base CUSIP†: ______)

Maturity (November 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP†

$______ - ____% 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 overallot 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

* *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	
TOTAL SOURCES	$
Uses:	
Deposit to Escrow Fund [1]	$
Costs of Issuance [2]	
Underwriter's Discount	
TOTAL USES	$

[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 15th 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 dated 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
Revenues				
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
Total Revenues	42,681,855	37,819,760	39,052,300	35,870,352
Expenditures				
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	--
Total expenditures	41,556,672	37,801,412	36,564,598	39,008,408
Excess of revenues over expenditures	$1,125,183	$18,348	$2,487,701	($3,138,056) [2]
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
Change in fund balance	($790,457)	$12,458	$2,481,808	($1,518,023)

[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 n 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	$35,870,352
Revenue Decrease	($6,811,503)
Transfers In 2019-20 Budget	$402,922
Less: Estimated Transfers In 2020-21 Budget	$396,734
Transfers In Decrease	($6,188)
Estimated Appropriations 2019-20 Midyear Budget	$40,939,034
Less: Initial 2020-21 Appropriations	$41,326,719
Appropriations Decrease	($387,685)

Transfer Out 2019-20 Budget	$2,318,562
Less: Estimated Transfers Out 2020-21 Budget	$1,788,970
Transfers In Decrease	$529,592
CIP Carry Forward	$367,439
Changes in Fund Balance	$100,324
Estimated 2020-21 Revenue Shortfall	($6,208,021)

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
Assets					
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
Total assets	14,191,572	13,509,083	15,378,921	13,991,814	15,592,174
Liabilities and Fund Balances					
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
Total liabilities	3,677,884	4,083,825	5,111,750	3,787,161	4,379,056
Deferred Inflows of Resources					
Unavailable Revenues	--	647,216	604,619	629,878	699,026
Total	--	647,216	604,619	629,878	699,026
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	--	--	--	--	--
Total fund balances	10,513,688	8,778,042	9,662,552	9,574,775	10,514,092
Total Liabilities and Fund Balances	**$14,191,572**	**$13,509,083**	**$15,378,921**	**$13,991,814**	**$15,592,174**

[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
Revenues					
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
Total Revenues	35,618,264	36,713,851	37,460,346	38,341,477	41,222,568
Expenditures					
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
Total expenditures	30,063,776	34,151,306	34,926,792	35,286,533	37,061,369
Excess of revenues over expenditures	5,554,488	2,562,545	2,533,554	3,054,944	4,161,199
Other financing sources (uses):					
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)
Total other financing sources (uses)	(3,145,802)	(4,298,191)	(1,649,044)	(3,212,730)	(3,221,882)
Change in fund balance	2,408,686	(1,735,646)	884,510	(157,786)	939,317
Fund balances, July 1	8,105,002	10,513,688	8,778,042	9,732,561 [2]	9,574,775
Fund balances, June 30	$10,513,688	$8,778,042	$9,662,552	$9,574,775	$10,514,092

[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 XIIIC and XIIID 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 Occupancy Tax	$2,349,750	$2,762,444	$3,237,026	$3,295,207	$3,251,349	$2,599,810	$1,440,460
Business License Tax	$1,059,445	$1,058,663	$1,098,421	$1,061,130	$1,107,724	$1,095,424	$732,024
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 XIIIA 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 XIIIA 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 XIIIA 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 XIIIA (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

Year	Local Secured	Utility	Unsecured	Total
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

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

	Property Owner	Primary Land Use	2020-21 Assessed Valuation	% of Total [1]
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	14,231,259	0.17
			$484,203,337	5.76%

[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	0.500
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

OVERLAPPING TAX AND ASSESSMENT DEBT:	**% Applicable**	**Debt 9/1/20**
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
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT		$76,955,113
DIRECT AND OVERLAPPING GENERAL FUND DEBT:		
Los Angeles County General Fund Obligations	0.495%	$11,402,338
Los Angeles County Superintendent of Schools Certificates of Participation	0.495	22,599
City of Hermosa Beach Lease Revenue Bonds	**100.000**	**9,890,000**(1)
Los Angeles County Sanitation District South Bay Cities Authority	17.171	270,251
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT		$21,585,188
GROSS COMBINED TOTAL DEBT		$98,540,301(2)

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%

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(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 at18201 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. 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

Cost Rate	Unfunded Liability	Cost Rate	Unfunded Liability	Cost Rate	Unfunded Liability
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

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%	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

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%	$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

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
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

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
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

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
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:

Fiscal Year Ended June 30,	Total City Contribution
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 (1)	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 [1]	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 [1]	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 [1]	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 [1]	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 (1)	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 (1)	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 (1)	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 (1)	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 Date	Fiscal Year Required Contribution	Discount Rate
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 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 XIIIA of the State Constitution

On June 6, 1978, California voters approved Proposition 13, which added Article XIIIA to the State Constitution. Article XIIIA, 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 XIIIA 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 XIIIA 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 XIIIA

Legislation has been enacted and amended a number of times since 1978 to implement Article XIIIA. 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 XIIIB of the State Constitution

In addition to the limits Article XIIIA 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 XIIIB which effectively limits the amount of such revenues those entities are permitted to spend. Article XIIIB, 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 XIIIB 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 XIIIC and XIIID 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 XIIIC and XIIID 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 XIIIA and XIIIC of the State Constitution. The amendments to Article XIIIA 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 XIIID 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 XIIID, 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 XIIID 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 XIIID.

Judicial Interpretation of Proposition 218. The interpretation and application of Articles XIIIC and XIIID 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 XIIID 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 XIIIA 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 XIIIA, XIIIB, XIIIC and XIIID 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 XIIIC and Article XIIID 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 XIIIC and Article XIIID 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 XIIIC and Article XIIID 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 XIIIC and Article XIIID 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 XIIIC and Article XIIID 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 XIIIA 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 XIIIA 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 XIIIA 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 XIIIA 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 XIIIA.

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 XIIIC and Article XIIID."

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

Area	2016	2017	2018	2019	2020
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

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%
Wage and Salary Employment: (1)					
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 (2)	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)

	Retail Stores		**Total All Outlets**	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2015[1]	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)

	Retail Stores		**Total All Outlets**	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2015[1]	112,657[1]	$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
Permit Valuation					
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	10,594.9	10,793.2	7,076.1	8,525.4	7,102.4
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	2,494.1	2,942.4	1,352.6	5,109.8	1,609.3
Total Nonresidential	4,096.8	10,638.90	3,669.80	5,853.3	2,011.7
New Dwelling Units					
Single Family	43	49	29	56	31
Multiple Family	15	15	5	9	4
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
Permit Valuation					
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	1,641,457.3	1,639,294.3	1,757,904.1	1,941,369.5	1,625,839.3
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	2,705,727.5	2,880,916.6	3,143,200.2	2,796,375.3	3,404,012.4
Total Nonresidential	5,645,372.4	2,657,930.1	6,037,503.0	6,694,097.3	6,589,601.7
New Dwelling Units					
Single Family	4,487	4,780	5,456	6,070	5,738
Multiple Family	18,405	15,589	17,023	17,152	15,884
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. *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